



Forest Products Commission
Annual Report 2023-2024



fpc Forest Products
Commission

Forest Products Commission acknowledges the Aboriginal people of Western Australia as the traditional custodians of this land and we pay our respects to their Elders, past and present.

ISSN 1838-5362 (print)
ISSN 1838-5370 (online)
ISBN 978-1-7636952-0-7 (print)
ISBN 978-1-7636952-1-4 (online)

September 2024
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This document is available in alternate formats on request.



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We acknowledge the Aboriginal peoples of Western Australia as the traditional custodians of this land and we pay our respects to their Elders, past and present.

Statement of compliance



Hon Jackie Jarvis MLC
Minister for Forestry

Statement of compliance

For year ended 30 June 2024.

In accordance with section 63 of the *Financial Management Act 2006*, we hereby submit for your information and presentation to Parliament, the annual report of the Forest Products Commission for the reporting period ended 30 June 2024.

The annual report has been prepared in accordance with the provisions of the *Financial Management Act 2006* and any other relevant written law.

The financial statements comply with Australian Accounting Standards – Simplified Disclosures issued by the Australian Accounting Standards Board.

A handwritten signature in black ink, appearing to read 'D Blaskett'.

Ms Debra Blaskett
Chair

5 September 2024

A handwritten signature in black ink, appearing to read 'S West'.

Mr Stuart West
General Manager

5 September 2024





Chair's statement



Over the past year, the Forest Products Commission (FPC) has innovated and evolved in response to the transformation of the native forestry industry and ongoing investment in WA's softwood plantation estate. This reflects the long history of the forestry industry in adapting to change while continuing to provide important timber resources for the West Australian community.

The Department of Biodiversity, Conservation and Attractions' (DBCA) Forest Management Plan 2024-2033 has set the course for FPC's future activities in native forests in the South West, with the end of commercial logging and new emphasis on activities to promote forest health. This has been a significant change for Western Australia, FPC and particularly for local communities in the South West.

Our work providing ecological thinning in native forests as a service to DBCA is vitally important for the future health of our forests, especially in the wake of a long and dry summer. It is pleasing to see our efforts to prepare for the new approach have ensured we are immediately supporting this important work for forest health.

Importantly for our business, momentum is building with the \$350 million investment into softwood plantations. Combined with our increasing focus on optimisation and effective plantation and fire management activities, our work in securing the softwood estate will ensure sustainable timber resources for the housing and construction industry in WA for years to come.

Supporting local industry development is also important, which is seen clearly in our sandalwood segment through the opportunities and capacity building we deliver for Aboriginal businesses and communities across the Goldfields.

Our people work hard to achieve good outcomes, but this is not at the expense of safety. Everyone should come home safely from work and the FPC embraces the view that safety is everyone's responsibility so we are continuing to build our safety culture for staff and contractors, and indeed the wider industry.

Throughout the year, the forestry sector has welcomed evolving technology and shown great flexibility, notably with consistent advances to business operations. Our people have been passionate and committed in their endeavours to ensure FPC is a success.

Thanks are due to many for the achievements of the past year, starting with the Minister for Forestry, Hon Jackie Jarvis MLC, for her ongoing commitment and support.

I also thank my fellow commissioners, the executive and all team members for their tireless efforts and commitment to our ongoing business transformation.

DEBRA BLASKETT
CHAIR

General Manager's statement



The evolution of the native forestry industry has been more notable over the past year as we transitioned to the Forest Management Plan (FMP) 2024-2033.

Supported by significant planning and collaboration with DBCA, the shift from commercial logging to ecological thinning in native forests has commenced on a solid footing, and I acknowledge the efforts of FPC staff, contractors, customers and other industry representatives in adopting the new approach.

It is still early days in our work as a service provider to DBCA for their forest health objectives and we continue to learn and evolve with this new paradigm as the new FMP is implemented.

Our achievements this year are made possible thanks to the commitment and professionalism of our team in the transition to a new era. This extends to our vital network of industry partners, contractors and customers, particularly those who have pivoted or transformed their business in native forestry activities.

We are positioning the FPC for the future as we move to our new business model which is centered on plantation forestry, climate change response and providing services to support healthy forests.

STUART WEST
GENERAL MANAGER

Western Australia's forestry sector proudly supports thousands of jobs, particularly in regional communities, and is always evolving to provide timber products and services for the future.

We are committed to innovation in providing economic, social and environmental benefits to West Australians through sustainable forestry activities.

Our plantation estate not only generates a reliable supply of timber for WA's housing and construction sector but also makes an important contribution to the State's decarbonisation efforts to fight climate change.

Our focus for softwood plantations, the biggest and most significant branch of our business, is on growth, optimisation and enhancement of our operations.

We continue efforts to strengthen partnerships with stakeholders, develop thriving plantations and protect these valuable assets from the threat of fire.





Who
we are

Our agency

The Forest Products Commission (FPC) works in plantation and native forestry across Western Australia. Our team is committed to positive engagement with communities, industry and government to support a vibrant and sustainable forestry sector.

The commission delivers timber products and services across three business segments – plantations, native forest and sandalwood – in line with our key priorities of timber production, forest health and adapting to the challenges of climate change.

Our objective is to supply essential timber products for the housing and construction industry in Western Australia as well as for furniture, artisans, firewood and other uses.

The State Government's Softwood Plantation Investment Program is injecting \$350 million over ten years to secure our softwood estate. Carbon sequestration from new plantations also plays an important role in the State's action on climate change.

All native forest operations accord with the Forest Management Plan (FMP) of the time. Commercial logging in South West native forests ended in Western Australia on 31 December 2023, with the shift in focus to supporting forest health on behalf of the Department of Biodiversity, Conservation and Attractions (DBCA). Native forest management will evolve over time via ecological thinning, in line with the new FMP 2024-2033, as new equipment and techniques are introduced to achieve positive outcomes.

We focus on care, innovation and industry support to ensure our forests remain a strategic and sustainable resource for the future.

Our vision

To build and maintain a sustainable and commercially viable forest products industry that provides economic and social benefits to the people of Western Australia.

Our mission

To contribute to Western Australia's economic and regional development.

Our values

'Each of us being our best and treating each other well. This is what we strive for at the FPC.'

Our values support and guide us in everything we do as we carry out our work. All interactions with colleagues, contractors, stakeholders and members of the community reflect our values and expected behaviours.



Our organisational structure

Minister for Forestry
Hon Jackie Jarvis MLC

Board Chair
Debra Blaskett

General Manager
Stuart West

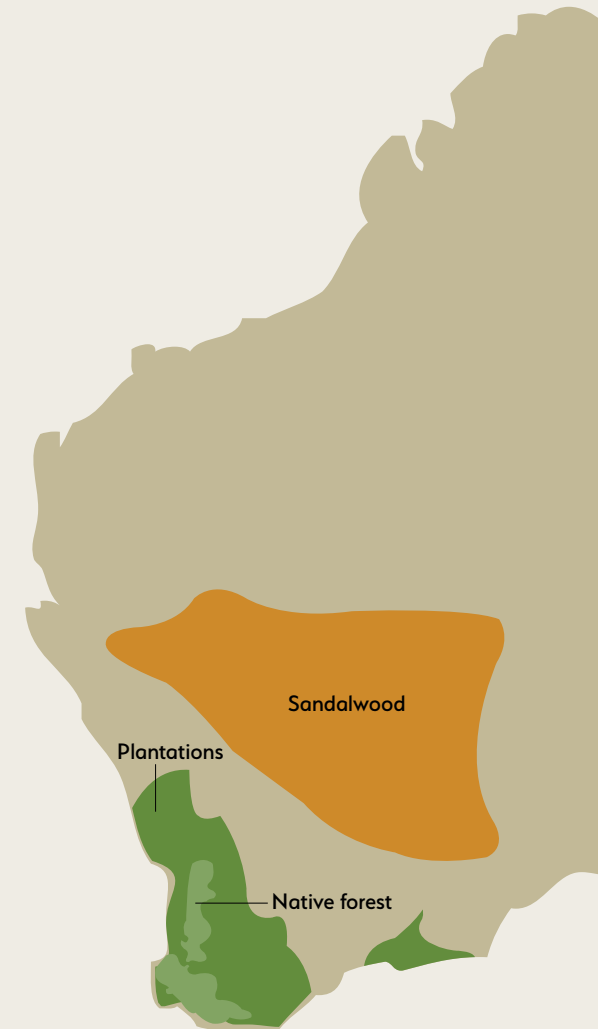
Director Finance
Antonio De Nobrega

Director Business Services
Andrew Lyon

Director People and Culture
Suzanne McCavanagh

Director Operations
John Tredinnick

Director Information Systems and Engagement
Anna Wood



Our Commission



The FPC Commission annual field trip in May 2024 took them to various operations in the South West to visit staff and contractors.



DEBRA BLASKETT
CHAIR

Appointed June 2021. Appointed Chair November 2021.

Debra Blaskett was previously an executive at Perth Airport where she was responsible for corporate services including risk, governance, safety, environment, people and culture, and corporate affairs. Prior to joining Perth Airport, Debra held several senior positions in the Commonwealth public service across the portfolios of Australian External Territories Administration and aviation, maritime and offshore oil and gas security regulation. Debra has also previously been the Deputy President of the Board of the Tourism Council of Western Australia. Debra is currently a Non-Executive Director at Fremantle Ports and holds a Bachelor of Jurisprudence, Bachelor of Laws and Bachelor of Arts (Hons) degrees. She is a graduate of the Australian Institute of Company Directors and a Fellow of the Governance Institute of Australia.



HON MELISSA PARKE

DEPUTY CHAIR | SUB-COMMITTEE – CHAIR PEOPLE, SAFETY AND ENVIRONMENT COMMITTEE

Appointed June 2021 – September 2023

The Hon Melissa Parke is a former Minister for International Development and former federal member for Fremantle (2007-2016). Prior to entering the Australian Parliament, Melissa served as an international lawyer with the United Nations in Kosovo, Gaza, New York and Lebanon (1999-2007). Since her retirement from parliament, Melissa has served as a member of the UN Group of Eminent Experts on Yemen for the UN Human Rights Council, investigating violations of international law committed by parties to the conflict in Yemen. Melissa has been an Ambassador for ICAN (International Campaign to Abolish Nuclear Weapons) since 2017. She is currently the Chair of the Western Australian Museum Board of Trustees and is also a board member of the East Metropolitan Health Service, international development organisation BRAC and Animals Australia.

Our Commission



HON ROBERT PEARCE

COMMISSIONER | SUB-COMMITTEE – CHAIR AUDIT AND RISK COMMITTEE

Appointed November 2012 – June 2024

The Hon Robert Pearce started his career as a school teacher and was elected to the Western Australian Legislative Assembly in 1977. He held a range of ministerial portfolios including environment (forestry), education and transport. Robert retired from parliament in 1993 and from 1998 to 2012, he was Executive Director of the Forest Industries Federation of Western Australia. Robert has been widely active in the forest industry, sitting on a range of committees and boards.



SIMON BYRNE

COMMISSIONER

Appointed June 2022

Simon Byrne is an executive manager with more than eight years' executive director board experience, a 35-year career in legal services and more than 25 years' experience in utility businesses and environmental regulation. He has more than 10 years' experience in company secretarial, procurement, risk and compliance and corporate services. Simon is currently General Counsel and Company Secretary for ATCO Australia Pty Ltd and ATCO Gas Australia.



STAN LIAROS

COMMISSIONER

Appointed June 2021 – June 2024

Stan Liaros is Chief Executive Officer of the Apprentice and Traineeship Company, Chair of Aqwest (Bunbury Water Corporation) and a board member of the Construction Training Fund. He is a former Chair of the Apprentice Employment Network WA, the South West Academy of Sport and was Senior Vice-President of the South West Football league for five years. Stan is actively involved in business and community activities in Western Australia's South West, where he strongly advocates for employment and training in that area.



VANESSA MARTIN

COMMISSIONER

Appointed November 2021

Vanessa Martin is a Noongar woman and a direct descendant from the Minang, Wudjari of the Wagyl Kaip and Nyoongar - Baaduk peoples east of Esperance on the south east coast of Western Australia. Vanessa has extensive experience in working in the public, private and not-for-profit sectors in senior leadership roles. She is currently on the board of Marr Mooditj Training Aboriginal Corporation, the Perth Zoological Parks Authority, Chair of the Noongar Boodjar Language Cultural Aboriginal Corporation and the Noongar Advisory Company which supports and provides advice to the trustee on the Noongar Boodjar Trust for the Noongar Native Title Settlement. Vanessa has helped develop and manage the implementation of State Government and private sector Aboriginal employment and training strategies, as well as playing a significant role in liaison, consultation and negotiation with key stakeholders in the statewide Aboriginal community.



STEPHANIE BLACK

COMMISSIONER

Appointed June 2022

Stephanie Black is an experienced leader and has held executive positions in government and the private sector. Stephanie retired from her most recent role as Deputy Director General, Infrastructure and the Regions in the Department of Premier and Cabinet in July 2022. She has previously held senior positions in the departments of finance, health and State development. She has led large and small teams to achieve transformational change, excellent commercial outcomes and complex business objectives. Stephanie has extensive governance, risk and financial management knowledge and is a member of the board of the Art Gallery of Western Australia and the Zonta House Refuge Association.

Our Executive



STUART WEST

BSc For, Fellow Gottstein Trust (2001) Fellow Governor's Leadership Foundation (2003)

GENERAL MANAGER

Stuart has worked in the Australian forestry industry since graduating with a Bachelor of Science (Forestry) in 1990 and has held executive responsibilities for almost 25 years. Stuart has detailed experience working in government-owned forestry businesses and working with Australia's major forestry companies leading transformational structural reform in a number of states. He has led initiatives to attract new manufacturing and generating new demand for products in a variety of sectors including food and agriculture, forestry and manufacturing.



ANTONIO DE NOBREGA

Hon, BCompt; MBA (UK); CAANZ; Adv,Dipl(Tax); GAICD

DIRECTOR FINANCE

In an Australian and international career spanning more than 30 years, Tony has amassed experience in corporate services, strategic planning, risk management, financial management, tax and auditing. He has worked predominantly in government trading entities and the manufacturing and auditing sectors. Before joining FPC in 2018, Tony was Chief Financial Officer for various mints worldwide and a financial consultant to the aged care industry.



ANDREW LYON

BSc Env Mgt; MBA

DIRECTOR BUSINESS SERVICES

Andrew joined FPC in 2008 and has been the Director Business Services since 2018. Andrew has enjoyed an international forestry career and was an Edinburgh Napier University Research Fellow specialising in timber quality research. Andrew has extensive experience in the forest sector, incorporating strategic policy, land management, carbon policy, science and applied research. He is passionate about sustainable forest management policy and has been involved in the development of two Forest Management Plans in WA. Andrew is a member of many State and national organisations on forestry, carbon and sustainability.



SUZANNE MCCAVANAGH

BA Industrial Relations, GradDip Public Sector Management

DIRECTOR PEOPLE AND CULTURE

Suzanne joined FPC in February 2020 as Director People and Culture. She has 25 years' experience in executive roles and has been a member of executive leadership teams in six public sector organisations including WA Health, Transport and Infrastructure, and the TAFE sector. She has extensive expertise in leading transformational and cultural change programs, human resources strategy, workforce planning, organisational re-design, organisational development and cultural change. Her early career was in industrial relations.



JOHN TREDINNICK

BSc For MSc

DIRECTOR OPERATIONS

John has more than 30 years' experience working in senior management positions both in Australia's forestry industry and internationally. His experience includes forest management, timber processing and timber trading. John leads a range of transformation and business development projects aimed at expanding the State's plantation estate and introducing efficiencies and innovation throughout FPC's operations. He also has responsibility for the forest operations and management divisions.



ANNA WOOD

BComm

DIRECTOR INFORMATION SYSTEMS AND ENGAGEMENT

Anna has experience in communications and engagement in the emergency services and health sectors across a career of more than 25 years in the WA public service. She joined FPC in 2022 and began a women in executive leadership development role on 1 July 2023. In addition to leading the communications and engagement team, as Director Information Systems and Engagement, Anna also oversees systems and technology, contracts and procurement, and deliveries and billing.

Our team

Staff snapshot

We employ 186 people across our work sites with 63 per cent of our staff located in regional towns. This includes permanent full time and permanent part time employees, fixed term contract staff and casual employees.

Staff category	FTE	Headcount
Permanent full time employees	128	128
Permanent part time employees	10.45	16
Fixed Term full time employees	17	17
Fixed Term part time employees	1.67	2
Casuals	20.82	22
Seconded in FPC	1	1
Totals	178.94	186

**This data does not include trainees.*



Executive field trip in April 2024 visited staff at the Manjimup Nursery.

Engaging our people across a wide footprint

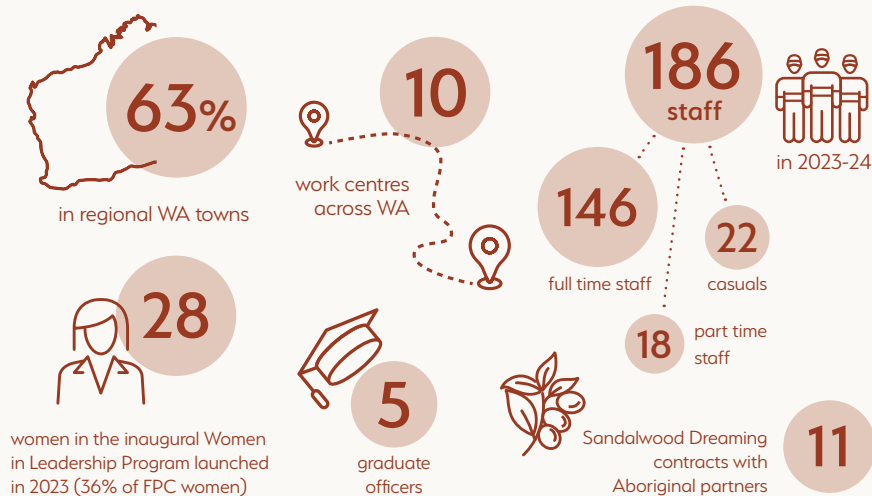
FPC has offices throughout Western Australia, making open and versatile staff communications essential.

The People Engagement Group (below) includes staff from various departments and locations who connect both in person and online to develop People Plan initiatives and keep an open channel of communication between staff and executive.



Virtual networks are used for Executive Conversations presentations, special events like International Day of Forests celebrations and Brunch & Learn education and learning sessions.

In April 2024, Executive Conversations took the form of a three-day visit to the South West. Staff at Manjimup, Nannup and Bunbury gave the executive team a guided tour of operational activities and discussed successes, challenges, risks and opportunities linked to their work. The tour provided time for one-on-one conversations between staff and executives, as well as broader updates about our business priorities.





Year in review

POTTIPUTR
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Our people



Professional development, culture, health and wellbeing

Our people are at the heart of our business and the expertise, resilience and dedication of our team has been the foundation for our progress and favourable results in 2023-24.

We deliver a range of programs and initiatives to generate a positive culture, productive workforce and safe workplace. This is part of our commitment to the health and wellbeing of staff and setting them up for success.

We invest in our people through good training and development to improve our workforce capability, performance and culture. We are also progressing programs that support diversity and inclusion to strengthen our workforce and ensure we bring out the best in our people.

Throughout the year, we championed wellbeing initiatives and actively supported programs to address topics affecting both our employees and the broader community we serve. This included mental and physical health promotion as well as other wellbeing initiatives.

We actively promote and encourage staff to access the free and confidential Employee Assistance Program and associated wellbeing services available to them, including the recently launched and FPC specific AltiusLife wellbeing platform.

With safety a priority focus, regular information campaigns target topical issues throughout the year, with a dedicated safety focus during our annual OSHTober initiative.



Prioritising mental health

Staff in all our regions gathered to acknowledge and raise awareness of R U OK? Day on September 14, supporting our mental health and wellbeing endeavours.

Sharing a morning tea along with a health and safety quiz, staff learned about the R U OK? 2023 theme: I'm here to hear. The activities aimed to improve knowledge and provide tools to support and connect with others. These events showcase the importance of nurturing positive relationships to help people thrive at work.

Staff at the Harvey office proudly showed off their quiz prizes, which are a great reminder of the important message behind this initiative.

FPC also participated in Mental Health Week, held webinars on mental wellbeing and delivered mental health first aid training to staff.

Our people

New places of opportunity for graduates

A cohort of five graduate officers joined FPC in 2023 as part of the Operations Graduate Development Program, which aims to support succession in forest operations roles and build our talent pipeline.

Women represent 60 per cent of the cohort, making the program a key initiative supporting our workforce diversification and inclusion goals.

The three-year program gives graduates on-the-job training and mentoring through a range of learning opportunities in forest management, silviculture, harvesting and bushfire protection. Graduates are based in the South West at Bunbury, Manjimup and Nannup.

One graduate was chosen during the year to participate in the Public Sector Commission's Graduate Program 'A place of opportunity' social media campaign, which targets students seeking extraordinary graduate experiences and showcases meaningful, diverse and interesting careers in the WA public sector.



OSHtober Sun Safety

The theme for the 2023 OSHtober staff safety campaign was Be Sun Smart. Over four weeks, staff were reminded about how to manage their skin cancer risk, which is particularly relevant for our operational staff.

Guest speakers from the Cancer Council visited regional offices to share important information on how to be protected from the harmful health effects of UV radiation.

Staff were also reminded of the free skin checks available to them as FPC employees and received a new broad brimmed hat to help in their sun protection regime.



Brunch & Learns unlock knowledge for staff

Brunch & Learn events are an opportunity for FPC staff from different teams to meet and share their knowledge and expertise.

The monthly sessions foster a culture of learning and knowledge sharing focused on priority or topical subjects. This year has included forest health, operational planning, cyber security and stakeholder engagement.





Leading women

The inaugural Women in Leadership Program was launched in 2023 to actively support the growth and development of women in FPC's workforce.

The program aims to give women practical skills they can apply to their work, supporting them to step up into leadership roles.

This significant investment to grow women leaders from within our existing FPC talent pool saw 28 women, representing 36 per cent of our female staff, successfully complete the program. It concluded with a celebratory session in conjunction with International Women's Day.

By focusing on women in non-traditional roles, especially forestry, we can continue to drive positive change.

"I'm grateful for the opportunity to have completed the Women in Leadership course. It was a great opportunity to develop my leadership skills and push myself out of my comfort zone. I also found it valuable to share experiences with women in other Government roles."

Kelly
Senior Corporate Support Officer



Our people

“Safety is a priority for FPC, and our greatest risks are in the operational aspects of our business. We are committed to growing a strong safety culture among our staff, contractors, and the wider industry. Driving is a necessary part of our work so keeping our people and other road users safe is one area we are focusing on.”

John
Director Operations



Keeping our people and contractors safe

Engagement with our contractors, the Forest Industry Federation of WA, the Australian Forest Products Association and the Community and Public Sector Union/ Civil Service Association was ongoing throughout the year to improve work health and safety (WHS) across the forest industry.

FPC is a member of the AFPA WHS sub-committee. Its Safety, Health and Wellbeing Strategy 2022-2025 and Annual Works Plan include the development of industry guidance documents and delivery of projects and research that focus on the use of technology to reduce risks and incidents.

The committee is focused on two key risk areas: Fatigue and unauthorised access.

FPC is also collaborating with the Western Australian forest industry to develop a new WA Forestry Safety Code aligned with WA WHS legislation and modelled on Safe Work Australia Codes of Practice.

The draft code was released for public consultation and the feedback received during this consultation is being used to inform the final document.

Our annual OShtober campaign for staff ran in October 2023. The theme was Be Sun Smart, a reminder that those who spend all or part of the day regularly working outdoors are at increased risk of skin cancer.

FPC's Safety Management System was audited to evaluate our compliance with the ISO 45001:2018 Occupational Health and Safety Management Systems (ISO 45001) Standard, as well as the Work Health Safety Act 2020 (WA) and relevant Work Health Safety (General) Regulations 2022 (WA). The best practice recommendations identified are a key priority for the next 12 months.

Throughout the year FPC also prepares Safety Alerts for staff and contractors to increase the awareness of safety related concerns.



Road safety a priority

Driving is a critical risk for FPC, especially for employees working in WA's plantations and native forests which often means driving on regional roads and bush tracks.

Defensive driver training sessions are held regularly for FPC staff, comprising a theory session on road safety and the important vehicle safety systems as well as in-the-field training. This allows staff to put theory into practice while driving a four-wheel drive and completing braking exercises on gravel. This training is in addition to other safety initiatives that target the human factors and systems that affect driver safety.

