

**FNQ NRM LTD**  
**ABN: 53 106 385 899**

**FINANCIAL REPORT**  
**FOR THE YEAR ENDED**  
**30 JUNE 2006**

**FNQ NRM LTD**  
**ABN: 53 106 385 899**

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**FNQ NRM LTD**  
**ABN: 53 106 385 899**

**DIRECTORS' REPORT**

The directors present this report on the company for the financial year ended 30 June 2006.

The following persons held office of director during the year or since the end of the year;

Cr Mike Berwick  
Mr William Shannon  
Mr Troy Wyles-Whelan  
Cr Raymond Byrnes  
Mrs Caroline Coppo  
Mr Christopher Gloor  
Assoc Professor Peter Valentine  
Mr Ken Atkinson  
Mr Peter Stanton

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

The profit of the company for the financial year after providing for income tax amounted to \$20,032.

No significant changes in the company's state of affairs occurred during the financial year.

The principal activities of the company during the financial year were the implementation of the regional NRM plan and the regional investment strategy.

No significant change in the nature of these activities occurred during the year.

As a result of the introduction of Australian equivalents to International Financial Reporting Standards (IFRS), the company's financial report has been prepared in accordance with those standards. A reconciliation of adjustments arising on the transition to Australian equivalents to IFRS is included in this report.

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

Likely developments in the operations of the entity and the expected results of those operations in future financial years have not been included in this report as the inclusion of such information is likely to result in unreasonable prejudice to the entity.

The company's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a State or Territory.

No dividends were paid during the year and no recommendation is made as to the dividends.

No options over issued shares or interests in the company were granted during or since the end of the financial year and there were no options outstanding at the date of this report.

No indemnities have been given or insurance premiums paid, during or since the end of the financial year, for any person who is or has been an officer or auditor of the company.

**FNQ NRM LTD**  
**ABN: 53 106 385 899**


**DIRECTORS' REPORT**

**Auditors' Independence Declaration**

A copy of the auditors' independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 3.

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

Director:   
Cr Mike Berwick

Director:   
Mr William Shannon

Dated this day of  
25/9/06.

**AUDITORS' INDEPENDENCE DECLARATION  
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001  
TO THE DIRECTORS OF  
FNQ NRM LTD**

We declare that, to the best of our knowledge and belief, during the year ended 30 June 2006 there have been:

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

*Pickards BDS*

Pickards BDS  
Chartered Accountants

  
John Zabala CA

Level 2, 21 Stokes Street Townsville QLD

Dated this day of *OCTOBER 2006*

**FNQ NRM LTD**  
**ABN: 53 106 385 899**

**INCOME STATEMENT**  
**FOR THE YEAR ENDED 30 JUNE 2006**

	Note	2006 \$	2005 \$
Revenue	2	6,544,055	3,186,526
Advertising expenses		(18,189)	(22,008)
Auditors' remuneration	3	(9,650)	(9,409)
Depreciation and amortisation expenses		(32,514)	(23,246)
Directors' fees		(9,782)	(8,011)
Employee benefits expenses		(1,074,151)	(740,093)
Lease expenses		(92,586)	(82,458)
Contracted Grants by Participants		(1,279,668)	(856,582)
Unexpended Grant Money		(2,672,246)	(571,243)
Other expenses		(1,335,237)	(870,845)
<b>Profit before income tax</b>	<b>4</b>	<u>20,032</u>	<u>2,631</u>
Retained earnings at the beginning of the financial year		<u>85,771</u>	<u>83,094</u>
<b>Profit attributable to members of the company</b>		<u>105,803</u>	<u>85,725</u>

The accompanying notes form part of these financial statements.

