

**FNQ NRM LTD  
(TRADING AS TERRAIN NRM)  
ABN: 53 106 385 899**

**FINANCIAL REPORT  
FOR THE YEAR ENDED  
30 JUNE 2008**

**FNQ NRM LTD  
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**DIRECTORS' REPORT**

Your directors present their report on the company for the financial year ended 30 June 2008.

The names of the directors in office at any time during, or since the end of, the year are:

**Mr Mike Berwick - Chairperson**

Currently Queensland's representative on the National NRM Working Group, Chair of Regional Groups Collective, Chair of the Cape York Peninsula Regional Advisory Committee and Chair of the Tropical Landscape Joint Venture.

**Mr William Shannon - Director Industry**

Is a Chartered Accountant and Company Director, in March 2008 he was elected Mayor of the new Cassowary Coast Regional Council. He is also a director of the Droughtmaster Stud Breeders Society Ltd. He serves as the FNQ NRM LTD Company Secretary.

**Mr Troy Wyles-Whelan - Director Indigenous**

As a Traditional Owner from the Warrgamaygan people, and a member of the Girringun Aboriginal Corporation Troy has a strong interest in the revival of Aboriginal languages, in particular the Warrgamaygan language.

**Cr Raymond Byrnes retired 30 November 2007**

**Mrs Caroline Coppo - Director Catchment/Community**

Caroline had a Bachelor of Science and a Bachelor of Education from James Cook University and she is a Graduate Member of the Australian Institute of Company Directors. Caroline is currently a Director of the Sugar Research Development Corporation.

**Mr Christopher Gloor retired 30 November 2007**

**Mr Peter Valentine - Director World Heritage**

Associate Professor in the School of Earth and Environmental Sciences at James Cook University. He is a member of the IUCN World Commission on Protected Areas and of the WTWHAS Advisory Committee and the GBRCAC.

**Mr Ken Atkinson - Director Other (Upper Herbert)**

He is a director of the North Queensland Saleyards Company, a beef producer and aerial mustering operator.

**Mr John Pollock - Director Coastal and Marine**

Masters Degree in Agricultural Science from the University of Queensland. Has served as a member of Queensland coastal Protection Advisory Council and GBRMPA Consultative committee.

**Ms Elsie Go-Sam - Indigenous Support Member**

Currently a member of Regional Aboriginal Language Management Committee (RALMAC) supporting Aboriginal language revival over North Queensland, and is a councillor on the North Queensland Land Council.

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**DIRECTORS' REPORT**

**Mr Paul Gregory - Director Local Government**

A Councillor in the Cairns Regional Council, and a farmer in the Gordonvale area. He is a member of the Mulgrave Landcare & Catchment Group and is deputy-chair of the Cairns River Improvement Trust.

**Mr Peter Rowles - Director Conservation**

Is a qualified teacher with Education Queensland, based at Innisfail State High School. He is a member of a number of community groups.

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

The loss of the company for the financial year amounted to \$533,998.

A review of the operations of the company during the financial year and the results of those operations are as follows:

The results for the financial year reflect an expansion in the operations of the company with a number of new programs coming on line which have required an investment in additional resources resulting in increased operating expenses. Increased salaries and staff operating costs such as travel, phones, staff training and administration costs can be directly attributed to a growth in staff number of some 23 people. Additionally the growth in numbers of contracts to deliver programs significantly increased payments to external partners and providers. The move of Terrain central office to new facilities at 88 Rankin Street Innisfail, incurred once-off office fit out and moving costs and a subsequent increase in annual rent costs. These costs are seen as reasonable and essential to the effective operation of the organisation to deliver the NRM programs expected from the grants provided to Terrain.

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.

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

Likely developments in the operations of the company and the expected results of those operations in future financial years have not been included in this report as none are foreseen.

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

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**DIRECTORS' REPORT**

The Company is a Not for Profit Company, where the constitution prevents the payment of Dividends. As a result, 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.