Our business



Plantations

The \$350 million Softwood Plantation Investment Program accelerated during 2023-24. A total of more than 8,850 hectares across 25 properties have been secured since the program began in 2021.

Accounting for the ceased operations at the Gngangara mound and exiting sharefarms during the year, FPC owns and manages approximately 70,000 hectares of softwood plantations, primarily in the South West. Three years into a 10-year plan to acquire suitable land for new plantations, FPC is now securing the future supply of timber for Western Australian homes, while also contributing to the State's response to climate change.

With this additional land, the 2024 plantation establishment targets have increased. The silviculture and nursery teams have worked tirelessly to prepare sites and grow over five million pine seedlings for planting across 3000 hectares of plantations in 2024.

The sustainability of responsibly sourced plantation timber is a positive influence on social acceptance and product demand, especially given plantation pine is a renewable resource that also has a positive impact on climate change action.



Population growth and housing

Western Australia's population is predicted to rise steadily over the next decade and beyond.

New home building activity is also poised for expansion as housing demand rises to meet the needs of a growing population.

FPC is committed to securing the future supply of local timber products for the WA housing and construction industry.

Growing more than timber

Well-managed plantations deliver economic, environmental and social benefits to West Australian communities such as:

- Supporting around 2000 jobs, particularly in regional WA
- Indirectly supporting many thousands of jobs in the building industry that depend on the reliable supply of timber
- Providing mixed-use recreation and tourism opportunities including support of the UCI Gravel Seven cycling event through our plantation estate
- Reduction of greenhouse gases, helping to fight climate change.



Farm Forestry Assist Grants Program

The FPC supports pine planting on private land through the Farm Forestry Assist program, providing free seedlings to enable eligible landowners to establish plantations. As part of the program, the FPC provides technical advice to landowners as well as connecting them to plantation establishment contractors.

Established plantings can diversify income, complement farm operations, provide land care benefits, sequester carbon for financial gain and carbon offset, and contribute to meeting WA's future timber demand.



“The most rewarding part of my job is knowing I’m helping to produce sustainable timber for the future homes of West Australians and these trees are also fighting climate change.”

Angela
Graduate Officer



Plantations contributing to Western Australian Climate Policy

FPC is an important contributor to the State target of net zero greenhouse gas emissions by 2050 through the Softwood Plantation Investment Program, a key action of the Western Australian Climate Policy.

New plantations established under the program are being registered as carbon projects with the Clean Energy Regulator so they can generate Australian Carbon Credit Units (ACCUs) over the lifetime of the project. Six carbon projects have been registered under the \$350 million investment program to date.

In addition to these six projects, and prior to the investment program, the FPC registered its first carbon project in 2018. The first ACCUs for the project were issued in 2023-24.

We also have ongoing relationships with private and public sector partners in plantation development and the registration of ACCU Scheme projects. In these projects, the carbon credits generated will be retained by the landowners while the timber produced will contribute to the State's supply. The partnership agreements use the resources and forest management expertise of the FPC to increase the establishment of new plantations beyond the area of property in our possession.

Stakeholder and community engagement

FPC works collaboratively with a range of stakeholders in the forestry industry, state and local government bodies, and the wider community to meet our obligations, improve performance and achieve positive outcomes for Western Australia.

It also has close working relationships with various groups linked to our operational activities and is committed to positive engagement with those who are directly impacted or involved with our work.

Regional events provide opportunities for FPC to interact with the communities where we work. Our presence demonstrates our local contribution and raises awareness of the value of plantations, especially in the South West which is home to most of the people employed in WA's softwood timber industry.

FPC involvement at the Balingup Small Farm Field Day, Nannup Flower and Garden Festival and Brunswick Show raised awareness of the lifecycle of pine from seed to timber and highlighted our commitment to fire management, carbon capture and timber production.

Forest Learning VR headsets have provided a new and innovative way to teach children and adults about sustainable forestry through interactive and educational videos.



A new generation learns about forestry

Bunbury school children learned about different aspects of nature and the local environment at the Hidden Treasures of Mangrove Cove Education Day.

Organised by DBCA, the event involved nine environmental organisations, including graduate officers from the Forest Products Commission.

FPC's stall featured Lifecycle of Pine lessons, virtual forestry experiences through VR headsets and the chance for each child to plant a seedling using the pottiputki.

They also enjoyed drawing on wood with lumber crayons used to mark trees and logs in the bush and an activity measuring children's waists to explain the process of measuring tree diameter.



"I felt the kids were really engaged in the activities, especially using the pottiputki, VR headsets and being gifted a seedling to take home! Some of the children mentioned our stall was their favourite. The comment made my day."

Maddy
Graduate Officer



Granting better fire resources to regional communities

Bushfire readiness in regional WA received a boost through FPC's Community Fire Protection Grants program in 2024. The program offers grants of up to \$10,000 to fire brigades, local government authorities and community organisations.

Grants were recently awarded to shires including Boyup Brook, Dardanup, Harvey, West Arthur, Williams and Serpentine-Jarrahdale for fire supplies and professional development. These grants will assist with the purchase of resources such as fast fill water tanks, trailers and fire awareness and learning opportunities.

Applications are assessed on their alignment with FPC's softwood plantation priorities and their potential to boost understanding of plantation fire management and deliver community protection benefits.



Upper Capel Bushfire Brigade installing their new water tank and stand.



Sandalwood

Our sandalwood operations harvest and regenerate wild sandalwood on Crown land across the arid rangelands together with the management of plantations established on sharefarms in the Wheatbelt.

Sales of a new powder blend for producing incense continued to be actively marketed to international customers as part of our strategy to integrate wild and plantation sandalwood. FPC also actively engaged with mining companies in the Goldfields to salvage eucalypt logs prior to clearing activities.

Wild sandalwood inventory

FPC is assisting DBCA with an inventory of wild sandalwood health and distribution across the arid rangelands. This will be used to inform future understanding of wild sandalwood sustainability.



Sandalwood Dreaming

FPC continues to provide support to 11 Sandalwood Dreaming contractors, enabling them to harvest sandalwood (*Santalum spicatum*) and collect and sow sandalwood seeds on country.

This provides valuable economic opportunities which we look to further leverage with the potential to link Aboriginal stories and artwork with marketing the wood they harvest.

FPC is also working with Wescorp Sandalwood to investigate new marketing opportunities for value adding products linked to Aboriginal businesses.

Taking the history of sandalwood into the future

FPC has sponsored the Museum of the Goldfields to create a new video series on the local history of the sandalwood industry – and its future and the interesting ecology and lifecycle of the sandalwood tree.

The partnership emerged from the museum's plan to replace the old sandalwood display with a contemporary exhibition and school education package. The videos are an opportunity to feature FPC's Sandalwood Regeneration Program and our work supporting Aboriginal businesses through the sandalwood industry.





Recovering high-value timber across the Goldfields

FPC is helping wood artisans look beyond South West timbers and discover the features of Great Western Woodlands timber species.

By recovering suitable timber from approved clearing activities, FPC is aspiring to preserve and maximise the potential of Goldfields Timber. The aim is to provide new opportunities for Aboriginal businesses, reduce carbon emissions, forge local government partnerships and make high-value wood available to carpenters and craftspeople.

Goldfields species such as salmon gum (*Eucalyptus salmonophloia*) and gimlet (*Eucalyptus salubris*) are beautiful timbers used for high-grade furniture, decorative veneers and musical instruments.

Sandalwood forum

Sandalwood contractors from across the Goldfields gathered in Kalgoorlie for the annual forum in December to learn about the industry's progress and future opportunities.

Operations Director John Tredinnick gave the keynote address about options beyond 2026, with speakers from Wescorp and DBCA discussing international markets and sandalwood sustainability. The group travelled to Bullabulling Station outside Coolgardie to inspect the successful machine and hand-planted sandalwood seedlings grown in FPC's Sandalwood Regeneration Program.

"Our Sandalwood Dreaming contractors work in remote areas, generally on their country, so bringing them together for a day of learning and networking helps support their daily business activities. We are committed to helping these Aboriginal businesses to thrive and benefit from the opportunities available to them in the Sandalwood industry."

Ian Knobel
Manager Sandalwood





Native forest

Following changes in WA Government policy for native forestry, commercial logging in WA's native forests ended on 31 December 2023. FPC is now supporting the State Government's efforts to manage the impacts to forest health from climate change through its management of ecological thinning operations as prescribed by DBCA under the Forest Management Plan 2024-2033.

To prepare for the new approach from 1 January 2024, FPC collaborated with the timber industry and leading global forest equipment manufacturers throughout 2023 to develop thinning methodologies that support the plan.

In January 2024, FPC awarded harvest and haulage contracts that enabled businesses to purchase and upgrade equipment to meet ecological thinning objectives. Following guidance from DBCA, ecological thinning activities began early in the year.

FPC continues to work under direction from DBCA to ensure the full and proper implementation of the thinning program and prepare for any adjustments to future program activities.

Timber recovery from ecological thinning under the plan will deliver products for the local manufacture of high purity silica used in electrical componentry and solar cells, industrial timber used to create Laminated Veneer Lumber for housing and construction, and firewood to the Western Australian market. FPC also recovers timber from approved mine site operations which offers additional log products for furniture, timber and artisan uses.



Fire prevention and protection

As the softwood plantation estate extends into new landscapes across the South West, FPC is building partnerships to protect this investment and local communities from the ongoing threat of bush fire.

Developing alliances with volunteer bushfire brigades managed by local governments is critical in protecting these new plantations and building on existing arrangements with DBCA and the Department of Fire and Emergency Services (DFES).

FPC is also growing internal capacity to respond to wildfire, with 45 operational staff registered for involvement under the FPC's Fire and Emergency Service unit in 2023-24.

The Forest Industry Federation of Western Australia (FIFWA) Plantation Managers Fire Agreement remains important for protecting plantations in regional communities. Under the agreement, forest managers including FPC share suppression resources, collaborate on mitigation measures and promote plantation values in fire situations.

FPC staff continue to provide valuable support to the DBCA's broader fire response capabilities, with 20 individuals actively involved with DBCA district and interagency fire rosters.

Fire training

More than 30 FPC staff put the revised Plantation Firefighter training module to the test in Bridgetown and Collie at the end of the fire season.

FPC helped develop the module alongside DFES. It is targeted for bushfire brigade members in districts which are home to softwood plantations, though FPC staff also benefit from a better understanding of fire mitigation, response and communications strategies.

Interagency relationships promote effective, coordinated fire responses and the training allowed FPC and DFES staff to meet and share plantation firefighting experiences.



Cooperation to prepare for bushfires

Preparation for the bushfire season this year kicked off with a gathering of stakeholders in West Arthur Shire to discuss fire management in and around FPC plantations.

Staff from the shire, Department of Water and Environment (DWER) and DFES visited some of FPC's sharefarms, newly purchased properties and more established plantations.

FPC teams up with emergency service agencies and local governments to ensure fire preparation and response activities are well coordinated for the protection of both assets and communities.



Securing water supplies

New water tanks were installed in FPC's softwood plantations in 2024 to meet fire protection and plantation management needs.

Six tanks have been built across several regional shires to ensure reliable, accessible water sources are available in key locations.

Plans are in place to familiarise local fire control officers and bushfire brigade members with the location of the tanks and how to access the resources in the event of fire.



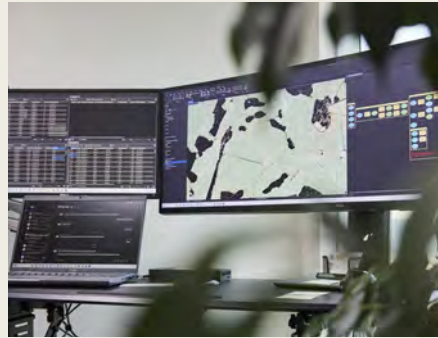
"We're pleased to establish these important, reliable emergency fire water sources as they're critical to the protection of our new softwood plantation estate."

Greg
Fire Protection Manager



Business improvements

FPC is embracing digital innovation and technological advancement to improve forest management and business operations.



Cyber security

FPC continued to enhance its cyber security profile in line with the WA Government's 2021 Cyber Security Policy and now meets the Essential Eight mitigation strategies. As part of its cyber security program of works, FPC has also undertaken network penetration testing, rolled out a new cyber security training platform, implemented new vulnerability management, device management and application management tools as well as updating our ICT change management procedures. A multidisciplinary cyber desktop exercise was also held to test agency preparedness for a cyber attack (below).



Tree Breeding Program

FPC's *Pinus radiata* genetic improvement program is continuing in association with Tree Breeding Australia. Research incorporating extensive trial plantings of selected families continues to aid the selection of the best genetics specifically for the West Australian environment, with subsequently identified superior genetic material used to create seed orchards located at FPC's Manjimup Nursery and Seed Centre.

Plantation silviculture

Plantation silviculture has had a renewed focus on the fertiliser program, with dedicated staff and the introduction of a new model aimed at providing an optimised site-specific fertilising regime to help maximise plant growth.

The new model, called 'Pro-fert' assists in predicting how plantations will respond to fertiliser and to identify areas that will be the most economical to fertilise, taking into account site climate and soil quality.

This will help improve the growth and yield from both existing and new softwood plantations. The initial focus has been on soil nutrition sampling and starting the application.

To enhance planting productivity in the future, FPC has also begun a trial investigating the application of a new mechanical planting system.





Remote sensing

Remote sensing technology continues to reduce the requirement for physical assessment and validation when mapping vast areas. Trials using remote sensing technology are also testing how we can advance our activity and performance by combining new approaches with existing needs and methods.

In the past 12 months, FPC has further developed last year's successful drone-based trial aimed at identifying live radiata seedlings, expanding it to include our newly established plantations. The capture of high-resolution imagery was mapped against existing methods for seedling detection and estimation of survival rates.

FPC has also trialed LiDAR – light detection and ranging – drone-based 3D capture of established pine plantations to assess the feasibility of automating measurements made during our current inventory processes.

These types of drone capture are an important step forward in digital forestry, improving the efficiency and effectiveness of plantation management activities and the ability to produce a digital twin of the plantation resource.



Sandalwood plantation health

A sandalwood plantation thinning program has begun, aimed at improving the health of young sandalwood trees.

The program is largely non-commercial thinning, however a small amount of plantation wood was also debarked, using a tumbler, and processed and tested for its aromatic oil yields and market value.

Although the trees are relatively young the trial provides information to FPC on extracting, processing and marketing plantation sandalwood which will help with future harvest planning when the trees reach a commercial age of approximately 25 years.

Digital forestry operations planning

Manual spreadsheets are giving way to live, cloud-based planning systems to improve long-term forest operations.

The Remsoft Operations platform adopted in 2023 improves efficiency by centralising information from various FPC systems to give a clearer view of harvest planning through to operations, without the risk of manual errors in adding or changing data.

The next phase added Remsoft Optimization (Opti) Studio in 2024, with the capacity to map out a three-year harvest plan. Remsoft Opti enables harvest schedules to be better aligned with factors such as log orders, seasonal priorities and budgets.

Embracing digital forestry is important for data-driven decision making on how to organise operations to get the best out of resources and assets, securing the future of the industry.

“The capabilities of Remsoft are very exciting. Elements such as Crew Scheduler and Allocation Planner are simple to use and will improve efficiency and allow greater visibility of our harvesting activities.”

Henry
Strategic Planner





Jennifer Riley
Noongar woman
Heart of the forest

Aboriginal engagement

FPC is committed to developing and strengthening relationships with Aboriginal people and engaging staff and stakeholders in reconciliation through our business activities and Reconciliation Action Plan (RAP), which is at the Innovate stage of the reconciliation journey.

FPC is a signatory to the Noongar Standard Heritage Agreement and Aboriginal heritage and cultural assessments are embedded in FPC operations across the South West and Goldfields.

Improvements that help Aboriginal businesses to become commercially sustainable are a priority, particularly in regional areas of Western Australia. Initiatives include:

- Continued success in the implementation and management of the Sandalwood Dreaming program, which supports Aboriginal businesses to work on country harvesting sandalwood and collecting or planting sandalwood seeds
- Continued support for training and financial management, particularly as new Aboriginal contractors commence work
- Continuing to award contracts to Aboriginal businesses, with 12.5 per cent of new FPC contracts entered in this reporting period being for Aboriginal businesses.



Wearing Aboriginal art

A much-loved image at FPC by Noongar artist Diahane Riley is being exhibited in a new and unique way as a staff shirt.

Diahane's painting, *Learning Together*, won the FPC Aboriginal Art Competition Staff Choice Award in 2022 and has been hanging on the wall of the FPC Perth office ever since.

A special project by a staff member, linked to the Women in Leadership development program, proposed a new staff uniform item that featured the artwork. The polo-style shirt was produced by Gangurru, an Aboriginal business providing corporate and sporting uniforms.

The new shirts were presented to staff at a National Reconciliation Week event in May, along with Diahane's message of pride in having her image of elders and bush meeting places exhibited on the shoulders of those who work in forest care.

NAIDOC Week

Aboriginal elder Verna Vos from Kutjarra Tjukurrpa Enterprise visited FPC to share her knowledge of native plants and their traditional uses during NAIDOC Week 2023.

Verna, a Pini/Tjupan woman of the Darlot mob, who grew up in Leonora and has a Bachelor of Education, gave important insights into Aboriginal engagement and cultural awareness.

She discussed connecting with people to create positive, sustainable relationships and stayed for morning tea sourced from Aboriginal businesses.

Reconciliation Week

Reconciliation Week 2024 celebrations for FPC started with attendance at the WA Reconciliation Breakfast at Optus Stadium in Boorloo (Perth) and ended with the Walk for Reconciliation from Langley Park to Supreme Court Gardens. Perth FPC staff danced with traditional Aboriginal performers, visited the healing smoking pits and listened to Aboriginal musicians.

Throughout Reconciliation Week, many people across Western Australia will also have seen FPC-sponsored street banners, featuring artwork by Aboriginal artist Renita Brown Nungurrayi. The banners flew in Bunbury, Busselton, Capel, Dunsborough, Harvey, Kalgoorlie, Manjimup and Perth.



On country visits foster collaboration

FPC staff work closely with Aboriginal Sandalwood Dreaming contractors to support the development of commercial business opportunities. Visiting them on country is a positive way to foster collaboration and shared understanding to achieve best outcomes.

Supporting Aboriginal businesses

FPC provides practical training and guidance for new and existing Sandalwood Dreaming contractor crews to support their operational and business activities.

A Sandalwood Dreaming contractor visited Wescorp Sandalwood in Perth to better understand the supply chain process.



Our environment



Sustainable forest management

FPC's operations in native forest, plantations and sandalwood are certified to the Responsible Wood Standard for sustainable forest management, recognised by the international Program for Endorsement of Forestry Certification (PEFC). During 2023-24, FPC maintained our certification to the International Standard ISO 14001:2015 (for an Environmental Management System) and the Australian and New Zealand Standard for Sustainable Forest Management (SFM) AS/NZS 4708:2021.

Impact of drying climate

Land and aerial surveys have revealed the strain of one of the driest summers on record on South West and Mid West plantations. Along with below average rainfall, the combined impact is now showing on plantations and native forests.

With climate forecasts of a drier and hotter future, FPC plans to increase thinning of pine plantations to substantially reduce leaf area and share the available soil moisture between the retained trees. Targeted measurements, combined with aerial and satellite assessments, guide interventions to minimise the increasing impact of drought on the plantation estate. An understanding of shrinking rainfall areas in the South West also informs decisions on new plantation investments.

Climate change

Trees play an important role in dispersing and removing pollutants such as carbon dioxide, nitrogen dioxide and particulate matter from the atmosphere, making FPC an important contributor to Western Australia's target of net zero greenhouse gas emissions by 2050. In 2023-24, FPC's first ACCUs were issued under the ACCU Scheme. A total of seven carbon projects are now registered with the Clean Energy Regulator.

Apart from growing pine plantations, which remove carbon dioxide from the atmosphere, we also contribute to the State Government's plan for a prosperous and resilient low-carbon future through:

- Measuring and monitoring greenhouse gas emissions produced by the agency's business activities, planning for reducing those emissions and adjusting operational procedures accordingly
- Working to understand the potential impacts of a warmer and drier climate on plantations, staff and contractors
- Removing carbon dioxide from the atmosphere by establishing plantations and supplying the housing industry with timber for roof trusses and housing frames which continue to store the carbon dioxide for decades
- Generating carbon credits through the Softwood Plantation Investment Program, which will be needed in the transition to a decarbonised economy.



Sandalwood regeneration

The natural regeneration of sandalwood relies on animals such as woylies to disperse and bury seeds. Due to feral predators, the marsupials are now rare which puts the natural regeneration of sandalwood at risk.

The Operation Woylie seeding machine replicates the natural process by dispersing and burying seeds. Sandalwood Dreaming and other contractors collect sandalwood seeds, which are processed for the regeneration program.

The machine sows lines of sandalwood seeds throughout the arid rangelands. The seeds may lie in the ground for three years or more and germinate when conditions, such as rainfall, are suitable. Seeding over summer 2024 resulted in 19 tonnes (6.25 million seeds) being sown.

FPC snapshot

7 carbon credit projects registered under the ACCU Scheme



5,584 hectares

of land acquired to bolster WA's softwood plantation estate

18.9 tonnes

of sandalwood seed planted in the rangelands

68,130 hectares

total softwood plantation estate in WA

\$220 million

Value of WA's softwood plantation estate in 2023-24

4,871 hectares registered for carbon credits



1,366 kilometres of seeding rows in the rangelands

\$95.57 million total invested since the Softwood Plantation Investment Program began (2021)

More than **180,000**

sandalwood seeds planted by Aboriginal people

5 million

pine seedlings grown for the 2024 planting season

\$64.961 million

invested during the year on new land for WA's softwood estate

1,285 hectares



in total of native vegetation recorded on FPC-owned plantation land for ongoing preservation

More than **50,000** seedlings grown for external customers

\$109 million total sales income from forest products





Performance summary



Financial performance

The FPC continues to provide a significant contribution to the economies of the State and many communities throughout the South West and Goldfields regions of Western Australia.

This financial year, the FPC reported an operating loss result of \$6.3 million, before contribution income and amortisation of sandalwood licence, native forestry right-of-use assets and State Government subsidies.

The FPC has invested \$73 million in building the State's softwood estate.

No dividend was declared to the State Government for the 2023-24 financial year.

Pricing arrangements

Pricing arrangements are determined by a variety of factors including requirements under the *Forest Products Act 2000*.

Section 59 of the Act prescribes the costs that are to be factored into a price for forest products. Contracts include indexation or an alternative escalation mechanism to minimise financial risk to the FPC.

The following table details a summary of our corporate performance against the financial outcomes and targets detailed in the Statement of Corporate Intent 2023-2024.

	Target 2023-24 (\$ millions)	Actual 2023-24 (\$ millions)	Variance (\$ millions)
Financial targets			
Total expenses (sourced from Statement of Comprehensive Income)	149.6	120.9	28.7
Total income (sourced from Statement of Comprehensive Income)	120.3	112.1	(8.2)
Total equity (sourced from Statement of Financial Position)	348.6	392.5	43.9
Net increase / (decrease) in cash held (sourced from Statement of Cash Flows)	0.4	14.8	14.4
Financial outcomes			
Timber revenues	119.5	109.0	(10.5)
Operating loss	(29.3)	(8.8)	20.5
Net loss after tax	(14.5)	(3.9)	10.6
Closing cash balance	15.8	30.2	14.4
Dividends paid	-	-	-
Performance measures			
Return on assets	-3.8%	-0.9%	2.9%
Return on equity	-4.2%	-1.0%	3.2%
Operating loss to timber revenues	-24.5%	-8.0%	16.5%

Summary of audited key performance indicators

As highlighted in the 2022-23 Annual Report, with the end of commercial native forestry in 2023, the FPC needed to change Key Performance Indicators (KPI) that were no longer relevant to the new operating model under the Forest Management Plan 2024-2033. Coupled with this, the passing of the *Government Trading Enterprises Act 2023* (GTE Act) which has been introduced to consolidate the governance requirements of GTEs which are presently contained in multiple instruments also require changes to existing KPI's.

While the KPI changes required by the GTE Act do not yet apply to the FPC, the FPC has been working with Treasury to align new KPI's with the GTE Regulations and the FPC's Outcomes Based Management Framework has been changed to report against new Key Performance Indicators in 2023-24. The new KPI's for all GTE's are based on five areas Occupational Safety and Health, Customer Service, People and Diversity, Environmental Impact, Efficiency and Effectiveness with KPI's associated with these areas.