**FNQ NRM LTD**  
**ABN: 53 106 385 899**

**BALANCE SHEET**  
**AS AT 30 JUNE 2006**

	Note	2006 \$	2005 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	5	2,831,015	768,845
Trade and other receivables	6	518,357	169,756
<b>TOTAL CURRENT ASSETS</b>		<u>3,349,372</u>	<u>938,601</u>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	7	110,471	91,482
<b>TOTAL NON-CURRENT ASSETS</b>		<u>110,471</u>	<u>91,482</u>
<b>TOTAL ASSETS</b>		<u>3,459,843</u>	<u>1,030,083</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	8	3,144,191	773,362
Borrowings	9	2,040	69
Provisions	10	116,288	79,411
<b>TOTAL CURRENT LIABILITIES</b>		<u>3,262,519</u>	<u>852,842</u>
<b>TOTAL LIABILITIES</b>		<u>3,262,519</u>	<u>852,842</u>
<b>NET ASSETS</b>		<u>197,324</u>	<u>177,241</u>
<b>EQUITY</b>			
Reserves	11	110,459	91,471
Retained earnings	12	86,865	85,770
<b>TOTAL EQUITY</b>		<u>197,324</u>	<u>177,241</u>

The accompanying notes form part of these financial statements.

**FNQ NRM LTD**  
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**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 30 JUNE 2006**

	Note	Retained Earnings \$	Capital Maintenance Reserve \$	Total \$
<b>Balance at 1 July 2004</b>		83,094	91,516	174,610
Capitalised Assets	11		23,201	23,201
Depreciation charged against capital assets	11		(23,246)	(23,246)
Profit attributable to equity shareholders		2,631		2,631
<b>Transfers to</b>				
Transfer To Capital Maintenance Reserves		45		45
<b>Balance at 30 June 2005</b>		<u>85,770</u>	<u>91,471</u>	<u>177,241</u>
Profit attributable to equity shareholders		20,032		20,032
Capitalised Assets	11		51,502	51,502
Depreciation charged against capital assets	11		(32,514)	(32,514)
<b>Transfers to</b>				
Transfer To Capital Maintenance Reserves		<u>(18,938)</u>		<u>(18,938)</u>
<b>Balance at 30 June 2006</b>		<u>86,864</u>	<u>110,459</u>	<u>197,323</u>

The accompanying notes form part of these financial statements.



**FNQ NRM LTD**  
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**CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED 30 JUNE 2006**

	2006	2005
	\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers	8,200,562	3,259,607
Payments to suppliers and employees	(6,183,918)	(3,099,076)
Interest received	97,028	39,924
<b>Net cash provided by (used in) operating activities</b>	<u>2,113,672</u>	<u>200,455</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Payments for property, plant and equipment	(51,502)	(23,212)
<b>Net cash provided by (used in) investing activities</b>	<u>(51,502)</u>	<u>(23,212)</u>
Net increase (decrease) in cash held	2,062,170	177,243
Cash at beginning of year	768,845	591,603
Cash at end of year	<u>2,831,015</u>	<u>768,846</u>

The accompanying notes form part of these financial statements.

**FNQ NRM LTD**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2006**

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**1 Statement of Significant Accounting Policies**

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

The financial report is for an entity known as FNQ NRM Ltd as an individual entity, limited by shares. The company was incorporated and has its domicile in Australia.

The financial report complies with all Australian equivalents to International Financial Reporting Standards (AIFRS) in their entirety.

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

**Statement of Compliance**

**First-time Adoption of Australian Equivalents to International Financial Reporting Standards**

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards ("AIFRS"). Compliance with AIFRS ensures that the full-year financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards ("IFRS").

These financial statements are the first to be prepared in accordance with AIFRS.

As a result of adopting AASB 1, adjustments resulting from the introduction of AIFRS have been restated for the comparative year ending 30 June 2005 excluding optional exemptions allowed under AASB 1.

The transition from Australian GAAP to AIFRS resulted in no adjustments required to be made to the opening balances.

Unless otherwise stated, the accounting policies set out below have been consistently applied to all years presented. The company has elected to adopt the exemptions available under AASB 1 relating to AASB 132: Financial Instruments: Disclosure and Presentation, and AASB 139: Financial Instruments: Recognition and Measurement. Refer to Note 20 for further details.

