

NATIONAL RESIDUE SURVEY
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the period ended 30 June 2008

ii. Sale of assets

Gains from disposal of non-current assets are recognised when control of the asset has passed to the buyer.

2.6 Transactions with the Government as owner

i. Equity injections

Amounts appropriated in a year that are designated as 'equity injections' (less any formal reductions) are recognised directly in contributed equity in that year.

ii. Re-structuring of administrative arrangements

Net assets received from or relinquished to another Australian Government agency or authority under a restructuring of administrative arrangements are adjusted at their book value directly against contributed equity.

iii. Other distributions to owners

The FMOs require that distributions to owners be debited to contributed equity unless in the nature of a dividend. NRS has not made any distribution.

2.7 Employee benefits

Liabilities for services rendered by employees are recognised at the reporting date to the extent that they have not been settled.

Liabilities for 'short-term employee benefits' (as defined in AASB 119) and termination benefits due within twelve months of balance date are measured at their nominal amounts.

The nominal amount is calculated with regard to the rates expected to be paid on settlement of the liability.

All other employee benefit liabilities are measured as the present value of the estimated future cash outflows to be made in respect of services provided by employees up to the reporting date.

i. Leave

The liability for employee benefits includes provision for annual leave and long service leave. No provision has been made for sick leave as all sick leave is non-vesting and the average sick leave taken in future years by employees of NRS is estimated to be less than the annual entitlement for sick leave.

The leave liabilities are calculated on the basis of employees' remuneration, including NRS' employer superannuation contribution rates, to the extent that the leave is likely to be taken during service rather than paid out on termination.

The liability for long service leave has been determined by reference to the 'short hand' method of calculation as permitted under the FMOs. NRS does not differ materially from the general public service profile. The estimate of the present value of the liability takes into consideration attrition rates and pay increases through promotion and inflation.

NATIONAL RESIDUE SURVEY
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the period ended 30 June 2008

ii. Separation and redundancy

As at 30 June 2008, NRS had no formal plan for separations or redundancies and has made no provision for separations or redundancies as at 30 June 2008 (2007: Nil).

iii. Superannuation

Most staff of the NRS are members of either the Commonwealth Superannuation Scheme (CSS), the Public Sector Superannuation Scheme (PSS) or the PSS accumulation plan (PSSap).

The CSS and PSS are defined benefit schemes for the Australian Government. The PSSap is a defined contribution scheme.

The liability for defined benefits is recognised in the financial statements of the Australian Government and is settled by the Australian Government in due course.

NRS makes employer contributions to the employee superannuation schemes at rates determined by an actuary to be sufficient to meet the cost to the Government of the superannuation entitlements of NRS' employees. NRS accounts for the contributions as if they were contributions to defined contribution plans.

From 1 July 2005, new employees are eligible to join the new PSSap scheme.

The liability for superannuation recognised as at 30 June represents outstanding contributions for the final fortnight of the year.

2.8 Leases

A distinction is made between finance leases and operating leases. Finance leases effectively transfer from the lessor to the lessee substantially all the risks and rewards incidental to ownership of leased non-current assets. An operating lease is a lease that is not a finance lease. Under operating leases, the lessor effectively retains substantially all risks and benefits.

Where a non-current asset is acquired by means of a finance lease, the asset is capitalised at either the fair value of the leased property or, if lower, the present value of minimum lease payments at the inception of the contract and a liability is recognised at the same time and for the same amount.

The discount rate used is the interest rate implicit in the lease. Leased assets are amortised over the period of the lease. Lease payments are allocated between the principal component and the interest expense.

Operating lease payments are expensed on a straight-line basis which is representative of the pattern of benefits derived from the leased assets.

2.9 Borrowing costs

All borrowing costs are expensed as incurred.

NATIONAL RESIDUE SURVEY
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the period ended 30 June 2008

2.10 Cash

Cash and cash equivalents includes notes and coins held and any deposits in bank accounts with an original maturity of 3 months or less that are readily convertible to known amounts of cash and subject to insignificant risk of changes in value. Cash is recognised at its nominal amount.

2.11 Financial risk management

NRS' activities expose it to normal commercial financial risk. As a result of the nature of NRS' business, and internal and Australian Government policies dealing with the management of financial risk, NRS' exposure to market, credit, liquidity and cash flow and fair value interest rate risk is considered to be low.

