

FNQ NRM LTD

ABN 53 106 385 899

ANNUAL REPORT 2005-2006

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1. COMPANY DETAILS

Board of Directors:	M.P. Berwick (Chair) W.K.B. Shannon R.V. Byrnes C.A. Coppo C.B. Gloor P. Stanton T. Wyles-Whelan K.J. Atkinson P.S. Valentine
Company Secretary:	W.K.B. Shannon
Chief Executive Officer:	A.P. Dale
Auditor:	Pickard Associates
Banker:	National Australia Bank
Registered Office:	45 Rankin St INNISFAIL Q 4860
Postal Address:	PO Box 1756 INNISFAIL Q 4860
Telephone:	(07) 4043 8000
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FNQ NRM LTD

ABN 53 106 385 899

2. NOTICE OF AGM

Notice is hereby given that the 2005/2006 Annual General Meeting (AGM) of Members of FNQ NRM Ltd will be held at the Cairns City Council, 119-145 Spence St, Cairns, on Saturday November 18, 2006, commencing at 4.30pm.

The AGM is open to any member of the public, however voting is restricted to ratified Ordinary Members of the FNQ NRM Ltd Membership Body.

BUSINESS

1. To receive, consider and adopt the Directors' Report and Financial Report, for the year ending June 30, 2006, and the Auditor's Report pertaining to the Financial Report.

2. To elect the Standing Independent Selection Panel (SISP) Industry member vacated by Ian Stewart. The position, once elected will, with the other three current SISP members, be responsible for filling any vacancies on the Board of Directors.

Nominations for election of the SISP Industry Member shall be signed by both an Ordinary Member delegate and the person nominated and shall be either deposited at the registered office of the FNQ NRM Ltd before 5:00pm on Friday November 17, 2006, or may be received from the floor at the AGM. Nominations should include a brief resume of relevant credentials that will be provided to Ordinary Members at the AGM. A nomination form is provided with this notice.

3. To transact any other business that may be lawfully brought forward.



WKB Shannon

Company Secretary

Dated this October 5, 2006.

3. VOTING RIGHTS AND APPOINTMENT OF PROXIES

FNQ NRM Ltd membership is open to any group with a bona fide interest in natural resource management in the Wet Tropics region. Voting rights are restricted to one vote per delegate or proxy (alternate delegate) nominated by the Ordinary Member as per valid membership application and proxy forms.

To be effective, both membership applications and proxy forms must be lodged at the registered office of the FNQ NRM Ltd before 5.00pm on Friday November 17, 2006. Membership application and proxy forms are provided with this notice.

4. COMPANY PROFILE

FNQ NRM Ltd is the designated body established to work with and represent the community in managing the region's natural resources. Regional natural resource management bodies, such as FNQ NRM Ltd, are the Australian and State Governments' primary mechanism to involve the community in decision-making and management of our natural resources. FNQ NRM Ltd is an unlisted public company limited by guarantee. The Company's role is recognised under the *Natural Heritage Trust of Australia Act (1997)*.

The core business of FNQ NRM Ltd is the development and maintenance of the Wet Tropics Regional NRM Plan and the alignment of regional effort towards achievement of the plan.

This plan defines the role of regional NRM bodies relative to the roles and functions of critical delivery partners. Now the Regional NRM Plan has been accredited, program alignment and the monitoring of progress towards resource condition and management action targets are becoming increasingly important functions.

4.1. THE BOARD

The FNQ NRM Ltd Board has eight directors and one independent chair. The Board was chosen for their skills and knowledge across a range of fields and for their ability and commitment to represent the whole community in decision making.

As part of its commitment toward open communications with the community, all Board meetings are open to the public. Meeting agendas and endorsed minutes are listed on the FNQ NRM Ltd website.

The FNQ NRM Ltd Board has the following roles:

- Develop and implement the Regional NRM Plan and Investment Strategy
- Attract and leverage investments from both government and private sources
- Develop joint partnerships as appropriate
- Inform and skill the Wet Tropics community on NRM philosophies
- Develop and implement incentive mechanisms to promote NRM goals
- Develop databases and make these available to community users
- Provide independent advice to government and agencies on NRM matters
- Engage with Traditional Owners
- Link to statutory planning processes.

4.2. INDIGENOUS SUPPORT MEMBER

At its meeting of July 2004, the Board of FNQ NRM Ltd resolved to appoint a Traditional Owner support member to provide support for the Indigenous Directorship. This position was filled by Elsie Go-Sam.

Elsie Go-Sam is an elder of the Ngadjon people on the Atherton Tablelands and a great-grandmother. For 35 years she has served on many committees and boards to further the wellbeing of Aboriginal people in Queensland, such as the Bidji Bidji Housing Association Committee, the Ministerial Advisory Council on Aboriginal and Torres Strait Islander Education (MACATSI) committee, and was, until recently, a Community Justice Elder.

She was also part of the Joint Working Group which preceded FNQ NRM Ltd's Board. Elsie is currently a member of RALMAC, supporting Aboriginal language revival all over North Queensland, and is a councillor on the North Queensland Land Council.

4.3. COMMITTEES

To provide additional support around significant program areas, historically the Board has maintained two three-member committees related to future finance opportunities and community engagement.

Reflecting reforms of the Company's structure, it is proposed that business units will be supported by a committee of directors and the focus will be around broader program delivery (Community Engagement; Finance and Governance; and Planning and Technical Services).

4.4. ADVISORY PANELS

Two formal advisory panels have been established to support the Board, the Traditional Owner Advisory Committee (TOAC) and the Industry Advisory Group (IAG). These advisory panels provide a valuable contribution to the Board and to Traditional Owners and Industry partner organisations.

The Board has established an honorarium policy for each advisory panel to formally recognise the contributions the TOAC and IAG make in working collaboratively to deliver the Regional Natural Resource Management Plan and the Aboriginal Cultural and Natural Resource Management Plan.

- **Industry Advisory Group** – The Industry Advisory Group was established in December 2004. The group, chaired by Director Industry Bill Shannon, provides a forum for ongoing dialogue between the FNQ NRM Ltd Board and the various industry sectors in the region. This group meets quarterly to discuss topics such as farm management systems, matters of water quality and to provide direction to the FNQ NRM Ltd sustainable agriculture program. This group met four times between July 2005 and the June 30, 2006. See Appendix 1 for list of members.
- **Traditional Owner Advisory Committee** – The Traditional Owner Advisory Committee was established in December 2004. The TOAC's role is to advise and work in conjunction with the FNQ NRM Ltd Board to ensure the concerns and priorities for the region's Traditional Owners in managing cultural and natural resources are recognised and addressed in the Regional NRM Plan, the Aboriginal Cultural and Natural Resource Management Plan and in all other areas of the Natural Heritage Trust programs. The TOAC is Chaired by Director Indigenous Troy Wyles-Whelan. The TOAC has held five official committee meetings between July 2005 and June 30, 2006. See Appendix 2 for list of members.

4.5. THE SISP

FNQ NRM Ltd's Ordinary Members voted to form the inaugural Standing Independent Selection Panel (SISP) at the 2003/2004 AGM. The SISP is an independent panel established within the Company's constitution to oversee Chair and Board Director recruitment processes.

The primary objective of the SISP is to ensure the overall Board is skills based and capable of overseeing the strategic regional development and implementation of community-driven natural resource management in the Wet Tropics region.

The SISP membership remains current for three years. A list of current SISP members is available in Appendix 3.

4.6. SUPPORT UNIT

The Board's daily operations are implemented by the Chief Executive Officer and a staff support unit. Other groups/contractors are also engaged at times to assist with the implementation of regional projects. See Appendix 4 for a support unit network diagram.

4.7. ORDINARY MEMBERS

The FNQ NRM Ltd Membership Body membership base continues to expand and since the last AGM has grown to comprise 115 organisations from across the Wet Tropics region. For a list of Ordinary Members see Appendix 5.

As the direct link between the region's NRM community and FNQ NRM Ltd Directors, this membership base is the primary target for all communication efforts. Currently members receive email newsletter distributions, notification of and invitation to the Board's regional meetings, and official reporting on and notification of Annual General Meetings. Communication activities from the Board to members are being reviewed to improve the delivery of information.

4.8. SUPPORTING MEMBERS

The Board is continuing to create opportunities to harness the commitment and goodwill of individual community members, families, groups and businesses wishing to contribute financially to the management of the region's natural resources.

Membership contributions would underpin operation of the Board's K-12 Education Program. Donations to the Supporting Membership program are eligible for deductible gift recipient status.

5. CHAIR'S REPORT

The 2005/06 financial year has been a highly successful but challenging one for FNQ NRM Ltd. The Company has almost doubled in size, financially and organisationally, and was confronted by the significant impacts of severe Tropical Cyclone Larry on March 20, 2006.

Cyclone Larry had a significant impact across the central Wet Tropics, both physically and socially. Extensive areas of forest, crops and plantation forestry were affected from Mission Beach in the south, to the southern Atherton Tablelands in the west and Cairns in the north.

Cyclone Larry also offered FNQ NRM Ltd the opportunity to test systems, the strength of networks, and the resilience of the regional community in a crisis. The Company's rapid recovery and response to the crisis is testament to the staff, directors and members.

Events such as Cyclone Larry highlight the need to build resilient landscapes, a strong theme for ongoing efforts across all business units. Larry also brought to the forefront the potential dangers of severe climatic variability as a result of global warming. FNQ NRM Ltd has over the last year provided leadership at a national level, advocating for improved support to the forestry sector to enable its more effective engagement in emerging carbon markets.

Regionally FNQ NRM Ltd has played a crucial role in the formation of the North Queensland Climate Alliance. The alliance will focus on increasing the use of energy and carbon offsets within the energy sector, local government, industry, business and schools. It will also provide a platform for coordinated awareness-raising around climate change adaptation and mitigation.