**Reporting basis and conventions**

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

**FNQ NRM LTD**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2006**

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**Accounting Policies**

**Income Tax**

No provision for income tax has been raised as the association operates solely as a non-profit association and accordingly is exempt from income tax under Section 50-45 of the Income Tax Assessment Act (1997).

**Property, Plant and Equipment**

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

**Plant and Equipment**

Plant and equipment are carried at either cost or at independent or directors' valuation, less any accumulated depreciation or amortisation applicable.

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

The cost of fixed assets constructed within the company includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Increases in the carrying amount arising on revaluation of land and buildings are credited to a revaluation reserve in shareholders' equity. Decreases that offset previous increases of the same asset are charged against fair value reserves directly in equity; all other decreases are charged to the income statement. Each year the difference between depreciation based on the revalued carrying amount of the asset charged to the income statement and depreciation based on the asset's original cost is transferred from the revaluation reserve to retained earnings.

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**NOTES TO THE FINANCIAL STATEMENTS**  
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**Depreciation**

Property, plant and equipment, other than freehold land, are depreciated on a straight line basis at rates calculated to allocate the cost less the estimated residual value over the estimated useful life of each asset.

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

Class of Fixed Asset	Depreciation Rate
Plant & Equipment	7.5% - 25%

The assets carrying values are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Profit and loss on disposal are determined by comparing proceeds with the carrying amount. These amounts are included in the income statement.

**Leases**

Finance leases, which transfer to the company substantially all the risks and benefits incidental to the ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments.

Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

**Financial Instruments**

**Recognition**

Financial instruments are initially recognised at cost on the trade date, which includes transaction costs, when the contractual rights or obligations exist. After initial recognition, financial instruments are measured as set out below:

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**Financial assets at fair value through profit and loss**

A financial asset is classified in this category if it is acquired principally for the purpose of selling in the short term or if so designated by management and within the requirements of AASB 139. Unless designated as a hedge, derivatives are also categorised as held for trading. Realised and unrealised gains and losses arising from changes in the fair value is recognised in the income statement immediately.

**Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

**Held to maturity investments**

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities. It is the company's intention to hold these investments to maturity.

**Available-for-sale financial assets**

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

**Financial liabilities**

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

**Derivative instruments**

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in the income statement immediately unless the derivative is designated and effective as a hedging instrument, in which event, the timing of the recognition in the income statement depends on the nature of the hedge relationship.

**Fair value**

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the company establishes fair value by using valuation techniques. These include reference to the fair values of recent arm's length transactions, involving the same instruments or other instruments that are substantially the same, discounted cash flow analysis and option pricing models.

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**Impairment**

The company assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered in determining whether the security is impaired. Impairment losses are recognised in the income statement.

**Employee Benefits**

Provision is made for the liability due to employee benefits arising from services rendered by employees to the reporting date. Employee benefits expected to be settled within one year together with benefits arising from wages and salaries, sick leave and annual leave which will be settled after one year, have been measured at their nominal amount. Other employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

Contributions are made to employee superannuation funds and are charged as expenses when incurred. All employees are entitled to varying levels of benefits on retirement, disability or death. The superannuation plans or equivalent provide accumulated benefits. Contributions are made in accordance with the statutory requirements of each jurisdiction.

**Provisions**

Provisions are recognised when the company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

**Cash and Cash Equivalents**

Cash and short-term deposits in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less plus bank overdrafts. Bank overdrafts are shown on the balance sheet as current liabilities under borrowings.

**Revenue**

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

Revenue from the providing of a service is recognised when the customer receives the service.

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**NOTES TO THE FINANCIAL STATEMENTS**  
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**Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of goods and service tax, except:

- (i) where the amount of GST incurred is not recoverable from the Australian Tax Office. It is recognised as part of the cost of acquisition of an asset or as part of an item of the expense.
- (ii) receivables and payables are shown inclusive of GST.