**Meetings of Directors**

Attendees by each director were as follows:

	<b>No. eligible to attend</b>	<b>No. attended</b>
Mike Berwick	5	5
William Shannon	5	5
Troy Wyles-Whelan	5	4
Raymond Byrnes (Retired 30/11/2007)	2	1
Caroline Coppo	5	5
Christopher Gloor (Retired 30/11/2007)	2	2
Peter Valentine	5	5
Ken Atkinson	5	4
John Pollock	5	4
Elsie Go-Sam	5	3
Paul Gregory (Appointed 30/11/2007)	3	3
Peter Rowles (Appointed 30/11/2007)	3	3

**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 4.

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

**Director:** \_\_\_\_\_  
Mike Berwick

**Director:** \_\_\_\_\_  
William Shannon

**Dated this 24 day of October 2008**

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

We hereby declare, that to the best of our knowledge and belief, during the financial year ended 30 June 2008 there have been no:

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

**Name of Firm:** Moore Stephens  
Chartered Accountants

**Name of Director:** \_\_\_\_\_  
John Zabala CA

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

**Dated this 24 day of October 2008**

Moore Stephens (Queensland) Audit Pty Ltd ABN 62 126 208 179  
Level 2, 21 Stokes Street, Townsville, Queensland, 4810 Australia  
PO Box 5619, Townsville, Queensland, 4810  
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members in principal cities throughout the world

**FNQ NRM LTD**  
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**INCOME STATEMENT**  
**FOR THE YEAR ENDED 30 JUNE 2008**

	Note	2008 \$	2007 \$
Revenue	2	9,427,453	9,895,773
Advertising expenses		(35,117)	(47,695)
Auditors' remuneration	3	(10,000)	(6,750)
Bad and doubtful debt expenses		(10,966)	-
Depreciation and amortisation expenses		(50,562)	(39,856)
Directors' fees		(69,824)	(61,728)
Employee benefits expenses		(2,511,768)	(1,589,806)
Lease expenses		(141,203)	(139,069)
Contracted Grants Payments		(2,561,267)	(2,621,949)
Unexpended Grant Money		(707,918)	(2,364,667)
Other expenses		(3,862,826)	(2,228,927)
<b>(Loss) Profit before income tax</b>	<b>4</b>	<b>(533,998)</b>	<b>795,326</b>
Retained earnings at the beginning of the financial year		449,072	86,865
Transfer To Reserves		(4,073)	(433,119)
Transfer From Reserves		413,318	-
<b>Surplus attributable to members of the company</b>		<b>324,319</b>	<b>449,072</b>

The accompanying notes form part of these financial statements.

**FNQ NRM LTD**  
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**BALANCE SHEET**  
**AS AT 30 JUNE 2008**

	Note	2008 \$	2007 \$
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	5	2,367,709	4,527,090
Trade and other receivables	6	1,790,820	527,020
<b>TOTAL CURRENT ASSETS</b>		<u>4,158,529</u>	<u>5,054,110</u>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	7	134,332	130,260
<b>TOTAL NON-CURRENT ASSETS</b>		<u>134,332</u>	<u>130,260</u>
<b>TOTAL ASSETS</b>		<u>4,292,861</u>	<u>5,184,370</u>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Trade and other payables	8	1,352,220	3,175,319
Provisions	9	191,920	116,333
Other current liabilities	10	2,212,227	854,039
<b>TOTAL CURRENT LIABILITIES</b>		<u>3,756,367</u>	<u>4,145,691</u>
<b>NON-CURRENT LIABILITIES</b>			
Provisions	9	77,842	46,029
<b>TOTAL NON-CURRENT LIABILITIES</b>		<u>77,842</u>	<u>46,029</u>
<b>TOTAL LIABILITIES</b>		<u>3,834,209</u>	<u>4,191,720</u>
<b>NET ASSETS</b>		<u>458,652</u>	<u>992,650</u>
<b>EQUITY</b>			
Reserves	11	134,333	543,578
Retained earnings	12	324,319	449,072
<b>TOTAL EQUITY</b>		<u>458,652</u>	<u>992,650</u>

The accompanying notes form part of these financial statements.