To manage the organisation's growth, development of a corporate strategy has commenced. Once completed it will align and focus on-going efforts to secure the organisation's income beyond 2008. These ongoing efforts have resulted in the identification of numerous opportunities locally and globally. The focus over the next year will be on taking advantage of these in a strategic manner.

Substantial effort has been put into implementation of the regional investment strategy over the last year with the years of planning finally taking shape as on ground action, supported by thousands of individuals, businesses, community groups and government departments.

The Company has also been successful in leveraging an additional \$7 million dollars of investment into management of the region's natural resources during the last year.

Plans to boost the awareness of these initial successes in implementing our Regional NRM Plan to the broader public are coming to fruition with a revamped website and a new publication series expected for launch at the 2006 AGM. This will be accompanied by a new brand for the Company, providing a new look that better reflects the organisation.

The new Supporting Membership program will improve FNQ NRM Ltd's reach within the region and allow for financial support to be provided from the membership base.

FNQ NRM Ltd has played an active role in the development of state and national policy to achieve improved function of, and outcomes by, all regional bodies. FNQ NRM Ltd led the establishment of the National NRM Working Group whose main function is to plan the annual Minister's NRM Forum. The work of this group has led to substantial improvement of the relationship between Australian and State Governments, clear priorities for action by both regional groups and government and more secure funding arrangements.

The four priority issues arising from the last forum were the delivery of ecosystem services longer term, secure block funding subject to quality assurance, improved alignment and partnerships with local government and urban issues, specifically the urban rural link (or divide).

FNQ NRM Ltd CEO Allan Dale and I have worked on a number of related issues – the promotion of ecosystem services through conference presentations and leading up to a potential agreement with peak bodies and the integration of NRM and local government coastal planning (where the most rapid urban growth is occurring). The wider engagement has helped FNQ NRM Ltd remain at the forefront of planning and delivery of more sustainable landscapes and communities.

Allan has continued to provide outstanding leadership to the organisation overseeing this period of rapid growth, ensuring the implementation of key reforms, maintaining an enthusiastic and committed staff, servicing the Board and driving reform and innovation at a local state and national level.

I would like to acknowledge Peter Stanton for his contribution to the Board over the last three years as Director Conservation. Peter's unique knowledge of the region's ecosystems and practical understanding of people and cultures has been a valuable asset to the Board. This position will be filled by John Pollock.

I also thank both Caroline Coppo and William Shannon for their renewed commitment to the Board this year. The Standing Independent Selection Panel (SISP) conducted a commendable process to recruit the three directors. In particular, I thank Ian Stewart, the SISP's industry representative who is leaving the panel this year to travel around Australia.

As FNQ NRM Ltd continues to focus on the implementation of the Regional NRM Plan '*Sustaining the Wet Tropics*', preparation is also underway to review progress so far and make the corrections needed to achieve the targets set two years ago.

Looking to the future, the Company's vision to deliver asset based resource management is continuing to move toward an ecosystem services orientation. It is hoped this approach will enable an increased use of market based mechanisms and will lead to improved integration across the complex layers of policy and stakeholder expectations as well as improve access to the resources required to achieve lasting landscape change.

Thanks must also go to the staff and Board whose knowledge, skills, motivation, competence and innovation have collectively made this organisation, highly effective, a pleasure to work with and a major learning experience for me.

A handwritten signature in black ink, appearing to read 'M. Berwick'.

Cr MP Berwick
Chairman of Directors

6. REPORT FROM THE CHIEF EXECUTIVE OFFICER

FNQ NRM Ltd's core business is to facilitate the development and maintenance of the Regional NRM Plan for the Wet Tropics as well as assist a wide range of efforts to support its implementation.

Either directly through the Company, or through support for FNQ NRM Ltd partners, the Company has also worked to draw significant resources into the region to assist with plan implementation.

While core investment is our Natural Heritage Trust funded Regional Investment Strategy, FNQ NRM Ltd has been able to draw significant additional investment from Australian, State and corporate sources. The State Government in particular is looking in the coming year to establishing a clearer process of aligning its efforts to achieve the Regional NRM Plan's targets.

At the regional level the Company's key implementation partners include:

- Local Government (via the FNQ Regional Organisation of Councils),
- Industry (via the Board's Industry Advisory Group),
- the Conservation Sector (via Cairns and Far North Environment Centre),
- Indigenous communities (via the Traditional Owner Advisory Committee, Aboriginal Rainforest Council and Giringun Aboriginal Corporation),
- James Cook University,
- CSIRO,
- the Marine and Tropical Science Research Facility,
- the Wet Tropics Management Authority,
- the Great Barrier Reef Marine Park Authority, and
- the Queensland Government (via the North Queensland Regional Coordination Group).

At the catchment level, FNQ NRM Ltd works closely with Catchment Management Associations, local councils, River Improvement Trusts, Landcare groups, community nurseries, Traditional Owners and a range of other community groups.

Beyond these core planning and implementation functions, the Board has an emerging role in preparing the future systems to deliver ecosystem services trading within the region. The concept advocates financial rewards for land managers in rural landscapes to carry out environmental services on their properties that are for the public good. Through this approach, governments and corporate organisations valuing and purchasing ecosystem services can achieve the conservation and sustainable use of the Australian landscape.

This year has seen FNQ NRM Ltd formally launch the Regional NRM Plan and Aboriginal Plan and facilitate significant implementation effort. The Company's strong performance has been recognised by the Australian and State Governments, and corporate investors.

For the first time this year, FNQ NRM Ltd achievements have been fully reported in an annual performance review to be published as a companion to this annual report.

Recent developments this year also suggest that regional NRM bodies have a secure future. The State Government review of regional arrangements endorsed the current community-based (i.e. non statutory) arrangements. Findings from the review process have prompted the State Government to fund the core operational costs of regional NRM bodies to at least June 2008.

The Australian Government's Keogh Review and the NRM Ministerial Forum in 2006 also provided an important opportunity for community input into future NRM arrangements. The consistent message from communities across Australia has been that a smooth transition for future NRM arrangements is critical. FNQ NRM Ltd hope the future entails a performance-based model that delivers a clear forward budget of at least three years from June 2008.

Cyclone Larry tested the Company's systems and networks however it had a limited impact on FNQ NRM Ltd's overall performance for the year. While the Company's central office was severely damaged and communications interrupted, staff came together soon after the cyclone and returned to work within two weeks. FNQ NRM Ltd was fully functional within three weeks and able to play a significant role in the cyclone response efforts. The ability of staff to pick up and move forward has been a real sign of the strength of the organisation.

With the Board currently developing its first corporate plan, the opportunity has arisen to lock in structural reforms within the organisation. The reporting in this annual report reflects FNQ NRM Ltd new internal structures, including the Community Engagement Unit, the Programs and Partnerships Unit and the Planning and Technical Services Unit. With capable managers, staff and partners associated with these new units, the year ahead looks set to be another productive one.

A handwritten signature in cursive script, appearing to read 'Allan Dale', written in black ink.

Allan Dale
Chief Executive Officer

7. CYCLONE LARRY IMPACTS AND RESPONSE

On March 20, 2006 Cyclone Larry hit the Wet Tropics region with the epicentre passing directly over Innisfail. The Category 5 cyclone caused extensive damage to the natural landscape and agricultural production between Cairns and Cardwell and as far inland as Georgetown.

FNQ NRM Ltd CEO Allan Dale was appointed to Major General (Ret) Peter Cosgrove's Operation Recovery Industry Action Taskforce giving FNQ NRM Ltd the opportunity to influence the responses of both State and Australian Governments. This ensured cross-sectoral NRM issues were considered and represented in the plans of other industry sectors in the region.

FNQ NRM Ltd also provided direct support to industry sectors in developing their Industry Action Plans through the Company's Industry Advisory Group.

In addition to this advisory role FNQ NRM Ltd used additional funds from the Australian and State Government Strategic Reserve to employ a coordinator for six months to manage the development and implementation of post-cyclone investments and initiatives. The coordinator also developed post-cyclone response policy options and assessed the impact of the cyclone on NRM delivery programs.

In partnership with Conservation Volunteers Australia, FNQ NRM Ltd established and coordinated immediate response volunteer teams to undertake urgent clean-up and rehabilitation activities for landholders in the region. This was a critical contribution during a time when clean-up support from other organisations and government departments was not yet in place.

Immediately after the cyclone, Landcare Australia Limited coordinated an appeal that raised approximately \$400,000 to assist cyclone response activities and to support the building of long-term landscape resilience. FNQ NRM Ltd provided local coordination and support for fundraising activities.

FNQ NRM Ltd will deliver the funds raised by Landcare Australia to support producers to recover from the cyclone, conduct strategic and targeted revegetation works on priority waterways and wildlife corridors, support Traditional Owners recover cultural sites and to host an environmental impacts workshop for educators.

Further funding raised by the Foundation for Rural and Regional Renewal/Australian Dairy Farmers for recovery efforts in the Atherton Tablelands will also be coordinated by FNQ NRM Ltd. These funds will support rehabilitation of cyclone damaged vegetation along critical waterways and additional planting to strengthen and extend the waterway vegetation corridors and to ensure the corridors are more resilient against future major storm events.

Landcare Australia secured corporate sponsorship to attract Backyard Blitz into the region in response to Cyclone Larry. Innisfail State High School was the venue for the Blitz in September 2006. FNQ NRM Ltd provided local contacts, knowledge and coordination and some staff members provided volunteer support during the Backyard Blitz activities.

The Blitz program will carry essential natural resource management and environmental education messages nationwide, as well as highlighting the resilience and spirit of the region's community.

FNQ NRM Ltd hosted a 'Lessons from Larry' forum in September 2006 to record experiences and distil lessons from Cyclone Larry in relation to natural resource management.

Information from the forum will contribute to resources to build more resilience in the landscape, including action plans to improve immediate response to natural resource damage from future cyclones.