Area	KPI	Target*	Actual
Occupational health and safety	Lost time injury and disease frequency rate	Less than industry average (6.58)	6.39
	Lost time injury and disease severity rate	0%	50%
Customer service	Complaint resolution rate	100%	100%
Environmental impact	Net greenhouse gas emissions	Exempt for financial year 2023-2024	Exempt for financial year 2023-24
People-Diversity	Aggregated diversity score	85	85.8%
	Voluntary turnover rate	12%	13.2%
Efficiency and effectiveness	Operating margin	1.1%	3.8%
	Return on assets	0.3%	1%

* As the KPI's are all new, Targets were not set for 2023-24 but where possible a relevant target for comparison in the 2023-24 period is provided for context.





Financial statements



Auditor General's report

INDEPENDENT AUDITOR'S REPORT 2024

FOREST PRODUCTS COMMISSION

To the Parliament of Western Australia

Report on the audit of the financial statements

Opinion

I have audited the financial statements of the Forest Products Commission (Commission) which comprise:

- the Statement of Financial Position as at 30 June 2024, and the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended
- notes comprising a summary of material accounting policies and other explanatory information.

In my opinion, the financial statements are:

- based on proper accounts and present fairly, in all material respects, the operating results and cash flows of the Forest Products Commission for the year ended 30 June 2024 and the financial position at the end of that period
- in accordance with Australian Accounting Standards (applicable to Tier 2 Entities), the *Financial Management Act 2006* and the Treasurer's Instructions.

Basis for opinion

I conducted my audit in accordance with the Australian Auditing Standards. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my report.

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

Responsibilities of the Commissioners for the financial statements

The Commissioners are responsible for:

- keeping proper accounts
- preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards (applicable to Tier 2 Entities), the *Financial Management Act 2006* and the Treasurer's Instructions
- such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Commissioners are responsible for:

- assessing the entity's ability to continue as a going concern
- disclosing, as applicable, matters related to going concern
- using the going concern basis of accounting unless the Western Australian Government has made policy or funding decisions affecting the continued existence of the Commission..

Auditor's responsibilities for the audit of the financial statements

As required by the *Auditor General Act 2006*, my responsibility is to express an opinion on the financial statements. The objectives of my audit are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

A further description of my responsibilities for the audit of the financial statements is located on the Auditing and Assurance Standards Board website. This description forms part of my auditor's report and can be found at https://www.auasb.gov.au/auditors_responsibilities/ar4.pdf.

Report on the audit of controls

Opinion

I have undertaken a reasonable assurance engagement on the design and implementation of controls exercised by the Forest Products Commission. The controls exercised by the Forest Products Commission are those policies and procedures established to ensure that the receipt, expenditure and investment of money, the acquisition and disposal of property, and the incurring of liabilities have been in accordance with the State's financial reporting framework (the overall control objectives).

In my opinion, in all material respects, the controls exercised by the Forest Products Commission are sufficiently adequate to provide reasonable assurance that the controls within the system were suitably designed to achieve the overall control objectives identified as at 30 June 2024, and the controls were implemented as designed as at 30 June 2024.

Auditor General's report

The Commissioners' responsibilities

The Commissioners are responsible for designing, implementing and maintaining controls to ensure that the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities are in accordance with the *Financial Management Act 2006*, the Treasurer's Instructions and other relevant written law.

Auditor General's responsibilities

As required by the *Auditor General Act 2006*, my responsibility as an assurance practitioner is to express an opinion on the suitability of the design of the controls to achieve the overall control objectives and the implementation of the controls as designed. I conducted my engagement in accordance with Standard on Assurance Engagements ASAE 3150 Assurance Engagements on Controls issued by the Australian Auditing and Assurance Standards Board. That standard requires that I comply with relevant ethical requirements and plan and perform my procedures to obtain reasonable assurance about whether, in all material respects, the controls are suitably designed to achieve the overall control objectives and were implemented as designed.

An assurance engagement involves performing procedures to obtain evidence about the suitability of the controls design to achieve the overall control objectives and the implementation of those controls. The procedures selected depend on my judgement, including an assessment of the risks that controls are not suitably designed or implemented as designed. My procedures included testing the implementation of those controls that I consider necessary to achieve the overall control objectives.

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

Limitations of controls

Because of the inherent limitations of any internal control structure, it is possible that, even if the controls are suitably designed and implemented as designed, once in operation, the overall control objectives may not be achieved so that fraud, error or non-compliance with laws and regulations may occur and not be detected. Any projection of the outcome of the evaluation of the suitability of the design of controls to future periods is subject to the risk that the controls may become unsuitable because of changes in conditions.

Report on the audit of the key performance indicators

Opinion

I have undertaken a reasonable assurance engagement on the key performance indicators of the Forest Products Commission for the year ended 30 June 2024 reported in accordance with *Financial Management Act 2006* and the Treasurer's Instructions (legislative requirements). The key performance indicators are the Under Treasurer-approved key effectiveness indicators and key efficiency indicators that provide performance information about achieving outcomes and delivering services.

In my opinion, in all material respects, the key performance indicators report of the Forest Products Commission for the year ended 30 June 2024 is in accordance with the legislative requirements, and the key performance indicators are relevant and appropriate to assist users to assess the Commission's performance and fairly represent indicated performance for the year ended 30 June 2024.

The Commissioners' responsibilities for the key performance indicators

The Commissioners are responsible for the preparation and fair presentation of the key performance indicators in accordance with the *Financial Management Act 2006* and the Treasurer's Instructions and for such internal controls as the Commissioners determine necessary to enable the preparation of key performance indicators that are free from material misstatement, whether due to fraud or error.

In preparing the key performance indicators, the Commissioners are responsible for identifying key performance indicators that are relevant and appropriate, having regard to their purpose in accordance with Treasurer's Instruction 904 Key Performance Indicators.

Auditor General's responsibilities

As required by the *Auditor General Act 2006*, my responsibility as an assurance practitioner is to express an opinion on the key performance indicators. The objectives of my engagement are to obtain reasonable assurance about whether the key performance indicators are relevant and appropriate to assist users to assess the entity's performance and whether the key performance indicators are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. I conducted my engagement in accordance with Standard on Assurance Engagements ASAE 3000 Assurance Engagements Other than Audits or Reviews of Historical Financial Information issued by the Australian Auditing and Assurance Standards Board. That standard requires that I comply with relevant ethical requirements relating to assurance engagements.

An assurance engagement involves performing procedures to obtain evidence about the amounts and disclosures in the key performance indicators. It also involves evaluating the relevance and appropriateness of the key performance indicators against the criteria and guidance in Treasurer's Instruction 904 for measuring the extent of outcome achievement and the efficiency of service delivery. The procedures selected depend on my judgement, including the assessment of the risks of material misstatement of the key performance indicators. In making these risk assessments, I obtain an understanding of internal control relevant to the engagement in order to design procedures that are appropriate in the circumstances.

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

My independence and quality management relating to the report on financial statements, controls and key performance indicators

I have complied with the independence requirements of the *Auditor General Act 2006* and the relevant ethical requirements relating to assurance engagements. In accordance with ASQM 1 Quality Management for Firms that Perform Audits or Reviews of Financial Reports and Other Financial Information, or Other Assurance or Related Services Engagements, the Office of the Auditor General maintains a comprehensive system of quality management including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Auditor General's report

Other information

The Commissioners are responsible for the other information. The other information is the information in the entity's annual report for the year ended 30 June 2024, but not the financial statements, key performance indicators and my auditor's report.

My opinions on the financial statements, controls and key performance indicators does not cover the other information and accordingly I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, controls and key performance indicators my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and key performance indicators or my knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I did not receive the other information prior to the date of this auditor's report. When I do receive it, I will read it and if I conclude that there is a material misstatement in this information, I am required to communicate the matter to those charged with governance and request them to correct the misstated information. If the misstated information is not corrected, I may need to retract this auditor's report and re-issue an amended report.

Matters relating to the electronic publication of the audited financial statements and key performance indicators

This auditor's report relates to the financial statements and key performance indicators of the Forest Products Commission for the year ended 30 June 2024 included in the annual report on the Commission's website.

The Commission's management is responsible for the integrity of the Commission's website. This audit does not provide assurance on the integrity of the Commission's website. The auditor's report refers only to the financial statements, controls and key performance indicators described above. It does not provide an opinion on any other information which may have been hyperlinked to/from the annual report. If users of the financial statements and key performance indicators are concerned with the inherent risks arising from publication on a website, they are advised to contact the entity to confirm the information contained in the website version.



GRANT ROBINSON
ASSISTANT AUDITOR GENERAL FINANCIAL AUDIT
DELEGATE OF THE AUDITOR GENERAL FOR WESTERN AUSTRALIA

Perth, Western Australia
5 September 2024

Certification of financial statements

Certification of the financial statements

For the year ended 30 June 2024

The accompanying financial statements of the Forest Products Commission have been prepared in compliance with the provisions of the *Financial Management Act 2006* from proper accounts and records to present fairly the financial transactions for the financial year ended 30 June 2024 and the financial position as at 30 June 2024.

At the date of signing, we are not aware of any circumstances which would render the particulars included within the financial statements misleading or inaccurate.



Ms Debra Blaskett
Chair

5 September 2024



Ms Stephanie Black
Commissioner

5 September 2024



Mr Antonio De Nobrega
Chief Finance Officer

5 September 2024

Statement of Comprehensive Income

For the year ended 30 June 2024

	Notes	2024 \$000	2023 \$000
Continuing operations			
Income and revenue			
Revenue from sale of forest products	3.2	108,969	125,870
Commonwealth grants and contributions	3.4	1,509	103
Interest income	3.5	631	446
Grants and subsidies from State Government	3.3	11,393	472
Other income	3.6	964	7,824
Gain on disposal of non-current assets	3.7	-	1
Gains from foreign exchange	3.7	75	91
Total income and revenue		123,541	134,807
Expenses			
Production expenses	4.2	76,213	77,258
Net movement in biological assets	5.4.1	8,278	(17,288)
Employee benefits expense	4.3.1	21,574	20,840
Supplies and services	4.6.1.(a)	14,275	21,166
Depreciation and amortisation expense	5.1.1; 5.2.1; 5.3.1	4,526	5,402
Finance costs	7.2	296	348
Accommodation expenses	4.6.1.(b)	875	837
Grants and subsidies	4.4	115	69
Loss on disposal of non-current assets	4.5	200	-
Other expenses	4.6.1.(c)	2,830	2,305
Onerous contracts expense	4.6.2	151	(31)
Total expenses		129,333	110,906
Net result from continuing operations before income tax		(5,792)	23,901
Income tax benefit	4.7.1	1,891	3,034
Net result from continuing operations after income tax		(3,901)	26,935

	Notes	2024 \$000	2023 \$000
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Remeasurements of defined benefit liability	4.3.2.(c)	(1)	2
Changes in asset revaluation surplus	9.6.1	6,304	10,101
Deferred tax on items of other comprehensive income	9.6.1	(1,891)	(3,030)
Items that may be reclassified subsequently to profit or loss			
Changes in cashflow hedge reserve	9.6.2	-	12
Income tax on items of other comprehensive income	9.6.2	-	(3)
Other comprehensive income net of income tax		4,412	7,082
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		511	34,017

The 'Statement of Comprehensive Income' should be read in conjunction with the accompanying notes.

Statement of Financial Position

For the year ended 30 June 2024

	Notes	2024 \$000	2023 \$000
ASSETS			
Current Assets			
Cash and cash equivalents	7.3.1	30,243	15,458
Inventories	6.1	10,490	9,039
Receivables	6.2	8,370	12,656
Biological assets	5.4	16,194	10,052
Other current assets	6.3	5,717	3,536
Total current assets		71,014	50,741
Non-current assets			
Infrastructure, property, plant and equipment	5.1	146,240	81,526
Inventories	6.1	1,394	-
Deferred tax assets	4.7.3	-	-
Biological assets	5.4	208,291	210,479
Right of use assets	5.2	2,178	2,079
Intangible assets	5.3	1,266	3,770
Total non-current assets		359,369	297,854
Total assets		430,383	348,595
LIABILITIES			
Current Liabilities			
Payables	6.4.(a)	16,855	12,905
Lease liabilities	7.1	734	646
Employee related provisions	4.3.2.(a)	3,950	4,053
Other provisions	6.5.(a)	2,932	2,907
Deferred revenue	6.6.(a)	2,077	1,664
Total current liabilities		26,548	22,175

	Notes	2024 \$000	2023 \$000
Non-current liabilities			
Payables	6.4.(b)	2,621	2,806
Lease liabilities	7.1	1,566	1,462
Employee related provisions	4.3.2.(b)	915	805
Other provisions	6.5.(b)	1,641	4,380
Deferred revenue	6.6.(b)	4,572	5,906
Total non-current liabilities		11,315	15,359
Total liabilities		37,863	37,534
Net Assets		392,520	311,061
Equity			
Contributed Equity	9.6	404,941	323,993
Reserves	9.6.2	27,789	23,376
Accumulated deficit	9.6.3	(40,210)	(36,308)
Total Equity		392,520	311,061

The 'Statement of financial position' should be read in conjunction with the accompanying notes.

Statement of Changes in Equity

For the year ended 30 June 2024

	Notes	Contributed equity \$000	Reserves \$000	Accumulated deficit \$000	Total equity \$000
CONTRIBUTED EQUITY					
Balance at 1 July 2022		290,508	16,296	(63,245)	243,559
Net result after income tax for the year		-	-	26,935	26,935
Other comprehensive income for the year, net of income tax		-	7,080	2	7,082
Total comprehensive income for the year		-	7,080	26,937	34,017
Transactions with owners in their capacity as owners:					
State contribution (equity injection)		33,485	-	-	33,485
Balance at 30 June 2023	9.6	323,993	23,376	(36,308)	311,061
Balance at 1 July 2023		323,993	23,376	(36,308)	311,061
Net result after income tax for the year		-	-	(3,901)	(3,901)
Other comprehensive income for the year, net of income tax		-	4,413	(1)	4,412
Total comprehensive income/(loss) for the year		-	4,413	(3,902)	511
Transactions with owners in their capacity as owners:					
State contribution (equity injection)		80,948	-	-	80,948
Balance at 30 June 2024	9.6	404,941	27,789	(40,210)	392,520

The 'Statement of Changes in Equity' should be read in conjunction with the accompanying notes.

Statement of Cash Flows

For the year ended 30 June 2024

	Notes	2024 \$000	2023 \$000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Receipts from external customers		122,626	135,270
Interest received		517	309
Other receipts		916	3,603
Total receipts		124,059	139,182
Payments			
Payments for employee benefits		(21,607)	(20,201)
Payments to suppliers		(28,319)	(30,391)
Forest management expenditure		(75,896)	(87,416)
Total payments		(125,822)	(138,008)
Net cash (used in)/from in operating activities	7.3.2	(1,763)	1,174
CASH FLOWS FROM INVESTING ACTIVITIES			
Receipts			
Proceeds from sale of non-current physical assets		1,223	1
Payments			
Purchase of non-current physical assets		(64,799)	(30,741)
Purchase of investments			
Investment in new plantations	5.4	(8,423)	(4,945)
Net cash used in investing activities		(71,999)	(35,685)
CASHFLOWS FROM FINANCING ACTIVITIES			
Payments			
Lease payments		(931)	(994)
Net cash used in financing activities		(931)	(994)

The 'Statement of Cash Flows' should be read in conjunction with the accompanying notes.

	Notes	2024 \$000	2023 \$000
CASH FLOWS FROM STATE GOVERNMENT			
State Contribution/(repayment)		(490)	-
State Contribution (equity injection)		80,948	33,484
Other grants and subsidies	3.3	9,020	472
Net cash provided from State Government		89,478	33,956
Net increase/(decrease) in cash and cash equivalents			
		14,785	(1,549)
Cash and cash equivalents at the beginning of the year			
		15,458	17,007
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	7.3.1	30,243	15,458

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Notes to the financial statements

For the year ended 30 June 2024

1.0 CORPORATE INFORMATION AND BASIS FOR PREPARATION

Details of reporting entity

The Forest Products Commission (FPC) is a WA Government entity and is controlled by the State of Western Australia.

The FPC's principal purpose is to manage and control the logging and thinning of timber on Crown land in Western Australia, including native forest, plantation and sandalwood resources.

These annual financial statements were authorised for issue by the Board of Commissioners of the FPC on 5 September 2024.

Statement of compliance

These general purpose financial statements are prepared in accordance with:

- 1) The *Financial Management Act 2006* (**FMA**)
- 2) The Treasurer's Instructions (**TIs**)
- 3) Australian Accounting Standards (**AAS**) - Simplified Disclosure Requirements
- 4) Where appropriate, those **AAS** paragraphs applicable for not-for-profit entities have been applied.

The *Financial Management Act 2006* and the Treasurer's Instructions (the Instructions) take precedence over AAS. Several AAS are modified by the Instructions to vary application, disclosure format and wording. Where modification is required and has had a material or significant financial effect upon the reported results, details of that modification and the resulting financial effect are disclosed in the notes to the financial statements.

Basis of preparation

These financial statements are presented in Australian dollars applying the accrual basis of accounting and using the historical cost convention. Certain balances will apply a different measurement basis (such as the fair value basis). Where this is the case the different measurement basis is disclosed in the associated note. All values are rounded to the nearest thousand dollars (\$000).

Comparative figures are, where appropriate, reclassified to be comparable with the figures presented in the current financial year.

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- i. where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- ii. for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Judgements and estimates

Judgements, estimates and assumptions are required to be made about financial information being presented. The significant judgements and estimates made in the preparation of these financial statements are disclosed in the notes where amounts affected by those judgements and/or estimates are disclosed. Estimates and associated assumptions are based on professional judgements derived from historical experience and various other factors that are believed to be reasonable under the circumstances.

Contributed equity

AASB Interpretation 1038 *Contributions by Owners Made to Wholly-Owned Public Sector Entities* requires transfers in the nature of equity contributions, other than as a result of a restructure of administrative arrangements, to be designated by the Government (the owner) as contributions by owners (at the time of, or prior to transfer) before such transfers can be recognised as equity contributions. Capital appropriations have been designated as contributions by owners by TI 955 *Contributions by Owners made to Wholly Owned Public Sector Entities* and have been credited directly to Contributed equity.

Notes to the financial statements

2.0 FOREST PRODUCTS COMMISSION OUTPUTS

How the FPC operates

This section includes information regarding the nature of income that the FPC receives and how that income is utilised to achieve the FPC's objectives.

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2.1 FPC OBJECTIVES

Mission

To contribute to Western Australia's economic and regional development.

Segments

Segment information is prepared in conformity with Treasurer's Instruction (TI) 1101.

Segment income, expenses, assets and liabilities are allocated on the basis of direct attribution and reasonable estimates of usage.

A segment is a distinguishable component of the FPC that is engaged either in providing goods or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

The FPC's operations are comprised of the following main business segments:

Native forest – The FPC supports forest health outcomes through management of ecological thinning in accordance with the FMP 2024-2033.

Sandalwood – Responsible for harvesting and regeneration activities associated with sandalwood timber.

Plantations – Responsible for all harvesting, replanting and maintenance of the FPC's plantation estate as well as the maintenance of core sharefarm plantations. The objective of the core sharefarms is to maintain plantations that sustain and develop the timber industry.

Policy and Industry Development – This segment is responsible for policy, industry development and corporate support to Government.

Non Commercial – Activities that are non-core to the main operating segments and include sharefarms that are not required for long-term timber production.

The FPC operates in one geographical segment, being Western Australia.

Notes to the financial statements

2.2 SCHEDULE OF INCOME AND EXPENSES BY SERVICE

For the year ended on 30 June 2024

2024	Native Forest \$000	Plantations \$000	Sandalwood \$000	Policy and Industry Development \$000	Non Commercial \$000	Eliminations \$000	Total \$000
Income							
Sales of forest products	11,964	80,599	16,406	-	-	-	108,969
Commonwealth grants and contributions	11	1,480	8	5	5	-	1,509
Interest	297	43	271	20	-	-	631
Other income	66	728	26	131	13	-	964
Gain on disposal of non-current assets	-	-	-	-	-	-	-
Gains from foreign exchange	-	-	75	-	-	-	75
Internal segment revenue	-	3,424	-	-	-	(3,424)	-
Total income	12,338	86,274	16,786	156	18	(3,424)	112,148
Expenses							
Production expenses	(15,244)	(48,980)	(11,990)	1	-	-	(76,213)
Employee Expenses	(9,529)	(7,852)	(2,264)	(1,923)	(6)	-	(21,574)
Supplies and services	(2,540)	(11,512)	(2,326)	(1,315)	(6)	3,424	(14,275)
Depreciation and amortisation expense ¹	(603)	(1,264)	(87)	(139)	-	-	(2,093)
Finance costs	(19)	(270)	1	(7)	(1)	-	(296)
Accommodation expenses	(265)	(384)	(133)	(93)	-	-	(875)
Grants and subsidies	(2)	(108)	(3)	(2)	-	-	(115)
Loss on disposal of non-current assets	(46)	(107)	(29)	(19)	1	-	(200)
Other expenses	(1,094)	(580)	(761)	(395)	-	-	(2,830)
Total Expenses	(29,342)	(71,057)	(17,592)	(3,892)	(12)	3,424	(118,471)
Operating profit/(loss) before contribution income & amortisation of licences and forestry right-of-use assets²	(17,004)	15,217	(806)	(3,736)	6	-	(6,323)

Continued.

Notes to the financial statements

2.2 SCHEDULE OF INCOME AND EXPENSES BY SERVICE (CONTINUED)

For the year ended on 30 June 2024

2024	Native Forest \$000	Plantations \$000	Sandalwood \$000	Policy and Industry Development \$000	Non Commercial \$000	Eliminations \$000	Total \$000
Contribution income	-	-	-	-	-	-	-
Amortisation of sandalwood licence and native forest right-of-use asset	(1,081)	-	(1,352)	-	-	-	(2,433)
Operating profit/(loss)³	(18,085)	15,217	(2,158)	(3,736)	6	-	(8,756)
Net movement in biological assets	-	(8,278)	-	-	-	-	(8,278)
Grants and subsidies from State Government	11,393	-	-	-	-	-	11,393
Onerous contracts	-	-	-	-	(151)	-	(151)
Profit/(Loss) before Tax	(6,692)	6,939	(2,158)	(3,736)	(145)	-	(5,792)
Allocation of Income Tax Equivalent	2,008	(2,082)	647	1,319	-	-	1,891
Profit/(Loss) for the year	(4,684)	4,857	(1,511)	(2,418)	(145)	-	(3,901)
Total Segment Assets	2,800	367,492	11,840	-	48,251	-	430,383
Total Segment Liabilities	3,308	4,572	-	-	29,983	-	37,863

¹ Excludes amortisation on sandalwood licences and native forest right-of-use assets.

² Excludes contribution income and amortisation of sandalwood licence and native forest right-of-use asset which are included below.

³ Profit before change in biological assets valuation, onerous contracts and grants/subsidies from State Government.

Notes to the financial statements

2.2 SCHEDULE OF INCOME AND EXPENSES BY SERVICE (CONTINUED)

For the year ended on 30 June 2024

2023	Native Forest \$000	Plantations \$000	Sandalwood \$000	Policy and Industry Development \$000	Non Commercial \$000	Eliminations \$000	Total \$000
Income							
Sales of forest products	32,241	80,530	13,099	-	-	-	125,870
Commonwealth grants and contributions	28	60	13	2	-	-	103
Interest	38	43	345	20	-	-	446
Other income	288	3,252	130	227	-	-	3,897
Gain on disposal of non-current assets	-	-	1	-	-	-	1
Gains from foreign exchange	-	-	91	-	-	-	91
Internal segment revenue	-	2,004	-	-	-	(2,004)	-
Total Income	32,595	85,889	13,679	249	-	(2,004)	130,408
Expenses							
Production expenses	(24,992)	(43,058)	(9,209)	1	-	-	(77,258)
Employee Expenses	(9,533)	(8,454)	(2,091)	(750)	(12)	-	(20,840)
Supplies and services	(8,381)	(11,504)	(2,394)	(565)	(326)	2,004	(21,166)
Depreciation and amortisation expense ¹	(369)	(1,358)	(135)	(63)	(7)	-	(1,932)
Finance costs	(11)	(310)	(19)	(6)	(2)	-	(348)
Accommodation expenses	(172)	(370)	(68)	(176)	(51)	-	(837)
Grants and subsidies	(16)	(26)	(9)	(18)	-	-	(69)
Loss on disposal of non-current assets	-	-	-	-	-	-	-
Other expenses	(496)	(563)	(660)	(579)	(7)	-	(2,305)
Total Expenses	(43,970)	(65,643)	(14,585)	(2,156)	(405)	2,004	(124,755)
Operating profit/(loss) before contribution income & amortisation of licences and forestry right-of-use assets²	(11,375)	20,246	(906)	(1,907)	(405)	-	(5,653)

Continued.