2.12 Investments

Investments are initially measured at their fair value. After initial recognition, financial investments are to be measured at their fair values except for:

- loans and receivables which are measured at amortised cost using the effective interest method
- held-to-maturity investments which are measured at amortised cost using the effective interest method
- investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, which are measured at cost.

2.13 De-recognition of financial assets and liabilities

Financial assets are de-recognised when the contractual rights to the cash flows from the financial assets expire or the asset is transferred to another entity. In the case of a transfer to another entity, it is necessary that the risks and rewards of ownership are also transferred.

Financial liabilities are de-recognised when the obligation under the contract is discharged, cancelled or expires.

2.14 Impairment of financial assets

Financial assets are assessed for impairment at each balance date.

i. Financial assets held at amortised cost

If there is objective evidence that an impairment loss has been incurred for loans and receivables or held to maturity investments held at amortised cost, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount is reduced by way of an allowance account. The loss is recognised in the Income Statement.

NATIONAL RESIDUE SURVEY
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the period ended 30 June 2008

ii. Financial assets held at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because it cannot be reliably measured, or a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the impairment loss is the difference between the carrying amount of the asset and the present value of the estimated future cash flows discounted at the current market rate for similar assets.

iii. Available for sale financial assets

If there is objective evidence that an impairment loss on an available for sale financial asset has been incurred, the amount of the difference between its cost, less principal repayments and amortisation, and its current fair value, less any impairment loss previously recognised in expenses, is transferred from equity to the Income Statement.

2.15 Interest-bearing loans and borrowings

Government loans are carried at the balance yet to be repaid. Interest is expensed as it accrues.

2.16 Supplier and other payables

Supplier and other payables are recognised at amortised cost. Liabilities are recognised to the extent that the goods or services have been received (and irrespective of having been invoiced).

2.17 Contingent liabilities and contingent assets

Contingent liabilities and contingent assets are not recognised in the Balance Sheet but are reported in the relevant schedules and notes. They may arise from uncertainty as to the existence of a liability or an asset, or represent an existing liability or asset in respect of which settlement is not probable or the amount cannot be reliably measured. Contingent assets are disclosed when settlement is probable, but not virtually certain, and contingent liabilities are disclosed when settlement is greater than remote.

2.18 Acquisition of assets

Assets are recorded at cost on acquisition except as stated below. The cost of acquisition includes the fair value of assets transferred in exchange and liabilities undertaken. Financial assets are initially measured at their fair value plus transaction costs where appropriate.

Assets acquired at no cost, or for nominal consideration, are initially recognised as assets and revenues at their fair value at the date of acquisition, unless acquired as a consequence of restructuring of administrative arrangements. In the latter case, assets are initially recognised as contributions by owners at the amounts at which they were recognised in the transferor agency's accounts immediately prior to the restructuring.

NATIONAL RESIDUE SURVEY
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the period ended 30 June 2008

2.19 Property, plant and equipment

i. Asset recognition threshold

Purchases of property, plant and equipment are recognised initially at cost in the Balance Sheet, except for purchases costing less than \$2 000, which are expensed in the year of acquisition (other than where they form part of a group of similar items which are significant in total, and management consider capitalisation appropriate).

The initial cost of an asset includes an estimate of the cost of dismantling and removing the item and restoring the site on which it is located. This is particularly relevant to 'make-good' provisions in property leases taken up by NRS where an obligation exists to restore the property to its original condition. These costs are included in the value of NRS' leasehold improvements with a corresponding provision for the 'make-good' recognised.

ii. Revaluation basis

Land, buildings, plant and equipment assets are carried at fair value. Intangible assets are not revalued and are reported at historical cost.

Fair values for each class of asset are determined as shown below:

Asset class	Fair value measured at:
Land	Market selling price
Buildings excluding leasehold improvements	Market selling price
Leasehold improvements	Depreciated replacement cost
Property, plant and equipment	Market selling price

Following initial recognition at cost, property, plant and equipment assets are carried at fair value less accumulated depreciation and accumulated impairment losses. Valuations are conducted with sufficient frequency to ensure that the carrying amounts of assets do not differ materially from the assets fair value as at the reporting date. Valuations undertaken in each year are as at 30 June.

