



Annual Report
2015 - 2016

DROUGHTMASTER STUD BREEDERS' SOCIETY LIMITED

1st April 2015 to 31st March 2016

Patron	Audrey Perry
President	Michael Flynn
Vice President	Steven Pickering

Directors

National	Steven Pickering
National	Doug Miles
National	Kevin Woolcock
Southern	Michael Flynn
Far Southern	Timothy Lloyd
Far Northern	Jeff Williams
South East	Brian Heck
Special Skills	Paul Laycock
Western	Vacant
Central	Vacant
Northern	Vacant

Chief Executive Officer Neil Donaldson

Administration Staff

Office Manager	Samantha Maher
Registrar	Carmel Bell
Accounts	Toni Franklin
Administration	Leigh Eleison

Society Office & Postal Address

40 Thorn Street
IPSWICH QLD 4305
Tel: 07 3281 0056 Fax: 07 3281 7957
Email: office@droughtmaster.com.au
Web: www.droughtmaster.com.au
ABN: 19 010 129 683

INDEX

President’s Report	4
Chief Executive Officer’s Report	5
Financial Report	8
Zone Reports	9
Droughtmaster Statistics	11
Financial Statement 2015/2016	13

President's Report

I thank all Directors for their ongoing contribution to the progress of the Society and the breed. As usual there have been plenty of challenges which the Board has addressed to best of its ability. Not all decisions are popular with every Member but they have always been in the best interests of the breed and the Members in the future. The Board has a good mix of skills and expertise which has been harnessed to steer the breed into the future.

The Beef industry is looking very strong at present and all the indicators point towards this being the situation for several years. It is important that the Board provide the opportunity for Members to take advantage of this situation. Unfortunately for some of our Members are still in the grip of a horrendous drought and are focused solely on survival. We have provided payment plans to assist those effected members and will continue to support and assist them through these tough times.

As reported last year we have joined forces with the Brahman Association in an MLA funded research project, to collect carcase performance data from Droughtmaster and Brahman steers with a known genetic background. The Santas have now joined that Joint Project. We have fed and slaughtered the No.13 drop steers and that data has been plugged into the database. The No.14 drop steers were slaughtered in June 2016 after 100 days in Smithfield Feedlot. We have also purchased No.15 and No.16 drop steers which will allow us increase our pool of data. Thanks to the cattle performing well in the feedlot, the market working in our favour and funding from the MLA Donor Company Scheme, after all costs were included there was a small surplus on the collection of data from the No.13 steers. As reported previously, this initiative is our first step towards establishing a performance database for the Droughtmaster breed which can generate carcase performance predictions based on DNA. This project will also be a step towards using DNA to give Bos Indicus content ratings to individual Droughtmaster animals. With the generous support of a number of studs which provided semen, the breed is also involved in an MLA funded female fertility project in North Queensland. Genomics is the future of the cattle industry and the Board has taken the initiative to ensure the breed is at the forefront of new technology.

The potential for exports of Droughtmaster genetics continues to be an exciting prospect, but as anyone who has been involved in exports will know it takes a lot of groundwork and preparation plus patience before you get the deal done. The Society continues to assist behind the scenes helping open channels for Members. Many parts of the African continent and South America are seen as large potential markets for the breed.

In closing I would like to thank the Members and Non-Members who volunteer to sit on committees; the staff who work tirelessly to ensure Members are looked after and the Society is run efficiently; the Directors who volunteer their time and expertise; and last but not least my wife Tracey who covers for my absences from our cattle operations while I am attending to my responsibilities as President.

Michael Flynn
President

The 2015/2016 Financial Year has been a difficult year climatically for most people, however the unprecedented prices for slaughter and store cattle has changed the fortunes of those producers who still had cattle to sell. Unfortunately the severe prolonged drought conditions have not abated for beef producers in some parts of Australia.