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

**Comparative Figures**

Comparative figures have been adjusted to conform to changes in presentation for the current financial year where required by Australian Accounting Standards or as a result of changes in accounting policy.

**Critical accounting estimates and judgments**

In preparing this financial report, the directors were required to make estimates and assumptions. These estimates and assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis.

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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2006**

	<b>2006</b>	<b>2005</b>
	<b>\$</b>	<b>\$</b>
<b>2 Revenue</b>		
<b>Operating activities</b>		
Interest received	97,028	39,924
Rendering of services	6,362,197	3,122,474
Other revenue	84,830	24,128
Total revenue	6,544,055	3,186,526
<b>Interest revenue from:</b>		
Interest received	97,028	39,924
Total interest revenue	97,028	39,924
<b>3 Auditors' Remuneration</b>		
<b>Auditor's Remuneration</b>		
Audit of Financial Statements	6,250	3,000
Other Services	3,400	6,409
	9,650	9,409
<b>4 Profit</b>		
<b>Expenses</b>		
Depreciation of property, plant and equipment	32,514	23,246
Rental expense on operating leases		
Leasing Charges	92,586	82,458
<b>5 Cash and Cash Equivalents</b>		
<b>Current</b>		
Petty Cash	1,000	1,425
National Bank Cheque Account	456,165	167,596
National - Term Deposit	1,754,997	599,824
National - Term Deposit	618,853	-
	2,831,015	768,845



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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2006**

	<b>2006</b>	<b>2005</b>
	<b>\$</b>	<b>\$</b>
<b>Reconciliation of cash</b>		
Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the balance sheet as follows:		
Petty Cash	1,000	1,425
National Bank Cheque Account	456,165	167,596
National - Term Deposit	1,754,997	599,824
National - Term Deposit	618,853	-
	2,831,015	768,845
<b>6 Trade and Other Receivables</b>		
<b>Current</b>		
Trade Debtors	518,357	169,756
	518,357	169,756
<b>7 Property, Plant and Equipment</b>		
<b>PLANT AND EQUIPMENT</b>		
<b>Plant and equipment:</b>		
At cost	170,851	119,348
Accumulated depreciation	(60,380)	(27,866)
	110,471	91,482
<b>Total plant and equipment</b>	<b>110,471</b>	<b>91,482</b>
<b>Total property, plant and equipment</b>	<b>110,471</b>	<b>91,482</b>

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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2006**

	<b>2006</b>	<b>2005</b>
	\$	\$
<b>Movements in Carrying Amounts</b>		
Movements in carrying amount for each class of property, plant and equipment between the beginning and the end of the current financial year		
	Plant and Equipment	Furniture and Fittings
	\$	\$
Balance at the beginning of the year	76883	14599
Additions	38269	13234
Depreciation expense	(30,728)	(1,786)
Carrying amount at the end of the year	84424	26047
Total		110471
<b>8 Trade and Other Payables</b>		
<b>Current</b>		
Trade Creditors	309,165	163,829
Other Creditors	4,868	5,000
Unexpended Grant Money	2,673,379	571,243
Input Tax Credits	(184,520)	(53,335)
GST Payable	313,241	70,141
Amounts Withheld	28,058	16,484
	3,144,191	773,362
<b>9 Borrowings</b>		
<b>Current</b>		
Business Visa Card	2,040	69
<b>10 Provisions</b>		
<b>Current</b>		
Provision for Annual Leave	87,285	56,752
Provision for Sick Leave	-	22,659
Long Service Leave Provision	29,003	-
	116,288	79,411