Notes to the financial statements

2.2 SCHEDULE OF INCOME AND EXPENSES BY SERVICE (CONTINUED)

For the year ended on 30 June 2024

2023	Policy and Industry					Eliminations \$000	Total \$000
	Native Forest \$000	Plantations \$000	Sandalwood \$000	Development \$000	Non Commercial \$000		
Contribution income	-	-	3,927	-	-	-	3,927
Amortisation of sandalwood licence and native forest right-of-use asset	(2,161)	-	(1,309)	-	-	-	(3,470)
Operating profit/(loss)³	(13,536)	20,246	1,712	(1,907)	(405)	-	6,110
Net movement in biological assets	-	17,288	-	-	-	-	17,288
Grants and subsidies from State Government	-	472	-	-	-	-	472
Onerous contracts	-	-	-	-	31	-	31
Profit/(Loss) before Tax	(13,536)	38,006	1,712	(1,907)	(374)	-	23,901
Allocation of Income Tax Equivalent	4,061	(11,401)	(514)	10,888	-	-	3,034
Profit/(Loss) for the year	(9,475)	26,605	1,198	8,981	(374)	-	26,935
Total Segment Assets	11,077	274,954	136	-	62,428	-	348,595
Total Segment Liabilities	6,018	4,640	-	-	26,876	-	37,534

¹ Excludes amortisation on sandalwood licences.

² Excludes contribution income and amortisation of sandalwood licence and native forest right-of-use asset which are included below.

³ Profit before change in biological assets valuation, onerous contracts and grants/subsidies from State Government.

The 'Schedule of income and expenditure' by service should be read in conjunction with the accompanying notes.

Notes to the financial statements

3.0 FUNDING DELIVERY OF OUR SERVICES

Introduction

This section provides an account of the income that funds the delivery of the FPC's services. Income is received from a variety of sources, including the receipt of special purpose grants to support the delivery of Western Australian Government policy objectives.

Structure

This section includes:

- **Note 3.1** Summary of income that funds the delivery of our services
- **Note 3.2** Revenue from sale of forest products
- **Note 3.3** Other income from Western Australian Government entities
- **Note 3.4** Commonwealth grants and contributions
- **Note 3.5** Interest income
- **Note 3.6** Other income
- **Note 3.7** Other gains

3.1 SUMMARY OF INCOME THAT FUNDS THE DELIVERY OF OUR SERVICES

	Notes	2024 \$000	2023 \$000
Revenue from sale of forest products	3.2	108,969	125,870
Other income from WA Government entities	3.3	11,393	472
Commonwealth grants and contributions	3.4	1,509	103
Interest income	3.5	631	446
Other income	3.6	964	7,824
Other gains	3.7	75	92
Total income from transactions		123,541	134,807

3.2 REVENUE FROM SALE OF FOREST PRODUCTS

	2024 \$000	2023 \$000
Harvesting operations	93,650	98,196
Recovery of harvesting costs	15,244	27,566
Plant propagation centre revenue	75	108
Total revenue from sale of forest products	108,969	125,870

This revenue is recognised when FPC transfers control of the timber to a customer, for the amount to which FPC expects to be entitled.

Under AASB 15, the sale of timber products is to be recognised at the point in time when the performance obligation of delivery of timber has been satisfied. This is judged to occur at the point of delivery to the buyers' premises, unless otherwise stated in an enforceable contract.

Revenue from forest products is generated from the sale of graded and ungraded sawlogs, residual logs and other products including sandalwood, firewood, poles, piles and posts, seed and seedlings.

This revenue is recognised when FPC transfers control of the products to a customer, for the amount to which FPC expects to be entitled.

Under AASB 15, the sale of these products is to be recognised at the point in time when the performance obligation of delivering harvested and transformed products to buyers has been satisfied.

Amounts are recognised net of returns and taxes paid.

Notes to the financial statements

3.3 OTHER INCOME FROM WESTERN AUSTRALIAN GOVERNMENT ENTITIES

	2024 \$000	2023 \$000
Special purpose grants:		
Government operating subsidy ¹	-	220
Farm forestry grant ²	-	252
Native forestry subsidy ³	11,393	-
Total other income from Western Australian Government entities	11,393	472

¹ Subsidy for additional harvesting costs to be incurred as a result of rescheduling harvesting at Nngangara and the South West.

² Farm Forestry, Private Native Forestry and Indigenous Forestry grant allocation passed from the Federal to WA State Government under the Federation Funding Agreement.

³ These funds were provided by Treasury for the recoupment of costs related to ecological thinning activities. Sale of ecological thinning products are reimbursed to Treasury.

Revenue is recognised at fair value when the FPC obtains control over the assets comprising the contributions, usually when cash is received.

3.4 COMMONWEALTH GRANTS AND CONTRIBUTIONS

	2024 \$000	2023 \$000
Australian Carbon Credit Certificate grants ¹	1,465	-
Other Commonwealth grants ²	44	103
Total Commonwealth grants	1,509	103

¹ The FPC undertakes eligible activities as part of the Australian Government's Emissions Reduction Fund for which the Clean Energy Regulator grants the FPC the respective number of emissions certificates (Australian Carbon Credit Units [ACCUs]). The FPC recognises an unconditional Government grant upon receipt of each instalment of Australian Carbon Credit Units. Grants of emissions certificates are recognised in profit or loss in the period in which they are received. (See Note 6.1)

² Commonwealth boosting apprenticeship commencements program funding.

3.5 INTEREST INCOME

	2024 \$000	2023 \$000
Interest on overdue trade receivables	-	2
Interest on cash at bank	631	444
Total interest income	631	446

Interest income is recognised under the effective interest method, under AASB 9.

3.6 OTHER INCOME

	2024 \$000	2023 \$000
Contracts and other revenue	224	198
Revenue from cost recovery operations ¹	637	3,519
Resources received free of charge	103	180
Contributory licence income	-	3,927
Total other income	964	7,824

¹ Revenue from cost recovery operations is due mainly to services and staff provided to Department of Biodiversity, Conservation and Attractions (DBCA) for fire support, the recoup of plantation maintenance costs and insurance premium adjustments. Expenses associated with these contributions are included in expenses from ordinary activities.

As the FPC does not provide any cash or service in exchange for harvesting rights to sandalwood, the amount of the contribution is equal to the fair value of the right to harvest sandalwood for the 12 month period of each licence period.

Assets or services received free of charge or for nominal cost, that the FPC would otherwise purchase if not donated, are recognised as income at the fair value of the assets or services that can be reliably measured. A corresponding expense is recognised for services received. Receipts of assets are recognised in the Statement of Financial Position.

3.7 OTHER GAINS

	2024 \$000	2023 \$000
Gain on disposal of non-current assets		
Net proceeds from disposal of non-current assets:		
Plant, equipment and vehicles	-	1
Carrying amount of non-current assets disposed:		
Plant, equipment and vehicles	-	-
Gain on disposal of non-current assets	-	1
Net gain	-	1
Other gains		
Gain on foreign currencies	75	91
Total gains	75	92

Realised and unrealised gains are usually recognised on a net basis. Gains and losses on the disposal of non-current assets are presented by deducting from the proceeds on disposal the carrying amount of the asset and related selling expenses. Gains and losses are recognised in profit or loss in the statement of comprehensive income (from the proceeds of sale).

Notes to the financial statements

4.0 THE COST OF DELIVERING SERVICES

Introduction

This section provides an account of the operating expenses incurred by the FPC in delivering services and outputs and certain assets and liabilities associated with those expenses. In section 3, the funds that enable the delivery of our services were disclosed and in this note the operating costs associated with the delivery of those services are provided.

Structure

This section includes:

- **Note 4.1** Summary of expenses incurred in the delivery of services
- **Note 4.2** Production expenses
- **Note 4.3** Employee benefits expense
- **Note 4.3.1** Employee benefits expense in the Statement of Comprehensive Income
- **Note 4.3.2** Employee benefit provisions in the Statement of Financial Position
- **Note 4.4** Grants and subsidies
- **Note 4.5** Loss on disposal of non-current assets
- **Note 4.6** Other expenditure
- **Note 4.6.1** Other operating expenditure
- **Note 4.6.2** Onerous contracts
- **Note 4.7** Taxation

4.1 SUMMARY OF EXPENSES INCURRED IN THE DELIVERY OF SERVICES

	Notes	2024 \$000	2023 \$000
Production expenses	4.2	76,213	77,258
Employee benefits expense	4.3	21,574	20,840
Grants and subsidies	4.4	115	69
Loss on disposal of non-current assets	4.5	200	-
Other expenditure	4.6	17,980	24,308
Total expenses incurred in the delivery of services		116,082	122,475

4.2 PRODUCTION EXPENSES

	2024 \$000	2023 \$000
Harvesting	32,514	37,131
Haulage	29,485	30,638
Timber processing	4,407	4,217
Roading maintenance and construction	3,488	4,369
Movement in inventory	(1,123)	1,496
Other	7,442	(593)
Total production expenses	76,213	77,258

Production expenses comprise costs primarily incurred with external contractors, contracted to harvest standing timber and haul the resultant timber products to the point-of-sale, normally the buyer's facility.

Costs associated with the maintenance and construction of roads necessary to logging operations, for which the FPC engages external contractors, are expensed as incurred.

Notes to the financial statements

4.3 EMPLOYEE BENEFITS EXPENSE

4.3.1 EMPLOYEE BENEFITS EXPENSE IN THE STATEMENT OF COMPREHENSIVE INCOME

	2024 \$000	2023 \$000
Employment benefits	19,530	18,998
Superannuation - defined contribution plans ¹	2,043	1,841
Superannuation - defined benefit plans ²	1	1
Total employee benefits expenses	21,574	20,840
Add: AASB 16 Non-monetary benefits ³	50	74
Less: Employee Contributions	(16)	(20)
Net Employee benefits	21,608	20,894

¹ Defined contribution plans include West State Superannuation Scheme (WSS), Gold State Superannuation Scheme (GSS), Government Employees Superannuation Board Schemes (GESBs) and other eligible funds.

² Defined benefit plans may include Gold State Superannuation Scheme (GSS) members transferred from the former pension Scheme.

³ AASB 16 Non-monetary benefits: Non-monetary employee benefits, that are employee benefits expenses, predominantly relate to the provision of vehicle and housing benefits are measured at the cost incurred by the FPC.

Employee benefits: include wages, salaries and social contributions, accrued and paid leave entitlements and paid sick leave, and non-monetary benefits recognised under accounting standards other than AASB 16 (such as housing or cars) for employees.

Superannuation: the amount recognised in profit or loss of the Statement of Comprehensive Income comprises employer contributions paid to the GSS (concurrent contributions), the WSS, the GESBs or other superannuation funds.

AASB 16 non-monetary benefits: non-monetary employee benefits predominantly relating to the provision of vehicle and housing benefits that are recognised under AASB 16 which are excluded from the employee benefits expense.

Employee Contributions: contributions made to the FPC by employees towards employee benefits that have been provided by the FPC. This includes both AASB 16 and non-AASB 16 employee contributions.

4.3.2 EMPLOYEE BENEFIT PROVISIONS IN THE STATEMENT OF FINANCIAL POSITION

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave, and long service leave for services rendered up to the reporting date and recorded as an expense during the period the services are delivered.

4.3.2.(a) Current

	2024 \$000	2023 \$000
Employee benefits provision		
Annual leave (a)	1,852	1,615
Long service leave (b)	2,098	2,438
	3,950	4,053

4.3.2.(b) Non-current

	2024 \$000	2023 \$000
Employee benefits provision		
Long service leave (b)	881	773
Superannuation (c)	34	32
	915	805
Total employee benefit provisions	4,865	4,858

(a) Annual leave liabilities: Classified as current as there is no unconditional right to defer settlement for at least 12 months after the end of the reporting period. Assessments indicate that actual settlement of the liabilities is expected to occur as follows:

	2024 \$000	2023 \$000
Within 12 months of the end of the reporting period	1,317	1,133
More than 12 months after the end of the reporting period	535	482
	1,852	1,615

The annual leave liability is calculated at the present value of amounts expected to be paid in relation to services provided by employees up to the reporting date.

Notes to the financial statements

(b) **Long service leave liabilities:** Unconditional long service leave provisions are classified as current liabilities as the FPC does not have an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

Pre-conditional long service leave provisions are classified as non-current liabilities as the FPC has a right to defer settlement of the liability until the employee has completed the requisite years of service.

Assessments indicate that actual settlement of the liabilities is expected to occur as follows:

	2024 \$000	2023 \$000
Within 12 months of the end of the reporting period	771	757
More than 12 months after the end of the reporting period	2,208	2,454
	2,979	3,211

The provision for long service leave liability is calculated at the present value as the FPC does not expect to wholly settle the amounts within 12 months. The present value is measured taking into account the present value of expected future payments to be made in relation to services provided by employees up to the reporting date. These payments are estimated using the remuneration rate expected to apply at the time of settlement, and discounted using market yields at the end of the reporting period on national government bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows. For the year ended 30 June 2024 an actuarial assessment was provided by Scyne Advisory (2023:PricewaterhouseCoopers Securities Ltd [PwC]).

Key sources of estimation uncertainty – long service leave

Key estimates and assumptions concerning the future are based on historical experience and various other factors that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year.

Several estimates and assumptions are used in calculating the Agency's long service leave provision. These include:

- Expected future salary rates
- Discount rates
- Employee retention rates
- Expected future payments

Changes in these estimations and assumptions may impact on the carrying amount of the long service leave provision.

Any gain or loss following revaluation of the present value of long service leave liabilities is recognised as employee benefits expense.

4.3.2.(c) Superannuation liabilities

Some former Pension Scheme members have transferred to Gold State Super. In respect of their transferred benefit the members receive a lump sum benefit at retirement, death or invalidity which is related to their salary during their employment and indexed during any deferral period after leaving public sector employment.

The Scheme operates under the *State Superannuation Act 2000 (Western Australia)* and the *State Superannuation Regulations 2001 (Western Australia)*.

	2024 \$000	2023 \$000
Movements in the present value of the defined benefit obligation in the reporting period were as follows:		
Liability at start of year	32	34
Included in profit or loss:		
Interest cost	1	1
	1	1
Included in other comprehensive income:		
Remeasurements loss/(gain) recognised:		
financial assumptions	1	(2)
experience adjustments	-	-
	1	(2)
Contributions:		
Benefits paid	-	(1)
Liability at end of year	34	32

Employer contributions of \$4,000 (2023: \$3,000) are expected to be paid to the Gold State Superannuation Scheme in the subsequent annual reporting period.

Notes to the financial statements

4.4 GRANTS AND SUBSIDIES

	2024	2023
	\$000	\$000
Total grants and subsidies provided¹	115	69

¹Grants provided to various community groups under a community grants program.

Transactions in which the FPC provides goods, services, assets (or extinguishes a liability) or labour to another party without receiving approximately equal value in return are categorised as 'Grant or subsidy expenses'. Grants can either be operating or capital in nature.

Grants can be paid as general purpose grants which refer to grants that are not subject to conditions regarding their use. Alternatively, they may be paid as specific purpose grants which are paid for a particular purpose and/or have conditions attached regarding their use.

Grants and other transfers to third parties (other than contribution to owners) are recognised as an expense in the reporting period in which they are paid or payable. They include transactions such as: grants, subsidies, personal benefit payments made in cash to individuals, other transfer payments made to public sector agencies, local government, non-government schools, and community groups.

4.5 LOSS ON DISPOSAL OF NON-CURRENT ASSETS

	2024	2023
	\$000	\$000
Carrying amount of non-current assets disposed	200	-
Plant, equipment and vehicles	200	-
Loss on disposal of non-current assets	200	-
Net loss on disposal of non-current assets	200	-

4.6 OTHER EXPENDITURE

4.6.1 OTHER OPERATING EXPENDITURE

	2024	2023
	\$000	\$000
4.6.1(a) Supplies and services	14,275	21,166
Travel	300	250
Insurance ¹	599	655
Short term and low value leases	726	821
Legal fees and consultants	535	1,162
DBCA service level agreements	4,409	7,507
Materials	1,008	849
Forest management expenses	7,898	7,845
Fire salvage and remedial works	1,140	2,025
Repairs and maintenance	412	309
Vehicle expenses	70	86
Other supplies and services ²	(2,822)	(343)
Total supplies and services	14,275	21,166
4.6.1(b) Accommodation expenses	875	837
Office rental ³	685	612
Cleaning	91	124
Other property	99	101
Total accommodation expenses	875	837
4.6.1(c) Other	2,830	2,305
Audit fees - Auditor General	205	197
Audit fees - Other ⁴	64	139
Expected credit losses expense	(179)	59
Telephone, postage, communications	1,196	967
Employment on-costs	268	230
Other administration costs	614	533
Ecological thinning transfers	559	-
Resources received free of charge	103	180
Total other expenses	2,830	2,305
	17,980	24,308

¹ Insurance includes payments to RiskCover.

² Other supplies and services includes professional IT and other temporary staff costs, as well as some transfers of expenditure to capital.

³ Included within rental costs are short-term and low-value leases of up to \$5,000. This excludes leases with another wholly-owned public sector entity lessor agency. Refer to note 7.4.1 for aggregate short-term and low-value lease expenses.

⁴ Other audit fees include internal audit costs as well as environmental, certification, accreditation and grant audits.

Notes to the financial statements

Supplies and services

Supplies and services are recognised as an expense in the reporting period in which they are incurred. The carrying amounts of any materials held for distribution are expensed when the materials are distributed.

Office rental

Office rental is expensed as incurred as Memorandum of Understanding Agreements between the FPC and the Department of Finance for the leasing of office accommodation contain significant substitution rights.

Other

Other operating expenditure generally represent the day-to-day running costs incurred in normal operations.

Expected credit losses

Expected credit losses is recognised for movement in allowance for impairment of trade receivables. Please refer to note 6.2.1 Reconciliation of change in the allowance for impairment of receivables.

4.6.2 ONEROUS CONTRACTS

A provision for onerous contracts is recognised when the expected benefits to be derived to the FPC from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The position in relation to these contracts is assessed at the end of each reporting period. When contracts are no longer determined to be onerous, income is taken to profit or loss.

	2024 \$000	2023 \$000
Annuity obligations associated with non-core sharefarms considered onerous	151	(31)
	151	(31)

4.7 TAXATION

The FPC is subject to the National Tax Equivalent Regime (NTER), which is administered by the Australian Tax Office (ATO). In accordance with this legislation the FPC is required to pay to the Western Australian Treasury amounts determined to be equivalent to the amounts that would be payable by the FPC to the ATO if it was subject to the *Income Tax Assessment Act 1936* (Cth) and *Income Tax Assessment Act 1997* (Cth).

The income tax expense or benefit for the period is the tax payable or receivable on the current period's taxable income, based on the applicable Australian tax rate of 30% (30 June 2023: 30%), adjusted by changes in deferred tax assets and liabilities, attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to any unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered, or liabilities are settled, based on those tax rates which are enacted or substantially enacted. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability (30 June 2024: 30%, 30 June 2023: 30%).

No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction that is not a business combination and that at the time of the transaction did not affect either accounting profit or taxable profit or loss. Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. The de-recognition of the net deferred tax asset of \$10,991,000 (2023: \$11,184,000) has arisen as its realisation was no longer considered probable. This assessment is reconsidered at each reporting date.

Current and deferred tax is recognised in the Statement of Comprehensive Income.

Notes to the financial statements

4.7.1 INCOME TAX EXPENSE IN THE STATEMENT OF COMPREHENSIVE INCOME

Income tax expense	Notes	2024 \$000	2023 \$000
Deferred tax origination and reversal of temporary differences		193	10,194
Deferred tax origination and reversal of temporary differences via equity		(1,891)	(3,023)
Deferred tax origination and reversal of temporary differences recognised for prior years		-	(8)
Recognition of deferred tax		(193)	(10,197)
Income tax benefit		(1,891)	(3,034)
Deferred income tax expense included in income tax expense comprises:			
Increase/(decrease) in deferred tax asset	4.7.3	593	(485)
(Increase)/decrease in deferred tax liability	4.7.3	(786)	(9,712)
Recognition/(de-recognition) of deferred tax		193	10,197
Income tax expense/(benefit)		-	-
Reconciliation of prima facie tax payable to income tax expense			
(Loss)/Profit from ordinary activities before income tax		(5,793)	23,903
Tax at the applicable Australian tax rate of 30% (2023:30%)		(1,738)	7,171
Tax effect of amounts which are non-deductible for income tax purposes		1	-
Prior year adjustments		39	(8)
Recognition of deferred tax		(193)	(10,197)
Total income tax benefit		(1,891)	(3,034)

4.7.2 TAX ASSETS AND LIABILITIES IN THE STATEMENT OF FINANCIAL POSITION

Current tax asset/(liability)	2024 \$000	2023 \$000
Balance at beginning of year	-	-
Payments/(refunds) made	-	-
Net movement	-	-
Balance at end of year	-	-

4.7.3 DEFERRED TAX ASSET/(LIABILITY)

Comprises temporary differences attributable to:

Deferred tax asset	2024 \$000	2023 \$000
Receivables	158	206
Property, infrastructure, plant and equipment	166	170
Biological assets	-	-
Intangibles	2,041	2,041
Tax losses	9,941	8,660
Non-refundable tax offsets	521	-
Employee benefits	1,460	1,457
Sharefarm annuities and incentives	11,092	11,500
Deferred income	1,695	1,671
Restoration provisions	1,353	2,183
Auditing fees provision	61	65
Lease liability	690	632
Unrecognised net deferred asset	(10,991)	(11,184)
Total deferred tax assets	18,187	17,401
Deferred tax liability		
Property, infrastructure, plant and equipment	(9,337)	(7,878)
Biological assets	(7,817)	(7,790)
Intangibles	(1,033)	(1,733)
Total deferred tax liabilities	(18,187)	(17,401)
Net tax assets/(liabilities) - recognised	-	-
Net tax assets - unrecognised	10,991	11,184
Movements:		
Opening balance	-	-
Credited to profit or loss	1,698	(7,175)
Credited to equity	(1,891)	(3,030)
Prior year adjustments	-	8
Recognition of deferred tax	193	10,197
Closing balance	-	-

Notes to the financial statements

5.0 KEY ASSETS AVAILABLE TO SUPPORT OUTPUT DELIVERY

Assets the FPC utilises for economic benefit or service potential

Introduction

The FPC utilises its assets in order to fulfil its objectives and conduct its activities. They represent the key resources that have been entrusted to the FPC to be utilised for delivery of those outputs.

Structure	2024	2023
This section includes:	\$000	\$000
– Note 5.1 Infrastructure, property, plant and equipment	146,240	81,526
– Note 5.2 Right-of-use assets	2,178	2,079
– Note 5.3 Intangible assets	1,266	3,770
– Note 5.4 Biological assets	224,485	220,531
	374,169	307,906

Notes to the financial statements

5.1 INFRASTRUCTURE, PROPERTY, PLANT AND EQUIPMENT

	Freehold land	Buildings	Nursery infrastructure	Plant equipment and vehicles	Office equipment	Total
Year ended 30 June 2024 1 July 2023	\$000	\$000	\$000	\$000	\$000	\$000
Gross carrying amount	72,231	5,611	14,670	3,816	969	97,297
Accumulated depreciation	-	-	(11,361)	(3,561)	(849)	(15,771)
Carrying amount at start of period	72,231	5,611	3,309	255	120	81,526
Additions	59,874	785	-	293	-	60,952
Revaluation increments/(decrements) recognised in other comprehensive income	5,979	326	(1)	-	-	6,304
Disposals	(629)	(763)	-	(4)	(6)	(1,402)
Depreciation expense	-	(280)	(733)	(47)	(80)	(1,140)
Carrying amount at 30 June 2024	137,455	5,679	2,575	497	34	146,240
Year ended 30 June 2023 1 July 2022						
Gross carrying amount	33,881	5,351	13,172	3,644	955	57,003
Accumulated depreciation	-	-	(11,033)	(3,507)	(751)	(15,291)
Carrying amount at start of period	33,881	5,351	2,139	137	204	41,712
Additions	30,517	90	-	172	14	30,793
Revaluation increments recognised in other comprehensive income	7,833	440	1,498	-	-	9,771
Accumulated depreciation written back	-	-	331	-	-	331
Depreciation expense	-	(270)	(659)	(54)	(98)	(1,081)
Carrying amount at 30 June 2023	72,231	5,611	3,309	255	120	81,526

Notes to the financial statements

Initial recognition

Items of infrastructure, property, plant and equipment costing \$5,000 or more are measured initially at cost. Where an asset is acquired for no or nominal cost, the cost is valued at its fair value at the date of acquisition. Items of infrastructure, property, plant and equipment costing less than \$5,000 are immediately expensed direct to the Statement of Comprehensive Income (other than where they form part of a group of similar items which are significant in total).