As was the case last Financial Year, the reduced profitability in the beef industry over the last few years has seen further although smaller reductions in both Membership and Female Inventory numbers. Our membership numbers dropped by 6% to 602, primarily due to prolonged drought, but in some cases the resignation was brought about by a change of focus or direction for our Members' other business interests. Membership of all major breed societies has been reducing for many years, however we only started seeing a decline in the last couple of years. Obviously we have no control over droughts and Members personal financial situations, however we are constantly investigating methods of encouraging and assisting Members to continue in the stud industry.

Registered Droughtmaster Female numbers reached a record high of 37,083 in April 2014, however on the back of poor seasons and reduced profitability for beef producers registered females in the Herdbook has dropped to 29,914 as at April 1st, 2016. This is obviously concerning, however most breeds have experienced similar trends.

In spite of the reduction in Membership and Inventory which has had a significant impact on our income, I'm pleased to report the Society continued to operate effectively and maintain quality service to Members whilst returning a small profit of \$7,252. Prudent management of our expenses offset the reduction in income.

As has been the case in the past, the Society continued to offer payment plans as an option for payment of annual dues for Members who were faced by exceptional difficulties. The Society also offers an early payment discount and at the end of 2014 introduced the option for Members to pay their accounts by EFTPOS. Members who introduce and nominate new stud members are eligible for a 10% Rebate. The amnesty on Late Fees which allows older females of suitable quality to be entered in our Herdbook without penalty was very popular and continued through to August 1st.

In order to continue the growth in demand for Droughtmaster genetics, the Society continues to spend a large proportion of its income on promotion. In the 2015/2016 Financial Year we spent \$169,319 on promotion which included advertising in newspapers and magazines, displays at shows and field-days, conducting schools, designing and producing banners, flyers and brochures, production and distribution of Digest, overseas promotion, etc. We have also aimed some of our advertising dollars at electronic media utilising Beef Central and FarmOnLine websites. Maintaining a regular and consistent presence in rural media is an important part of our marketing strategy. We have also continued to use Facebook as a means of informing supporters who use social media for their communication. The Society website was upgraded 2 years ago and is very user friendly while still having a professional feel to it. The Droughtmaster Digest magazine remains a vital promotion and marketing tool for our breed with each of the 3 editions during the year being mailed to more than 4,300 Droughtmaster breeders throughout Australia and the world.

Chief Executive Officer's Report

As with all companies and organisation our costs of doing business continue to escalate. We are constantly reviewing our operations looking for ways to reduce or at least maintain our operating costs to ensure that we are not forced into large fee increases to the membership.

The electronic communication with Members through our E-News allows us to communicate with members in a more timely and cost effective fashion. We can quickly and easily target our communication at a selected group of people on our email list. A small number of Members who do not have internet access continue to receive their communication via post.

Our auction sale statistics have seen a significant turn-around with numbers sold up by 14% to 1,624 and while the clearance rate was marginally better the average price was up 21% to a record \$5,730. These good results for auction sales are amplified when anecdotal evidence suggests many buyers are preferring to buy in the paddock rather than at auction sales.

Auction results for Registered Females are hard to compare year to year as major reduction sales and dispersal sales tend to distort the comparisons. However, in 2015 the clearances were up from 76% to 84% and the average price was up by 64% to \$2,184. However numbers sold were down from 879 to 437 head.

A new initiative implemented this year was the Joint Research Project which we undertook in conjunction with the Brahmans and the Santas with funding from the MLA's Donor Company Scheme. We purchased the steer progeny from an MLA Female Fertility Project being conducted on the 3 breeds in Northern Australia using pedigreed animals. The objective is the collection of carcase data and establishing the DNA markers associated with good carcase performance and the markers associated with poor carcase performance. A significant amount of data has to be collected and analysed, but eventually we will be able to use a tail-hair to determine the potential carcase performance of progeny from the selected sires or dams. The Female Fertility Project which the Society and numerous Members are supporting through the supply of semen, will generate DNA markers for traits such as early puberty and quick re-conception. While this technology is a few years away yet the Society is investing in this technology now so that we will be at the forefront when it becomes a reality.