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**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 30 JUNE 2008**

	Note	Retained earnings \$	Capital Maintenance Reserve \$	Future Projects Reserve \$	Total \$
<b>Balance at 1 July 2006</b>		86,865	110,459	-	197,324
Capitalised Assets	11		59,657	-	59,657
Depreciation charged against capital assets	11		(39,856)	-	(39,856)
Allocation of Surplus to Future Projects	11		-	413,318	413,318
Profit attributable to equity shareholders		795,326			795,326
<b>Transfers to</b>					
Transfer To Capital Maintenance Reserves		(19,801)			(19,801)
Transfer to Future Projects Reserve		(413,318)			(413,318)
<b>Balance at 30 June 2007</b>		<u>449,072</u>	<u>130,260</u>	<u>413,318</u>	<u>992,650</u>
Profit attributable to equity shareholders		(533,998)			(533,998)
Capitalised Assets	11		54,635	-	54,635
Depreciation charged against capital assets	11		(50,562)	-	(50,562)
Allocation of Surplus to Future Projects	11		-	(185,798)	(185,798)
Restore Future Projects Reserve to Surplus	11		-	(227,520)	(227,520)
<b>Transfers to</b>					
Transfer To Capital Maintenance Reserves		(4,073)			(4,073)
<b>Transfers from</b>					
Transfer from Future Projects Reserve		<u>413,318</u>			<u>413,318</u>
<b>Balance at 30 June 2008</b>		<u>324,319</u>	<u>134,333</u>	<u>-</u>	<u>458,652</u>

The accompanying notes form part of these financial statements.

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**CASH FLOW STATEMENT  
FOR THE YEAR ENDED 30 JUNE 2008**

	2008	2007
	\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers	6,980,363	10,127,190
Payments to suppliers and employees	(9,323,148)	(8,538,331)
Interest received	238,040	166,861
<b>Net cash provided by (used in) operating activities</b> 14	<b>(2,104,745)</b>	<b>1,755,720</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Payments for plant and equipment	(54,636)	(59,645)
<b>Net cash provided by (used in) investing activities</b>	<b>(54,636)</b>	<b>(59,645)</b>
Net increase (decrease) in cash held	(2,159,381)	1,696,075
Cash at beginning of year	4,527,090	2,831,015
Cash at end of year    5	2,367,709	4,527,090

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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2008**

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**1 Statement of Significant Accounting Policies**

This financial report covers FNQ NRM Ltd (Trading as Terrain NRM) as an individual entity. FNQ NRM Ltd (Trading as Terrain NRM) is a company limited by shares, incorporated and domiciled in Australia.

**Basis of Preparation**

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

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions to which they apply. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. Material accounting policies adopted in the preparation of this financial report are presented below. They have been consistently applied unless otherwise stated.

The financial report has been prepared on an accruals basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

**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 cost or fair value as indicated less, where applicable, any accumulated depreciation and impairment losses.

Increases in the carrying amount arising on revaluation of land and buildings are credited to a revaluation reserve in 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.

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**NOTES TO THE FINANCIAL STATEMENTS**  
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**Plant and equipment**

Plant and equipment are measured on the cost basis less depreciation and impairment losses.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the 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 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.

**Depreciation**

The depreciable amount of all fixed assets including building and capitalised lease assets, but excluding freehold land, is depreciated on a straight line basis over the 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' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

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

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

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**NOTES TO THE FINANCIAL STATEMENTS**  
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**Leases**

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that are transferred to the company, are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

**Financial Instruments**

**Recognition and Initial Measurement**

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

Financial instruments are initially measured at fair value plus transactions costs where the instrument is not classified as at fair value through profit or loss. Transaction costs related to instruments classified as at fair value through profit or loss are expensed to profit or loss immediately. Financial instruments are classified and measured as set out below.

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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2008**

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**Classification and Subsequent Measurement**

- (i) Financial assets at fair value through profit and loss

Financial assets are classified at fair value through profit or loss when they are held for trading for the purpose of short term profit taking, where they are derivatives not held for hedging purposes, or designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Realised and unrealised gains and losses arising from changes in fair value are included in profit or loss in the period in which they arise.

- (ii) 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 subsequently measured at amortised cost using the effective interest rate method.

- (iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the company's intention to hold these investments to maturity. They are subsequently measured at amortised cost using the effective interest rate method.

- (iv) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated as such or that are not classified in any of the other categories. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

- (v) Financial liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method.

**Fair value**

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

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**Impairment**

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

**Employee Benefits**

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

**Provisions**

Provisions are recognised when the company has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

**Cash and Cash Equivalents**

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

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**Revenue and Other Income**

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed. Any consideration deferred is treated as the provision of finance and is discounted at a rate of interest that is generally accepted in the market for similar arrangements. The difference between the amount initially recognised and the amount ultimately received is interest revenue.