The cost of a leasehold improvement is capitalised and depreciated over the shorter of the remaining term of the lease or the estimated useful life of the leasehold improvement.

Subsequent measurement

Subsequent to initial recognition of an asset, the revaluation model is used for the measurement of:

- land;
- buildings; and
- infrastructure.

Land is carried at fair value.

Buildings and infrastructure are carried at fair value less accumulated depreciation and accumulated impairment losses.

All other property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses.

Land and buildings are independently valued annually by the Western Australian Land Information Authority (Valuations and Property Analytics) and recognised annually to ensure that the carrying amount does not differ materially from the asset's fair value at the end of the reporting period.

Land and buildings were revalued as at 1 July 2023 by the Western Australian Land Information Authority (Valuations and Property Analytics). The valuations were performed during the year ended 30 June 2024 and recognised at 30 June 2024. In undertaking the valuation, fair value was determined by reference to market values for land: \$119,504,600 (2023: \$51,924,700) and buildings: \$3,960,000 (2023: \$4,182,000). Additional land was acquired after valuation date, at fair value (\$17,950,000). For the remaining balance, fair value of buildings was determined on the basis of current replacement cost and fair value of land was determined on the basis of comparison with market evidence for land with low level utility (high restricted use land).

Infrastructure is independently valued every 3 to 5 years by an independent property valuer. Infrastructure assets were independently revalued by McGarry Associates Pty Ltd as at 30 June 2023. The valuations were recognised at 30 June 2023 and remain carried at the amount that approximates their fair value at 30 June 2024.

Fair value for infrastructure assets is determined by reference to the cost of replacing the remaining future economic benefits embodied in the asset, i.e. the current replacement cost. Current replacement cost is generally determined by reference to the market observable replacement cost of a substitute asset of comparable utility and the gross project size specifications, adjusted for obsolescence. Obsolescence encompasses physical deterioration, functional (technological) obsolescence and economic (external) obsolescence.

Revaluation model:

(a) Fair Value where market-based evidence is available:

The fair value of land and buildings is determined on the basis of current market values determined by reference to recent market transactions. When buildings are revalued by reference to recent market transactions, the accumulated depreciation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount.

(b) Fair Value in the absence of market-based evidence:

Buildings and infrastructure are specialised or where land is restricted: Fair value of land, buildings and infrastructure is determined on the basis of existing use.

Existing use buildings and infrastructure: Fair value is determined by reference to the cost of replacing the remaining future economic benefits embodied in the asset, i.e. the current replacement cost. Where the fair value of buildings and infrastructure is determined on the current replacement cost basis, the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset and the accumulated depreciation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset.

Restricted use land: Fair value is determined by comparison with market evidence for land with similar approximate utility (high restricted use land) or market value of comparable unrestricted land (low restricted use land).

Significant assumptions and judgements: The most significant assumptions and judgements in estimating fair value are made in assessing whether to apply the existing use basis to assets and in determining estimated economic life. Professional judgement by the valuer is required where the evidence does not provide a clear distinction between market type assets and existing use assets.

Notes to the financial statements

5.1.1 DEPRECIATION AND IMPAIRMENT

Charge for the period

	2024 \$000	2023 \$000
Depreciation		
Buildings	280	270
Infrastructure	733	659
Plant Equipment and vehicles	47	54
Office equipment	80	98
Total depreciation for the year	1,140	1,081

As at 30 June 2024 there were no indications of impairment to property, plant and equipment or infrastructure.

All surplus assets at 30 June 2024 have either been classified as assets held for sale or have been written-off.

Useful lives

All infrastructure, property, plant and equipment having a limited useful life are systematically depreciated over their estimated useful lives in a manner that reflects the consumption of their future economic benefits. The exceptions to this rule include assets held for sale, land and investment properties.

Depreciation is generally calculated on a straight line basis, at rates that allocate the asset's value, less any estimated residual value, over its estimated useful life. Typical estimated useful lives for the different asset classes for current and prior years are included in the table below:

Asset	Useful life
Buildings	20 to 40 years
Computer equipment	4 years
Heavy fleet vehicles	5 years
Infrastructure	20 years
Motor vehicles	3 to 7 years
Office equipment	6 to 7 years
Office furniture	6 to 7 years
Plant and equipment	4 to 10 years

The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period, and adjustments should be made where appropriate.

Land which is considered to have an indefinite useful life, is not depreciated. Depreciation is not recognised in respect of these assets because their service potential has not, in any material sense, been consumed during the reporting period.

Impairment

Non-financial assets, including items of property, plant and equipment and intangibles, are tested for impairment whenever there is an indication that the asset may be impaired. Where there is an indication of impairment, the recoverable amount is estimated. Where the recoverable amount is less than the carrying amount, the asset is considered impaired and is written down to the recoverable amount and an impairment loss is recognised.

Where an asset measured at cost is written down to recoverable amount, an impairment loss is recognised through profit and loss.

Where a previously revalued asset is written down to its recoverable amount, the loss is recognised as a revaluation decrement through other comprehensive income.

As the FPC is a not-for-profit entity, the recoverable amount of regularly revalued specialised assets is anticipated to be materially the same as fair value.

If there is an indication that there has been a reversal in impairment, the carrying amount shall be increased to its recoverable amount. However, this reversal should not increase the asset's carrying amount above what would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised in prior years.

The risk of impairment is generally limited to circumstances where an asset's depreciation is materially understated, where the replacement cost is falling or where there is a significant change in useful life. Each relevant class of assets is reviewed annually to verify that the accumulated depreciation/ amortisation reflects the level of consumption or expiration of the asset's future economic benefits and to evaluate any impairment risk from declining replacement costs.

Notes to the financial statements

5.2 RIGHT-OF-USE ASSETS

	2024 \$000	2023 \$000
Right-of-use assets		
Buildings	810	1,051
Vehicles	1,056	650
Infrastructure	312	378
Net carrying amount at 30 June	2,178	2,079

Additions to right-of-use assets during the 2024 financial year were \$456,553 (2023: \$140,982).

Initial recognition

Right-of-use assets are measured at cost including the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs, including dismantling and removing the underlying asset.

The FPC has elected not to recognise right-of-use assets and lease liabilities for short-term leases (with a lease term of 12 months or less) and low value leases (with an underlying value of \$5,000 or less). Lease payments associated with these leases are expensed over a straight-line basis over the lease term.

Subsequent measurement

The cost model is applied for subsequent measurement of right-of-use assets, requiring the asset to be carried at cost less any accumulated depreciation and accumulated impairment losses and adjusted for any re-measurement of lease liability.

Depreciation and impairment of right-of-use assets

Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the underlying assets.

If ownership of the leased asset transfers to the FPC at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

Right-of-use assets are tested for impairment when an indication of impairment is identified. The policy in connection with testing for impairment is outlined in note 5.1.1

The following amounts relating to leases have been recognised in the Statement of Comprehensive Income:

5.2.1 DEPRECIATION CHARGE OF RIGHT-OF-USE ASSETS

	Note	2024 \$000	2023 \$000
Buildings		356	282
Vehicles		521	514
Infrastructure		76	55
Total right-of-use asset depreciation		953	851
Lease interest expense (included in finance costs)	7.2	94	73
Expenses relating to variable lease payments not included in lease liabilities (included in Other expenditure)		718	771
Short-term leases (included in Other expenditure)		-	-
Low-value leases (included in Other expenditure)		8	50

The total cash outflow for leases in 2024 was \$931,298 (2023: \$994,399).

The FPC's leasing activities and how these are accounted for:

The FPC has leases for vehicles, infrastructure and residential accommodations.

The FPC has also entered into a Memorandum of Understanding Agreements (MOU) with the Department of Finance for the leasing of office accommodation. These are not recognised under AASB 16 because of substitution rights held by the Department of Finance and are accounted for as an expense as incurred.

The FPC recognises leases as right-of-use assets and associated lease liabilities in the Statement of Financial Position.

The corresponding lease liabilities in relation to these right-of-use assets have been disclosed in note 7.1.

Notes to the financial statements

5.3 INTANGIBLE ASSETS

	2024	2023
	\$000	\$000
Software		
Opening gross carrying amount	1,384	1,384
Opening accumulated amortisation	(1,313)	(1,313)
Carrying amount at start of year	71	71
Transfers (from/(to) Level 2)	(71)	-
Amortisation expense	-	-
Carrying amount at end of year	-	71
Right of use assets		
Sandalwood		
Opening gross carrying amount	2,618	-
Additions	-	3,927
Amortisation expense	(1,352)	(1,309)
Carrying amount at end of year	1,266	2,618
Native forest		
Opening gross carrying amount	11,886	11,886
Opening accumulated amortisation	(10,805)	(8,644)
Carrying amount at start of year	1,081	3,242
Amortisation expense	(1,081)	(2,161)
Carrying amount at end of year	-	1,081
Total intangibles carrying amount at end of year	1,266	3,770

Initial recognition

Intangible assets are initially recognised at cost. For assets acquired at no cost or for nominal cost, the cost is their fair value at the date of acquisition.

Acquisitions of intangible assets costing \$5,000 or more and internally generated intangible assets costing \$50,000 or more that comply with the recognition criteria as per AASB 138.57 (as noted below), are capitalised.

Costs incurred below these thresholds are immediately expensed directly to the Statement of Comprehensive Income.

An internally generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following are demonstrated:

- (a) the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- (b) an intention to complete the intangible asset, and use or sell it;
- (c) the ability to use or sell the intangible asset;
- (d) the intangible asset will generate probable future economic benefit;
- (e) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and"
- (f) the ability to measure reliably the expenditure attributable to the intangible asset during its development;

Costs incurred in the research phase of a project are immediately expensed.

Licences

Licences have a finite useful life and are carried at cost less accumulated amortisation and accumulated impairment losses.

Notes to the financial statements

Development costs

Research costs are expensed as incurred. Development costs incurred for an individual project are carried forward when the future economic benefits can reasonably be regarded as assured and the total project costs are likely to exceed \$50,000. Other development costs are expensed as incurred.

Computer Software

Software that is an integral part of the related hardware is recognised as property, plant and equipment and infrastructure. Software that is not an integral part of the related hardware is recognised as an intangible asset. Software costing less than \$5,000 is expensed in the year of acquisition. The software capitalised does not represent software as a service asset.

Subsequent measurement

The cost model is applied for subsequent measurement of intangible assets, requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses.

Right of use assets

Native forest

The FPC was authorised to harvest native forest by the Department of Biodiversity, Conservation and Attractions (DBCA) and there were no conditions to be fulfilled in order for control of the licence to pass to the FPC.

The FPC does not provide any cash or services in exchange for the harvesting rights therefore the amount of the contribution was equal to the fair value of the right to harvest for the ten year term of the Forest Management Plan for 2014 - 2023.

Amortisation for the intangible asset over the useful life was calculated for the period of the expected benefit (expected useful life which was ten years in accordance with the terms of the licence) on a straight line basis.

Sandalwood

The FPC has received the right to harvest sandalwood in Western Australia for three years in exchange for no cash or services when licence(s) are issued by DBCA and there are no conditions to be fulfilled. Amortisation for the intangible asset with a useful life of three years being the expected benefit period.

5.3.1 AMORTISATION AND IMPAIRMENT

	2024 \$000	2023 \$000
Software		
Opening accumulated amortisation	(1,313)	(1,313)
Amortisation expense for the year	-	-
Closing accumulated amortisation	(1,313)	(1,313)
Right of use assets		
Sandalwood		
Amortisation expense for the year	(1,352)	(1,309)
Closing accumulated amortisation	(1,352)	(1,309)
Native forest		
Opening accumulated amortisation	(10,805)	(8,644)
Amortisation expense for the year	(1,081)	(2,161)
Closing accumulated amortisation	(11,886)	(10,805)
Total amortisation expense for the year	(2,433)	(3,470)
Closing accumulated amortisation	(14,551)	(13,427)

The FPC held no goodwill or intangible assets with an indefinite useful life during the reporting period. At the end of the reporting period there were no intangible assets not yet available for use.

Amortisation of finite life intangible assets is calculated on a straight line basis at rates that allocate the asset's value over its estimated useful life. All intangible assets controlled by the FPC have a finite useful life and zero residual value. Estimated useful lives are reviewed annually.

The expected useful lives for each class of intangible asset are:

Software ^(a)	2.5 years
Right of use – native forest ^(b)	Nil years (remaining)
Right of use - sandalwood ^(c)	1 year (remaining)

^(a) Software that is not integral to the operation of any related hardware.

^(b) Right of use for native forest reduced each year in line with the previous FMP.

^(c) Right of use for sandalwood reduces over 3 years in line with the licence to harvest.

Impairment of intangible assets

As at 30 June 2024 there were no indications of impairment to intangible assets.

The policy in connection with testing for impairment is outlined in note 5.1.1.

Notes to the financial statements

5.4 BIOLOGICAL ASSETS

	2024	2023
	\$'000	\$'000
Current		
Biological assets at valuation		
Plantations		
Plantations biological assets at valuation	16,194	10,052
Total biological assets at valuation current	16,194	10,052
Non-Current		
Biological assets at valuation		
Plantations		
Mature standing timbers	198,841	203,903
Plantation bluegum	3,865	-
Plantation sandalwood	5,585	6,576
Plantations biological assets at valuation	208,291	210,479
Total biological assets at valuation non-current	208,291	210,479
Total biological assets at valuation	224,485	220,531
The plantations estate is represented by:		
Pine plantations standing timber	215,035	213,955
Plantation bluegum	3,865	-
Plantation sandalwood	5,585	6,576
Total plantations biological assets at valuation	224,485	220,531

Reconciliation of changes in the carrying amount of biological assets at the beginning and the end of the year

	Notes	2024	2023
		\$'000	\$'000
Carrying amount at start of year		220,531	198,141
Net movement in biological assets	5.4.1	(8,278)	17,288
Add Lewana provision (movement)		(57)	157
Add new bluegum plantations		3,865	-
Add expenditure for new plantations		8,423	4,945
Carrying amount at end of year		224,485	220,531

Fair value hierarchy

The fair value for standing timber has been categorised as Level 3 fair values based on the inputs to the valuation technique used (a combination of the income approach and comparable sales approach under a discounted cash flow framework).

Initial recognition

The AASB 141 *Agriculture* requires that an entity shall recognise a biological asset or agricultural produce when and only when:

- the entity controls the asset as a result of past events;
- it is probable that future economic benefits associated with the asset will flow to the entity; and
- the fair value or cost of the asset can be measured reliably.

AASB 141 defines a group of biological assets as an aggregation of similar living animals or plants. Therefore, the FPC determines that it only 'holds' one type of biological assets: plantation timber.

Subsequent measurement

Under AASB 141 *Agriculture*, the FPC is required to value its biological assets annually.

FPC values its biological assets at fair value less costs to sell. Fair value is the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arm's length transaction. A gain or loss on valuation is recognised in the Statement of Comprehensive Income.

Fair value of biological assets is based on their present location and condition. As a result, fair value is determined based on historical volume increases and historical cash flows, adjusted for known variances.

FPC's valuations of biological assets are for financial reporting purposes only. The FPC's valuations are not intended for estimating other values inherent in or provided by forests, such as unpriced goods or services and the forests' ecological benefits.

Plantation timber

The FPC values pine plantations that are managed across a broad geographic area of approximately 68,130 hectares. The value of the softwood plantation is based on a forest estate model that forecasts supply from all sources to each market. This model also forecasts the revenues and costs associated with the forest estate.

The FPC has purchased bluegum plantations across an area of approximately 412 hectares. The current value of the bluegum plantation is based on historical costs associated with recent acquisition.

The FPC values sandalwood plantations that are managed across an area of approximately 5,631 hectares. The value of the sandalwood plantation is based on revenues and costs associated with the forest estate.

Notes to the financial statements

5.4.1 BIOLOGICAL ASSET INCREASE/(DECREASE)

The FPC values its biological assets at fair value less estimated point-of-sale costs and costs necessary to get the assets to market. Fair value is the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arm's length transaction. A gain or loss on valuation is recognised in the Statement of Comprehensive Income.

The valuation as at 30 June 2024 and movements since 30 June 2023 are summarised as follows:

	2024	2023	Movement
	\$000	\$000	\$000
Plantations (core)	215,035	213,955	1,080
Plantation bluegum	3,865	-	3,865
Sandalwood (non-core plantations)	5,585	6,576	(991)
TOTAL	224,485	220,531	3,954
Expenditure for new plantations			(8,423)
Expenditure for bluegum			(3,865)
Provision for replanting Lewana/ Harvey Coast			57
Net movement in biological asset			(8,278)

The valuation as at 30 June 2023 and movements since 30 June 2022 are summarised as follows:

	2023	2022	Movement
	\$000	\$000	\$000
Plantations (core)	213,955	192,360	21,595
Sandalwood (non-core plantations)	6,576	5,781	795
TOTAL	220,531	198,141	22,390
Expenditure for new plantations			(4,945)
Provision for replanting Lewana			(157)
Net movement in biological asset			17,288

6.0 OTHER ASSETS AND LIABILITIES

Introduction

This section details other assets and liabilities that arose from the FPC's operations.

Structure	Notes	2024	2023
		\$000	\$000
This section includes:			
Inventories	6.1	11,884	9,039
Receivables	6.2	8,370	12,656
Other current assets	6.3	5,717	3,536
Payables	6.4	19,476	15,711
Other provisions	6.5	4,573	7,287
Other liabilities	6.6	6,649	7,570

6.1 INVENTORIES

	2024	2023
	\$000	\$000
Current		
Inventories held for resale at cost:		
– Plant propagation centre	1,765	1,345
– Sandalwood	4,848	6,824
– Timber on forest landings	3,877	870
	10,490	9,039
Non-current		
– Australian Carbon Credit Units	1,394	-
	1,394	-
	11,884	9,039

Cost is the net market value of inventories.

Inventories are measured at the lower of cost or net realisable value. Costs are assigned by the method most appropriate to each particular class of inventory, with the majority being valued on a weighted-average basis. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. Inventories not held for resale are measured at cost unless they are no longer required, in which case they are valued at net realisable value.

The FPC undertakes eligible activities as part of the Australian Government's Emissions Reduction Fund for which the Clean Energy Regulator grants the FPC the respective number of emissions certificates (Australian Carbon Credit Units [ACCUs]). The FPC recognises emissions certificates as inventories. Emissions certificates received from the Government are initially measured at deemed cost which is equal to fair value and is determined based on the market price of certificates traded on the platform at that date.

The cost of emissions certificates is based on the first-in, first-out allocation method. Emissions certificates are subsequently measured at the lower of cost or net realisable value. Initial fair value of emissions certificates received from Government are recognised in revenue as government grants (see note 3.4).

Notes to the financial statements

6.2 RECEIVABLES

	2024	2023
Current	\$000	\$000
GST receivable	259	89
Trade and other receivables	8,637	13,271
Provision for expected credit loss	(526)	(704)
	8,370	12,656

Receivables are recognised at original invoice amount less an allowance for any uncollectible amounts (i.e. impairment). The carrying amount of net trade receivables is equivalent to fair value as it is due for settlement within 30 days.

Interest charges may apply to payments that exceed the due date, calculated by reference to the prevailing commercial business overdraft reference rate plus a 2 per cent premium to cover the FPC's increased cost of debt management. The FPC holds security in the form of either cash or bank guarantees as collateral for some trade receivables.

6.2.1 RECONCILIATION OF CHANGE IN THE ALLOWANCE FOR IMPAIRMENT OF RECEIVABLES

	2024	2023
	\$000	\$000
Balance at start of year	(704)	(711)
Expected credit loss reversal	178	7
Balance at end of year	(526)	(704)

The maximum exposure to credit risk at the end of the reporting period for trade receivables is the carrying amount of the asset inclusive of any provision for expected credit losses (ECLs) as shown in the table at note 8.3 'Credit risk'.

For trade receivables the FPC recognises an allowance for ECLs measured at the lifetime expected credit losses at each reporting date. The FPC has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the environment. Please refer to note 4.6.1.(c) for the amount of ECLs expensed in this financial year.

6.3 OTHER CURRENT ASSETS

	2024	2023
Current	\$000	\$000
Prepayments	987	1,138
Accrued recoups	2,373	-
Accrued revenue	2,357	2,398
	5,717	3,536

Other non-financial assets include prepayments which represent payments in advance of receipt of goods or services or that part of expenditure made in one accounting period covering a term extending beyond that period.

6.4 PAYABLES

	2024	2023
6.4.(a) Current	\$000	\$000
Trade payables	6,025	6,723
Payroll tax accrual	83	82
Accrued logging costs	474	696
Other accrued expenses	9,382	4,584
Accrued salaries and wages	395	409
Accrued recoups payable	69	-
Land annuity obligations	427	411
Total current	16,855	12,905
6.4.(b) Non-current		
Land annuity obligations	2,621	2,806
Total non-current	2,621	2,806
Balance at end of year	19,476	15,711

Payables are recognised at the amounts payable when the FPC becomes obliged to make future payments as a result of a purchase of assets or services. The carrying amount is equivalent to fair value as settlement is generally within 15-20 days.

Accrued salaries and wages represent the amount due to staff but unpaid at the end of the reporting period. Accrued salaries and wages are settled within a fortnight after the reporting period. The FPC considers the carrying amount of accrued salaries and wages to be equivalent to its fair value.

Other accrued expenses include amounts due to contractors for which goods or services have been received as at reporting date, but not yet billed.

Notes to the financial statements

6.5 OTHER PROVISIONS

6.5(a) Current

	Notes	2024 \$000	2023 \$000
Provision for regeneration of native forest	6.5.1	1,667	2,549
Provision for replant (Lewana)	6.5.2	1,193	339
Unearned revenue	6.5.3	72	19
Total current		2,932	2,907

6.5(b) Non-current

Provision for regeneration of native forest	6.5.1	1,641	3,469
Provision for replant (Lewana)	6.5.2	-	911
Total non-current		1,641	4,380
Balance at end of year		4,573	7,287

Provisions represent the present value of the FPC's best estimate of the future outflow of economic benefits that will be required under the FPC's obligations of forests under the FPC Act 2000. The estimate has been made on the basis of historical trends and may vary as a result of events.

6.5.1 PROVISION FOR REGENERATION OF NATIVE FOREST

The FMP obligates the FPC to ensure that re-growth native forest harvested are restored.

A provision is recognised where the FPC has a legal or constructive obligation to undertake regeneration work. Estimates are based on the present value of expected future cash outflows.

6.5.2 PROVISION FOR REPLANT (LEWANA)

The FPC has provided for the replanting of an area of the Lewana plantation that was destroyed by fires during the 2018/19 year.

6.5.3 UNEARNED REVENUE

Unearned revenue received is recognised by the FPC for the delivery of forestry services to be delivered in the future.

6.5.4 MOVEMENT IN PROVISIONS

Movements in each class of provisions during the year, other than employee benefits, are set out below:

	2024 \$000	2023 \$000
Provision for regeneration of native forest	\$000	\$000
Carrying amount at start of year	6,018	5,660
Additional provisions (reversed)/recognised	(1,717)	1,252
Payments/other sacrifices of economic benefits	(993)	(894)
Carrying amount at end of year	3,308	6,018

	2024 \$000	2023 \$000
Provision for replant (Lewana)		
Carrying amount at start of year	1,250	1,092
Additional provisions recognised	-	511
Payments/other sacrifices of economic benefits	(57)	(353)
Carrying amount at end of year	1,193	1,250

	2024	2023
Unearned revenue		
Carrying amount at start of year	19	142
Additional/(reversals of) provisions recognised	53	(123)
Carrying amount at end of year	72	19

6.6 OTHER LIABILITIES

	2024 \$000	2023 \$000
Deferred revenue		
6.6(a) Current		
Contractual obligations	144	144
Forward sold log supply	1,933	1,520
Carrying amount at end of year	2,077	1,664

	2024	2023
6.6(b) Non-Current		
Contractual Obligations	4,572	4,640
Forward sold log supply	-	1,266
	4,572	5,906
Balance at end of year	6,649	7,570

Deferred revenue is recognised as income proportionately as the contractual obligation conditions are met. Forward sold log supply represents the value of timber to be supplied under a commercial contract with a specific customer.