**FNQ NRM LTD**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
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	<b>2006</b>	<b>2005</b>
	<b>\$</b>	<b>\$</b>
Aggregate employee benefit liability	116,288	79,411
Number of employees at year end	29	18
<b>11 Reserves</b>		
<b>Capital Maintenance Reserve</b>		
The reserve recognises assets which are acquired from grant revenues and depreciation charged to the accounts. The directors believe that this more accurately reflects the operating surplus/deficit where capital amounts are removed from the retained earnings.		
<b>12 Retained Earnings</b>		
Retained earnings at the beginning of the financial year	85,771	83,094
Net profit attributable to members of the company	20,032	2,631
Transfer To Reserves	(18,938)	45
Retained earnings at the end of the financial year	86,865	85,770
<b>13 Capital and Leasing Commitments</b>		
<b>Operating Lease Commitments</b>		
Non-cancellable operating leases contracted for but not capitalised in the financial statements:		
Payable - minimum lease payments		
Not later than 12 months	(98,230)	(84,018)
Between 12 months and five years	(44,572)	(43,902)
	(142,802)	(127,920)
<b>14 Cash Flow Information</b>		
<b>Reconciliation of net cash provided by operating activities to profit after income tax</b>		
Operating profit (loss) after income tax	20,032	2,631
<b>Non-cash flows in profit:</b>		
Depreciation	32,514	23,246

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**NOTES TO THE FINANCIAL STATEMENTS**  
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	<b>2006</b>	<b>2005</b>
	<b>\$</b>	<b>\$</b>
<b>Changes in assets and liabilities, net of the effects of purchase and disposals of subsidiaries</b>		
(Increase) Decrease in current receivables	(348,602)	(164,256)
Increase (Decrease) in sundry creditors	268,668	-
Increase (Decrease) in trade creditors	-	35,649
Increase (Decrease) in other creditors	1,971	69
Increase (Decrease) in current provisions	36,877	25,855
Increase (Decrease) in unexpended grant monies	2,102,136	277,260
	<u>2,113,596</u>	<u>200,454</u>

**15 Financial Instruments**

**Financial Risk Management**

The company's financial instruments consists primarily of deposits with banks, local money market instruments, short-term investments, accounts receivable and payable, loans to and from subsidiaries, bills and leases.

The main purpose of non-derivative financial instruments is to raise finance for company operations.

The company does not have any derivative instruments at 30 June 2006.

**Interest Rate Risk**

The company's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rate on those financial assets and financial liabilities, is as follows:

<b>2006</b>	<b>Weighted Average Effective Interest Rate</b>	<b>Floating Interest Rate</b>	<b>Fixed Interest Rate Maturing</b>		<b>Non Interest Bearing</b>	<b>Total</b>
	<b>%</b>	<b>\$</b>	<b>Within 1 Year</b>	<b>1 to 5 Years</b>	<b>\$</b>	<b>\$</b>
<b>Financial Assets</b>						
Cash and cash equivalents	3.8	456,165	-	-	1,000	457,165
Short term deposits	5.6	-	2,373,850	-	-	2,373,850
<b>Total Financial Assets</b>		<u>456,165</u>	<u>2,373,850</u>	<u>-</u>	<u>1,000</u>	<u>2,831,015</u>
<b>Financial Liabilities</b>						
Trade and other payables	11.8	(2,040)	-	-	-	(2,040)
<b>Total Financial Liabilities</b>		<u>(2,040)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,040)</u>

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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2006**

		2006		2005		
		\$		\$		
<b>2005</b>	<b>Weighted Average Effective Interest Rate</b>		<b>Floating Interest Rate</b>	<b>Fixed Interest Rate Maturing</b>	<b>Non Interest Bearing</b>	<b>Total</b>
	%		\$	Within 1 Year	1 to 5 Years	\$
				\$	\$	\$
<b>Financial Assets</b>						
Cash and cash equivalents	3.2		169,021	-	-	1,000
Short term deposits	5.0		-	599,824	-	-
<b>Total Financial Assets</b>			169,021	599,824	-	1,000
<b>Financial Liabilities</b>						
Trade and other payables	11.8		(69)	-	-	(69)
<b>Total Financial Liabilities</b>			(69)	-	-	(69)

**Net Fair Values**

The net fair values of listed investments have been valued at the quoted market bid price at balance date and adjusted for transaction costs expected to be incurred. For other assets and other liabilities, the net fair value approximates their carrying value. No financial assets and financial liabilities are readily traded on organised markets in standardised form other than listed investments. Financial assets where the carrying amount exceeds net fair values have not been written down as the company intends to hold these assets to maturity.