Our friendly and efficient staff are committed and passionate about providing excellent service to the Members. Our Office Manager, Samantha Maher controls our operations in an efficient and effective manner, harnessing the skills, experience and enthusiasm of our industrious staff. Registrar Carmel Bell is methodical and precise as too are our Accounts Officer Toni Franklin and part-time Administrative Assistant Leigh Eleison. The Members are very fortunate to have such a great team at the Society's Headquarters and I thank them sincerely for their contribution and the extra effort they make. Having a team of excellent employees makes servicing our Members a whole lot easier.

I would like to thank all the Members who volunteer their time and skills towards our various committees - your contribution is greatly appreciated. A big thank you also goes to the Members who attend shows, field days and other Droughtmaster events as exhibitors. Without your efforts, our promotional impact would be greatly diminished.

Chief Executive Officer's Report

Whilst we have not had any major breed sponsors this year, we have had a multitude of event sponsors who are too numerous to mention, but thank you one and all. Your financial support has made our events more successful and in some cases would not have been possible without your support.

To all Directors, thank you for your time and effort in what is often a thankless role, but a vitally important one. Unfortunately some of our Members seem to forget that Directors are volunteers who sacrifice their time to help the breed continue with its success.

Finally, thank you to my wife Jo who has supported me throughout the year despite my regular overnight absences from home.

Neil Donaldson

Chief Executive Officer

2015 / 2016 Financial Report

The Audit & Finance Committee is pleased to report that the Society managed to generate a small profit of \$7,252 for the 2015/2016 Financial Year.

The profit from core operations was \$17,282, however this was reduced by the following:

- \$4532 – a refund made to the Smart Futures Project from their prepayment for semen.
- \$5500 – nett cost of funding transportation, agistment and feeding costs for the 174 Research steers which are yet to be slaughtered (the income from the sale of those steers will be picked up in the 2016/2017 Financial Year).

This small profit was a good result given the Society experienced a \$52,000 (7.6%) year on year reduction in income, due to a 6.4% (2,036 head) reduction in Female Inventory and 7.7% (51) reduction in Membership.

Given the budgeted profit was only \$8,795, a \$52,000 reduction in income put a lot of pressure on the management of the finances. Some of the budgeted promotional activities were reduced or delayed, however \$169,319 was spent on generic promotion which exceeded the \$151,622 of Income generated from the Breed Promotion Levies.

The management also kept a very tight rein on operational expenditure with Legal costs down by 76% to \$1,365, Motor Vehicle expense down by 11%, Postage down by 26% to \$8,428 and Printing and Stationery down by 33.2% to \$18,846 (due largely to the expiry of an expensive photocopier contract during the financial year). Persistent attention by staff, saw Bad Debts reduced to \$2,516 compared with \$4,759 in 2014/2015.

It is very pleasing that the Society has been able to conduct its regular business and provide services to the Members under difficult financial circumstances and continue to generate a profit.

Audit & Finance Committee

South East Zone Report

This year the South Eastern Zone membership totalled 182. We welcomed 16 new members while we wish those who retired all the best with their future endeavours.

I am honoured to represent our zone and have enjoyed meeting and spending time with members at various activities. The SE Zone member's life stories are very interesting and diverse while their passion for the Droughtmaster breed unites them in purpose.

A mini workshop at our first Meeting, held at Matt & Sally Becker's Bos Park Stud, in Gympie, saw 35 members attend for an informal discussion on showing with tips from experienced show presenters. Matt presented a session on the bovine digestive system and bovine nutrition.

In July we enjoyed another informative meeting at Mt Brisbane Droughtmasters hosted by John & Carli McConnel & Family with close to 40 members in attendance. Don & Ian McConnel shared their knowledge & experience with MSA grading and related topics. Also gave us practical hands on experience with injecting Cydecton behind the ear and the benefits of using this product.