Notes to the financial statements

7.0 FINANCING OUR OPERATIONS

Introduction

This section provides information on the sources of finance utilised by the FPC for its operations, along with interest expenses and other information related to financing the activities of the FPC.

Structure

This section includes:

- Note 7.1 Lease liabilities
- Note 7.2 Finance costs
- Note 7.3 Cash and cash equivalents
- Note 7.3.1 Reconciliation of cash
- Note 7.3.2 Reconciliation of loss from ordinary activities
- Note 7.4 Commitments
- Note 7.4.1 Lease commitments
- Note 7.4.2 Other expenditure commitments

7.1 LEASE LIABILITIES

	2024	2023
Lease liabilities	\$000	\$000
Not later than one year	734	646
Later than one year and not later than five years	1,555	1,374
Later than five years	11	88
	2,300	2,108
Current	734	646
Non-current	1,566	1,462
	2,300	2,108

At the commencement date of the lease, the FPC recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the FPC uses the incremental borrowing rate provided by Western Australia Treasury Corporation.

Lease payments included by the FPC as part of the present value calculation of lease liability include:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or a rate initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options (where these are reasonably certain to be exercised);
- Payments for penalties for terminating a lease, where the lease term reflects the FPC exercising an option to terminate the lease.
- Periods covered by extension or termination options are only included in the lease term by the FPC if the lease is reasonably certain to be extended (or not terminated).

The interest on the lease liability is recognised in profit or loss over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Lease liabilities do not include any future changes in variable lease payments (that depend on an index or rate) until they take effect, in which case the lease liability is reassessed and adjusted against the right-of-use asset.

Variable lease payments, not included in the measurement of lease liability, that are dependant on sales are recognised by the FPC in profit or loss in the period in which the condition that triggers those payments occurs.

This section should be read in conjunction with note 5.2.

Notes to the financial statements

Subsequent measurement

Lease liabilities are measured by increasing the carrying amount to reflect interest on the lease liabilities; reducing the carrying amount to reflect the lease payments made; and remeasuring the carrying amount at amortised cost, subject to adjustments to reflect any reassessment or lease modifications.

This section should be read in conjunction with note 5.2

The FPC has not received any COVID-19 rent concessions and therefore has made no assessment of whether a concession is a lease modification. This assessment impacts the measurement of the liability and AASB 1060 requires additional consequential disclosures.

Lease expenses recognised in the Statement of comprehensive income	2024 \$000	2023 \$000
Lease Interest expense	94	73
Expenses relating to variable lease payments not included in lease liabilities	718	771
Low-value leases	8	50

Short-term leases are recognised on a straight-line basis with a lease term of 12 months or less.

Low-value leases with an underlying value of \$5,000 or less are recognised on a straight-line basis.

Variable lease payments that are not included in the measurement of the lease liability recognised in the period in which the event or condition that triggers those payments occurs.

7.2 FINANCE COSTS

	2024 \$000	2023 \$000
Finance costs		
Lease Interest	94	73
Interest on contract obligations	209	265
Foreign exchange loss	(7)	10
Finance costs expensed	296	348

Finance cost includes costs incurred in relation to interest costs attributable to forward sold log supply (See note 6.6 'Other liabilities') and gains and losses associated with foreign currency transactions.

7.3 CASH AND CASH EQUIVALENTS

7.3.1 RECONCILIATION OF CASH

Cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

	2024 \$000	2023 \$000
Petty cash	2	2
Cash and cash equivalents	30,241	15,456
Balance at end of year	30,243	15,458

For the purpose of the Statement of Cash Flows, cash and cash equivalents (and restricted cash and cash equivalents) assets comprise cash on hand and short-term deposits with original maturities of three months or less that are readily convertible to a known amount of cash and which are subject to insignificant risk of changes in value.

Notes to the financial statements

7.3.2 RECONCILIATION OF (LOSS)/PROFIT FROM ORDINARY ACTIVITIES AFTER INCOME TAX EQUIVALENT TO NET CASH FLOWS PROVIDED BY OPERATING ACTIVITIES:

	Notes	2024 \$000	2023 \$000
(Loss)/Profit from ordinary activities after income tax equivalent		(3,901)	26,935
Non-cash items:			
Depreciation and amortisation expense	5.1.1; 5.2.1; 5.3.1	4,526	5,402
Movement in provision for doubtful debts	6.2.1	(178)	(7)
Net loss/(gain) on disposal of infrastructure, property, plant and equipment	3.7; 4.5	200	(1)
Change in fair value of biological assets	5.4.1	8,278	(17,288)
Non-cash Grants and subsidies	3.4	(1,465)	-
Emission certificate revaluation	4.6.1(c); 6.1	71	-
Decrease/(increase) in assets:			
Current inventories		(1,451)	(1,436)
Current receivables		4,464	1,878
Other current assets		(8,323)	119
Other assets		(926)	(16,564)
Increase/(decrease) in liabilities:			
Payables		3,950	(3,054)
Unearned revenue and deferred income		868	2,700
Other liabilities		(7,876)	2,490
Net cash (used in)/from operating activities		(1,763)	1,174

7.4 COMMITMENTS

7.4.1 LEASE COMMITMENTS

	2024 \$000	2023 \$000
Commitments for minimum lease payments are payable as follows:		
Within 1 year	869	899
Later than 1 year and not later than 5 years	3,299	3,435
Later than 5 years	656	699
Non-cancellable leases	4,824	5,033

Payments for short-term and low value leases are expensed on a straight line basis over the lease term as this represents the pattern of benefits derived from the leased properties.

The FPC holds leases for a number of branch office buildings under varying terms and conditions, which are not included within the Statement of Financial Position, refer note 5.2.

Judgements made by management in applying accounting policies - operating lease commitments

The FPC has entered into a number of leases for buildings for branch accommodation. Some of these relate to buildings of a temporary nature and it has been determined that the lessor retains substantially all the risks and rewards incidental to ownership. Accordingly, these leases have been classified as operating leases.

7.4.2 OTHER EXPENDITURE COMMITMENTS

	2024 \$000	2023 \$000
Expenditure commitments, being contracted expenditure additional to the amounts reported in the financial statements, are payable as follows:		
Within 1 year	851	1,151
Later than 1 year and not later than 5 years	2,993	3,683
	3,844	4,834

These commitments include future expenditures for core estate sharefarm agreements, and are inclusive of GST.

Notes to the financial statements

8.0 RISK, CONTINGENCIES AND VALUATION JUDGEMENTS

Introduction

The FPC is exposed to risk from its activities and outside factors. In addition, it is often necessary to make judgements and estimates associated with recognition and measurement of items in the financial statements. This section sets out financial instrument specific information, including exposures to financial risk, as well as those items which are contingent in nature or require a higher level of judgement to be applied, which for the FPC relate mainly to fair value determination.

Structure

This section includes:

- Note 8.1 Financial risk management objectives
- Note 8.2 Market risk
- Note 8.2.1 Currency risk
- Note 8.2.2 Price risk
- Note 8.3 Credit risk
- Note 8.4 Liquidity risk
- Note 8.5 Contingent assets and liabilities
- Note 8.5.1 Contingent assets
- Note 8.5.2 Contingent liabilities
- Note 8.6 Fair value measurements
- Note 8.6.1 Fair value measurements - land, buildings and infrastructure
- Note 8.6.2 Fair value measurements - biological assets
- Note 8.6.3 Discount rates

8.1 FINANCIAL RISK MANAGEMENT OBJECTIVES

The FPC has exposure to the following risks:

- Market risk
- Credit risk
- Liquidity risk

This note presents information about the FPC's exposure to each of the above risks, its objectives, policies and processes for measuring and managing risk, and the management of capital. Further quantitative disclosures are included throughout the financial report.

The FPC Commissioners have overall responsibility for the establishment and oversight of the risk management framework. The FPC has established the Audit and Risk Committee, which is responsible

for reviewing and monitoring risk management policies and making recommendations to the Commissioners in relation to changes that may be considered necessary from time to time. The Audit and Risk Committee reports regularly to the Commissioners on its activities.

Risk management policies are established to identify and analyse the risks faced by the FPC, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions.

The FPC, through its training and risk management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations. The primary risk management document is the Risk Management Policy which describes the risks the FPC is exposed to. The FPC's overall risk management program focuses on managing the risks identified below.

The FPC's Audit and Risk Committee oversees how management monitors compliance with the FPC's risk management policies and procedures, and reviews the adequacy and effectiveness of the risk management framework in relation to the risks faced by the FPC. The FPC's Audit and Risk Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the FPC Audit and Risk Committee.

8.2 MARKET RISK

Market risk is the risk that changes in market prices, such as foreign exchange rates and commodity prices, will affect the FPC's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The FPC enters into derivatives in order to manage market risks around currency risk. All such transactions are carried out within the guidelines set by the FPC's Foreign Exchange Hedging Policy. Generally the FPC seeks to apply hedge accounting in order to manage volatility in profit or loss.

The FPC believes that commodity risk for sandalwood stock is minimal due to the non-perishable nature of the slightly higher stock holdings, following reduced sales to China. New markets have now been established in other regions.

8.2.1 CURRENCY RISK

The FPC is exposed to currency risk on sales that are denominated in a currency other than the Australian dollar (AUD). The currencies in which these transactions primarily are denominated are the United States of America dollar (USD).

At any point in time the FPC may hedge up to 75 per cent of its estimated foreign currency exposure in respect of forecasted sales over the following fifteen months. The FPC uses forward exchange contracts to hedge its currency risk, most with a maturity of less than one year from the reporting date. When necessary, forward exchange contracts are rolled over at maturity.

Notes to the financial statements

Australian dollars	Average exchange rates		Reporting date exchange rates	
	2024	2023	2024	2023
USD	0.6556	0.6734	0.6624	0.6630

The carrying amount of the FPC's foreign currency denominated financial assets and financial liabilities at the reporting date was as follows:

	2024 \$000	2023 \$000
USD bank account	455	722

Sensitivity analysis - currency

The following table represents a summary of the currency sensitivities of the FPC's financial assets and liabilities at the end of the reporting period on the surplus for the period and equity for a 10 per cent change in exchange rates.

2024	Carrying amount (\$000's)	-10% change Profit (\$000's)	Equity (\$000's)	+10% change Profit (\$000's)	Equity (\$000's)
Financial Assets					
USD Bank Account	687	53	53	(44)	(44)

USD rate used in this analysis was the spot rate as at 30 June 2024: 1 AUD = 0.6624

2023	Carrying amount (\$000's)	-10% change Profit (\$000's)	Equity (\$000's)	+10% change Profit (\$000's)	Equity (\$000's)
Financial Assets					
USD Bank Account	1,088	85	85	(69)	(69)

USD rate used in this analysis was the spot rate as at 30 June 2023: 1 AUD = 0.663

8.2.2 PRICE RISK

The FPC is exposed to fluctuations in tender prices which may become a significant price risk. The risk of exposure to wood prices is discussed below.

Timber price risk

The FPC enters into contracts for the supply of timber products through either a competitive tender process or private treaty arrangements. Timber prices are established under the FPC's Forest Products Pricing Policy and in compliance with the Forest Products Act 2000.

The FPC is exposed to risks arising from fluctuations in the price and sales volumes of timber and the impacts of wildfire and extended dry seasons (force majeure) on the volume of timber in the plantation estate. The price and volume risk is managed via State Agreements and Contracts of Sale which include price indexation adjustments to manage the risks of cost escalation in selling and management costs.

Indexation and price reviews are critical for managing the long-term risk to the FPC from its pricing of forest products. The FPC indexes contracts in accordance with a range of methodologies, including:

- Consumer Price Index (CPI);
- Market value of end products; and
- Combination of market value, CPI and individual costs (e.g. fuel)

Sensitivity analysis – price	Range (weighted avge)	2024 \$000	2023 \$000
Discount rate (real, pre-tax):	+300 bpts	(66,101)	(61,421)
	- 300 bpts	172,453	146,245
Expected future sales values	+ 3%	44,927	37,251
	- 3%	(44,927)	(37,251)
Expected future costs	+3%	(34,193)	(26,807)
	-3%	34,190	26,803

8.3 CREDIT RISK

Credit risk is the risk of financial loss to the FPC if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the FPC's receivables from customers. The FPC's exposure to credit risk can occur through the provision of trade credit (both within Australia and Internationally). The FPC Customer Credit Policy determines the levels of credit exposure the FPC can take to various categories of customers.

The FPC's exposure to credit risk is influenced mainly by the individual financial characteristics of each customer. The demographics of the FPC's customer base, including the default risk of the industry and country in which customers operate, has less of an influence on credit risk. No significant percentage of the FPC's trade receivables are attributable to a single customer. Key geographical exposures to trade and other receivables are discussed further in this note.

The Board of Commissioners has approved a credit policy under which each new customer is analysed individually for creditworthiness before the FPC's standard payment and delivery terms and conditions are offered. The review includes external ratings, when available, and financial analysis. Credit and settlement limits are established for each customer, which represents the maximum open amount without requiring approval from the Board of Commissioners. These limits are reviewed when any variations occur. Customers that fail to meet the FPC's benchmark creditworthiness may transact with the FPC only on a prepayment basis or against the provision of acceptable security such as letters of credit, bank guarantees and other payment guarantees.

Notes to the financial statements

Receivables and advances to customers at fair value contains amounts owing from customers who have been delivered and have accepted timber products on deferred settlement terms, in accordance with the FPC's Customer Credit Policies, all of whom have settlement durations of one year or less from origination.

The FPC has established a provision for expected credit losses that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for the FPC of similar assets in respect of losses that have been incurred but not yet identified.

Timber products are sold subject to a Statutory Lien held by the FPC, so that in the event of non-payment the FPC may have a secured claim and assume control of the goods. The FPC may require collateral in respect of trade and other receivables in the form of cash deposits or bank guarantees.

The following table details the credit risk exposure on the FPC's trade receivables using a provision matrix.

	Total \$000	Current* \$000	Days past due			
			<30* days \$000	31-60 days \$000	61-90 days \$000	>90 days \$000
30 June 2024						
Expected credit loss rate		0.52%	1.61%	0.00%	0.00%	97.77%
Estimated total gross carrying amount at default	8,637	8,075	62	6	-	494
Expected credit losses	(526)	(42)	(1)	-	-	(483)
1 July 2023						
Expected credit loss rate		0.72%	2.50%	0.00%	14.29%	94.44%
Estimated total gross carrying amount at default	13,271	12,573	40	3	7	648
Expected credit losses	(704)	(90)	(1)	-	(1)	(612)

* Current and <30 day categories may include green firewood customer debts on 365 day terms, for which provisions have been made for expected losses, against the current balances.

8.4 LIQUIDITY RISK

Liquidity risk management requires the FPC to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

The FPC manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

The FPC had access to the following lines of credit as at reporting date:

	2024 \$000	2023 \$000
Credit cards	750	750
Bank overdraft facility ¹	9,000	9,000
	9,750	9,750
Facilities in use as at reporting date:		
Credit cards	43	40
	43	40
Available facilities not in use as at reporting date:		
Credit cards	707	710
Bank overdraft facility	9,000	9,000
	9,707	9,710

¹ A bank overdraft facility for \$9m was re-established with the Western Australian Treasury Commission from 1 July 2018.

Notes to the financial statements

The following table details the FPC's interest rate exposure and the contractual maturity analysis of financial assets and financial liabilities. The maturity analysis section includes interest and principal cash flows. The interest rate exposure section analyses only the carrying amounts of each item.

	Notes	Effective interest rate%	Total	0 to 12 months	1 to 2 years	2 to 5 years	More than 5 years
2024							
Financial assets							
Commonwealth Bank Cash Management Account	7.3.1	4.25%	29,555	29,555	-	-	-
Commonwealth Bank USD Account	7.3.1	0.00%	687	687	-	-	-
Trade receivables	6.2	n/a	8,637	8,637	-	-	-
Provision for expected credit losses	6.2.1	n/a	(526)	(526)	-	-	-
Collateral security held - cash	9.8	n/a	2,851	2,851	-	-	-
Collateral security held - non cash		n/a	3,889	3,889	-	-	-
Total credit exposure - trade receivables			14,851	14,851	-	-	-
			45,093	45,093	-	-	-
Financial liabilities							
Trade payables	6.4	n/a	6,025	6,025	-	-	-
Foreign exchange contracts		n/a	-	-	-	-	-
Land annuities payable		n/a	3,687	437	437	1,300	1,513
			9,712	6,462	437	1,300	1,513
2023							
Financial assets							
Commonwealth Bank Cash Management Account	7.3.1	3.30%	14,368	14,368	-	-	-
Commonwealth Bank USD Account	7.3.1	0.00%	1,088	1,088	-	-	-
Trade receivables	6.2	n/a	13,271	13,271	-	-	-
Provision for expected credit losses	6.2.1	n/a	(704)	(704)	-	-	-
Collateral security held - cash	9.8	n/a	4,253	4,253	-	-	-
Collateral security held - non cash		n/a	4,094	4,094	-	-	-
Total credit exposure - trade receivables			20,914	20,914	-	-	-
			36,370	36,370	-	-	-
Financial liabilities							
Trade payables	6.4	n/a	6,723	6,723	-	-	-
Foreign exchange contracts		n/a	-	-	-	-	-
Land annuities payable		n/a	3,955	420	420	1,260	1,855
			10,678	7,143	420	1,260	1,855

Notes to the financial statements

Sensitivity analysis – Interest

The following table represents a summary of the interest rate sensitivities of the FPC's financial assets and liabilities at the end of the reporting period on the surplus for the period and equity for a 1 per cent change in rates. It is assumed the rates are held constant throughout the reporting period.

	Carrying amount (\$000's)	-1% change Profit (\$000's)	Equity (\$000's)	+1% change Profit (\$000's)	Equity (\$000's)
2024					
Financial assets					
Cash and cash equivalents	30,241	(212)	(212)	212	212
Financial liabilities					
Land annuities payable	3,048	(84)	(84)	79	79
2023					
Financial assets					
Cash and cash equivalents	15,456	(108)	(108)	108	108
Financial liabilities					
Land annuities payable	3,217	(99)	(99)	92	92

8.5 CONTINGENT ASSETS AND LIABILITIES

Contingent assets and contingent liabilities are not recognised in the statement of financial position but are disclosed and, if quantifiable, are measured at the best estimate.

Contingent assets and liabilities are presented inclusive of GST receivable or payable respectively.

8.5.1 CONTINGENT ASSETS

There are no contingent assets as at reporting date.

8.5.2 CONTINGENT LIABILITIES

The following contingent liabilities are excluded from the liabilities included in the financial statements:

Resource shortfall

The FPC has identified a potential shortfall of current pine resources that would be available to meet future contracted supply commitments. As at the date of the financial statements, there is a high degree of uncertainty regarding the likelihood, timing and amount of any potential shortfall and the FPC is therefore unable to determine a reliable estimate of the amount of any potential obligation that may arise in the future.

The FPC is undertaking further analysis in order to develop and implement mitigation strategies if necessary and will continue to monitor the need for further disclosure, or a provision, at future reporting dates.

Contaminated sites

Under the *Contaminated Sites Act 2003* (Act), the FPC is required to report known and suspected contaminated sites to the Department of Water and Environment Regulation (DWER). In accordance with the Act, DWER classifies these sites on the basis of the risk to human health, the environment and environmental values. Where sites are classified as *contaminated – remediation required* or *possibly contaminated - investigation required*, the FPC may have a liability in respect of investigation or remediation expenses.

The FPC currently has one site reported, on which it is an occupier for harvesting operation purposes and not an owner, which has been classified by DWER as *possibly contaminated - investigation required*. The site is owned by the DBCA who have an asbestos management plan in place.

8.6 FAIR VALUE MEASUREMENTS

Valuation processes

There were no changes in valuation techniques during the year. Native forests are valued on the rights to harvest over the life of the FMP while sandalwood is valued on the basis of a 36 month licence to harvest.

Transfers in and out of a fair value level are recognised on the date of the event or change in circumstances that caused the transfer. Transfers are generally limited to assets newly classified as non-current assets held for sale as Treasurer's Instructions require valuations of land, buildings and infrastructure to be categorised within Level 3 where the valuations will utilise significant Level 3 inputs on a recurring basis.

Basis of valuation

In the absence of market-based evidence, due to the specialised nature of some non financial assets, these assets are valued at Level 3 of the fair value hierarchy on an existing use basis. The existing use basis recognises that restrictions or limitations have been placed on their use and disposal when they are not determined to be surplus to requirements. These restrictions are imposed by virtue of the assets being held to deliver a specific community service and the FPC's enabling legislation.

Notes to the financial statements

8.6.1 FAIR VALUE MEASUREMENTS – LAND, BUILDINGS AND INFRASTRUCTURE

Assets measured at fair value:	Level 1 \$000	Level 2 \$000	Level 3 \$000	Fair value at end of year \$000
2024				
Land	-	-	137,455	137,455
Buildings	-	-	5,679	5,679
Infrastructure	-	-	2,575	2,575
Total land, buildings and infrastructure	-	-	145,709	145,709
2023				
Land	-	-	72,231	72,231
Buildings	-	-	5,611	5,611
Infrastructure	-	-	3,309	3,309
Total land, buildings and infrastructure	-	-	81,151	81,151

There were no transfers between Levels 1, 2 or 3 during the current and previous years.

Fair value measurements using significant unobservable inputs (Level 3)

	Land \$000	Buildings \$000	Infrastructure \$000
2024			
Fair value at start of year	72,231	5,611	3,309
Additions	59,874	785	-
Revaluation increments recognised in other comprehensive income	5,979	326	(1)
Disposals	(629)	(763)	-
Depreciation expense	-	(280)	(733)
Fair value at end of year	137,455	5,679	2,575
Total gains or losses for the period included in profit or loss, under 'other gains'	571	(761)	-
2023			
Fair value at start of year	33,881	5,351	2,139
Additions	30,517	90	-
Revaluation increments recognised in other comprehensive income	7,833	440	1,829
Disposals	-	-	-
Depreciation expense	-	(270)	(659)
Fair value at end of year	72,231	5,611	3,309
Total gains or losses for the period included in profit or loss, under 'Other Gains'	-	-	-

Information about significant unobservable inputs (Level 3) in fair value measurements

Description	Fair value 30/06/2024 \$000	Fair Value 30/06/2023 \$000	Valuation technique(s)	Unobservable inputs	Relationship of unobservable inputs to fair value
Land	137,455	72,231	Market approach	Selection of land with similar approximate utility	Higher value of similar land increases estimated fair value.
Buildings	5,679	5,611	Market approach	Consumed economic benefit/ obsolescence of asset	Greater consumption of economic benefit or increased obsolescence lowers fair value.
Infrastructure	2,575	3,309	Depreciated Replacement Cost	Consumed economic benefit/ obsolescence of asset	Greater consumption of economic benefit or increased obsolescence lowers fair value.

Land (Level 3 fair values)

Fair value for restricted use land is based on comparison with market evidence for land with low level utility (high restricted use land). The relevant comparators of land with low level utility is selected by the Western Australian Land Information Authority (Valuations and Property Analytics) and represents the application of a significant Level 3 input in this valuation methodology. The fair value measurement is sensitive to values of comparator land, with higher values of comparator land correlating with higher estimated fair values of land.

Buildings and Infrastructure (Level 3 fair values)

Fair value for existing use specialised buildings and infrastructure assets is determined by reference to the cost of replacing the remaining future economic benefits embodied in the asset, i.e. the current replacement cost. Current replacement cost is generally determined by reference to the market observable replacement cost of a substitute asset of comparable utility and gross project size specifications adjusted for obsolescence and economic (external) obsolescence.

Valuation using current replacement cost utilises the significant Level 3 input, consumed economic benefit/obsolescence of asset which is estimated by the Western Australian Land Information Authority (Valuations and Property Analytics). The fair value measurement is sensitive to the estimate of consumption/obsolescence, with higher values of the estimate correlating with lower estimated fair values of buildings and infrastructure.

Notes to the financial statements

8.6.2 FAIR VALUE MEASUREMENTS - BIOLOGICAL ASSETS

	Level 1 \$000	Level 2 \$000	Level 3 \$000	Fair value at end of year \$000
Assets measured at fair value:				
2024				
Plantations	-	-	224,485	224,485
Total biological assets	-	-	224,485	224,485
2023				
Plantations	-	-	220,531	220,531
Total biological assets	-	-	220,531	220,531

There were no transfers between Levels 1, 2 or 3 during the current and previous years.