The forum also identified opportunities for FNQ NRM Ltd to support long-term resilience within the landscape and to build the community's capacity to influence future cyclone recovery processes as they relate to natural resource management.

The organisation has also developed a strategic partnership with the CSIRO/JCU Tropical Landscapes Joint Venture which will drive the post-cyclone research agenda to ensure future initiatives are well informed by the most current research available.

8. BUSINESS UNIT REPORTS

Following an organisational review carried out over the past 12 months, the Company has continued to implement a series of reforms around its structure.

The structure now incorporates three distinct yet complementary business units operating under the guidance of the Company's Chief Executive Officer. These units are focused on community engagement and capacity building, support for strategic programs and partnerships, and planning and technical services. The units are resourced via a range of funding and partnership arrangements.

8.1. COMMUNITY ENGAGEMENT UNIT

The Wet Tropics community was instrumental in creating the Regional NRM Plan.

The community's involvement in its implementation is equally critical. The Community Engagement Unit works directly with the community to support and enhance this partnership. The unit's primary task is to facilitate effective and increased stakeholder participation in natural resource management across all sectors.

The NRM coordinator network continues to form the basis for the Company's major investment in engagement and capacity building support at the catchment level.

Regional Engagement and Initiatives

Engagement across the region has focused on strengthening and supporting existing mechanisms and, where necessary, driving the development of new opportunities to encourage and support specific sectors to increase their participation in NRM programs and initiatives.

Targeted efforts towards increased engagement of regional councils reflect the recognition of the increasing role and community expectations of local government in NRM.

Over the last 12 months, the unit has been developing a local government engagement strategy. This process has provided a platform for discussions between FNQ Regional Organisation of Councils (FNQROC), FNQ NRM Ltd and individual council staff in relation to needs and priorities for local government in NRM and the role of the regional body in facilitating effective participation.

This strategy was completed in August 2006. Negotiations with FNQROC in relation to future local government engagement approaches as recommended in the strategy are taking place.

Experts have acknowledged that one of the greatest threats to natural resources in the Wet Tropics is accelerated climate change. As an initial response to this issue the Company, in partnership with the Cairns and Far North Environment Centre, convened a regional Climate Change Forum to encourage collective discussion around this issue.

A key outcome of the forum was the establishment of the North Queensland Climate Alliance which aims to continue the role of facilitating a regional approach to the threat. FNQ NRM Ltd recognises this will be a significant theme underpinning its future efforts in urban engagement.

The Community Engagement Unit has continued to support initiatives for increased Indigenous support and engagement. Traditional Owner groups are developing locally-focused, country-based plans and subsequent actions to secure the longer term sustainability of land and sea country.

Support has also continued toward the Giringun Wellbeing Project coordinated by Dr Romy Greiner. This program aims to identify and qualify the range of benefits derived from Traditional Owner land and sea management organisations and the value of investment in these institutions.

The Traditional Owner Advisory Committee (TOAC) is developing a regional partnership agreement and a memorandum of understanding between NRM contributors. These agreements aim to formalise the principles and commitments needed to fully realise the Aboriginal Cultural and Natural Resource Management Plan.

In the period following Cyclone Larry in March 2006, the unit played a key role in coordinating the Company's broad range of cyclone response efforts, particularly through the partnership with Landcare Australia Limited. Of particular note was the 'Landcare for Larry' grants program, the Innisfail High School 'Backyard Blitz' event, and the 'Lessons from Larry' forum.

The 'Kindergarten through 12th Grade Environmental Education Program' (K-12) is an FNQ NRM Ltd initiative which began in 2004. The Community Engagement Unit has made significant progress this year, in implementing the 'Community in the Classroom' component of K-12.

Community in the Classroom has been developed and tested in partnership with Education Queensland. It seeks to provide delivery mechanisms where young people can actively engage in natural resource management in the region. The pilot program has focused on the topic of water in the Barron River Catchment. Success of the pilot has provided a strong foundation for expansion of the program across the region in 2006/2007.

The unit has continued to provide administrative support to the Board of Directors and its related advisory committees during the year. In particular, the team has invested in creating mechanisms for improved engagement with the general community. Examples are the inclusion of community mingles and information sessions as a formal part of the Board's meeting structure.

A continuing focus on promoting and growing the Ordinary Membership has yielded 115 formalised member organisations at financial year-end. With Ordinary Membership being limited to bona-fide organisations with a demonstrable and active interest in NRM, the members endorsed an amendment to the FNQ NRM Ltd Constitution in 2004, enabling individuals, families and businesses an opportunity for involvement via Supporting Membership.

The Community Engagement Unit has developed numerous programs for community participation in Supporting Membership that will be launched at the 2006 AGM.

During 2005/2006, a communications and community engagement report was completed to guide the organisation's engagement efforts as it progressed from planning to implementation. The report was developed through input garnered from FNQ NRM Ltd directors and staff which reflected feedback and experiences from the Company's partners. As a first stage, the report identifies a series of actions and communication tools to improve or supplement existing activities and materials.

One of the key recommendations of the report was the need to consider the Company's current branding, including more broadly the organisation's identity. A particular focus is the Company's current logo and its applicability and recognition among the regional community and broader target markets.

This process marks one of the first major joint partnerships with the corporate community. Marmalade Melbourne generously offered its expertise and resources to assist in developing a corporate identity, at no cost to the Company. The review and recommendations are anticipated in advance of the 2006 AGM.

Information about relevant regional natural resource management matters and events continues to be disseminated through FNQ NRM Ltd's core communication devices. This includes direct information via the Membership Body, regular updates on the FNQ NRM Ltd website, distribution of the 'Hands On' newsletter, and media coverage of the organisation's activities.

Catchment Engagement and Initiatives

The primary focus for the Community Engagement Unit has been to continue to support natural resource management action and strengthening of catchment-based arrangements to support these efforts.

Paramount to this approach is the catchment-based NRM coordinator network which is closely aligned to the Catchment Management Associations (CMA) across the region. This team has provided significant assistance in attracting funding in the design of projects, implementation and facilitating improved links between different sectors, including \$417,457 in Envirofunds for 26 projects. This represents an 85% success rate of submitted applications.

These roles are being formalised to ensure maximum benefits to the catchment communities via tailored memorandums of understanding (MOUs) between FNQ NRM Ltd and each CMA. This process is a result of the transition over the past 12 months to centralised employment of NRM coordinators into the regional body. To acknowledge the interests of the CMAs, the MOU outlines a set of shared principles for the delivery of this support and recognises the dual reporting responsibilities of the network to the CMAs.

The unit continues to support the six monthly meetings of Catchment Associations. The meetings provide a direct forum to discuss relevant NRM matters between FNQ NRM Ltd and the catchment community, by bringing together the chair and secretary of each CMA across the region.

Changes in the coordinator network in the last year have included the appointment of a new coordinator to the Upper Herbert focused on grazing land management and mine site rehabilitation and a new coordinator to support initiatives in the Russell Catchment.

In recognition of the contributions of this network to catchment initiatives, the Company is now providing additional support via three catchment-based project assistants.

Future Directions and Initiatives

A key focus for the coming 12 months will be to develop and implement a program that builds knowledge and understanding of models for tailored catchment-based support.

Overall, the objective of the regional NRM process is to achieve landscape scale improvement in the condition of natural resources. However, natural resource management is as much about the people and the formal and informal networks and frameworks within which their daily lives operate. Understanding these institutions is critical to provide support that best equips and strengthens communities to manage their landscape.

FNQ NRM Ltd is collaborating with a number of research agencies to answer these questions. Ultimately the results will inform, target and enable the monitoring of efforts and investment in engagement and capacity building. The data will also assist local communities to improve integration around effort at a sectoral and catchment scale.

Finalisation of communication reviews within the organisation and the recruitment of a strategic communications specialist to consolidate and build a sophisticated program around outcomes remains a key target. The Board is committed to investing in the continuous improvement of the Company's communications portfolio to support the extent of engagement to which it aspires.

In this, the Board will be investing in our most valuable assets - people and their knowledge and organisational skills.

8.2. PLANNING AND TECHNICAL SERVICES

The focus of the Planning and Technical Services Unit is to support the Board's planning and implementation partnerships. It does this by providing sound planning frameworks at different scales, technical advice, science and monitoring and evaluation functions.

Planning

The completion of region wide plans in 2005 '*Sustaining the Wet Tropics*' and '*Wet Tropics Aboriginal Cultural and Natural Resource Management Plan*' have provided the foundation for the Regional Investment Strategy (RIS) and other natural resource management initiatives during 2005-06.

At a regional scale, the unit has been actively involved in ensuring partners and programs are aware of, and aligned with, the efforts to refine the Regional NRM Plan and RIS.

During the last year the Planning and Technical Services Unit focused at the catchment and local planning scales, seeking to integrate with other planning processes of local and state government agencies and industry.

The Cardwell Shire area, for example, has been the focus of a number of activities relating to water quality and catchment health. The unit has been strongly involved with the Cardwell Shire Floodplain Project's Production, Biodiversity and Social-cultural Action Teams in the development of priority project sites and activities.

Further resources to develop priority riverine and wetland corridor linkages are currently being secured. This is being developed in alliance with the River Improvement Trust, Cardwell Shire Council, CSIRO and the Cardwell Shire Floodplain Project.

Preparation for Local Area Planning for priority corridor construction in the Mission Beach area has been completed and a planning officer recruited. In particular, a scoping study has been completed which identifies stakeholders and existing knowledge in relation to key threats and current geographic attributes related to cassowary conservation.

This study also reviews incentive options available to landholders and a draft framework for brokering delivery of these options. This will provide the basis for a trial of market based incentives once initial planning has been concluded in the Mission Beach area.