Revaluation adjustments are made on a class basis. Any revaluation increment is credited to equity under the heading of asset revaluation reserve except to the extent that it reverses a previous revaluation decrement of the same asset class that was previously recognised through operating results. Revaluation decrements for a class of assets are recognised directly through operating results except to the extent that they reverse a previous revaluation increment for that class.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount re-stated to the revalued amount.

iii. Revaluation frequency

Assets are revalued on a class basis, with the exception of intangible assets, which are not revalued and are disclosed at cost. Formal valuations are conducted by an independent qualified valuer. The regularity of independent valuations depends upon the volatility of movements in market values for the relevant class of assets.

NATIONAL RESIDUE SURVEY NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the period ended 30 June 2008

Land and building assets are subject to formal revaluation every three years. Plant and equipment assets are subject to formal revaluation every four years. The last independent revaluation was performed by the Australian Valuation Office as at 30 June 2007.

iv. *Threshold*

A revaluation threshold of \$10 000 and a remaining useful life of one year or more is used to identify assets requiring revaluation. This threshold was adopted on previous occasions where asset revaluations were completed.

v. *Depreciation*

Depreciable property, plant and equipment assets are written-off to their estimated residual values over their estimated useful lives to NRS using, in all cases, the straight-line method of depreciation. Leasehold improvements are depreciated on a straight-line basis over the lesser of the estimated useful life of the improvements or the unexpired period of the lease.

Depreciation rates (useful lives), residual values and methods are reviewed at each reporting date and necessary adjustments are recognised in the current, or current and future reporting periods, as appropriate.

Depreciation rates applying to each class of depreciable asset are based on the following useful lives:

<i>Asset group</i>	<i>2007-08</i>	<i>2006-07</i>
Buildings on freehold land	40 to 50 years	40 to 50 years
Leasehold improvements	Lease term	Lease term
Information technology	3 to 4 years	3 to 4 years
Other plant and equipment	3 to 15 years	3 to 15 years

The aggregate amount of depreciation allocated for each class of asset during the reporting period is disclosed in Note 4D.

vi. *Impairment*

Non-current assets carried at up-to-date fair value at the reporting date are not subject to impairment testing. Where assets costing more than \$10 000 are not carried at up-to-date fair value, assessment for indications of impairment is carried out at balance date. Where indications of impairment exist, the recoverable amount of the asset is estimated and an impairment adjustment made if the recoverable amount of the asset is less than its carrying amount.

The recoverable amount of an asset is the higher of its fair value less costs to sell the asset and its value in use. Value in use is the present value of the future cash flows expected to be derived from the asset. Where the future economic benefit of an asset is not primarily dependent on the asset's ability to generate future cash flows, and the asset would be replaced if NRS were deprived of the asset, its value in use is taken to be its depreciated replacement cost.

Non-current assets costing less than \$10 000 are not subject to impairment testing, as any impairment loss attributable to these assets would not result in a material restatement of asset balances.

No assets were found to be carried above their cost of replacement or to be impaired at 30 June 2008 (2007: Nil).

**NATIONAL RESIDUE SURVEY
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

for the period ended 30 June 2008

2.20 Intangibles

NRS' intangibles comprise purchased and internally developed software for use in NRS' activities. Intangibles include computer software, such as computer models (for economic and scientific analysis) and other intellectual property. Computer software which has been purchased at a value of \$2 000 or more is brought to account on the historical cost basis. Other intangibles costing \$2 000 or more with a useful life of greater than one year are brought to account when the historical cost can be reliably determined. Internally developed software is brought to account where the amount capitalised exceeds \$50 000 and \$20 000 for an enhancement to existing software.

All software assets costing more than \$10 000 were assessed for indications of impairment as at 30 June 2008. No indication of impairment was identified and no write-down of the carrying amount of intangible assets was required (2007: Nil).

Intangible assets are amortised over their useful lives using a straight line method. The average useful lives are:

<i>Asset group</i>	<i>2007-08</i>	<i>2006-07</i>
Purchased software	3 years	3 years
Internally developed software	5 years	5 years

2.21 Inventories

Inventories held for sale are valued at the lower of cost and net realisable value.

Inventories held for distribution are valued at cost, adjusted for any loss of service potential.