Fair value measurements using significant unobservable inputs (Level 3)

	2024 \$000	2023 \$000
Fair value at start of period	220,531	198,141
Additions	12,232	5,102
Net movement in biological assets	(8,278)	17,288
Fair value at end of year	224,485	220,531

Valuation

The valuation of biological assets contain key estimates and assumptions made concerning the future, and other estimations of uncertainty at balance date. Variations to these estimates carry a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Calculations performed in assessing the value of the Biological assets incorporate uncertainty with discount rates, harvest yields and volumes that could be realistically marketed and sold.

Plantation timber

The FPC values its Pine Plantation estate on a fair value basis utilising the services of an independent valuer. For the year ended 30 June 2024 Margules Groome were contracted for this work (2023: Margules Groome).

The FPC values its Plantation bluegum on a fair value basis utilising the cost of acquisition in the current year, pending an assessment of net present value in subsequent years.

The FPC values its Sandalwood Plantation estate on a fair value basis utilising the expectation of net cash to be derived from the forest estate in each year of the projected holding period of the asset discounted to a net present value. The discount rate adopted has been provided by an independent valuer (Margules Groome).

Biological assets (Level 3 fair values)

The fair value of the biological assets is calculated by estimating the future harvests after considering constraints imposed by sustainable management, contracts and markets. Next, in valuing each group of asset, revenue from the harvest of forest products and costs associated with the management, marketing and selling of the forest products are assessed to determine the value of the asset.

Finally, by applying a discount rate, the Net Present Value (NPV) of those cash flows is assessed. The NPV is an estimation of the amount that one would pay today to receive the future cash flows from the harvest of forest products and management of the asset until harvest. NPV is calculated as the net of the future cash inflows and outflows associated with forest production activities, discounted back to current values.

In determining the valuation of the assets, there are assumptions that must be reviewed annually. Valuation changes mainly arise from:

- changes in timber volume
- changes in timber prices
- changes in production costs, including management, marketing and selling costs
- changes in the discount rate
- changes in USD forward exchange rate

	2024 \$000	2023 \$000
Opening balance 1 July	220,531	198,141
Harvested timber recognised in profit or loss	(31,620)	(37,472)
Fire risk adjustment	-	(798)
Changes in fair value less estimated point of sale costs recognised in profit or loss due to:	(883)	2,687
- change in discount rate	33,583	57,178
- changes in volume, prices and markets	3,865	-
Plantation sandalwood valuation movement	(991)	795
Closing balance 30 June	224,485	220,531

8.6.3 DISCOUNT RATES

The following discount rates have been applied in the calculation of net market values:

	2024	2023
Plantation pine	10.57%	10.52%
Plantation sandalwood	10.00%	8.80%

The discount rate is real and pre-tax.

Notes to the financial statements

9.0 OTHER DISCLOSURES

Introduction

This section includes additional material disclosures required by accounting standards or other pronouncements, for the understanding of this financial report.

Structure

This section includes:

- Note 9.1 Events occurring after the end of the reporting period
- Note 9.2 Key management personnel
- Note 9.3 Related party transactions
- Note 9.4 Related and affiliated bodies
- Note 9.5 Remuneration of auditor
- Note 9.6 Equity
- Note 9.7 Supplementary financial information
- Note 9.8 Funds held in trust
- Note 9.9 Future impact of Australian standards issued not yet effective
- Note 9.10 Explanatory statement

9.1 EVENTS OCCURRING AFTER THE END OF THE REPORTING PERIOD

There are no significant events occurring after balance date that materially impact the financial statements.

9.2 KEY MANAGEMENT PERSONNEL

The FPC has determined key management personnel to include cabinet ministers, members and senior officers of the FPC. The FPC does not incur expenditures to compensate Ministers and those disclosures may be found in the *Annual Report on State Finances*.

Total fees, salaries, superannuation, non-monetary benefits and other benefits for senior officers of the FPC for the reporting period are presented within the following bands:

Compensation of Members of the Accountable Authority

Compensation band (\$)	2024	2023
50,001 - 60,000	1	1
40,001 - 50,000	-	-
30,001 - 40,000	-	-
20,001 - 30,000	5	6
10,001 - 20,000	-	-
0 - 10,000	1	1
	2024	2023
	\$000	\$000
Total fees received by non-executive Commissioners	198	217

Compensation of Senior Officers

Compensation band (\$)	2024	2023
300,001 - 350,000	1	1
250,001 - 300,000	-	-
200,001 - 250,000	3	1
150,001 - 200,000	11	13
100,001 - 150,000	1	1
50,001 - 100,000	-	-
0 - 50,000	-	1
	2024	2023
	\$000	\$000
Short term employee benefits	2,979	2,435
Post employment benefits	-	256
Other long term benefits	-	-
Total compensation of Senior Officers	2,979	2,691

Total compensation includes the superannuation expense incurred by the FPC in respect of senior officers and members of the accountable authority.

Notes to the financial statements

9.3 RELATED PARTY TRANSACTIONS

The FPC is a wholly owned and controlled entity of the State of Western Australia.

Related parties of the FPC include:

- all cabinet ministers and their close family members, and their controlled or jointly controlled entities;
- all senior officers and their close family members, and their controlled or jointly controlled entities;
- other departments and statutory authorities, including related bodies that are included in the whole of government consolidated financial statements;
- associates and joint ventures of a wholly owned public sector entity; and
- the Government Employees Superannuation Board (GESB).

Significant transactions with government related entities

In conducting its activities, the FPC is required to transact with the State and entities related to the State. These transactions are generally based on the standard terms and conditions that apply to all agencies. Significant transactions include:

	2024 \$000	2023 \$000
– State Government contributions (Note 9.6);	80,819	33,484
– State Government operating subsidy (Note 3.3);	9,132	220
– State Government forestry grant (Note 3.3);	-	252
– Recoup of costs from DBCA (Note 3.6);	467	418
– Receipt of funds from Department of Jobs, Tourism, Science and Innovation ;	492	-
– Lease payments from Main Roads (Note 3.6);	98	185
– payments to DBCA (Note 4.6.1);	(3,348)	(3,992)
– payments to Treasury for works performed by DBCA (Note 4.6.1);	-	(6,263)
– payments to Treasury for sales from ecological thinning (refer statement of cashflows);	(490)	-
– superannuation payments to GESB (Note 4.3.1);	(212)	(232)
– insurance payments to the Insurance Commission of WA (Riskcover) (Note 4.6.1);	(998)	(770)
– payment for services provided by the Auditor General (Note 9.5);	(215)	(213)
– payment to the State Solicitors Office (SSO) *;	(64,780)	(29,683)
– payment for services provided by the Department of Finance (Note 4.6.1);	(1,066)	(971)

* Includes payments for land purchases, using the SSO as a settlement agent.

Material transactions with related parties

Outside of normal citizen type transactions with the FPC there were no other related party transactions that involved key management personnel and/or their close family members and/or their controlled (or jointly controlled) entities.

9.4 RELATED AND AFFILIATED BODIES

The FPC has no related or affiliated bodies as defined by Treasurers Instruction TI 951 Related and Affiliated Bodies.

9.5 REMUNERATION OF AUDITOR

Remuneration paid or payable to the Auditor General in respect of the audit for the current financial year is as follows:

	2024 \$000	2023 \$000
Auditing the accounts, financial statements, controls and key performance indicators	205	197

9.6 EQUITY

The West Australian Government holds the equity interest in the FPC on behalf of the community. Equity represents the residual interest in the net asset of the FPC. The asset revaluation surplus represents that portion of equity resulting from the revaluation of non-current assets.

	2024 \$000	2023 \$000
Contributed equity		
Balance at start of the year	323,993	290,508
Contributions by owners		
Equity injection	80,948	33,485
Balance at end of the year	404,941	323,993

Notes to the financial statements

9.6.1 RESERVES

	2024 \$000	2023 \$000
Asset revaluation surplus		
Balance at start of the year	23,376	16,305
Net asset revaluation increase (Note 5.1)	6,304	10,101
Deferred tax on items of other comprehensive income (Note 4.7.3)	(1,891)	(3,030)
Balance at end of the year	27,789	23,376

9.6.2 CASHFLOW HEDGE RESERVE

Balance at start of the year	-	(9)
Net movement in reserve	-	12
Income tax on items of other comprehensive income	-	(3)
Balance at end of the year	-	-
Balance at end of the year	27,789	23,376

Forward exchange contracts are held to hedge against fluctuations in US dollars (Note 8.2.1).

9.6.3 ACCUMULATED DEFICIT

Balance at start of the year	(36,308)	(63,245)
(Loss)/profit for the year	(3,902)	26,937
Balance at end of the year	(40,210)	(36,308)

Provision is made for the amount of any dividend declared on or before the end of the financial year, but not distributed at the end of the reporting period.

A dividend liability is not recognised if the dividends are still to be approved (declared) at the end of the reporting period. "Declared" is considered to mean that the dividends are appropriately authorised and no longer at the discretion of the entity. Under current Western Australian legislative arrangements, dividends (other than interim dividends) are formally approved by the Minister after the year-end date and therefore would not meet the recognition criteria of a present obligation of a liability.

9.7 SUPPLEMENTARY FINANCIAL INFORMATION

(a) Write-offs

During the previous year, the Board approved nil (2023: Nil) of debtors to be written off.

	2024 \$000	2023 \$000
Debtors	-	-
Total	-	-

9.8 FUNDS HELD IN TRUST

Funds held in trust¹ as security for contract obligations. These funds are repayable upon completion of contracts.

	2024 \$000	2023 \$000
Opening balance	4,253	4,206
Receipts	339	111
Payments	(1,741)	(64)
Closing balance	2,851	4,253

¹ Trust funds do not form part of the assets of the FPC, and are held in a separate trust fund established for that purpose. Interest accruing on these funds accumulate for the benefit of security providers unless otherwise agreed, in which case, interest accrued accumulates for the benefit of the FPC.

Notes to the financial statements

9.9 FUTURE IMPACT OF AUSTRALIAN STANDARDS ISSUED NOT YET EFFECTIVE

The FPC cannot early adopt an Australian Accounting Standard unless specifically permitted by TI 1101 Application of Australian Accounting Standards and Other Pronouncements or by an exemption from TI 1101. Where applicable, the FPC plans to apply the following Australian Accounting Standards from their application date:

	Operative for reporting periods beginning on/after
<p>AASB 2020-1 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current</p> <p>This Standard amends AASB 101 to clarify requirements for the presentation of liabilities in the statement of financial position as current or non-current</p> <p>There is no financial impact.</p>	1 Jan 2024
<p>AASB 2022-5 Amendments to Australian Accounting Standards – Lease Liability in a Sale and Leaseback</p> <p>This Standard amends AASB 16 to add measurement requirements for sale and leaseback transactions that satisfy the requirements in AASB 15 to be accounted for as a sale.</p> <p>There is no financial impact.</p>	1 Jan 2024
<p>AASB 2022-6 Amendments to Australian Accounting Standards – Non-current Liabilities with Covenants</p> <p>This Standard amends AASB 101 to improve the information an entity provides in its financial statements about liabilities arising from loan arrangements for which the entity’s right to defer settlement of those liabilities for at least twelve months after the reporting period is subject to the entity complying with conditions specified in the loan arrangement.</p> <p>The Standard also amends an example in Practice Statement 2 regarding assessing whether information about covenants is material for disclosure.</p> <p>There is no financial impact.</p>	1 Jan 2024

<p>AASB 2022-9 Amendments to Australian Accounting Standards – Insurance Contracts in the Public Sector</p> <p>This Standard amends AASB 17 and AASB 1050 to include modifications with respect to the application of AASB 17 by public sector entities. This Standard also amends the following Standards to remove the temporary consequential amendments set out in AASB 2022-8 since AASB 4 and AASB 1023 do not apply to public sector entities for periods beginning on or after 1 July 2026: (a) AASB 1; (b) AASB 3; (c) AASB 5; (d) AASB 7; (e) AASB 9; (f) AASB 15; (g) AASB 119; (h) AASB 132; (i) AASB 136; (j) AASB 137; (k) AASB 138; (l) AASB 1057; and (m) AASB 1058.</p> <p>There is no financial impact.</p>	1 Jan 2026
<p>AASB 2022-10 Amendments to Australian Accounting Standards – Fair Value Measurement of Non-Financial Assets of Not-for-Profit Public Sector Entities</p> <p>This Standard amends AASB 13 including adding authoritative implementation guidance and providing related illustrative examples, for fair value measurements of non-financial assets of not-for-profit public sector entities not held primarily for their ability to generate net cash inflows.</p> <p>There is no financial impact.</p>	1 Jan 2024
<p>AASB 2023-1 Amendments to Australian Accounting Standards – Supplier Finance Arrangements</p> <p>This Standard amends: (a) AASB 107; and (b) AASB 7 as a consequence of the issuance of International Financial Reporting Standard Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7) by the International Accounting Standards Board in May 2023.</p> <p>There is no financial impact.</p>	1 Jan 2024

Notes to the financial statements

9.10 EXPLANATORY STATEMENT

Significant variations between estimates and actual results for 2024 and between the actual results for 2024 and 2023 are shown below. Narratives are provided for significant variations, which are considered to be those greater than 10% and \$1.2 million for the Statement of Comprehensive Income and Statement of Cashflow and greater than 10% and \$4.3 million for the Statement of Financial Position.

9.10.1 STATEMENT OF COMPREHENSIVE INCOME VARIANCES

	Variance note	Estimate 2024 \$000	Actual 2024 \$000	Actual 2023 \$000	Variance Est to 2024 \$000	Variance 2024–2023 \$000
Continuing operations						
Operating income						
Sales of forest products	A	119,525	108,969	125,870	(10,556)	(16,901)
Commonwealth grants and contributions	1, B	-	1,509	103	1,509	1,406
Interest income		38	631	446	593	185
Other income	C	698	964	7,824	266	(6,860)
Gain on disposal of non-current assets		-	-	1	-	(1)
Gains from foreign exchange		-	75	91	75	(16)
Total operating income		120,261	112,148	134,335	(8,113)	(22,187)
Operating expenses						
Production expenses	2	92,368	76,213	77,258	16,155	1,045
Employee benefits expense	3	26,528	21,574	20,840	4,954	(734)
Supplies and services	4, D	23,443	14,275	21,166	9,168	6,891
Depreciation and amortisation expense	5	3,105	4,526	5,402	(1,421)	876
Finance costs		404	296	348	108	52
Accommodation expenses		1,016	875	837	141	(38)
Grants and subsidies		50	115	69	(65)	(46)
Loss on disposal of non-current assets		-	200	-	(200)	(200)
Other expenses		2,659	2,830	2,305	(171)	(525)
Total operating expenses		149,573	120,904	128,225	28,669	7,321
Operating profit/(loss)		(29,312)	(8,756)	6,110	20,556	(14,866)
Other economic flows included in net result						
Net movement in biological assets	6, E	(2,000)	(8,278)	17,288	(6,278)	(25,566)
Onerous contracts		(381)	(151)	31	230	(182)
Grants and subsidies from State Government	F	11,000	11,393	472	393	10,921
Other economic flows included in net result before income tax		8,619	2,964	17,791	(5,655)	(14,827)
Income tax benefit/(expense)	7	6,208	1,891	3,034	(4,317)	(1,143)
Net result from continuing operations after income tax		(14,485)	(3,901)	26,935	10,584	(30,836)

Notes to the financial statements

9.10.2 STATEMENT OF FINANCIAL POSITION VARIANCES

	Variance note	Estimate 2024 \$000	Actual 2024 \$000	Actual 2023 \$000	Variance Est to 2024 \$000	Variance 2024–2023 \$000
ASSETS						
Current assets						
Cash and cash equivalents	1, A	15,841	30,243	15,458	14,402	14,785
Inventories		9,212	10,490	9,039	1,278	1,451
Receivables	2	12,755	8,370	12,656	(4,385)	(4,286)
Biological assets	3, B	10,052	16,194	10,052	6,142	6,142
Other current assets		3,536	5,717	3,536	2,181	2,181
Total current assets		51,396	71,014	50,741	19,618	20,273
Non-current assets						
Infrastructure, property, plant and equipment	4, C	110,287	146,240	81,526	35,953	64,714
Inventories		-	1,394	-	1,394	1,394
Deferred tax assets	5	6,118	-	-	(6,118)	-
Biological assets		215,384	208,291	210,479	(7,093)	(2,188)
Right of use assets		-	2,178	2,079	2,178	99
Intangible assets		2,689	1,266	3,770	(1,423)	(2,504)
Total non-current assets		334,478	359,369	297,854	24,891	61,515
Total assets		385,874	430,383	348,595	44,509	81,788
LIABILITIES						
Current liabilities						
Payables		13,531	16,855	12,905	3,324	3,950
Lease liabilities		510	734	646	224	88
Employee related provisions		2,600	3,950	4,053	1,350	(103)
Other provisions		4,360	2,932	2,907	(1,428)	25
Deferred revenue		1,664	2,077	1,664	413	413
Total current liabilities		22,665	26,548	22,175	3,883	4,373
Non-current liabilities						
Payables		3,618	2,621	2,806	(997)	(185)
Lease liabilities		650	1,566	1,462	916	104
Employee related provisions		1,500	915	805	(585)	110
Other provisions		2,629	1,641	4,380	(988)	(2,739)
Deferred revenue		6,168	4,572	5,906	(1,596)	(1,334)
Total non-current liabilities		14,565	11,315	15,359	(3,250)	(4,044)
Total liabilities		37,230	37,863	37,534	633	329
Net assets		348,644	392,520	311,061	43,876	81,459
Equity						
Contributed equity	D	376,151	404,941	323,993	28,790	80,948
Reserves	6, E	23,376	27,789	23,376	4,413	4,413
Accumulated (deficit)/surplus	7	(50,883)	(40,210)	(36,308)	10,673	(3,902)
Total equity		348,644	392,520	311,061	43,876	81,459

Notes to the financial statements

9.10.3 STATEMENT OF CASH FLOW VARIANCES

	Variance note	Estimate 2024 \$000	Actual 2024 \$000	Actual 2023 \$000	Variance Est to 2024 \$000	Variance 2024-2023 \$000
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts						
Receipts from external customers	A	119,238	122,626	135,270	3,388	(12,644)
Interest received		38	517	309	479	208
Other receipts	B	951	916	3,603	(35)	(2,687)
Total receipts		120,227	124,059	139,182	3,832	(15,123)
Payments						
Payments for employee benefits	1	(27,293)	(21,607)	(20,201)	5,686	(1,406)
Payments to suppliers	2	(18,926)	(28,319)	(30,391)	(9,393)	2,072
Forest management expenditure	3, C	(90,462)	(75,896)	(87,416)	14,566	11,520
Total payments		(136,681)	(125,822)	(138,008)	10,859	12,186
Net cash from/(used) in operating activities		(16,454)	(1,763)	1,174	14,691	(2,937)
CASH FLOWS FROM INVESTING ACTIVITIES						
Proceeds from sale of non-current physical assets		-	1,223	1	1,223	1,222
Purchase of non-current physical assets		(200)	(213)	(21)	(13)	(192)
Softwood estate expansion	4, D	(28,216)	(64,586)	(30,720)	(36,370)	(33,866)
Investment in new plantations	5, E	(6,905)	(8,423)	(4,945)	(1,518)	(3,478)
Net cash used in investing activities		(35,321)	(71,999)	(35,685)	(36,678)	(36,314)
CASHFLOWS FROM FINANCING ACTIVITIES						
Payments						
Lease payments		-	(931)	(994)	(931)	63
Net cash used in financing activities		-	(931)	(994)	(931)	63
CASH FLOWS FROM STATE GOVERNMENT						
State Contribution (repayment)		-	(490)	-	(490)	(490)
State Contribution (equity injection)	6, F	51,858	80,948	33,484	29,090	47,464
Other grants and subsidies	7, G	300	9,020	472	8,720	8,548
Net cash provided from State Government		52,158	89,478	33,956	37,810	56,012
Net (decrease)/increase in cash and cash equivalents		383	14,785	(1,549)	14,402	16,334
Cash and cash equivalents at the beginning of the period		15,458	15,458	17,007	-	(1,549)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		15,841	30,243	15,458	14,402	14,785

Notes to the financial statements

9.10.4 SIGNIFICANT VARIANCES BETWEEN ESTIMATE AND ACTUAL FOR 2024 AND/OR BETWEEN ACTUALS FOR 2024 AND 2023:

Statement of Comprehensive Income

Variations between estimate and actual (\$000's)

1. Australian Carbon Credit Units were granted for the first time, in the current financial year.
2. Lower production costs reflect the reduced log supply to major plantation customers.
3. Employee benefits expenses were underspent due to a number of positions that remained vacant during parts of the year.
4. Lower expenditure on regeneration costs, professional services and administrative expenses resulted in lower than estimated costs for supplies and services.
5. Higher than budgeted amortisation due to the sandalwood right-of-use asset, not currently included in estimates.
6. A higher than budgeted decrement in the valuation for Plantation biological assets, compared to the expected decrement for the year, resulted from the exclusion of recently capitalised plantation assets.
7. The lower than estimated tax benefit resulted from the lower net loss.

Variations between 2024 and 2023 (\$000's)

- A. Lower sales reflect the reduced activity level associated with the cessation of native forest logging, combined with lower sandalwood sales.
- B. Australian Carbon Credit Units were granted for the first time, in the current financial year.
- C. Other income was lower than the previous year due to the recognition of 3 years of sandalwood contributory income in the prior year.
- D. Lower expenditure on supplies and services reflected the lower activity level associated with the reduction in native forestry under the new Forest Management Plan.
- E. A decrement in the valuation for Plantation biological assets, compared to the increment for the previous year, resulted from the exclusion of recently capitalised plantation assets.
- F. Income was received from Treasury to offset costs associated with ecological thinning programs, not previously performed.

Statement of Financial Position

Variations between estimate and actual (\$000's)

1. Higher than budgeted cash has resulted from recovery of costs associated with native forestry operations, combined with higher cashflow from plantation operations.
2. Lower receivable levels have resulted from a reduction in credit provided to native forestry customers, as many exit the industry.
3. An independent revaluation of biological assets resulted in an increase in the current valuation due to higher current plantation product pricing.
4. Higher than budgeted land purchases for the expansion of the softwood estate increased the value of assets during the year.
5. The net deferred tax asset was de-recognised previously and is subsequently written down to nil.
6. An independent revaluation of land by Landgate in 2024 resulted in an unanticipated increase in the reserve related to the land carrying value.
7. A smaller loss than anticipated resulted in a lower rise in accumulated losses than originally estimated.

Variations between 2024 and 2023 (\$000's)

- A. Higher cash has resulted from higher cashflow from plantation operations.
- B. An independent revaluation of biological assets resulted in an increase in the current valuation due to higher current plantation product pricing.
- C. Land purchases for the expansion of the softwood estate increased the value of assets during the year.
- D. Additional equity injections to fund the plantation expansion program, combined with funding for native forestry transition.
- E. An independent revaluation of land by Landgate in 2024 resulted in an increase in the reserve related to the land carrying value.

Statement of Cash Flows

Variations between estimate and actual (\$000's)

1. Employee benefits payments were reduced due to a number of vacant positions that remained unfilled during portions of the year.
2. Higher than budgeted costs were incurred for standing charges and to maintain business continuity during the year as some native forest contractors withdrew from the industry.
3. Lower forest management costs reflect materially over-estimated plantation production costs due to lower than planned distances for operations.
4. The delayed acquisition of land in the previous year resulted in higher expenditure than budgeted on new plantation areas in the current year.
5. Increased land acquisition resulted in higher than expected expenditure on plantation establishment costs for new plantations during the year.
6. Higher land acquisition resulted in higher than expected equity contributions to offset expenditure on new plantation areas in the current year.
7. Income was received from Treasury to offset costs associated with ecological thinning programs, not previously included in estimates.

Variations between 2024 and 2023 (\$000's)

- A. Sales receipts were lower than estimated due to a decline in International and Domestic sandalwood demand, combined with reduced sales in native forestry following the cessation of logging in December 2023.
- B. The receipt of a payment to settle a contract dispute in the previous year, resulted in a decrease in other receipts for the current year.
- C. Lower forest management costs reflect lower spending in activities related to native forestry operations.
- D. The delayed acquisition of land in the previous year resulted in higher expenditure on new plantation areas in the current year.
- E. Higher land acquisition resulted in higher expenditure on plantation establishment costs for new plantations during the year.
- F. The acquisition of land for plantation expansion resulted in higher equity contributions to fund the new plantation areas.
- G. Funds received from Treasury to offset costs associated with ecological thinning programs, not previously performed.