Implementation Support

Progress is continuing in on-ground works on the southern Atherton Tablelands (Peterson Creek) and in Kuranda (Kuranda Envirolink) to reinstate two of the four priority landscape linkages. The Planning and Technical Services Unit has contributed to, and continues to work closely with, the Queensland Parks and Wildlife Service (QPWS) Nature Assist program to focus on high priority areas, particularly in the Mission Beach locality.

The coastal landscapes program has seen the roll out of a coastal small grants program aimed at undertaking on-ground works supported by a site specific management plans. The projects are undertaken in partnership with local government and community organisations and are focusing on the rehabilitation of degraded coastal sites within the region.

The program has also developed a local government planners' forum in partnership with FNQROC. The forum is a new initiative and will lead to improved planning and decision making within the coastal landscape while providing an opportunity for council planners to discuss issues and share ideas.

FNQ NRM Ltd is a member of a steering committee to progress the development of a much needed coastal planning and management guidance. The web based resource will provide a one-stop-shop for accessing information on the practical management, planning frameworks and policies that impact upon the coast and its management.

Considerable achievements have been made in the sustainable agriculture program over the last year, with output targets met or exceeded. The Industry Advisory Group (IAG) has proven an excellent mechanism for the two way flow of knowledge, advice and hands-on assistance in much of the unit's work in this area. Links between the unit, the Industry Advisory Group and other stakeholders have been strengthened with a number of significant discussions held throughout the year.

Assistance was provided to the development of sugarcane soil nutrition workshops run in the Herbert region. The program is being expanded to the Innisfail region with contributions to a soil nutrition manual for that area. Nutrient use efficiency adoption rates have increased during the year with an estimated 50% of those attending training implementing their new skills.

The unit also participates in the Rural Water Use Efficiency process with Canegrowers to promote adoption of best management practices in relation to natural resource management.

Access to technical support for landholders was enhanced with the development of a process where soil conservation consultants are available to provide on-ground advice directly to landholders. As the various devolved grants schemes are rolled out, additional requests for soil conservation design advice are expected.

This year has seen continued success in securing funds (additional \$200,000) to support landholders implement water quality improvement works on their land. The unit assisted grant recipients implement projects and develop new applications for the 2006-07 funding round. Contracts are currently being prepared for the 41 successful projects from the 2005-06 round.

Research into nitrogen fixation in sugarcane is ongoing in collaboration with the University of Sydney. Results from bacterial isolations of nitrogen fixing bacteria have provided encouraging confirmation of previous studies. The potential for significant economic and environmental benefits by reducing the use of artificial nitrogenous fertilisers is indicated. FNQ NRM Ltd is keen to promote additional research into this promising field of research.

The Water Quality program has commenced a significant program of planning and works in the Tully/Murray catchments. Through subcontracts with research providers and local and State agencies, the program is identifying key water quality pollutants and their sources, developing environmental values and water quality objectives, and reviewing evaluating and prioritising best practice management in the main land uses. The planning and community engagement process will also establish a long term water quality monitoring and modelling program for the Catchment.

An incentives program to provide funds to landholders for on-ground works to improve water quality in the Cardwell Shire has also commenced. Applications seeking a total of \$200,000 in funds are currently being assessed.

In partnership with the Australian Centre for Tropical Freshwater Research (ACTFR) at James Cook University, work has also commenced on a project to manage Tilapia (the Carp of the North) and other exotic and translocated pest fish in north east Queensland.

Science

The formation of key partnerships to improve delivery and access to scientific and technical advice has been a focus for the Planning and Technical Services Unit during the year, with some significant outcomes.

In particular, the unit formalised a partnership with the Tropical Landscapes Joint Venture. The Tropical Landscapes Joint Venture (TLJV) is a joint venture between James Cook University (JCU) and CSIRO. The venture builds on the strengths developed by the Rainforest Cooperative Research Centres (CRC) partnership and seeks to engage in a broader research agenda relevant to the coastal and sub-coastal tropics of Queensland.

The partnership between FNQ NRM Ltd and TLJV recognises and formalises the common interests both organisations have in research, monitoring, management, evaluation and reporting of natural resource issues in the Wet Tropics and will ensure stronger links between research agendas and the information needs of managers.

The joint venture will be a research provider to the newly formed Marine and Tropical Science Research Facility (MTSRF). As a potentially significant end user of the MTSRF research, FNQ NRM Ltd has been providing input into the development of research projects and expected outcomes.

The unit has also played a key role in the establishment of the Reef Water Quality Partnership which will enable improved coordination of data collection, data management, analysis, interpretation and action by the many government, industry, and community groups working on improving water quality in the Great Barrier Reef. The partnership of five regional NRM bodies and seven government agencies held its first meeting in July 2006.

The extensive consultation which guided the development of the Reef Water Quality Partnership has also been used to inform the development of a suite of recommendations to meet the target setting, monitoring and reporting needs of the Partners.

A project to build the regional community's capacity to manage threatened species and engage in activities to ensure long term security of these populations has also commenced.

The Planning and Technical Services Unit has also been active during the year providing ongoing advice to researchers' policy makers and the wider community in relation to threatened species management. This includes supporting farmers to source funds for flying fox netting, commenting on recovery plans such as for *Chingia australis*, advising researchers on community involvement, and extension design for end user relevance within the new MTSRF arrangements or for individual research proposals.

Monitoring and Evaluation

Over the last year, the tasks of assessing the organisation's technical and information needs, organising and disseminating current data and establishing FNQ NRM Ltd monitoring and evaluation framework have progressed well.

Achievements include:

- The establishment of data sharing arrangements with the Department of Natural Resources and Water and the Wet Tropics Management Authority, and developing similar relationships with other organisations such as CSIRO and the Environmental Protection Agency (EPA).
- Collaboration with the Bureau of Rural Sciences to review FNQ NRM Ltd's reporting framework. This work has enabled the Company to organise activities around agreed assets which will support regional effort alignment process and assist in reporting on resource condition.
- Documentation of FNQ NRM Ltd's current and future technical information needs.

Monitoring and evaluation of revegetation works has progressed with a monitoring toolkit now ready for publishing after significant field testing. These tools have already been adopted by CSIRO in their monitoring of revegetation projects in the Wet Tropics.

A community waterway monitoring needs and gaps analysis has been finished identifying monitoring requirements for all the Wet Tropics catchments. This document provides a way forward to support and focus community waterway monitoring.

Future Directions and Initiatives

The core focus over the next year will be on further refinement of the FNQ NRM Ltd Regional NRM Plan through a review and further development of targets. This will be achieved through an emphasis on effort alignment discussions between all sectors and partners involved in NRM management in the Wet Tropics.

FNQ NRM Ltd's investment in Water Quality Improvement Plans will continue, with finalisation of the Tully WQIP scheduled for June 2007, and implementation of the Douglas WQIP already underway. A proposal for developing a Barron Catchment WQIP is being negotiated with key partners and will be submitted to the Australian Government for consideration for funding in the 2007-08 financial year.

The focus on local area planning for biodiversity will be accelerated, with biodiversity hotspots mapped and agreed in 2007, and a framework for wetlands management defined and agreed with the Australian and State Governments. This framework should increase the level of on-ground works already underway in the Wet Tropics.

The development of a clear planning framework for Indigenous domains from regional to country-based levels will also continue. In the next year FNQ NRM Ltd will continue to support the application for re-listing of the Wet Tropics for its cultural values, and support development of Traditional Owner capacity in managing cultural heritage resources.

Over the next year, industry will continue to be engaged in developing systems for the delivery of relevant management action targets and to benchmark industry practices. Four sectors in the Tully region (sugar, bananas, grazing and forestry) are already involved in surveys which will provide information on the extent these sectors are already contributing to sustainable production practices.

The unit will continue to develop its existing planning and technical advice partnerships. Its role in the Marine and Tropical Science Research Facility Water Quality and Rainforest Steering Committees will help to direct community interests in planning, implementation and monitoring within the region's core water and rainforest assets.

Delivering on the Reef Water Quality Partnership priorities in investment and monitoring water quality outcomes will require the development of water alliances between all sectors interested in water outcomes for the North Queensland region.

The Industry Advisory Group will be engaged on the issue of industry led benchmarking and reporting of management practice to demonstrate the level of commitment to NRM reform already developed by industry.

Over the next year the unit will continue to develop capacity in core areas critical to realising the region's NRM plan. Monitoring, evaluation and reporting on a spatial basis is one of these areas. The unit will work with key partners to continue to build this capacity within and between key sectors, providing catchments and land owners with access to spatial information (including property scale mapping and aerial photography), and underpinning State of the Region Reporting.

8.3. PROGRAMS AND PARTNERSHIPS

Overall, the core goal of the Programs and Partnerships Unit is to assist the organisation to develop and enhance its strategic partnerships and its delivery and business systems.

Part of this role is to maintain the high-level relationships between the Australian and State Governments and the regional community.

These relationships strengthen regional NRM arrangements through integrating efforts, facilitating strategic investment and increasing participation in NRM programs. This includes providing an essential avenue for awareness raising and feedback on natural resource management programs and policy matters between governments and the community.

The unit manages the organisation's overall governance systems, contractual obligations and supports the NRM network and partners with program delivery. The Programs and Partnerships Unit also manages the Company's finances, program budgeting, performance reporting and human resource systems.

Governance

In responding to recommendations of the Walter Turnbull governance review conducted last year, the unit has made progress around company policies and procedures, financial reporting and performance reporting systems. The unit is also developing human resource management reforms to meet new Work Choices legislation.

To support the Company's transition from planning to implementation of the Regional NRM Plan, and recognising the organisation's growth as a result of significant increases in investments and activity, a Board and staff retreat was held in August 2006.

The event provided an opportunity to collectively develop a future vision for the organisation and determine strategies to help achieve this. It also provided the organisation a chance to reflect and celebrate the Company's successes since formation.