Interest revenue is recognised using the effective interest rate method, which, for floating rate financial assets is the rate inherent in the instrument.

Revenue recognition relating to the provision of services is determined with reference to the stage of completion of the transaction at reporting date and where outcome of the contract can be estimated reliably. Stage of completion is determined with reference to the services performed to date as a percentage of total anticipated services to be performed. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent that related expenditure is recoverable.

**Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.

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

**Comparative Figures**

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

**Economic Dependency**

FNQ NRM Ltd is dependent on Federal and State Government funding for the majority of its revenue used to operate the business. At the date of this report the Board of Directors has no reason to believe the Departments will not continue to support FNQ NRM Ltd.

The financial report was authorised for issue by the board of directors.



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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2008**

		2008	2007
		\$	\$
<b>2</b>	<b>Revenue</b>		
	<b>Operating activities</b>		
	Interest received	238,040	166,861
	Grant Funding	9,161,223	9,345,220
	Other revenue	28,190	383,692
	Total revenue	<u>9,427,453</u>	<u>9,895,773</u>
	<b>Interest revenue from:</b>		
	Interest received	<u>238,040</u>	<u>166,861</u>
	Total interest revenue	<u>238,040</u>	<u>166,861</u>
<b>3</b>	<b>Auditors' Remuneration</b>		
	<b>Auditor's Remuneration</b>		
	Audit of Financial Statements	<u>10,000</u>	<u>6,750</u>
<b>4</b>	<b>Surplus</b>		
	<b>Expenses</b>		
	Depreciation of property, plant and equipment	50,562	39,856
	Bad Debts Written Off	<u>10,966</u>	-
	Total bad and doubtful debts	<u>10,966</u>	-
	Rental expense on operating leases		
	Leasing Charges	141,203	139,069

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	<b>2008</b>	<b>2007</b>
	<b>\$</b>	<b>\$</b>
<hr/>		
<b>5 Cash and Cash Equivalents</b>		
<b>Current</b>		
Petty Cash	1,200	754
National Bank Cheque Account	168,249	1,385,546
National - Term Deposit	-	2,484,228
National - Term Deposit	702,082	655,112
Natural Capital Fund	1,525	1,450
NAB Cash management Account	300,992	-
NAB Term Deposit (75-170-8616)	1,193,402	-
Bendigo Cash Management	259	-
	<u>2,367,709</u>	<u>4,527,090</u>
<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	1,200	754
National Bank Cheque Account	168,249	1,385,546
National - Term Deposit	-	2,484,228
National - Term Deposit	702,082	655,112
Natural Capital Fund	1,525	1,450
NAB Cash management Account	300,992	-
NAB Term Deposit (75-170-8616)	1,193,402	-
Bendigo Cash Management	259	-
	<u>2,367,709</u>	<u>4,527,090</u>
<b>6 Trade and Other Receivables</b>		
<b>Current</b>		
Trade Debtors	1,790,820	327,020
Other Debtors	-	200,000
	<u>1,790,820</u>	<u>527,020</u>

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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2008**

	<b>2008</b>	<b>2007</b>
	<b>\$</b>	<b>\$</b>
<b>7 Property, Plant and Equipment</b>		
<b>Plant and Equipment</b>		
<b>Plant and Equipment:</b>		
At cost	285,130	230,496
Accumulated depreciation	(150,798)	(100,236)
<b>Total Plant and Equipment</b>	<b>134,332</b>	<b>130,260</b>

**Movements in Carrying Amounts**

Movement in the carrying amounts 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			Total
	\$	\$	\$	\$	\$
Balance at 1 July 2006	84,424	26,046	-	-	110,470
Additions	59,645	-	-	-	59,645
Depreciation expense	(36,960)	(2,896)	-	-	(39,856)
Balance at 30 June 2007	107,109	23,150	-	-	130,259
Additions	53,340	1,296	-	-	54,636
Depreciation expense	(47,618)	(2,945)	-	-	(50,563)
Carrying amount at 30 June 2008	112,831	21,501	-	-	134,332