Inventories are brought to account if they are individually greater than \$1 000 or where the aggregate value of a particular store exceeds \$5 000. Costs incurred in bringing each item of inventory to its present location and condition are assigned as follows:

- Raw material and stores – purchase costs on a first in first out basis
- Finished goods and work in progress – costs of direct materials and labour plus attributable costs that are capable of being allocated on a reasonable basis.

Inventories acquired at no cost, or nominal consideration, are initially measured at current replacement cost at the date of acquisition.

2.22 Industry rebates and program results

Industry funds for NRS activities are generally received by way of commodity levies. All industry funds received are separately accounted for through the use of sub-accounts, which ensure that no cross-subsidisation occurs between one industry and another.

The balance of monies standing to the credit of each industry in the National Residue Survey Special Account will be applied to future expenditure programs as agreed under the *National Residue Survey Administration Act 1992 (Cwlth)*. As such, unspent funds are recognised as an industry rebate liability. Agreements have been reached with industry to apply unspent funds to new or enhanced programs or to reducing future levy rates. Letters are also sent at the end of each financial year to all industries with a

NATIONAL RESIDUE SURVEY NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the period ended 30 June 2008

financial report for the current year and the budget for the next year for the relevant industries to endorse.

2.23 Special Account balances

NRS operations are recorded in the National Residue Survey Special Account.

Special Accounts represent public money, which has been set aside for future purposes, under an enactment, or as determined by the Finance Minister.

Accounting treatments and disclosures for the NRS Special Account have been included in the Department's assets, liabilities, revenues and expenses.

2.24 Reporting by outcomes

NRS activities are incorporated in the outcomes statement reported by the Department at Note 28 of the Department's financial statements. The net cost to budget outcomes shown includes intra-government costs that are eliminated in calculating the actual budget outcome for the Government overall.

2.25 Taxation/competitive neutrality

i. Taxation

NRS is exempt from all forms of taxation except Fringe Benefits Tax (FBT) and Goods and Services Tax (GST). Revenues, expenses and assets are recognised net of GST:

- except where the amount of GST incurred is not recoverable from the Australian Taxation Office
- except for receivables and payables.

ii. Competitive neutrality

As a business operation of an Australian Government Department, NRS is not subject to taxation other than the GST and FBT. However, competitive neutrality arrangements require NRS to make payments for services rendered by the Australian National Audit Office to the Commonwealth.

2.26 Foreign currency

Transactions denominated in a foreign currency are converted at the exchange rate at the date of the transaction. Foreign currency receivables and payables are translated at the exchange rates current as at balance date. Associated currency gains and losses are not material.

2.27 Insurance

NRS has insured for risks through the Government's insurable risk managed fund, Comcover. Workers' compensation is insured through the Government's Comcare Australia.

NATIONAL RESIDUE SURVEY
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the period ended 30 June 2008

2.28 Economic dependency

NRS operates on a cost recovery basis in respect of its industry clients. However, as an Australian Government agency, it has community service obligations and is dependent on an annual appropriation to meet these obligations.

2.29 Dividends

The memorandum of understanding between the NRS and the Department of Finance and Deregulation specifies that NRS is not required to pay a dividend.

2.30 Comparative figures

Comparative figures conform to presentation requirements for financial statements as required on adoption of AASB Equivalents to International Financial Reporting Standards from 2005-06. In accordance with *AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors* certain comparative figures have been changed to reflect adjustments in classification within the Payables class between Suppliers and Other Payables, the total for payables remains unchanged.

2.31 Rounding

Amounts have been rounded to the nearest \$1 000 except in relation to:

- Note 11 Act of Grace Payments, Waivers and Defective Administration Scheme
- Note 12 Executive Remuneration
- Note 13 Remuneration of Auditors.