As part of this process, the three business units (Community Engagement, Planning and Technical Services, and Programs and Partnerships) undertook an internal review of each team's functions together with a skills and resources audit. This approach aimed to ensure the units were best equipped to support optimal organisational performance as the Company matures.

The process has included a review of existing human resources. Through developing cooperative partnerships with other organisations and leveraging additional investments, FNQ NRM Ltd has increased its human resource capabilities. Under a range of partnership, funding and employment arrangements, the Wet Tropics NRM network now includes:

- 35 people employed by FNQ NRM Ltd (23 people through RIS and 12 people through other investments) and
- Six people employed by other organisations.

From time to time the organisation also employs contractors and short-term project specific staff on an as need basis.

Regional Investments

In the 2005-2006 year the total contracted income of FNQ NRM Ltd increased from a core Australian and State Government investment of \$2.2 million to \$4.9 million through the leveraging of additional funds. To date the organisation has secured an additional \$7.7 million dollars over the life of the Regional Investment Strategy.

A list of FNQ NRM Ltd current contractual arrangements is available in Appendix 6.

In the context of FNQ NRM Ltd's performance reporting for the last financial year, the Australian and State Government Joint Steering Committee (JSC) has commended the region's performance and its hard work despite the severe impacts of Cyclone Larry.

They also acknowledged the rapid recovery and response to the disaster was a testament to the organisation. The JSC conveyed its congratulations and appreciation to all concerned. The JSC is particularly impressed by the progress and success of the K-12 Environmental Education program and the Sustainable Agriculture program.

New Program Investment Opportunities

In collaboration with the FNQROC and local governments, FNQ NRM Ltd facilitated a regional workshop targeting Weed Menace funding for hymenachne and pond apple control.

The two applications submitted were successful, attracting \$210,000 for the strategic control of hymenachne in the Tully and Johnstone Catchments and \$500,000 toward the control of pond apple in the Wet Tropics, Cook and Torres Shires.

Two applications have been submitted to the National Water Initiative Water Smart program. The projects are to deliver Water Quality Improvement Planning activities in the Douglas Shire and continue irrigation efficiency services to the Tablelands and sugar coast areas of the Wet Tropics. Successful applications will be announced later this year.

In the aftermath of Cyclone Larry feral pigs have become an increasing threat to biodiversity and agricultural productivity. FNQ NRM Ltd is building on previous community pig trapping programs by working with regional partners to better align efforts and resources to address feral pig problems in the Mission Beach area. This approach aims to integrate with research agencies to establish the foundations for long-term control and monitoring efforts.

The unit is exploring cross-regional program delivery and collaborative investment opportunities with neighbouring NRM regions. The partnerships aim to support strategic landscape-based outcomes in sustainable agriculture, coastal management, water quality improvement, pest management and Traditional Owner land and sea management.

FNQ NRM Ltd has supported the Wet Tropics community to secure \$564,212 through the first round of the Australian Government's Community Water Grants program with 18 projects successful in this first round.

These projects will deliver local on ground outcomes in riparian improvement, water use efficiency, water saving and water recycling. Future rounds of the program will be targeted to strengthen catchment-based alliances for major riparian improvement.

Partnerships

The Programs and Partnership Unit provided support to the Australian Government to organise the Ministerial Reference Panel (Keogh Review) meetings in Cairns in 2006. This provided an opportunity for regional bodies from North Queensland, Traditional Owners and community representatives to input into the future arrangements of The Natural Heritage Trust (NHT).

FNQ NRM Ltd is a member of the Queensland Regional Groups Collective (the Collective). The Collective represents the state-wide interests of the 15 regional NRM bodies in Queensland.

Recent achievements of the Collective include:

- formal recognition as a negotiation partner with the Australian and State Governments;
- securing \$8,857,632 for state-wide strategic reserve projects;
- coordinating responses on policies such as the Blue Print for the Bush;
- creating national momentum and support for ecosystem services; and
- participating in processes for future NRM arrangements.

FNQ NRM Ltd also participates in the North Region Coordination Group (NRCG). The group enables regional bodies in North Queensland to engage collectively with NRW, EPA, Department of Primary Industries and Fisheries and the GBRMPA.

The NRCG supports regions to meet NHT contractual obligations with the State and Australian Governments and provides a forum to negotiate state agency in-kind contributions and effort alignment.

Future Directions

A key focus for the Programs and Partnerships Unit for the coming year will be to continue to review and implement the Company's business planning and governance arrangements. This includes facilitating the Board and Executive to complete the FNQ NRM Ltd Corporate Plan. This document will articulate a clear future vision and direction for the Company's core business as well as future growth plans.

At the unit level, a primary objective will be to consolidate support arrangements to underpin the Company's business and governance systems and support the uptake of these systems across the organisation. This support is an essential aspect of the Company's delivery and growth capabilities. This includes the transfer of the Board's support arrangements from the Community Engagement Unit into the Programs and Partnerships Unit.

The unit will also continue to support efforts to create national partnerships that recognise ecosystems services as a legitimate framework to achieve NRM outcomes. In addition to the ecosystems services discussion, the unit is playing an increasing role in broader policy discussions at the state and national level.

The Programs and Partnerships Unit will also continue to facilitate increased corporate sector participation in NRM by finding appropriate and mutually beneficial opportunities for involvement.

9. FINANCIAL PERFORMANCE

As a non-profit entity the Company pays no dividends to shareholders and does not seek to make a profit. A surplus of \$20,032 for the year ended June 30, 2006 increased surplus funds to \$86,865.

Financial Outlook

Indicative Natural Heritage Trust funding allocations as per the approved Regional Investment Strategy allocated to FNQ NRM Ltd are:

Year 3	2006-2007	2.0m
Year 4	2007-2008	1.512m

To the end of September 2006 FNQ NRM Ltd has received 100% of years 1 and 2 and 70% of the first half of year 3.

10. PREMISES

The Company's registered office is located at 45 Rankin Street, Innisfail, a location that is geographically central within the region. FNQ NRM Ltd now occupies the entire ground floor and two of the upstairs units.

Further offices are located at Atherton (three rooms in Enterprise House, Mabel Street), Gordonvale (at 98a Norman Street) and Tully (1 Butler Street). Staff are also housed in Mareeba NRW and Ripple Creek QPWS offices.

11. INSURANCES

The Company continues to participate in a collective Landcare Group insurance policy with AON Risk Services Australia Ltd, which is administered by NRW and Queensland Water and Land Carers Inc. This scheme provides three separate policies covering Public and Products Liability, Personal Accident Insurance and Association Liability.

A separate fire and theft policy for buildings' contents is held with Zurich Australia Insurance Ltd.

12. AUDITOR

Pickard Associates are engaged as the Company's auditor.

13. STATUTORY INFORMATION

In accordance with the provisions of the Corporations Law, the Directors' of FNQ NRM Ltd report on the following matters for the financial year ended June 30, 2006:

1. The names of the Directors in office at any time during or since the end of the financial year, including the particulars of their qualifications, experience and special responsibilities are provided as follows:

Cr Mike Berwick – Chair

Cr Mike Berwick is Mayor of Douglas Shire and is well known for his advocacy and actions to promote sustainable development in the shire and elsewhere. He is a former or current chair or member of a wide range of local, state and national land management groups including Queensland's representative on and chair of the National NRM Working Group, Daintree Planning and Coordination Group, the Tropical Landscape Joint Venture, and the National Sea Change Task Force executive. He has been Chair of the Coastal CRC National Stakeholder Advisory Committee, North Queensland Afforestation, and the Local Authority Waste Management Advisory Group. He was a member of and deputy chair of the Rainforest CRC Board, the Queensland Vegetation Advisory Committee, the Sugar Industry Guidance Group and the National Biodiversity Advisory Committee. He is also the author of the National Local Government Biodiversity Strategy.

Bill Shannon - Director Industry

In addition to being Director Industry, Bill Shannon is also the FNQ NRM Ltd Company Secretary. He is an economist and chartered accountant and was, until retiring in July 2006, Company Secretary of Tully Sugar Ltd. Bill operates a beef and cane farming enterprise near Tully. At a local level, he is Chair of the Mission Beach Local Marine Advisory Committee, the Mission Beach Community Association, Cardwell Shire Catchment Management Association Inc, and the Tully Floodplain Steering Committee.

Cr Ray Byrnes - Director Local Government

Cr Ray Byrnes from Yungaburra is the Mayor of Eacham Shire. Ray brings a strong NRM background to the Board, with nearly 40 years' service in DPI working in extension, research and senior management positions, and six years as a Landcare Coordinator on the Atherton Tablelands. In 2000, Ray was elected to Eacham Shire Council and appointed Deputy Mayor, and in 2004 he was elected Mayor. He is a member of the Local Government NRM Reference Group, the National Lantana Management Committee and the Atherton Tablelands Sustainable Regions Advisory Committee. Ray represents Eacham Shire on the FNQ ROC and the Regional Executive Committee for the FNQ Regional Plan. He is also a member of the National Advisory Panel for the Community Water Grants.

Caroline Coppo - Director Catchment and Community

Caroline Coppo is the Sugar Executive Officer for the Herbert region and an active partner in a family cane farming business. Caroline has qualifications in science, education and environmental education and has worked with the Reef Monitoring Team at the Australian Institute of Marine Science and at the Great Barrier Reef Marine Park Authority (GBRMPA) in the Water Quality and Coastal Development Unit and the Environmental Management Unit. Caroline was also FNQ NRM Ltd's Catchment Coordinator working with the Herbert River Catchment Group Inc for three years and taught secondary science in Ingham.

Chris Gloor - Director Coastal and Marine

Chris Gloor is a marine adventure travel operator with 35 years' experience as a Company Director. He has been actively involved in marine and terrestrial environmental issues for most of his adult life. Chris believes that economic and environmental benefits will flow from a community and consumer driven shift in demand for 'greener' products and services. By focusing on both broader and deeper community engagement, FNQ NRM Ltd can serve as a catalyst for a shift in consumptive demand, and by enhancing young people's connection to the environment via school programs, future generations will have the tools, knowledge and wisdom to work and live in a sustainable manner.