**8 Trade and Other Payables**

**Current**

Trade Creditors	544,428	704,761
Other Creditors	259	(1,460)
Unexpended Grant Money	707,918	2,364,667
Input Tax Credits	(202,000)	(205,976)
GST Payable	252,663	285,250
Amounts Withheld	48,952	28,077
	<b>1,352,220</b>	<b>3,175,319</b>

**FNQ NRM LTD**  
**(TRADING AS TERRAIN NRM)**  
**ABN: 53 106 385 899**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2008**

		2008	2007
		\$	\$
<b>9 Provisions</b>			
Provision for Annual Leave	191,920	116,333	
Long Service Leave Provision	77,842	46,029	
	<u>269,762</u>	<u>162,362</u>	
<b>Total provisions</b>	<u>269,762</u>	<u>162,362</u>	
<b>Analysis of Total Provisions</b>			
Current	191,920	116,333	
Non-current	77,842	46,029	
	<u>269,762</u>	<u>162,362</u>	
Number of employees at year end	<u>29</u>	<u>29</u>	
<b>10 Other Liabilities</b>			
<b>Current</b>			
Accrued Charges	1,117,227	470,537	
Income in Advance	1,095,000	383,502	
	<u>2,212,227</u>	<u>854,039</u>	

**11 Reserves**

**Capital Maintenance Reserve**

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.

**Future Projects Reserve**

The reserve recognises amounts which have been identified as relating to future projects yet to be instigated by the Company, these amounts are yet to be committed too.

**FNQ NRM LTD**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2008**

	<b>2008</b>	<b>2007</b>
	<b>\$</b>	<b>\$</b>
<b>12 Retained Earnings</b>		
Retained earnings at the beginning of the financial year	449,072	86,865
(Net loss) Net surplus attributable to members of the company	(533,998)	795,326
Transfer To Reserves	(4,073)	(433,119)
Transfer From Reserves	413,318	-
Retained earnings at the end of the financial year	324,319	449,072
<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	(145,440)	(104,098)
Between 12 months and five years	(116,831)	(17,612)
	(262,271)	(121,710)
Comprises motor vehicle operating leases which are entered into for a term of not greater than two years on a fixed rental for the period.		
<b>14 Cash Flow Information</b>		
<b>Reconciliation of net cash provided by operating activities to surplus after income tax</b>		
Operating surplus (loss) after income tax	(533,998)	795,326
<b>Non-cash flows in surplus:</b>		
Depreciation	50,562	39,856

**FNQ NRM LTD**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2008**

	<b>2008</b>	<b>2007</b>
	<b>\$</b>	<b>\$</b>
<hr/>		
<b>Changes in assets and liabilities, net of the effects of purchase and disposals of subsidiaries</b>		
(Increase) Decrease in current receivables	(1,263,800)	(8,663)
Increase (Decrease) in sundry creditors	-	(2,040)
Increase (Decrease) in trade creditors	(166,350)	810,377
Increase (Decrease) in other creditors	646,690	-
Increase (Decrease) in current provisions	75,587	29,048
Increase (Decrease) in non-current provisions	31,813	17,026
Increase (Decrease) in Income in Advance	711,500	383,502
Increase (Decrease) in unexpended grant liability	(1,656,749)	(308,712)
	(2,104,745)	1,755,720

**FNQ NRM LTD**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2008**

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**15 Financial Risk Management**

**Financial Risk Management Policies**

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 directors' overall risk management strategy seeks to assist the company in meeting its financial targets, whilst minimising potential adverse effects on financial performance.

Risk management policies are approved and reviewed by the Board of Directors on a regular basis. These included the credit risk policies and future cash flow requirements.

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 2008.

i) Treasury Risk Management

A finance committee consisting of senior committee members meet on a regular basis to analyse financial risk exposure and to evaluate treasury management strategies in the context of the most recent economic conditions and forecasts.

ii) Financial Risk exposures and Management

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

Interest rate risk

Interest rate risk is managed with a mixture of fixed and floating rate debt. At 30 June 2008 approximately 80% of debt is fixed.

Foreign currency risk

The entity is not exposed to fluctuations in foreign currencies.

**FNQ NRM LTD**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2008**

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Liquidity risk

The entity manages liquidity risk by monitoring forecast cash flows and ensuring that adequate liquid funds are maintained

Credit risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the balance sheet and notes to the financial statements. The entity does not have any material credit risk exposure to any single receivable or group of receivables under financial instruments entered into by the entity.