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

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

	2006		2005	
	Carrying Amount	Net Fair Value	Carrying Amount	Net Fair Value
	\$	\$	\$	\$
<b>Financial Assets</b>				
Cash and cash equivalents	457,165	457,165	169,021	169,021
Short term deposits	2,373,850	2,373,850	599,824	599,824
<b>Total Financial Assets</b>	2,831,015	2,831,015	768,845	768,845
<b>Financial Liabilities</b>				
Trade and other payables	(2,040)	(2,040)	(69)	(69)
<b>Total Financial Liabilities</b>	(2,040)	(2,040)	(69)	(69)

**FNQ NRM LTD**  
**ABN: 53 106 385 899**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2006**

	<b>2006</b>	<b>2005</b>
	<b>\$</b>	<b>\$</b>

**16 Change in Accounting Policy**

The company has adopted the following accounting standards that apply on or after 1 January 2005:

- AASB 132: Financial Instruments: Disclosure and Presentation
- AASB 139: Financial Instruments: Recognition and Measurement

The resulting changes from the adoption of AASB 132 relate primarily to increased disclosures required under the standard. These changes do not affect the value of amounts reported in the financial statements.

The adoption of AASB 139 has resulted in material differences in the recognition and measurement of the company's financial instruments. The company has elected not to adjust comparable information resulting from the introduction of AASB 139 as permitted under the transitional provisions of this standard. As such, previous Australian accounting standards have been applied to comparable information. A summary of the main adjustments that would have resulted is included below, were AASB 139 to have been applied retrospectively.

**Available-for-sale financial assets**

Under AASB 139, available-for-sale financial assets have been revalued to fair value at reporting date. All adjustments resulting from changes in fair value have been taken directly to equity. Were AASB 139 to have been applied retrospectively, a number of financial assets reflected at cost in the comparative year would have been adjusted to fair value at 30 June 2005. This would have resulted in an increased carrying value attributable to financial assets at 30 June 2005, and a corresponding increase in reserves at that date.

**Inventories**

The company changed its accounting policy for the financial year ending 30 June 2006 relating to its measurement of inventories. Inventories were previously brought to account on a first-in-first-out (FIFO) basis. The company has now elected to assign costs to inventories on the basis of weighted average costs. This change has been implemented as the directors are of the opinion that the weighted average basis will provide more relevant information, and result in a more accurate carrying value of inventory at reporting date.

**FNQ NRM LTD**  
**ABN: 53 106 385 899**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2006**

2006                      2005  
 \$                              \$

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Pending Standards issued between the previous financial report and the current reporting date have no application to company.