Peter Stanton - Director Conservation

Peter Stanton is a forester who worked with the Queensland Forestry Department for 14 years before moving into Parks and Wildlife. While in the department, Peter rose to the position of Regional Director for the Far Northern Region and Senior Principal Conservation Officer with the Department of Environment. He left the public service in 1997 and since that time has, among other work, been mapping the vegetation and geology of the Wet Tropics Bioregion for the Wet Tropics Management Authority. Peter is retiring from the Board this year.

Troy Wyles-Whelan - Director Indigenous

Troy Wyles-Whelan is a Traditional Owner from the Warrgamaygan people in the Hinchinbrook/Herbert River district. He has worked both in North Queensland and in Melbourne for the Australian Tax Office and in sales and marketing for a range of companies. Troy is a member of the Giringun Aboriginal Corporation and has an interest in the revival of Aboriginal languages, in particular the Warrgamaygan language. He is currently art teacher for the Barrier Reef Institute of TAFE.

Ken Atkinson - Director Upper Herbert

Ken Atkinson is a beef producer and aerial mustering operator from the Mount Garnet area where his family has resided for five generations. He is a Director of the North Queensland Saleyards Company, a member of the Herberton Shire Council's Community Advisory Panel, and was a member of the Mt Garnet District Landcare Group Inc. Ken is also Fire Warden and First Officer of the Anthill Rural Fire Brigade.

Peter Valentine - Director World Heritage

Peter Valentine is Associate Professor in the School of Earth and Environmental Sciences at James Cook University and has a long association with regional, national and international conservation and natural resource management bodies. He is a member of the IUCN World Commission on Protected Areas and technical adviser on World Heritage for UNESCO, IUCN and for various governments. He is also a member of the Great Barrier Reef Consultative Committee. Peter's extensive teaching and research include a focus on both resource management and the links between tourism and the environment. He is an acknowledged expert on Australian tropical butterflies.

John Pollock - Director Conservation (in-coming)

John resides in Yungaburra and has a Masters Degrees in Agricultural Science from the University Of Queensland. He has an outstanding record in administration and policy work in NRM in Queensland and has developed extensive knowledge of conservation issues nationally through the following roles: Deputy Commissioner on the Murray Darling Basin Commission, as a Member of the Queensland Coastal Protection Advisory Council and as a Member of the Great Barrier Reef Marine Park Authority Consultative Committee. He has extensive agricultural research and extension experience and was a member of the Sugar Research and Development Corporation.

2. The number of meetings of the Board of Directors held between July 1, 2005 and June 30, 2006 was five. The attendance at meetings is as follows:

	Meetings held while a Director	Meetings attended
Cr Mike Berwick	5	4
Bill Shannon	5	5
Cr Ray Byrnes	5	5
Caroline Coppo	5	5
Chris Gloor	5	5
Peter Stanton	5	3
Troy Wyles-Whelan	5	2
Ken Atkinson	5	5
Assoc Prof Peter Valentine	5	4

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

4. The total of Directors' attendance fees paid by the Company, or due and receivable, for the period July 1, 2005 to June 30, 2006 was \$24,500 exclusive of stipends, superannuation and mileage allowance. The number of Directors of the Company whose total income received, or due and receivable, fall within the following bands:

Below - \$10, 000	9 Directors
\$10,001 - \$20, 000	0 Directors

5. The principal activity of the Company for the period July 1, 2005 to June 30, 2006 was implementation of 'Sustaining the Wet Tropics' Regional NRM Plan and Regional Investment Strategy.
6. No significant change to the nature of these activities occurred during the year.
7. As a result of the introduction of Australia 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 Note 2 to this report.
8. The Company recorded a surplus of \$20,032 from ordinary activities before a transfer to reserves of \$18,938 to give a retained surplus of \$86,865.
9. The excess of income over expenditure of the Company for the financial year after providing for income tax amounted to \$20,032.
10. The Company has non-profit objectives and as such no dividends are payable.
11. No options over issued shares of 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.
12. 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.
13. There were no significant changes in the state of affairs of the Company during the year ended June 30, 2006.
14. There is no matter or circumstance that has arisen since June 30, 2006 that has significantly affected, or may significantly affect:
 - The operations of the Company;
 - The results of those operations; or
 - The state of affairs of the Company in subsequent financial years.
15. Information as to likely developments in the operations of the Company, including the expected results of those operations in subsequent financial years, would in the opinion of the Directors, prejudice the interests of the Company and therefore has not been included in this Annual Report.
16. The Company's operations are not regulated by a significant environmental regulation under a law of the Australian or of a State or Territory.
17. Since June 30, 2005, no Director of the Company has received or become entitled to receive a benefit (other than the benefits included in the aggregate amounts of emoluments received and superannuation contributions made by the Company as shown in the accounts) by reason of a contract made by the Company with the Director or with a firm of which that person is a member or with a Company with which that person has a substantial financial interest.
18. A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 21.

Signed September 25, 2006 in accordance with a resolution of the Board of Directors.



Cr MP Berwick
Chairman of Directors



WKB Shannon
Director / Secretary

Dated this September 25, 2006

14. DIRECTOR'S DECLARATION

The Directors of the Company declare that:

1. The Financial Statements and Notes, as set out on pages 22-39 are in accordance with the Corporations Act 2001:
 - (a) comply with Accounting Standards and the Corporations Regulations 2001; and
 - (b) give a true and fair view of the financial position as at June 30, 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.



MP Berwick
Chairman of Directors



WKB Shannon
Director / Secretary

Dated this 25 September 2006

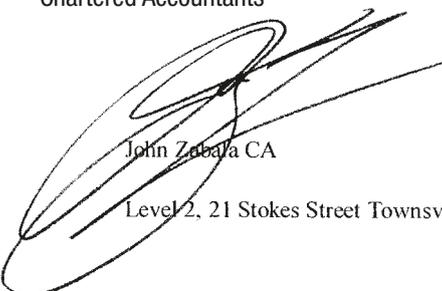
The accompanying notes form part of these financial statements.

15. 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.

Pickard Associates
Chartered Accountants



John Zebala CA

Level 2, 21 Stokes Street Townsville QLD

Dated this 5 day of October 2006.

16. 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)
Profit before income tax	4	20,032	2,631
Retained earnings at the beginning of the financial year		85,771	83,094
Profit attributable to members of the company		105,803	85,725

The accompanying notes form part of these financial statements.

17. BALANCE SHEET AS AT 30 JUNE 2006

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

The accompanying notes form part of these financial statements.

18. STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2006

	Note	Retained Earnings \$	Capital Maintenance Reserve \$	Total \$
Balance at 1 July 2004		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
Transfers to				
Transfer To Capital Maintenance Reserves		45		45
Balance at 30 June 2005		85,770	91,471	177,241
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)
Transfers to				
Transfer To Capital Maintenance Reserves		(18,938)		(18,938)
Balance at 30 June 2006		86,864	110,459	197,323

19. CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2006

	2006 \$	2005 \$
CASH FLOWS FROM OPERATING ACTIVITIES		
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
Net cash provided by (used in) operating activities	2,113,672	200,455
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for property, plant and equipment	(51,502)	(23,212)
Net cash provided by (used in) investing activities	(51,502)	(23,212)
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	2,831,015	768,846

The accompanying notes form part of these financial statements.

20. NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

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.

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.

20. NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006 (CONT.)

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.

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.

20. NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006 (CONT.)

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:

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.

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.

20. NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006 (CONT.)

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.

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.

20. NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006 (CONT.)

	2006 \$	2005 \$
2. REVENUE		
Operating activities		
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
Interest revenue from:		
Interest received	97,028	39,924
Total interest revenue	97,028	39,924
3. AUDITORS' REMUNERATION		
Auditor's Remuneration		
Audit of Financial Statements	6,250	3,000
Other Services	3,400	6,409
	9,650	9,409
4. PROFIT		
Expenses		
Depreciation of property, plant and equipment	32,514	23,246
Rental expense on operating leases		
Leasing Charges	92,586	82,458
5. CASH AND CASH EQUIVALENTS		
Current		
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

20. NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006 (CONT.)

	2006 \$	2005 \$
5. CASH AND CASH EQUIVALENTS (CONT.)		
Reconciliation of cash		
Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the 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

6. TRADE AND OTHER RECEIVABLES

Current

Trade Debtors	518,357	169,756
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7. PROPERTY, PLANT AND EQUIPMENT

PLANT AND EQUIPMENT

Plant and equipment:

At cost	170,851	119,348
Accumulated depreciation	(60,380)	(27,866)
	110,471	91,482
Total plant and equipment	110,471	91,482
Total property, plant and equipment	110,471	91,482

Movements in Carrying Amounts

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 \$	Total \$
Balance at the beginning of the year	76883	14599	91482
Additions	38269	13234	51503
Depreciation expense	(30,728)	(1,786)	(32,514)
Carrying amount at the end of the year	84424	26047	110471

20. NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006 (CONT.)

	2006 \$	2005 \$
8. TRADE AND OTHER PAYABLES		
Current		
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
9. BORROWINGS		
Current		
Business Visa Card	2,040	69
10. PROVISIONS		
Current		
Provision for Annual Leave	87,285	56,752
Provision for Sick Leave	-	22,659
Long Service Leave Provision	29,003	-
	116,288	79,411
Aggregate employee benefit liability	116,288	79,411
Number of employees at year end	29	18
11. RESERVES		
Capital Maintenance Reserve		
<p>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.</p>		
12. RETAINED EARNINGS		
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

20. NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006 (CONT.)

	2006 \$	2005 \$
13. CAPITAL AND LEASING COMMITMENTS		
Operating Lease Commitments		
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)
14. CASH FLOW INFORMATION		
Reconciliation of net cash provided by operating activities to profit after income tax		
Operating profit (loss) after income tax	20,032	2,631
Non-cash flows in profit:		
Depreciation	32,514	23,246
Changes in assets and liabilities, net of the effects of purchase and disposals of subsidiaries		
(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
	2,113,596	200,454
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.		

20. NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006 (CONT.)

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:

2006 Fixed Interest Rate Maturing

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

2005 Fixed Interest Rate Maturing

	Weighted Average Effective Interest Rate %	Floating Interest Rate \$	Within 1 Year \$	1 to 5 Years \$	Non Interest Bearing \$	Total \$
Financial Assets						
Cash and cash equivalents	3.2	169,021	-	-	1,000	170,021
Short term deposits	5.0	-	599,824	-	-	599,824
Total Financial Assets		169,021	599,824	-	1,000	769,845
Financial Liabilities						
Trade and other payables	11.8	(69)	-	-	-	(69)
Total Financial Liabilities		(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.

20. NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006 (CONT.)

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 \$
Financial Assets				
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
Total Financial Assets	2,831,015	2,831,015	768,845	768,845
Financial Liabilities				
Trade and other payables	(2,040)	(2,040)	(69)	(69)
Total Financial Liabilities	(2,040)	(2,040)	(69)	(69)

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.

20. NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006 (CONT.)

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

AASB amendment	AASB Standard affected
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
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

20. NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006 (CONT.)

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.

21. INDEPENDENT AUDIT REPORT TO THE MEMBERS OF FNQ NRM LTD

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.

21. INDEPENDENT AUDIT REPORT TO THE MEMBERS OF FNQ NRM LTD (CONT.)

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.

AUDIT OPINION

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

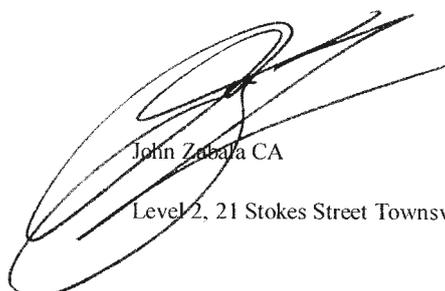
(a) the Corporations Act 2001, including:

- (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.

Pickard Associates

Chartered Accountants



John Zebala CA
Level 2, 21 Stokes Street Townsville QLD

Dated this 5 day of October 2006.

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

	2006 \$	2005 \$
INCOME		
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	-
	6,362,197	3,122,474
OTHER INCOME		
Interest received	97,028	39,924
Sundry income	84,830	24,128
	181,858	64,052
	6,544,055	3,186,526
EXPENSES		
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

The accompanying notes form part of these financial statements.

22. ITEMISED INCOME AND EXPENDITURE STATEMENT FOR THE YEAR ENDED 30 JUNE 2006 (CONT.)

	2006 \$	2005 \$
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
	6,524,023	3,183,895
Excess of Income over Expenditure from ordinary activities before income tax	20,032	2,631

The accompanying notes form part of these financial statements.

23. APPENDICES

APPENDIX 1 – IAG MEMBERS

The IAG members include:

IAG Members	Organisation
Bill Shannon (Chair)	FNQ NRM Ltd – Board Director
Ken Atkinson	FNQ NRM Ltd – Board Director
Roz Burtenshaw	AgForce
Alex Stubbs	AgForce
Chris Phillips	Aquaculture
Marc Jackson	Banana Grower
John Dotti	BGQ
Miles Darveniza	Cane Grower
Wayne Thomas	Cane Growers Org
Gavin Doull	Dairy Farmers Org
Des O'Connor	Dairy Farmer
Howard Smith	Dairy Farmers Org
Keith Noble	Growcom
Joe Moro	Mareeba Fruit & Veg
Rosemary Burgess	FNQ OPA
Mick Grima	Papaya Grower
David Nix	Potatoes
Victor Maund	Traditional Owner
Jessica Hitchings	Banana/Pawpaw
Mike Collins	Minerals Industry
David Skelton	Private Forestry NQ
Ryan Donnelly	ECOFish
Ian Kikkert	Tourism
Charley Loudon	Wet Coast Grazing
Neil Sing	DPI&F
Stewart Lindsay	DPI&F
John Reghenzani	FNQ NRM Ltd – Program Leader Sustainable Agriculture
Jessica Klok	FNQ NRM Ltd - Land Management Facilitator
Bruce Corcoran	FNQ NRM Ltd – Natural Resource Coordinator
Bob Stewart	FNQ NRM Ltd - Natural Resource Coordinator

APPENDIX 2 – TOAC MEMBERS

IAG Members	Organisation
Troy Wyles-Whelan (Chair)	FNQ NRM Ltd – Board Director
Elsie Go-Sam	FNQ NRM Ltd – Indigenous Support Member
Dean Purcell	Aboriginal Rainforest Council
Ernie Raymont	Aboriginal Rainforest Council
Lex Assan	Aboriginal Rainforest Council
Eliza Morta	Aboriginal Rainforest Council
Peter Wallace	Aboriginal Rainforest Council
Ken Reys	Aboriginal Rainforest Council
Russell Butler Jnr	Aboriginal Rainforest Council
Sylvia Rosas	Bar Barrum Traditional Owner Group

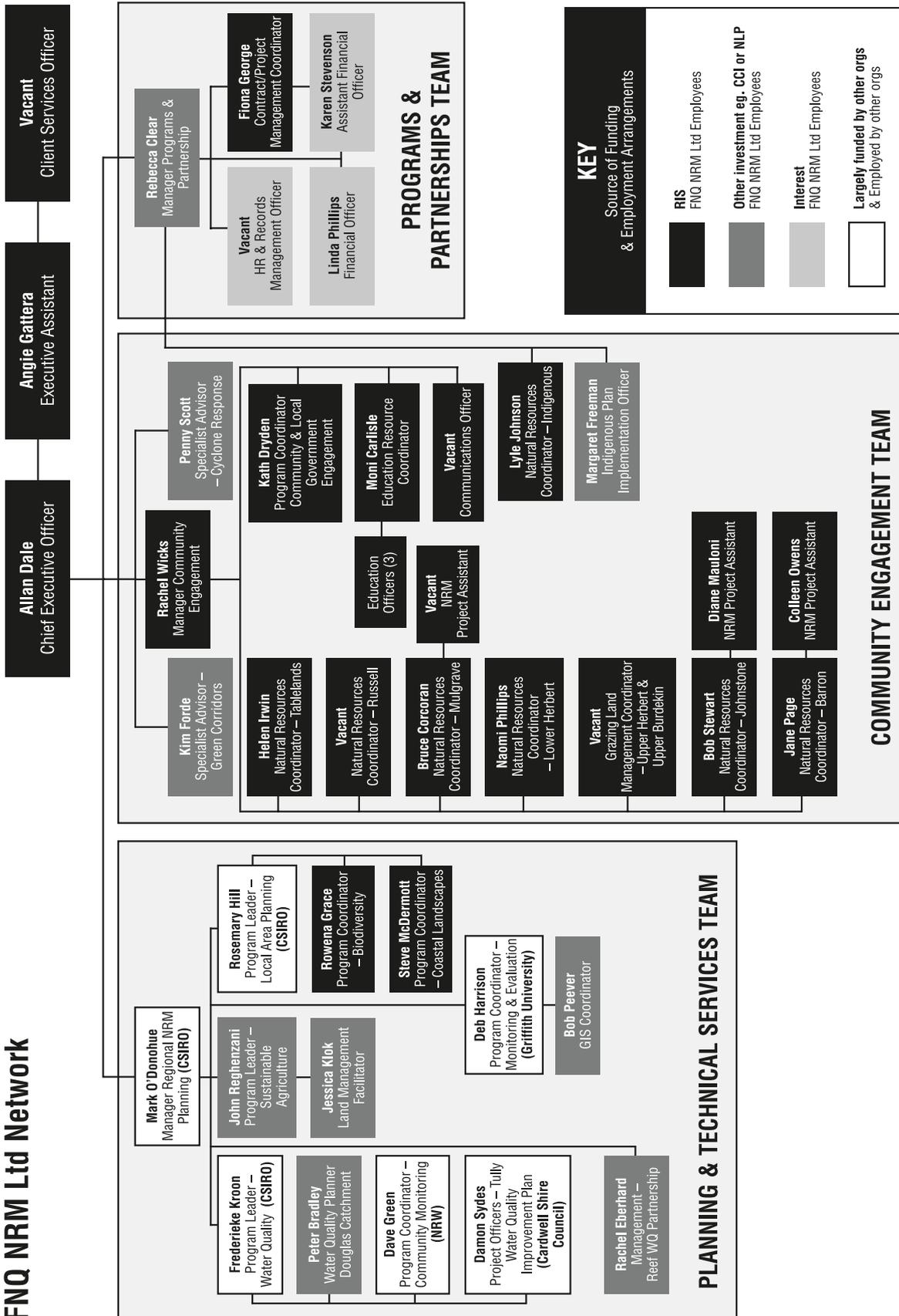
APPENDIX 3 – SISP MEMBERS

The SISP comprises of:

- An independent Chair, Colin Hunt
- An industry representative, Ian Stewart
- A conservation representative, Peter Rowles
- An indigenous representative, Kayleen Malthouse

