

			involving entities or businesses under common control.	
2005-9	AASB 4 AASB 1023 AASB 139 AASB 132	1 Jan 2006	Amend standards in regard to financial guarantee contracts.	No expected impact.
2005-10	AASB 132 AASB 101 AASB 114 AASB 117 AASB 133 AASB 139 AASB 4 AASB 1023 AASB 1038	1 Jan 2007	Amend requirements subsequent to the issuing of <i>AASB 7 Financial Instruments</i> .	No expected impact.
2006-1	AASB 121	31 Dec 2006	Changes in requirements for net investments in foreign subsidiaries depending on denominated currency.	No expected impact.
	AASB 7 Financial Instruments: Disclosures	1 Jan 2007	Revise the disclosure requirements for financial instruments from AASB 132 requirements.	No expected impact. Disclosure requirements are changed.

\* Application date is for annual reporting periods beginning on or after the date shown.

In accordance with the provisions of AASB 1, *First Time Adoption of Australian Equivalents to International Financial Reporting Standards* changes in accounting policies under AEIFRS are generally applied retrospectively, as if the new policy had always applied. There are some instances where the standard prohibits retrospective application, particularly where retrospective application would require judgements by management about past conditions after the outcome of a particular transaction is already known.

The stated comparative figures have been adjusted in accordance with transitional provisions of AASB 1 *First Time Adoption of Australian Equivalents to International Financial Reporting Standards*.

## 2.4 Revenue

### I. Revenues from Government

Amounts appropriated for departmental outputs appropriations for the year (adjusted for any formal additions or reductions) are recognised as revenue, except for certain amounts

that relate to activities that are reciprocal in nature, in which case revenue is recognised only when it has been earned.

Savings are amounts offered up in Portfolio Additional Estimates Statements. Reductions are amounts by which appropriations have been legally reduced by the Finance Minister under either Appropriation Act (No. 3) or Appropriation Act (No. 4) of 2005-06.

Appropriations receivable are recognised at their nominal amounts.

## *II. Other revenue*

Revenue from the sale of goods is recognised when:

- the risks and rewards of ownership have been transferred to the buyer,
- the seller retains no managerial involvement nor effective control over the goods,
- the revenue and costs incurred for the transaction can be reliably measured, and
- it is probable that the economic benefits associated with the transaction will flow to the entity.

Revenue from rendering of services is recognised by reference to the stage of completion of contracts or other agreements to provide services at the reporting date. The revenue is recognised when:

- the amount of revenue, stage of completion and transaction costs incurred can be reliably measured, and
- the probable economic benefits with the transaction have flowed to the entity.

Receivables for goods and services are recognised at the nominal amounts due less any allowance for bad and doubtful debts. Collectability of debts is reviewed at balance date. Provisions are made when collectability of the debt is no longer probable.

Interest revenue is recognised using the effective interest method as set out in AASB 139.

## **2.5 Gains**

### *I. Resources received free of charge*

Services received free of charge are recognised as gains when and only when a fair value can be reliably determined and the services would have been purchased if they had not been donated. Use of those resources is recognised as an expense.

Contributions of assets at no cost of acquisition or for nominal consideration are recognised as gains at their fair value when the asset qualifies for recognition, unless received from another government agency as a consequence of a restructuring of administrative arrangements.

## *II. Other gains*

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*

Appropriated amounts that are designed as 'equity injections' for a year (less any savings offered up in Portfolio Additional Estimates Statements) 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**

As required by the Finance Minister's Orders, NRS has early adopted AASB 119 Employee Benefits as issued in December 2004.

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.

Liabilities for wages and salaries (including non-monetary benefits) are measured at their nominal amounts. Other employee benefits expected to be settled within 12 months of the reporting 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's 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 work of an actuary as at 30 June 2006. The estimate of the present value of the liability takes into consideration attrition rates and pay increases through promotion and inflation.

### *II. Superannuation*

NRS staff 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 Commonwealth. 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 Australian Government at rates determined by the Australian Government Actuary to be sufficient to meet the cost to the Government of the superannuation entitlements of its employees.

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.

### *III. Separation and redundancy*

As at 30 June 2006, NRS had no formal plan for separations or redundancies and has made no provision for separations or redundancies as at 30 June 2006 (2005: Nil).

## 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. In operating leases, the lessor effectively retains substantially all such 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 beginning of the lease term and a liability 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 basis that is representative of the pattern of benefits derived from the leased assets. The net present value of future net outlays in respect of surplus space under non-cancellable lease agreements is expensed in the period in which the space becomes surplus.

## 2.9 Borrowing costs

All borrowing costs are expensed as incurred.

## 2.10 Cash

Cash means notes and coins held and any deposits held at call with a bank or financial institution. 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 Derecognition of financial assets and liabilities

As prescribed in the Finance Minister's Orders, NRS has applied the option available under AASB 1 of adopting AASB 132 and AASB 139 from 1 July 2005 rather than 1 July 2004.

Financial assets are derecognised 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 derecognised when the obligation under the contract is discharged or cancelled or expires.

For the comparative year, financial assets were derecognised when the contractual obligation to pay cash no longer existed.

### **2.13 Impairment of financial assets**

As prescribed in the Finance Minister's Orders, NRS has applied the option available under AASB 1 of adopting AASB 132 and AASB 139 from 1 July 2005 rather than 1 July 2004.

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 profit and loss.