There are no material amounts of collateral held as security at 30 June 2008.

Credit risk is managed by the entity and reviewed regularly by the finance committee. It arises from exposures to customers as well as through deposits with financial institutions. The entity monitors the credit risk by actively assessing the rating quality and liquidity of counterparties:  
-Only banks and financial institutions with an 'A' rating are utilised.  
-Only accredited fund managers linked to 'A' rated financial institutions are used.

-No more than 30% of total investments may be held at any time in a particular investment.

-The credit standing of counterparties is reviewed monthly for liquidity and credit risk.

The trade receivables balances at 30 June 2008 and 30 June 2007 do not include any counterparties with external credit ratings. Customers are assessed for credit worthiness using the criteria detailed above.

Price risk

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



**FNQ NRM LTD**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2008**

**Financial Instrument Composition and Maturity Analysis**

The table below reflects the contractual settlement terms for financial instruments of a fixed period of maturity, as well as management's expectations of the settlement period for all other financial instruments. As such, the amounts may not reconcile to the balance sheet.

2008	Weighted Average Effective Interest Rate	Floating Interest Rate	Fixed Interest Rate Maturing		Non Interest Bearing	Total
			Within 1 Year	1 to 5 Years		
	%	\$	\$	\$	\$	\$
<b>Financial Assets</b>						
Cash and cash equivalents	4.0	470,700	-	-	-	470,700
Short term deposits	6.8	-	1,897,009	-	-	1,897,009
<b>Total Financial Assets</b>		470,700	1,897,009	-	-	2,367,709

<b>Financial Liabilities</b>						
Unexpended Grant Money	-	-	-	-	(638,010)	(638,010)
Trade and other payables	-	-	-	-	(1,761,529)	(1,761,529)
<b>Total Financial Liabilities</b>		-	-	-	(2,399,539)	(2,399,539)

2007	Weighted Average Effective Interest Rate	Floating Interest Rate	Fixed Interest Rate Maturing		Non Interest Bearing	Total
			Within 1 Year	1 to 5 Years		
	%	\$	\$	\$	\$	\$
<b>Financial Assets</b>						
Cash and cash equivalents	2.5	1,387,750	-	-	-	1,387,750
Short term deposits	6.2	-	3,139,340	-	-	3,139,340
Loans and receivables	-	-	-	-	527,020	527,020
<b>Total Financial Assets</b>		1,387,750	3,139,340	-	527,020	5,054,110

<b>Financial Liabilities</b>						
Unexpended Grant Money	-	-	-	-	(2,364,667)	(2,364,667)
Trade and other payables	-	-	-	-	(1,173,838)	(1,173,838)
<b>Total Financial Liabilities</b>		-	-	-	(3,538,505)	(3,538,505)

**FNQ NRM LTD**  
**(TRADING AS TERRAIN NRM)**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2008**

Trade and sundry payables are expected to be paid as follows:

	<b>2008</b>	<b>2007</b>
	<b>\$</b>	<b>\$</b>
Less than 6 months	1,202,916	938,570
6 months to 1 year	558,613	235,268
	1,761,529	1,173,838

**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:

	<b>2008</b>		<b>2007</b>	
	Carrying Amount	Net Fair Value	Carrying Amount	Net Fair Value
	\$	\$	\$	\$
<b>Financial Assets</b>				
Cash and cash equivalents	470,700	470,700	1,387,750	1,387,750
Short term deposits	1,897,009	1,897,009	3,139,340	3,139,340
Loans and receivables	527,020	527,020	527,020	527,020
<b>Total Financial Assets</b>	2,894,729	2,894,729	5,054,110	5,054,110
<b>Financial Liabilities</b>				
Unexpended Grant Money	(638,010)	(638,010)	(2,364,667)	(2,364,667)
Trade and other payables	(1,761,529)	(1,761,529)	(1,173,838)	(1,173,838)
<b>Total Financial Liabilities</b>	(2,399,539)	(2,399,539)	(3,538,505)	(3,538,505)

**Sensitivity Analysis**

**FNQ NRM LTD  
(TRADING AS TERRAIN NRM)  
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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2008**

Cash and Short Term Deposits

The company has performed a sensitivity analysis relating to its exposure to Cash and Short Term Deposits risk at balance date. This sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in these risks.