<b>AASB amendment</b>	<b>AASB Standard affected</b>
2004-3	AASB 119: Employee Benefits
2005-1	AASB 139: Financial Instruments: Recognition and Measurement
2005-2	AASB 1023: General Insurance Contracts
2005-3	AASB 119: Employee Benefits
2005-4	AASB 139: Financial Instruments: Recognition and Measurement
2005-4	AASB 132: Financial Instruments: Disclosure and Presentation
2005-4	AASB 1 : First-time Adoption of AIFRS
2005-4	AASB 1023: General Insurance Contracts
2005-4	AASB 1038: Life Insurance Contracts
2005-5	AASB 1 : First-time Adoption of AIFRS
2005-5	AASB 139: Financial Instruments: Recognition and Measurement
2005-6	AASB 3: Business Combinations
2005-7	AASB 134: Interim Financial Reporting
2005-8	AASB 1 : First-time Adoption of AIFRS
2005-9	AASB 4: Insurance Contracts
2005-9	AASB 1023: General Insurance Contracts
2005-9	AASB 139: Financial Instruments: Recognition and Measurement
2005-9	AASB 132: Financial Instruments: Disclosure and Presentation
2005-10	AASB 132: Financial Instruments: Disclosure and Presentation
2005-10	AASB 101: Presentation of Financial Statements
2005-10	AASB 114: Segment Reporting
2005-10	AASB 117: Leases
2005-10	AASB 133: Earnings per Share
2005-10	AASB 1 : First-time Adoption of AIFRS
2005-10	AASB 4: Insurance Contracts
2005-10	AASB 1023: General Insurance Contracts
2005-10	AASB 1038: Life Insurance Contracts
2005-11	AASB 101: Presentation of Financial Statements
2005-11	AASB 112: Income Taxes
2005-11	AASB 132: Financial Instruments: Disclosure and Presentation
2005-11	AASB 133: Earnings per Share
2005-11	AASB 139: Financial Instruments: Recognition and Measurement
2005-11	AASB 141: Agriculture
2005-12	AASB 1038: Life Insurance Contracts
2005-12	AASB 1023: General Insurance Contracts

**FNQ NRM LTD**  
**ABN: 53 106 385 899**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2006**

	2006	2005
	\$	\$
2005-13	AAS 25: Financial Reporting by Superannuation Plans	
2006-1	AASB 121: The Effects of Changes in Foreign Exchange Rates	
2006-2	AASB 1 : First-time Adoption of AIFRS	
2004-3	AASB 1 : First-time Adoption of AIFRS	
2004-3	AASB 101: Presentation of Financial Statements	
2004-3	AASB 124: Related Party Disclosures	
2005-10	AASB 139: Financial Instruments: Recognition and Measurement	
2006-1	AASB 119: Employee Benefits	

**17 Company Details**

FNQ NRM Ltd

The principal place of business is:

45 Rankin Street  
Innisfail, Qld

**18 Segment Reporting**

The company operates in the area of Natural Resource Management in the Wet Tropics Region.



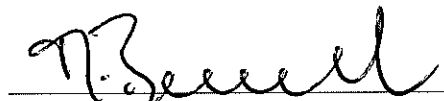
**FNQ NRM LTD**  
**ABN: 53 106 385 899**


**DIRECTORS' DECLARATION**

The directors of the company declare that:

1. The financial statements and notes, as set out on pages 1 to 22, are in accordance with the Corporations Act 2001:
  - (a) comply with Australian Accounting Standards and the Corporations Regulations 2001; and
  - (b) give a true and fair view of the financial position as at 30 June 2006 and of the performance for the year ended on that date of the company.
2. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

Director:   
Cr Mike Berwick

Director:   
Mr William Shannon

Dated this day of 25/9/06,

**INDEPENDENT AUDIT REPORT  
TO THE MEMBERS OF FNQ NRM LTD  
ABN: 53 106 385 899**

**Scope**

**The Financial Report and Directors' Responsibility**

The financial report comprises the balance sheet, income statement, statement of changes in equity, cash flow statement, accompanying notes to the financial statements, and the directors' declaration for FNQ NRM Ltd, for the year ended 30 June 2006.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

**Audit Approach**

We conducted an independent audit in order to express an opinion to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgment, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001, including compliance with Australian Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's financial position, and of its performance as represented by the results of its operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

**Independence**

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

In accordance with ASIC Class Order 05/83, we declare to the best of our knowledge and belief that the auditors' independence declaration set out on page 3 of the financial report has not changed as at the date of providing our audit opinion.