NATIONAL RESIDUE SURVEY
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the period ended 30 June 2008

	2007-08 \$'000	2006-07 \$'000
NOTE 3: Income		
<u>Revenue</u>		
<u>Note 3A: Revenue from Government</u>		
Appropriation:		
- Departmental outputs	754	675
<i>Total revenue from Government</i>	754	675
<u>Note 3B: Sale of goods and rendering of services</u>		
Rendering of services:		
Rendering of services - related entities	1	-
Rendering of services - external entities	118	124
Total rendering of services	119	124
<i>Total sale of goods and rendering of services</i>	119	124
<u>Note 3C: Taxes, levies, fees and charges</u>		
Levies	9 140	7 299
<u>Note 3D: Interest</u>		
Trade and other receivables	966	745
<u>Note 3E: Other revenue</u>		
Other	260	277
<u>Note 3F: Other gains</u>		
Resources received free of charge	302	323

NATIONAL RESIDUE SURVEY
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the period ended 30 June 2008

	2007-08 \$'000	2006-07 \$'000
NOTE 4: Expenses		
<u>Note 4A: Employee benefits</u>		
Wages and salaries	1 214	1 110
Superannuation	211	232
Leave and other entitlements	133	178
Other employee benefits	-	6
Total employee benefits	1 558	1 526
<u>Note 4B: Suppliers</u>		
Provision of goods - related entities	1 960	1 961
Provision of goods - external entities	3 258	2 825
Rendering of services - related entities	40	25
Rendering of services - external entities	325	235
Workers' compensation premium and claims	15	13
Operating lease rentals:		
Minimum lease payments	82	77
Total supplier expenses	5 680	5 136
<u>Note 4C: Grants</u>		
Public sector:		
Australian Government Entities (related entities)	17	-
State and Territory Governments	99	150
Private sector:		
Non-profit organisations	910	694
Total grant expenses	1 026	834
<u>Note 4D: Depreciation and amortisation</u>		
The aggregate amounts of depreciation and amortisation expensed during the year for each class of depreciable asset are as follows:		
Depreciation:		
Property, plant and equipment	5	24
Total depreciation	5	24
Amortisation:		
Intangibles:		
Computer software - internally developed	1	31
Total amortisation	1	31
Total depreciation and amortisation	6	55

NATIONAL RESIDUE SURVEY
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the period ended 30 June 2008

	2007-08 \$'000	2006-07 \$'000
NOTE 4: Expenses (continued)		
<u>Note 4E: Finance costs</u>		
Finance leases	-	2
Total finance costs	<u>-</u>	<u>2</u>
<u>Note 4F: Write-down and impairment of assets</u>		
Asset Write down from		
Impairment of financial instruments:		
Bad and doubtful debts expense	-	1
Total write-down and impairment of assets	<u>-</u>	<u>1</u>
<u>Note 4G: Losses from assets sales</u>		
Property, plant and equipment:		
Proceeds from sale	-	-
Carrying value of assets sold	9	-
Selling expense	-	-
Net loss on disposal of property, plant and equipment	<u>9</u>	<u>-</u>
Total proceeds from sale	-	-
Total carrying value of assets sold	9	-
Total net loss from assets sales	<u>9</u>	<u>-</u>
<u>Note 4H: Industry equalisation account adjustments</u>		
Transfers to Industry Equalisation Accounts	<u>3 258</u>	<u>1 816</u>

**NATIONAL RESIDUE SURVEY
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

for the period ended 30 June 2008

2007-08 2006-07
\$'000 \$'000

NOTE 5: Financial Assets

Note 5A: Cash and cash equivalents

Total cash and cash equivalents

-	-
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Under the Budget & Estimates Framework agencies are required to transfer to the Department of Finance and Deregulation (Finance) all cash deposits above a pre-defined threshold. NRS had a balance of \$1.6m (2007: \$2.2m) held by Finance as at 30 June 2008. These monies are recognised as an appropriation receivable and are available for redraw as required.

Note 5B: Trade and other receivables

Goods and services

26	2
<u>26</u>	<u>2</u>

GST receivable

32 54

Appropriation receivable

1 622 2 223

Total trade and other receivables (net)

1 680 2 279

Receivables are represented by:

Current

1 680 2 279

Non-current

- -

Total trade and other receivables (net)

1 680 2 279

Receivables (gross) are aged as follows:

Not overdue

1 680 2 277

Overdue by:

Less than 30 days

- -

30 to 60 days

- 2

61 to 90 days

- -

More than 90 days

- -

Non-current receivable

- -

Total trade and other receivables (gross)

1 680 2 279

NATIONAL RESIDUE SURVEY
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the period ended 30 June 2008

NOTE 5: Financial Assets (continued)

Note 5C: Investments

	Market value at 30 June 2008 \$'000	At cost 2007-08 \$'000	At cost 2006-07 \$'000
Negotiable certificates of deposit	16 147	15 700	11 900
Adjustment to fair value of investments	-	-	-
Total investments	16 147	15 700	11 900

All negotiable certificates of deposit are current assets.