Cash and Short Term Deposits Sensitivity Analysis:

At 30 June 2008, the effect on profit and equity as a result of changes in the Cash and Short Term Deposits, with all other variables remaining constant would be as follows:

	<b>2008</b>	<b>2007</b>
	<b>\$</b>	<b>\$</b>
Change in profit		
Increase in Cash and Short Term Deposits by 2%	47,354	90,541
Decrease in Cash and Short Term Deposits by 2%	47,354	90,541
Change in equity		
Increase in Cash and Short Term Deposits by 2%	47,354	90,541
Decrease in Cash and Short Term Deposits by 2%	47,354	90,541

This sensitivity analysis has been performed on the assumption that all other variables remain unchanged.

No sensitivity analysis has been performed for foreign exchange risk, as the entity is not exposed to fluctuations in foreign exchange.

**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 no material differences in the recognition and measurement of the company's financial instruments.

**FNQ NRM LTD**  
**(TRADING AS TERRAIN NRM)**  
**ABN: 53 106 385 899**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2008**

The following Australian Accounting Standards issued or amended which are applicable to the company but are not yet effective have not been adopted in preparation of the financial statements at reporting date.

AASB amendment	AASB Standard affected	Nature of change in accounting policy and impact	Application date of the Standard	Application date for the company
AASB 2007-3 Amendments to Australian Accounting Standards	AASB 107 Cash Flow Statements	The disclosure requirements of AASB 114: Segment Reporting have been replaced due to the issuing of AASB 8: Segment Reporting in February 2007. However, there will be no direct impact on the financial report.	1 January 2009	1 July 2009
	AASB 119 Employee Benefits	As Above	1 January 2009	1 July 2009
	AASB 136 Impairment of Assets	As above	1 January 2009	1 July 2009
AASB 2007/6 Amendments to Australian Accounting Standards	AASB 1 First time adoption of AIFRS	However, there will be no direct impact to the amounts included in the company as it already capitalises borrowing costs related to qualifying assets.	1 January 2009	1 July 2009
	AASB 101 Presentation of Financial Statements	As Above	1 January 2009	1 July 2009
	AASB 107 Cash Flow Statements	As Above	1 January 2009	1 July 2009
AASB 123 Borrowing Costs	AASB 123 Borrowing Costs	As Above	1 January 2009	1 July 2009
AASB 2007-8 Amendments to Australian Accounting Standards	AASB 101 Presentation of Financial Statements	The revised AASB 101: Presentation of Financial Statements issued in September 2007 requires the presentation of a statement of comprehensive income.	1 January 2009	1 July 2009
AASB 101	AASB 101 Presentation of Financial Statements	As Above	1 January 2009	1 July 2009

**FNQ NRM LTD**  
**(TRADING AS TERRAIN NRM)**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2008**

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

<b>AASB amendment</b>	<b>AASB Standard affected</b>
AASB 2007-3 Amendments to Australian Accounting Standards	AASB 5 Non-current Assets Held for Sale and Discontinued Operations
	AASB 6 Exploration for and Evaluation of Mineral
	AASB 102 Inventories
	AASB 127 Consolidated and Separate Financial Statements
	AASB 134 Interim Financial Reporting
	AASB 1023 General Insurance Contracts
	AASB 1038 Life Insurance Contracts
AASB 8 Operating Segments	AASB114 Segment Reporting
AASB 2007/6 Amendments to Australian Accounting Standards	AASB 111 Construction Contracts
	AASB 116 Property, Plant and Equipment
	AASB 138 Intangible Assets

**17 Company Details**

FNQ NRM Ltd  
(Trading as Terrain NRM)

The principal place of business is:

88 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  
(TRADING AS TERRAIN NRM)  
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 27, 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 2008 and of the performance for the year ended on that date of the company; and
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:** \_\_\_\_\_  
Mike Berwick

**Director:** \_\_\_\_\_  
William Shannon

**Dated this 24 day of October 2008**

**INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF FNQ NRM LTD  
(TRADING AS TERRAIN NRM)  
ABN: 53 106 385 899**

**Report on the Financial Report**

We have audited the accompanying financial report of FNQ NRM Ltd (Trading as Terrain NRM) which comprises the balance sheet as at 30 June 2008, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration.