EKKA was another great time of catching up with many of our members with a big **thank you** to those who went to the great effort of showcasing their animals and representing our great Droughtmaster Breed. It was great to see many walking out with Show Ribbons and smiles on their faces.

December saw a happy time enjoyed by all at our Annual Christmas Party this year at Maleny Hotel where approx. 50 people attended. This is always one of our highlights of the year. We will keep you posted on where our Christmas Party will be this year as the time draws near.

January 30th 2016 saw our first get together in the Boonah area, at Greg & Dianne Anderson's Grandview Droughtmaster Stud. I was privileged to meet many of our members from that area for the first time. Over 35 turned up for the day. After a lovely morning tea, high on the agenda was the Boonah Feature Show. During the day Peter & Shannon Lynes addressed the meeting on conformation, standards of excellence & exhibiting stud cattle at agricultural shows.

The goal at each meeting is to present innovative topics that are of interest and important to the improvement of the breed as a whole, while building positive relationships between members. Every one of us leads a busy life and I appreciate those who take time out to host and attend these meetings.

The Droughtmaster National Female Sale held in Gympie was this year coordinated by a committee made up of SE Zone members and I thank them for organising this very successful event.

Thank you for your support throughout the year. I would like to wish all Droughtmaster breeders across the world every success and good seasons.

Brian Heck
South East Zone Director

Far Northern Zone

An exciting and promising 2015/2016 for Members in the Far Northern Zone commenced with low cattle prices in 2015, but the wheel turned for the better in late 2015 and by early 2016 prices had improved significantly. Although the rise was not quite as much as in the south, records were broken week after week at Mareeba saleyards. At the end of April and early May prices once again started to slip.

We had an enjoyable Zone Christmas Party again organised by Steph and Michael Daley and we had the pleasure of Michael Flynn and his wife Tracey attend and bring the Members up to speed with the Society's plans.

We also conducted the Annual Female and Steer Sale which achieved good prices compared to other years and was a credit to all vendors who put up a great line of cattle for a great crowd of buyers who attended. A big thanks to all vendors and buyers, and also to the workers who turn up every year to help behind the scenes.

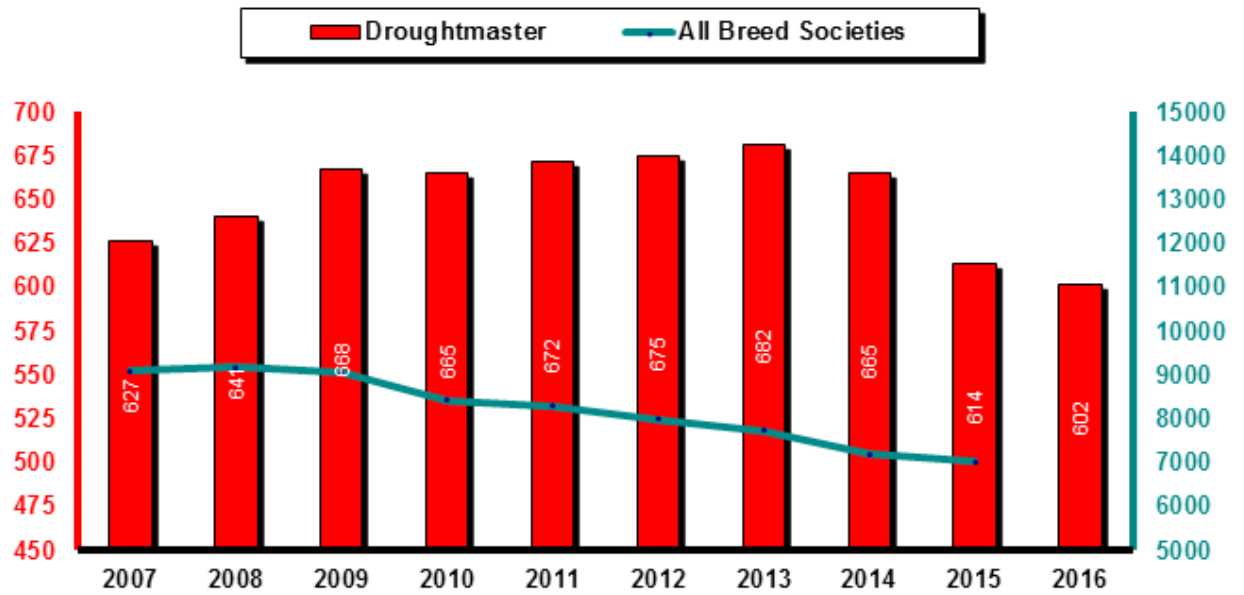
2016 has produced a poor wet season once again. Some people have been getting more rain than others but some might be struggling for grass later this year if there is no late rain or a wet winter.