**INDEPENDENT AUDIT REPORT  
TO THE MEMBERS OF FNQ NRM LTD  
ABN: 53 106 385 899**

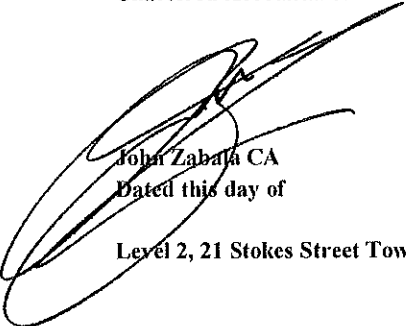
**Audit Opinion**

In our opinion, the financial report of FNQ NRM Ltd is in accordance with:

- (a) the Corporations Act 2001, including:
  - (i) giving a true and fair view of the company's financial position as at 30 June 2006 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards in Australia and the Corporations Regulations 2001; and
- (b) other mandatory professional reporting requirements.

*Pickards BDS*

**Pickards BDS  
Chartered Accountants**



**John Zabala CA  
Dated this day of**

**Level 2, 21 Stokes Street Townsville QLD**

**FNQ NRM LTD**  
**ABN: 53 106 385 899**

**ITEMISED INCOME AND EXPENDITURE STATEMENT**  
**FOR THE YEAR ENDED 30 JUNE 2006**

	2006	2005
	\$	\$
<b>INCOME</b>		
Opening Unexpended Grant Funds	570,110	293,983
Grants	5,405,842	2,748,265
Contribution from Projects	134,129	80,226
State Contributions	252,116	-
	<u>6,362,197</u>	<u>3,122,474</u>
<b>OTHER INCOME</b>		
Interest received	97,028	39,924
Sundry income	84,830	24,128
	<u>181,858</u>	<u>64,052</u>
	<u>6,544,055</u>	<u>3,186,526</u>

The accompanying notes form part of these financial statements.

**FNQ NRM LTD**  
**ABN: 53 106 385 899**

**ITEMISED INCOME AND EXPENDITURE STATEMENT**  
**FOR THE YEAR ENDED 30 JUNE 2006**

	<b>2006</b>	<b>2005</b>
	<b>\$</b>	<b>\$</b>
<b>EXPENSES</b>		
Administration Costs	141,424	80,226
Advertising	18,189	22,008
Auditor's Remuneration	9,650	9,409
Bank charges	1,119	1,467
Catering	22,623	10,776
Consumables	3,053	6,075
Consultancy fees	652,381	206,825
Computer Expenses	22,606	19,464
Contracted Grants by Participants	1,279,668	856,582
Agricultural Grants	155,610	-
Depreciation	32,514	23,246
Directors' Milage	9,782	8,011
Directors' Payments	24,500	42,900
Directors' Superannuation	2,160	4,028
Allowance for Stipends	20,000	20,000
Grants	-	188,193
Electricity	5,251	4,486
Field Equipment	4,447	947
Fringe Benefits Tax	10,293	4,196
Fuel & Oil	39,101	20,522
Hire of plant & equipment	9,417	10,362
Insurance	(946)	1,482
Leasing Charges	92,586	82,458
Legal costs	679	3,338
Permits, licences & fees	892	4,306
Postage	5,933	17,813
Printing & stationery	23,981	74,252
Rent	37,998	36,206
Repairs & maintenance	27,139	28,465
Staff Training & Welfare	9,301	7,811
Subscriptions	1,291	950
Superannuation contributions	83,091	57,176
Telephone	61,827	33,948
Travelling expenses	58,305	47,782
Wages	981,759	675,106
Workers Compensation	4,153	1,836
Unexpended Grant Money	2,672,246	571,243
	<b>6,524,023</b>	<b>3,183,895</b>

The accompanying notes form part of these financial statements.

**FNQ NRM LTD**  
**ABN: 53 106 385 899**

**ITEMISED INCOME AND EXPENDITURE STATEMENT**  
**FOR THE YEAR ENDED 30 JUNE 2006**

	2006	2005
	\$	\$
<b>Excess of Income over Expenditure from ordinary activities before income tax</b>	20,032	2,631

The accompanying notes form part of these financial statements.