FNQ NRM Ltd Network

APPENDIX 4 – STAFF SUPPORT UNIT



APPENDIX 5 – ORDINARY MEMBERS

Aboriginal Rainforest Council	Far North Queensland Local Government Pest Plan Advisory Committee
Agforce Far North Qld	Far North Queensland Lychee Growers Assoc. Incorporated
Agforce Upper Burdekin	Far North Queensland Group of Environmental Education Centres
Agforce Wet Coast	Forest Home Drainage Board
Atherton Shire Council	Frog Decline Reversal Project Inc
Atherton Shire Council	Great Barrier Reef Marine Park Authority
Australian Conservation Foundation	Greening Australia Queensland (Inc)
Australian Forest Growers	Growcom
Babinda District Cane Growers Org Ltd	Herbert Cane Productivity Services Ltd
Bajinjilla Aboriginal Corporation	Herbert River Catchment Group Inc
Banana Growers Queensland Ltd	Herbert River Improvement Trust
Barron River Integrated Catchment Management Association	Herbert Shire Council
Batreach	Hinchinbrook Fishcare Group Inc
Birds Australia North Queensland	Hinchinbrook Landcare Group Inc
Bones Knob Water Board	Hinchinbrook Local Marine Advisory Committee
BSES Limited	Hinchinbrook Shire Council
Bundaberg Sugar Ltd	Innisfail Babinda Cane Productivity Services Limited
Cairns City Council	Innisfail Banana Growers Association Inc
Cairns & Far North Environment Centre	Innisfail Papaw & Papaya Growers Association Inc
Cairns Region Economic Development Corporation	Japoon/Mena Creek Landcare Group
Cairns River Improvement Trust	Johnstone Ecological Society Inc
Cairns Urban Landcare Inc	Johnstone River Catchment Management Association Inc
Canegrowers Herbert River	Johnstone Shire Council
Canegrowers Innisfail	Johnstone Shire Pest Management Working Group
Canegrowers Mulgrave	Johnstone Shire River Improvement Trust
Canegrowers Tully District	Johnstone Region Landcare Group Inc
Cape Tribulation Tropical Research Station	Kuranda EnviroCare Inc
Cardwell Shire Catchment Management Association	Low Isles Preservation Society
Cardwell Shire Council	Lucinda Progress Association
Cardwell Shire River Improvement Trust	Malanda and Upper Johnstone Catchment Landcare Association Inc
Cassowary Advisory Group	Malanda Chamber of Commerce Inc
Community for Coastal and Cassowary Conservation Inc	Mandam Drainage Board
Conservation Volunteers Australia	Mareeba District Fruit Vegetable Growers Association Inc
CSR Sugar Herbert Region	Mareeba Shire Council
Daintree Cassowary Care Group Inc	Mareeba Wetland Foundation
Daintree Rainforest Foundation Ltd	Millstream and Ravenshoe Water Action Group
Douglas Shire Council	Mission Beach Marine Advisory Committee
Douglas Shire River Improvement Trust	Mission Beach Sea-Bed Watch Inc
Douglas Shire Sustainability Group	Mitchell River Watershed Management Group
Eacham Shire Council	Mossman Agricultural Services Ltd
East Euramo Drainage Board	Mossman Central Mill Company Limited
Ecofish TNQ Ltd	Mt Garnet District Landcare Group Inc.

APPENDIX 5 – ORDINARY MEMBERS (CONT.)

Mulgrave Farming for the Future
Mulgrave Landcare and Catchment Group
Network for Sustainable and Diversified Agriculture
North Johnstone and Lake Eacham Landcare Group
North Queensland Land Council Native Title Representative Body Aboriginal Corporation
North Queensland River Trusts' Association
Organic Producers Association of Far North Queensland Inc.
Organic Producers Association of Queensland
Pacific Coast Eco Bananas
Private Forestry North Queensland Association Inc
Reef Check Foundation Ltd
Riversdale Murray Valley Water Management Board
School of Tropical Environment Studies and Geography
Seanet/Ocean Watch Australia Ltd
South Mission and Wongaling Beaches Community Association
Tableland Economic Development Corporation Inc
Taylors Beach Progress Association Inc
The Cairns Area Fish Stocking Group
The School For Field Studies
Tree Kangaroo and Mammal Group Inc
Treeforce Association Inc
Trees for the Evelyn and Atherton Tablelands
Tully Sugar Limited
Upper Herbert Catchment Coordinating Committee
Wangetti Recovery Group
Wanyurr-Majay Aboriginal Incorporated
Warragamy Aboriginal Corporation
Warrubullen Drainage Board
Wet Tropics Management Authority
Wujal Wujal Council
WWF Australia

APPENDIX 6 – CURRENT CONTRACTUAL ARRANGEMENTS

Funding source	Program/ Project name	Amount Jul 05-Jun 06	Total Amount	Period	Geographical Location	Delivered through:
Joint State/ Australian NHT2	Regional Investment Strategy	\$2,000,000	\$5,900,000	Apr 05 - June 07	Wet Tropics Region	FNQ NRM Ltd
Joint State/ Australian National Landcare Program	Community Landcare Coordinator	\$62,500	\$187,000	Jul 04 - June 07	Wet Tropics Region	FNQ NRM Ltd
Joint State/ Australian National Landcare Program	Increasing the adoption of sustainable production practices in the Wet Tropics	\$200,000	\$240,000	Apr 06 - Dec 06	Wet Tropics Region	FNQ NRM Ltd
Joint State/ Australian National Landcare Program	Integration of Pest Management between local government and NRM Plan	\$86,450	\$181,450	Jan 05 - Apr 07	Wet Tropics region	FNQROC
Joint State/ Australian National Landcare Program	Agricultural Best Management Practice in Sugar Cane Lands	\$66,825	\$164,560	Jan 05 - Apr 07	Mulgrave Catchment	Mulgrave Landcare
Joint State/ Australian National Landcare Program	Nutrient Management Guidelines - Johnstone River Basin	\$15,663	\$38,200	Jan 05 - Apr 07	Johnstone Catchment	Johnstone Catchment Group
Joint State/ Australian National Landcare Program	Dairy Nitrogen Practices	\$26,433	\$60,573	Jan 05 - Apr 07	Upper Johnstone Catchment	Johnstone Catchment Group
Joint State/ Australian National Landcare Program	Agricultural Sustainability Best Management Practices	\$25,300	\$66,000	Jan 05 - Apr 07	Wet Tropics Region	Network for Sustainable Diversified Agriculture
Joint State/ Australian Interim Financial Agreement	Barron Catchment Drainage Management	\$0	\$68,000	Jul 04 - Jun 06	Upper Barron Catchment	Partnership with BRICMA and GrowCom

APPENDIX 6 – CURRENT CONTRACTUAL ARRANGEMENTS (CONT.)

Funding source	Program/ Project name	Amount Jul 05-Jun 06	Total Amount	Period	Geographical Location	Delivered through:
Joint State/ Australian Interim Financial Agreement	Integrated Great Barrier Reef Catchments WQ Monitoring Program (Data Management)	\$0	\$390,000	Jul 04 - Jun 06	Great Barrier Reef Catchments	Partnership with Eberhard Consulting
Joint State/ Australian Regional Competitive	Natural and Cultural Heritage/ Landscape and Heritage Mapping	\$215,394	\$1,034,610	Apr 06 - June 07	Wet Tropics region	Partnerships with Aboriginal Rainforest Council
Joint State/ Australian Regional Competitive	Integrated Management of Tilapia	\$180,000	\$905,000	Apr 06 - June 07	Wet Tropics and Burdekin Dry Tropics regions	Partnership with James Cook University Townsville
Joint State/ Australian Strategic Reserve	Great Barrier Reef Water Quality Partnerships	\$0	\$450,000	July 06-June 07	Great Barrier Reef Catchments	FNQ NRM Ltd
Joint State/ Australian Strategic Reserve	Cyclone Response	\$47,500	\$95,000	Apr 06 - Sep 06	Cyclone impact zone	FNQ NRM Ltd
Queensland State Government	Core Operations	\$200,566	\$681,895	Jul 04 - Jun 07	Board operating	FNQ NRM Ltd
Department of Environment and Heritage	Coastal Catchments Initiative	\$825,000	\$1,375,000	Jul 05 - Jun 07	Tully floodplain	Partnership with CSIRO
Department of Environment and Heritage	Regional NRM Facilitator	\$75000	\$150,000	Dec 05 - Jun 07	Wet Tropics region	FNQ NRM Ltd
Department of Environment and Heritage	DEH Enhancing Indigenous Engagement with NRM	\$22727	\$22727	Jul 05- Jun 06	Wet Tropics region	FNQ NRM Ltd
Department of Environment and Heritage	Indigenous Engagement in Water Quality and Wetlands in the GBR	\$25,000	\$100,000	Apr 06 - Jun 07	Wet Tropics and Burdekin Dry Tropics regions	FNQ NRM Ltd BDT Ltd
Department of Agriculture, Forestry and Fisheries	Defeating the Weed Menace - Pond Apple	\$300,000	\$500,000	Apr 06 - Mar 08	Wet Tropics region and Cook and Torres Shires	FNQ NRM Ltd devolved grants to shire and city councils



APPENDIX 6 – CURRENT CONTRACTUAL ARRANGEMENTS (CONT.)

Funding source	Program/ Project name	Amount Jul 05-Jun 06	Total Amount	Period	Geographical Location	Delivered through:
Department of Agriculture, Forestry and Fisheries	Defeating the Weed Menace - Hymenachne	\$125,860	\$209,770	Apr 06 - Mar 08	Wet Tropics region and Cook and Torres Shires	FNQ NRM Ltd Devolved grants to chire and councils
Cape York Community Engagement Group	Cape York Water Management Services	\$31,500	\$31,500	Oct 05 - Mar 06	Cape York	Partnership with Eberhard Consulting
Conservation Volunteers Australia	Coastal Wetlands Protection Pilot Program	\$57,940	\$133,820	Jan 05 - Mar 07	Douglas and Russell Catchments	FNQ NRM Ltd
Mackay Whitsunday NRM	Sustainable Coastal Agriculture Systems	\$190,000	\$190,000	Jul 05- Jun 06	Wet Tropics region	FNQ NRM Ltd IAG
TOTALS		\$4,779,658	\$13,175,105			