**Directors' Responsibility for the Financial Report**

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101: "Presentation of Financial Statements", that compliance with the Australian equivalents to International Financial Reporting Standards (IFRS) ensures that the financial report, comprising the financial statements and notes, complies with IFRS.

**Auditors' Responsibility**

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF FNQ NRM LTD  
(TRADING AS TERRAIN NRM)  
ABN: 53 106 385 899**

**Independence**

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, provided to the directors of FNQ NRM Ltd (Trading as Terrain NRM) on 24 October 2008, would be in the same terms if provided to the directors as at the date of this auditors' report.

**Auditors' Opinion**

In our opinion:

- (a) the financial report of FNQ NRM Ltd (Trading as Terrain NRM) is in accordance with the Corporations Act 2001, including:
  - (i) giving a true and fair view of the company's financial position as at 30 June 2008 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.
- (b) The financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

**Name of Firm:** Moore Stephens  
Chartered Accountants

**Name of Director:** \_\_\_\_\_  
John Zabala CA

**Address:** Level 2, 21 Stokes Street Townsville QLD  
**Dated this 24 day of October 2008**

Moore Stephens (Queensland) Audit Pty Ltd ABN 62 126 208 179  
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**FNQ NRM LTD**  
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**ITEMISED INCOME AND EXPENDITURE STATEMENT**  
**FOR THE YEAR ENDED 30 JUNE 2008**

	2008	2007
	\$	\$
<b>INCOME</b>		
Opening Unexpended Grant Funds	2,364,667	2,672,246
Grants	6,253,638	6,672,974
Commercial Services	542,918	-
	<u>9,161,223</u>	<u>9,345,220</u>
<b>OTHER INCOME</b>		
Interest received	238,040	166,861
Sundry income	28,190	383,692
	<u>266,230</u>	<u>550,553</u>
	<u>9,427,453</u>	<u>9,895,773</u>

The accompanying notes form part of these financial statements.

**FNQ NRM LTD**  
**(TRADING AS TERRAIN NRM)**  
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**ITEMISED INCOME AND EXPENDITURE STATEMENT**  
**FOR THE YEAR ENDED 30 JUNE 2008**

	2008	2007
	\$	\$
<b>EXPENSES</b>		
Administration Costs	63,261	20,662
Advertising	35,117	47,695
Auditor's Remuneration	10,000	6,750
Bad Debts Written Off	10,966	-
Bank charges	1,633	720
Catering	31,375	27,690
Consumables	5,228	3,205
Consultancy fees	2,219,200	1,052,093
Computer Expenses	68,051	28,583
Contracted Grants Payments	2,561,267	2,621,949
Agricultural Grants	473,167	609,844
Depreciation	50,562	39,856
Directors' Emoluments	69,824	61,728
Donations	1,099	-
Electricity	8,536	5,697
Employees' amenities	832	-
Field Equipment	129,893	11,450
Fringe Benefits Tax	15,450	24,412
Fuel & Oil	76,204	46,479
Hire of plant & equipment	73,848	23,791
Holiday Pay	217,800	-
Insurance	11,284	4,230
Gifts	1,276	451
Leasing Charges	141,203	139,069
Legal costs	3,389	1,600
Long Service Leave	31,813	-
Permits, licences & fees	3,128	8,497
Postage	17,528	5,862
Printing & stationery	45,634	33,149
Rates & taxes	92,490	52,681
Rent	164,105	53,126
Repairs & maintenance	88,116	34,855
Staff Training & Welfare	36,341	16,822
Subscriptions	3,046	2,751
Superannuation contributions	190,617	123,502
Telephone	92,828	63,116
Travelling expenses	173,057	109,814
Wages	2,034,365	1,449,482

The accompanying notes form part of these financial statements.

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

**ITEMISED INCOME AND EXPENDITURE STATEMENT**  
**FOR THE YEAR ENDED 30 JUNE 2008**

	2008	2007
	\$	\$
Workers Compensation	-	4,169
Unexpended Grant Money	<u>707,918</u>	<u>2,364,667</u>
	<u>9,961,451</u>	<u>9,100,447</u>
<b>Excess of Expenditure over Income from ordinary activities</b>	<u>(533,998)</u>	<u>795,326</u>

The accompanying notes form part of these financial statements.