Once again a big thanks to Steph and Michael Daley for organising the Christmas party and Michael for looking after our Zone website and all other Members who have helped during the year.

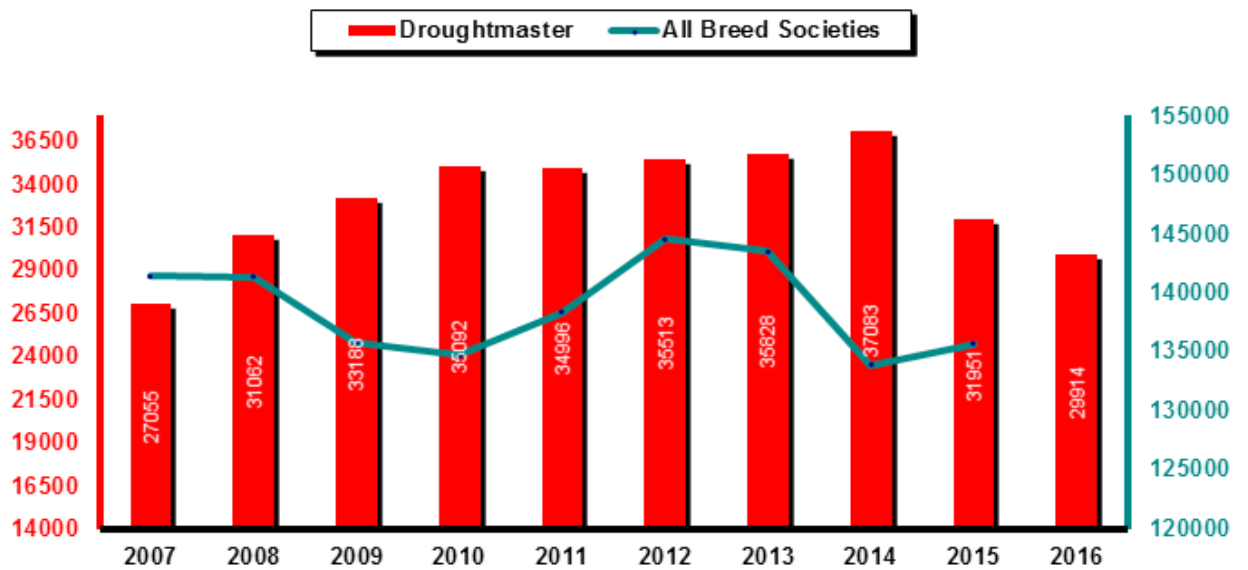
Jeff Williams

Far Northern Zone Director

MEMBERSHIP 2007 - 2016



INVENTORY 2007- 2016

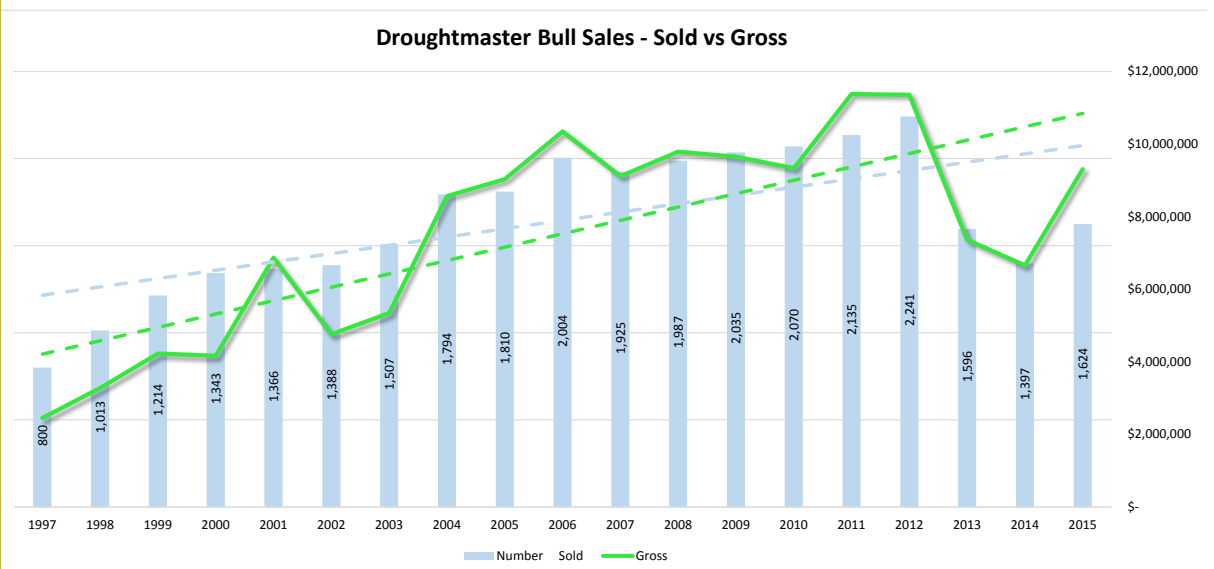


N.B. These are Calendar Year results NOT Financial Year results

Droughtmaster Bull Auction Sale Results

Year	Number Sold	Gross	Top	Average	Clearance
1997	800	\$2,450,000	\$17,000	\$3,065	93%
1998	1,013	\$3,280,790	\$26,000	\$3,239	90%
1999	1,214	\$4,226,250	\$28,000	\$3,481	95%
2000	1,343	\$4,166,800	\$42,000	\$3,103	87%
2001	1,366	\$6,868,061	\$46,000	\$5,028	96%
2002	1,388	\$4,760,000	\$60,000	\$3,549	81%
2003	1,507	\$5,340,090	\$70,000	\$3,544	87%
2004	1,794	\$8,566,190	\$95,000	\$4,775	96%
2005	1,810	\$9,032,350	\$140,000	\$4,990	91%
2006	2,004	\$10,347,076	\$80,000	\$5,163	92%
2007	1,925	\$9,114,558	\$150,000	\$4,735	88%
2008	1,987	\$9,789,304	\$100,000	\$4,927	87%
2009	2,035	\$9,649,150	\$65,000	\$4,820	84%
2010	2,070	\$9,332,998	\$60,000	\$4,509	89%
2011	2,135	\$11,373,734	\$50,000	\$5,327	94%
2012	2,241	\$11,355,119	\$180,000	\$5,067	88%
2013	1,596	\$7,359,743	\$40,000	\$4,611	88%
2014	1,397	\$6,652,199	\$54,000	\$4,762	88%
2015	1,624	\$9,306,000	\$54,000	\$5,730	89%