Note 5D: Accrued revenue

	2007-08 \$'000	2006-07 \$'000
Accrued interest	447	281
Goods and services	577	501
Total accrued revenues	1 024	782

All accrued revenues are current assets.

NOTE 6: Non Financial Assets

Note 6A: Property, plant and equipment

Infrastructure, plant and equipment:		
- gross carrying value (at fair value)	40	13
- accumulated depreciation	(4)	-
- work in progress	-	3
Total property, plant and equipment not under finance lease	36	16
Property, plant and equipment under finance lease:		
- gross carrying value (at fair value)	12	9
- accumulated depreciation	(4)	-
Total property, plant and equipment under finance lease	8	9
Total property, plant and equipment (non-current)	44	25

No indicators of impairment were found for property, plant and equipment.

NATIONAL RESIDUE SURVEY
 NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
 for the period ended 30 June 2008

NOTE 6: Non Financial Assets (continued)

Note 6B: Analysis of property, plant and equipment

Table A - Reconciliation of the opening and closing balances of property, plant and equipment (2007-08)

	Land \$'000	Buildings - on freehold land \$'000	Buildings - leasehold improvements \$'000	Total buildings \$'000	Total land and buildings \$'000	Property, plant and equipment \$'000	Total \$'000
As at 1 July 2007							
Gross book value	-	-	-	-	-	25	25
Accumulated depreciation	-	-	-	-	-	-	-
Net book value 1 July 2007	-	-	-	-	-	25	25
Additions - by purchase	-	-	-	-	-	36	36
Additions - by finance lease	-	-	-	-	-	-	-
Internally developed	-	-	-	-	-	-	-
Revaluations and impairments through equity	-	-	-	-	-	-	-
Depreciation/amortisation expense	-	-	-	-	-	(8)	(8)
Impairments recognised in the operating result	-	-	-	-	-	-	-
Recoverable amount write-downs	-	-	-	-	-	-	-
Disposals (written off) - gross book value	-	-	-	-	-	(9)	(9)
Disposals (written off) - accumulated depreciation	-	-	-	-	-	-	-
Disposals (by sale) - gross book value	-	-	-	-	-	-	-
Disposals (by sale) - accumulated depreciation	-	-	-	-	-	-	-
Gross book value as at 30 June 2008	-	-	-	-	-	52	52
Accumulated depreciation	-	-	-	-	-	(8)	(8)
Net book value 30 June 2008	-	-	-	-	-	44	44

**NATIONAL RESIDUE SURVEY
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**
for the period ended 30 June 2008

NOTE 6: Non Financial Assets (continued)

Note 6B: Analysis of property, plant and equipment (continued)

Table A - Reconciliation of the opening and closing balances of property, plant and equipment (2006-07)

	Land \$'000	Buildings - on freehold land \$'000	Buildings - leasehold improvements \$'000	Total buildings \$'000	Total land and buildings \$'000	Property, plant and equipment \$'000	Total \$'000
As at 1 July 2006							
Gross book value	-	-	-	-	-	44	44
Accumulated depreciation	-	-	-	-	-	-	-
Net book value 1 July 2006	-	-	-	-	-	44	44
Additions - by purchase	-	-	-	-	-	3	3
Additions - by finance lease	-	-	-	-	-	2	2
Internally developed	-	-	-	-	-	-	-
Revaluations and impairments through equity	-	-	-	-	-	-	-
Depreciation/amortisation expense	-	-	-	-	-	(24)	(24)
Impairments recognised in the operating result	-	-	-	-	-	-	-
Recoverable amount write-downs	-	-	-	-	-	-	-
Disposals (written off) - gross book value	-	-	-	-	-	-	-
Disposals (written off) - accumulated depreciation	-	-	-	-	-	-	-
Disposals (by sale) - gross book value	-	-	-	-	-	-	-
Disposals (by sale) - accumulated depreciation	-	-	-	-	-	-	-
Gross book value as at 30 June 2007	-	-	-	-	-	25	25
Accumulated depreciation	-	-	-	-	-	-	-
Net book value 30 June 2007	-	-	-	-	-	25	25