Key performance indicators



Certification of the key performance indicators

Certification of the key performance indicators

I hereby certify that the key performance indicators are based on proper records, are relevant and appropriate for assisting users to assess the Forest Products Commission's performance, and fairly represent the performance of the Commission for the financial year ended 30 June 2024.



Ms Debra Blaskett
Chair

5 September 2024



Ms Stephanie Black
Commissioner

5 September 2024

Key performance indicators

As highlighted in the 2022-23 Annual Report, with the end of commercial native forestry in 2023, the FPC needed to change Key Performance Indicators (KPI) that were no longer relevant to the new operating model under the Forest Management Plan 2024-2033. Coupled with this, the passing of the *Government Trading Enterprises Act 2023* (GTE Act) which has been introduced to consolidate the governance requirements of GTEs which are presently contained in multiple instruments also require changes to existing KPI's.

While the KPI changes required by the GTE Act do not yet apply to the FPC, the FPC has been working with Treasury to align new KPI's with the GTE Regulations and the FPC's Outcomes Based Management Framework has been changed to report against new Key Performance Indicators in 2023-24. The new KPI's for all GTE's are based on five areas Occupational Safety and Health, Customer Service, People and Diversity, Environmental Impact, Efficiency and Effectiveness with KPI's associated with these areas.

Area	KPI	Target*	Actual
Occupational health and safety	Lost time injury and disease frequency rate	Less than industry average (6.58)	6.39
	Lost time injury and disease severity rate	0%	50%
Customer service	Complaint resolution rate	100%	100%
Environmental impact	Net greenhouse gas emissions	Exempt for financial year 2023-24	Exempt for financial year 2023-24
People-Diversity	Aggregated diversity score	85	85.8%
	Voluntary turnover rate	12%	13.2%
Efficiency and effectiveness	Operating margin	1.1%	3.8%
	Return on assets	0.3%	1%

* As the KPI's are all new, Targets were not set for 2023-24 but where possible a relevant target for comparison in the 2023-24 period is provided for context.

Performance management framework

State Government goals

1: Strong and sustainable finances
Responsible, achievable, affordable budget management

2: WA jobs plan
Diversifying the WA economy, creating local jobs for the future

3: Investing in WA's future
Tackling climate action and supporting the arts, culture and sporting sectors to promote vibrant communities

Our strategic goals

G1: Performance functions in a responsible and cost-efficient manner

G2: Vibrant forest industry creating local jobs

G3: Healthy forests sequestering carbon

Key performance indicators

Outcome: Occupational Health and Safety

Time Injury and Disease Frequency Rate
Lost Time Injury and Disease Severity Rate

Outcome: Customer Service

Complaint Resolution Rate

Outcome: Environmental Impact

Net greenhouse gas emissions

Outcome: People and Diversity

Voluntary turnover rate
Aggregated Diversity Score

Outcome: Efficiency and Effectiveness

Operating margin
Return on assets

Key performance indicators

Occupational health and safety

Lost time injury and disease frequency rate

The Lost Time Injury and Disease Frequency Rate (LTIDFR) is the number of lost time injuries ÷ hours worked (1 July 2023 to 30 June 2024) × 1,000,000.

The FPC recorded two lost time injuries in 2023-24 compared with three in 2022-23. There has been a significant improvement in the FPC's LTIDFR compared with 2022-23 (9.98).

Target	Actual
Less than industry average (6.58)	6.39

Lost time injury and disease severity rate

The Lost Time Injury and Disease Severity Rate (LTIDSR) is the number of severe lost time injuries and diseases (actual or estimated 60 days or more lost from work) divided by the number of lost time injuries and diseases multiplied by 100.

The LTIDSR for the 2023-24 Actual is 50 per cent, reflecting two lost time injuries, one of which was severe (and incurred over 60 days of lost time).

Target	Actual
0%	50%

Customer service

Complaint resolution rate

Providing a timely response is an important part of effectively managing complaints and concerns from stakeholders. The FPC aspires to work constructively with all stakeholders to address any raised issues within a reasonable timeframe. In terms of reporting, the FPC has set a target that 100 per cent of complaints or concerns will be resolved within two months of the initial receipt. This was achieved in 2023-24.

Target	Actual
100%	100%

Environmental impact

Net greenhouse gas emissions

The FPC has been provided an exemption from the Under Treasurer from reporting this KPI for the 2023-24 period as the reporting and auditing requirements for climate reporting for the WA public sector are not yet finalised. It is intended that this KPI will be reported in future Annual Reports.

Target	Actual
Not applicable	Not applicable

Key performance indicators

People-Diversity

Aggregated diversity score

In 2023-24 the FPC used a baseline measure of FPC actual performance against aspirational targets in the Workforce Diversification and Inclusion Strategy for WA Public Sector Employment (WDISPSE). This composes a score based on employment participation across gender; Aboriginal and Torres Strait Islander; cultural diversity; youth and disability targets. Representation of staff across each diversity group varies. The actual aggregated diversity score of 85.8 per cent in 2023-24 represents performance exceeding the baseline measure for this KPI calculated as an average across all diversity groups.

Target	Actual
85%	85.8%

Voluntary turnover rate

The voluntary turnover target for 2023-24 was based on an average of the actual permanent voluntary turnover rate for the Western Australian Public Sector across 2023-24 (10 per cent) and FPC actual permanent voluntary turnover rate in 2023-24 (15 per cent). Across 2023-24 a total of 19 permanent staff left the organisation representing 13.2 per cent of the permanent workforce (144 staff).

Target	Actual
12%	13.2%



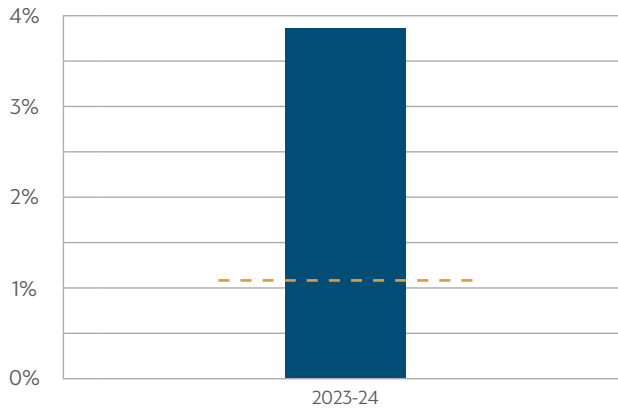
Key performance indicators

Efficiency and effectiveness

Operating margin

The FPC aims to continuously improve our operating margin as a measure of our efficiency and effectiveness of financial management and business operations. The baseline is the three year average of our operating margin. This is compared to the current year to see whether we have improved.

This year, the FPC has achieved a significant improvement in its operating margin, which stands at 3.8 per cent compared to the last three years being 1.1 per cent. This notable increase reflects enhanced operational efficiency and cost management. The EBITDA for this year amounted to \$4.32 million, indicating robust profitability when compared to the total operating revenue of \$112.83 million. This positive outcome has been underpinned by improved margins from plantation operations due to higher prices for softwood products.

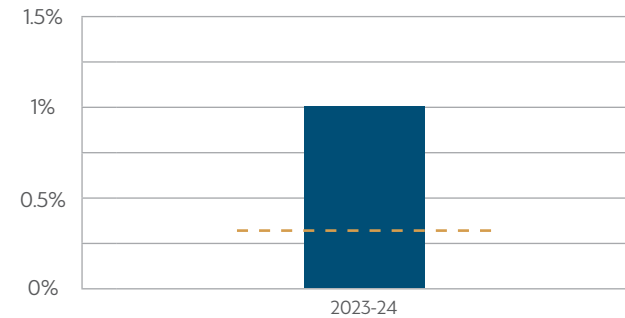


Target	Actual
1.1%	3.8%

Return on assets

The FPC aims to continuously improve our return on assets as a measure of our efficiency and effectiveness of financial management and business operations. The baseline is the three year average of our return on assets. This is compared to the current year to see whether we have improved.

Return on investment (ROI) is a critical measure for evaluating the efficiency of an investment relative to the total assets deployed in the fiscal year. In the current year, the total assets amounted to \$430.4 million, generating an EBITDA of \$4.32 million. This results in an ROI of approximately one per cent, compared to the rolling average of the last three years of 0.3 per cent, which indicates that for every dollar of assets invested, there was a return of one percent. The one per cent ROI for 2024 reflects a significant increase in assets as a result of land purchases to support softwood plantation expansion.



Target	Actual
0.3%	1%





Disclosures



Disclosures and legal compliance

Administered legislation

FPC is governed by the *Forest Products Act 2000* and the *Forest Products Regulations 2020*.

We comply with all other relevant legislation.

Ministerial directives

No Ministerial directives under the Act were received during the 2023–2024 reporting period.

Governance disclosures

Contracts with senior officers

No senior officers had any interests in existing or proposed contracts with FPC, other than normal employment contracts.

Commissioners

FPC governing body is a commission of seven commissioners appointed by the Governor, on the Minister for Forestry's recommendation.

The Governor appoints a Chair and Deputy Chair from the commissioners. Commissioners may hold office for up to three years and are eligible to be reappointed. Profiles of the commissioners can be found on the commissioners' page.

Committees

Audit and risk

The Audit and Risk Committee is responsible for making recommendations to the commission on the adequacy of internal and external audit arrangements, financial statements, financial administration policies, internal control systems, business policies and practices, compliance with laws, monitoring business risk and reporting procedures. Members of the committee include Bob Pearce (Chair), Debra Blaskett, Vanessa Martin and Stephanie Black. The committee held four formal meetings.

People, safety and environment

The People Safety and Environment Committee has oversight of FPC's corporate culture, people and leadership, and the health, wellbeing and safety of FPC staff and contractors. Members of the committee included The Hon Melissa Parke (Committee Chair to 30 September 2023), Simon Byrne (Committee Chair from 1 October 2023) Debra Blaskett (committee member to 1 December 2023), Vanessa Martin and Stan Liaros. The committee held four formal meetings.



Commission meetings and remuneration

The role and functions of the commission are set out in the Act and the commission is subject to the provisions within the *Statutory Corporations (Liability of Directors) Act 1996*. The commission is responsible for the performance of FPC’s statutory functions and determines its strategic direction.

The commission formally met eight times throughout the year. The commissioners visited a variety of forestry field operations and met with key industry stakeholders.

The Act requires commissioners to disclose the nature of all material of personal interest in a matter being considered or about to be considered by the commission as soon as possible after the relevant facts have come to the knowledge of the commissioner.

Position title	Member name	Period of membership	Base salary/sitting fees	Gross/actual remuneration for financial year
Chair	Debra Blaskett	1 July 2023 – 30 June 2024	\$60,000	\$55,799
Commissioner	Robert Pearce	1 July 2023 – 30 June 2024	\$30,000	\$24,480
Commissioner	Stan Liaros	1 July 2023 – 30 June 2024	\$30,000	\$24,480
Commissioner	Vanessa Martin	1 July 2023 – 30 June 2024	\$30,000	\$24,480
Commissioner	Simon Byrne	1 July 2023 – 30 June 2024	\$30,000	\$24,480
Commissioner	Stephanie Black	1 July 2023 – 30 June 2024	\$30,000	\$24,480

Note: Commissioner remuneration increased from 20 March 2024



Other legal requirements

Freedom of information

The *Freedom of Information Act 1992* (FOI Act) enables the public to apply for access to documents held by the FPC.

Guidance on how to apply and obtain requested documents is set out in FPC's Information Statement, which is available to the public on FPC's website. The information statement is prepared in accordance with the requirements of the FOI Act and provides guidance in obtaining access to documents held by FPC.

FPC received four FOI applications during the 2023-24 financial year.

Public interest disclosure

In accordance with the *Public Interest Disclosure Act 2003*, a public interest disclosure (PID) is made when a person discloses to a proper authority, such as a PID officer, information that tends to show past, present or proposed future improper conduct by a public body in the exercise of public functions. Public interest disclosure officers for FPC have been appointed. Internal procedures relating to our obligations under the PID Act have been implemented. During the year, no public interest disclosures were received by FPC.

Compliance with public sector standards and ethical codes

FPC works within the Public Sector Commission's integrity, ethics and accountability framework. FPC ensures compliance with the:

- FPC Code of Conduct
- WA Public Sector Code of Ethics
- Integrity Strategy for WA Public Authorities
- Public sector standards in human resource management
- Relevant awards, agreements and policies.

All Forest Products Commission staff are required to undertake regular integrity refresher training, with new staff required to complete a full session tailored specifically to FPC's business needs. In 2023, in line with Commissioner's Instruction 40: Ethical Foundations, FPC's Code of Conduct was reviewed and updated, with all staff required to sign a revised declaration to acknowledge the new edition.

Information management

State Records Act 2000

FPC's Recordkeeping Plan sets out our intention to further develop and implement policies and procedures for the management of digital records in conjunction with reviewing FPC's business classification to incorporate it into the future digital landscape.

The following information is provided in accordance with the *State Records Act 2000* Section 61 and the State Records Commission Standard 2, Principle 6.

Efficiency and effectiveness of FPC's Information Management Systems and Practices

Ongoing monitoring, reviewing and evaluation ensures the efficiency and effectiveness of FPC's information management systems and practices.

Record keeping is regularly incorporated in our information management, environmental management system and independent forest certification external audits to ensure compliance with the relevant standards. The audit requirements have been either met or areas highlighted for improvement.

Training and induction program

To ensure all FPC employees are fully aware of their roles and responsibilities and understand what is required in government recordkeeping, they must be provided with appropriate training. All new and existing FPC employees must complete:

- The mandatory online Information Management training.
- Electronic document and record management system (EDRMS) training.

Ongoing refresher training is also regularly provided.

FPC's Recordkeeping Plan, policy, procedures and work instructions are available to staff via FPC's intranet.

Disability Access and Inclusion Plan 2020-2025

FPC continues to commit to initiatives set out in the Disability Access and Inclusion Plan 2020 – 2025 (DAIP) to ensure people with disability have the same access to FPC's buildings, information, stakeholder consultation and recruitment processes as anyone else.

Measures include, for example, providing disability access to FPC's buildings, raising awareness of people with disability in FPC's induction process and ensuring that FPC's website is accessible for people with disability.

The plan will be reviewed and updated in 2025.

Other legal requirements

Reportable expenditure

In accordance with section 175ZE of the Electoral Act 1907, FPC incurred the following expenditure in advertising, market research, polling, direct mail and media advertising. Total expenditure for 2023-24 was \$15,578 (including GST). The media advertising expenditure included a mix of notices about forest operations and recruitment opportunities.

Expenditure type	Organisation	Amount	Total
Advertising agencies		\$0	\$0
Market research agencies		\$0	\$0
Polling organisations		\$0	\$0
Direct mail organisations		\$0	\$0
Media advertising organisations	Initiative Media Australia Pty Ltd	\$11,694	\$15,578
	Ryan Media Pty Ltd	\$2,091	
	Innovatek Limited	\$1,100	
	Timber Media Australasia Pty Ltd	\$693	
Total			\$15,578



Government policy requirements

Workforce profile

FPC is committed to increasing workforce diversity through various plans and strategies. As of June 2024, our workforce diversity profiles compared to the WA public sector are set out in the table below.

Aggregated Diversity Score

The Aggregated Diversity Score is based on the FPC's actual performance against the average across the four aspirational Workforce Diversification and Inclusion Strategy for WA Public Sector Employment (WEISPSE) targets that apply to the FPC.

Diversity Groups representation	WA Public Sector D and I targets (WDISPSE)	FPC June 24	% FPC actual performance against aspirational target
Women in Senior Executive Service*	50%	n/a	n/a
Aboriginal and Torres Strait Islander people	3.70%	1.20%	32%
Culturally and linguistically diverse people	15.50%	26.10%	168%
Youth	5.80%	4.80%	83%
People with disability	5%	3%	60%
			Total 343 divided by 4 = 85.8%

* FPC is a non-SES organisation

WA Multicultural Policy Framework

Our workforce is made up of staff from all walks of life and cultural backgrounds, enriching our workplace experience and business outcomes. Cultural competency is an essential part of working with people from culturally and linguistically diverse backgrounds and FPC has taken steps to promote inclusivity:

- We adopted the Diverse WA training developed by the Office of Multicultural Interests as part of our mandatory training program for all new employees.
- In March 2024, during Harmony Week, we expanded the cultural competency program and launched the SBS Core Inclusion Course for all staff. The course offers an engaging learning platform that celebrates diversity and fosters a safe and inclusive workplace.

- We rolled out Equal Employment Opportunity training to all staff, promoting understanding of the importance of diversity and inclusion in the workplace. This training reinforces FPC's commitment to a discrimination-free environment and a workplace culture that values fair treatment and respect.
- We launched our Equal Employment Opportunity Plan 2024-2026 which brings together our holistic actions and initiatives to support diversity and inclusion.

Workforce inclusivity

At FPC, we recognise the benefits the diverse perspectives and experiences of our people bring to the way we do our work, providing clear evidence of the value of diversity, inclusion and cultural safety.

Our Equal Employment Opportunity Management Plan 2024-2026 shows our commitment as an agency to eliminate discrimination in employment. The plan promotes an inclusive and equitable workplace, ensuring both employees and future employees of FPC have equal access to employment opportunities.

The plan also defines the actions and strategies that will facilitate the achievement of workforce diversification targets and raising the diversity and inclusion profile at FPC. Key components of the plan include enhanced diversity and cultural awareness training, inclusive policies, participation in diversity events and a recruitment and retention strategy that will prioritise diversity across all groups and at all levels of leadership.

Our agency actively participated in the 2023 WA Public Sector Census. The high response rate of 70 per cent reflected staff confidence in expressing their identities, experiences and insights working at FPC. Our employees were asked about their diversity and whether they had shared this with our agency and, if not, the reasons behind their decision. The results indicated that more than a third of our workforce identified as belonging to one or more diversity groups, including being born outside of Australia, belonging to a culturally and linguistically diverse background and fluency in a language other than English. Most staff shared their diversity information though some felt uncomfortable doing so. A high proportion of staff were actively involved in performance and development planning and the top reason cited for staying at the agency was because staff liked their job or that it offered them interesting work.

Overall, our analysis of the census results helped identify gaps and opportunities for improvement and these have informed actions now integrated into our plan and other workforce initiatives. The census reinforces how robust employee feedback systems are essential in fostering a safe and inclusive workplace culture at FPC.

Occupational safety, health and injury management

FPC is committed to providing safe and healthy working conditions to prevent work-related injury and ill health; eliminating hazards and reducing occupational health and safety risks; and consultation and participation of workers. This commitment is embedded in FPC Policy 3 Work Health and Safety.

Our commitment to the health and safety of our employees, contractors and the public is expressed in strong safety leadership, engagement with our workforce and stakeholders, and a continual focus on identifying and managing risks. The Strategic OSH Committee is focused on progressing key strategic health and safety programs and initiatives. Future areas of focus include:

- Critical risks and the adoption of innovations in technology, machinery and equipment to further reduce these risks
- Improved driver and road safety through the adoption of new and emerging technologies and human factor training programs
- Safeguarding against complacency in the workforce
- Embedding a strong safety culture at all levels of the industry.



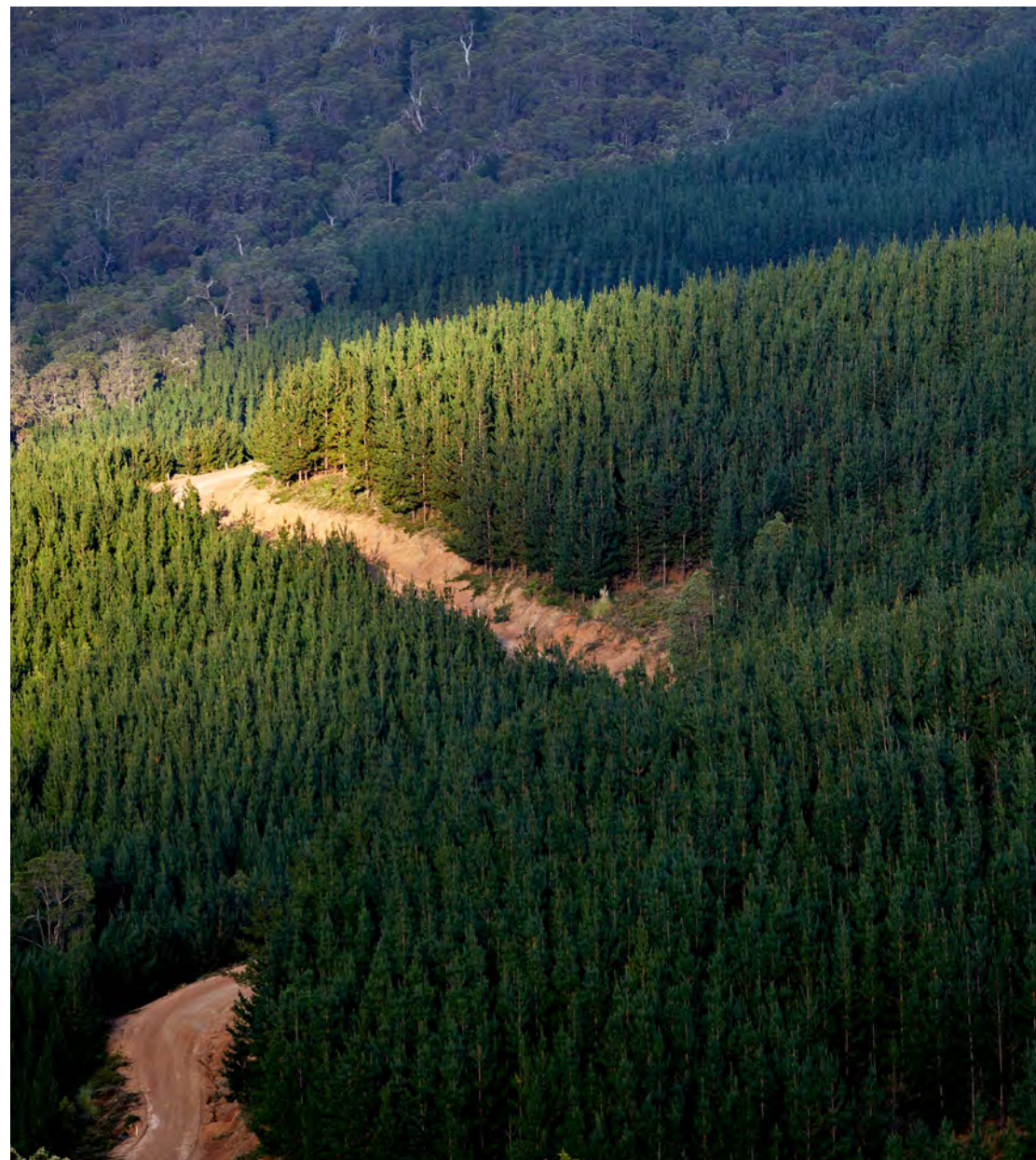
Measures	2019-20	2020-21	2021-22	2022-23	2023-24	Targets
Number of fatalities	0	0	0	0	0	0
Lost time injury and disease incidence rate	1	3	1	2	1	0 or 10% reduction in incidence rate
Lost time injury and severity rate	50%	0%	0%	0%	50%	Actual occurrence rates
Percentage of injured workers returned to work (i) within 13 weeks	100%	100%	100%	100%	50%	Actual occurrence rates
Percentage of injured workers returned to work (ii) within 26 weeks	100%	100%	100%	100%	50%	Actual occurrence rates
Percentage of managers trained in occupational safety, health and injury management responsibilities, including refresher training within 3 years	N/A	19%	38%	38%	35%	Greater than or equal to 80%

Government policy requirements

Unauthorised use of credit cards

Officers of the FPC hold corporate credit cards where their functions warrant usage of this facility. Despite each cardholder being reminded of their obligations annually under the Agency's credit card policy, five employees inadvertently used the corporate credit card for expenditure that they were not attending in an official capacity. The matters were not referred for disciplinary action as the Chief Finance Officer noted prompt advice and settlement of the personal use amounts, and, that the nature of the expenditure was immaterial and characteristic of honest mistakes.

	2023-24
Number of instances the Western Australian Government purchasing cards have been used for personal purposes	5
Aggregate amount of personal use expenditure for the reporting period	\$2,142
Aggregate amount of personal use expenditure settled by the due date (within 5 working days)	\$2,122
Aggregate amount of personal use expenditure settled after the period (after 5 working days)	\$20
Aggregate amount of personal use expenditure remaining unpaid at the end of the reporting period	0
Number of referrals for disciplinary action instigated by the notifiable authority during the reporting period	0



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