#### *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 profit and loss, is transferred from equity to profit and loss.

#### *IV. Comparative year*

The above policies were not applied for the comparative year. For receivables, amounts were recognised and carried at original invoice amount less a provision for doubtful debts

based on an estimate made when collection of the full amount was no longer probable. Bad debts were written off as incurred.

Other financial assets carried at cost which were not held to generate net cash inflows, were assessed for indicators of impairment. Where such indicators were found to exist, the recoverable amount of the assets was estimated and compared to the assets carrying amount and, if less, reduced to the carrying amount. The reduction was shown as an impairment loss.

## **2.14 Other financial instruments**

### *I. Trade creditors*

Trade creditors and accruals are recognised at their nominal amounts, being the amounts at which the liabilities will be settled. Liabilities are recognised to the extent that the goods or services have been received (and irrespective of having been invoiced).

### *II. Term deposits*

Term deposits are recognised at cost.

### *III. Contingent liabilities and contingent assets*

Contingent liabilities and contingent assets are not recognised in the Balance Sheet but are discussed 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. Remote contingencies are part of this disclosure. Where settlement becomes probable, a liability or an asset is recognised. A liability or an asset is recognised when its existence is confirmed by a future event, settlement becomes probable (virtually certain in the case of assets) or reliable measurement becomes possible.

## **2.15 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.

## 2.16 Property, plant and equipment

### I. Asset recognition threshold

Assets are initially recognised at cost in the Balance Sheet where the purchase cost is \$2,000 or more or where the purchase forms part of a group of similar items that are significant in total. Items costing less than \$2,000 are expensed in the year of acquisition.

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 the NRS's leasehold improvements with a corresponding provision for the recorded 'make-good' liability.

### II. Revaluation basis

Land, buildings, plant and equipment assets are carried at fair value. All assets are revalued with sufficient frequency such that the carrying amount of each asset class is not materially different, at reporting date, from its fair value. Valuations undertaken in each year are as at 30 June. Intangible assets are not revalued and are reported at historical cost.

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

<i>Asset class</i>	<i>Fair value measured at:</i>
Land	Market selling price
Buildings	Depreciated replacement cost or market selling price
Leasehold improvements	Depreciated replacement cost or market selling price
Infrastructure, plant and equipment	Market selling price

Depreciated replacement cost refers to the cost of replacing depreciable assets with assets in a similar condition. Market selling price refers to assets whose values have been assessed and adjusted by reference to current market values.

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 profit and loss. Revaluation decrements for a class of assets are recognised directly through profit and loss 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 restated to the revalued amount of the asset.

Under fair value, those assets that are surplus to requirements are measured at their net realisable value. At 30 June 2006, NRS has no assets in this situation (2004-05: Nil).

Assets that are to be disposed of are measured at their net realisable value. At 30 June 2006, NRS did not have any assets for sale (2005: Nil).

### *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.

Land and building assets are subject to formal revaluation every three years. Between formal valuations, land and building assets are revalued using an appropriate index reflecting movements in the value of similar assets.

Plant and equipment assets are subject to formal revaluation every four years. Between formal valuations, plant and equipment assets are revalued using an appropriate index reflecting movements in the value of similar assets.

### *IV. Threshold*

A revaluation threshold of \$2,000 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) and methods are reviewed at each reporting date and necessary adjustments are recognised in the current, or current and future reporting periods, as appropriate. Residual values are re-estimated for a change in prices only when assets are revalued.

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

<i>Asset group</i>	<i>2005-06</i>	<i>2004-05</i>
Buildings on freehold land	<b>40 to 50 years</b>	40 to 50 years
Leasehold improvements	<b>Lease term</b>	Lease term
Information technology	<b>3 to 4 years</b>	3 to 4 years
Other plant and equipment	<b>3 to 15 years</b>	3 to 15 years

The aggregate amount of depreciation allocated for each class of asset during the reporting period is disclosed in Note 6C.

#### *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. The testing compares the carrying amount to the net recoverable amount. Where indications of impairment exist, the carrying amount of the asset is compared to the higher of its net selling price and, if NRS would replace the asset's service potential, depreciated replacement cost. The carrying amount of the asset is written down to that value if it is higher. No write-down to recoverable amount was required in the current year (2004-05: Nil).

Non-current assets carried at cost, which are not held to generate cash inflows, have been assessed for indications of impairment. Where indications of impairment exist, the asset is written down to the higher of its net selling price and, if NRS would replace the asset's service potential, its depreciated replacement cost. No assets were found to be carried above their cost of replacement or to be impaired at 30 June 2006 (2005: Nil).

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.

#### **2.17 Intangibles**

NRS's intangibles comprise purchased and internally developed software for use in NRS's 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 impairment as at 30 June 2006. No indication of impairment was identified and no write-down of the carrying amount of intangible assets was required (2005: Nil).

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

<i>Asset group</i>	<i>2005-06</i>	<i>2004-05</i>
Purchased software	3 years	3 years
Internally developed software	5 years	5 years

### 2.18 Inventories

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

Inventories held for distribution are measured at the lower of cost and current replacement cost, unless they are no longer required, in which case they are valued at net realisable value.

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 are assigned to individual items of stock on either a first in first out or weighted average basis.

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

### 2.19 Investments

Investments are recognised at cost less any discount on purchase plus any unamortised premium on purchase.

### 2.20 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 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 expected residual balances in excess of \$10,000 to advise the approximate level