N.B. These are Calendar Year results NOT Financial Year results



DROUGHTMASTER STUD BREEDERS SOCIETY LTD
ABN 19 010 129 683

FINANCIAL REPORT
FOR THE YEAR ENDED
31 MARCH 2016

Liability limited by a scheme approved under
Professional Standards Legislation

DROUGHTMASTER STUD BREEDERS SOCIETY LTD
ABN 19 010 129 683

CONTENTS

Directors' Report

Income Statement

Balance Sheet

Statement of Changes in Equity

Notes to the Financial Statements

Auditor's Report

Detailed Profit and Loss Statement

DROUGHTMASTER STUD BREEDERS SOCIETY LTD
ABN 19 010 129 683

DIRECTORS' REPORT

Your directors present their report on the company for the financial year ended 31 March 2016.
The name of the directors in the office at any time during, or since the end of the year is:

	Meetings Eligible to Attend	Meetings Attended
Michael Flynn	4	4
Steven Pickering	4	4
Doug Miles	4	3
Tim Lloyd	4	3
Jeff Williams	4	3
Kevin Woolcock	4	4
Paul Laycock	4	4
Brian Heck	4	4

Operating Results

The net profit of the company for the year ended 31 March 2016 amounted to \$7,252
No significant changes in the company's state of affairs occurred during the financial year.

Principal Activities

The principal activities of the company during the financial year were research, promotion and recording Droughtmaster breed of cattle.
No significant change in the nature of the company's activity occurred during the financial year.

After Balance Date Events

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

DROUGHTMASTER STUD BREEDERS SOCIETY LTD
ABN 19 010 129 683

DIRECTORS' REPORT

Environmental Issues

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

Dividends Paid or Recommended

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

The directors do not recommend the payment of a dividend.

No options over 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.

Proceedings on Behalf of Company

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.

No person has applied of leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not party to any such proceedings during the year.

Directors' Benefits

During or since the financial year, no Director of the Company has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation of a Director or with a firm of which he is a member or with a company in which he has a substantial financial interest.

Indemnifying Officers or Auditors

The Company has not, during or since the financial year, in respect of any person who is or has been an officer or auditor of the Company or of a related body corporate:

* indemnified, or made any relevant agreement for indemnifying against a liability incurred as an officer or auditor, including costs and expenses in successfully defending legal proceedings; or

* paid, or agreed to pay, a premium in respect of a contract insuring against a liability incurred as an officer or auditor for the costs or expenses to defend legal proceedings;

With the exception that the Company paid a premium of \$1,500.00 to insure Directors against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their alleged breach of duty in relation to the Company.

Auditors Independence Declaration

A copy of the Auditor's Independence declaration as required under section 307C of the Corporation Act is set out in page 19.

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

DROUGHTMASTER STUD BREEDERS SOCIETY LTD
ABN 19 010 129 683

DIRECTORS' REPORT

Director:

Steven Pickering

Director:

Michael Flynn

Dated this day of

18 MAY 2016

DROUGHTMASTER STUD BREEDERS SOCIETY LTD
ABN 19 010 129 683

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2016

	Note	2016 \$	2015 \$
INCOME			
Inventory Fees		377,014	407,383
Interest Received		7,410	16,437
Discounts allowed		(13,097)	(20,705)
Membership Fees		119,197	121,010
Promotional Income - Levies		151,622	203,370
Promotional Income - Other		51,570	-
Sponsored Sales		143,504	156,027
Sundry Income and Donations		(16)	6
Transfer Fees		28,248	39,110
Bad Debts Recovered		1,104	3,616
TOTAL INCOME		866,556	926,254

The accompanying notes form part of these financial statements.

DROUGHTMASTER STUD BREEDERS SOCIETY LTD
ABN 19 010 129 683

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2016

	Note	2016 \$	2015 \$
EXPENDITURE			
Accounting Fees		4,000	-
Amortisation - Improvements		6,742	12,663
Accounting - Special Review		-	120
Auditors Remuneration - Fees		3,000	6,000
Bad Debts		2,516	4,759
Bank Charges		2,565	2,792
Computer Expenses		4,609	4,259
Data Processing Charges, ABRI		34,512	34,312
Depreciation		27,947	20,659
Electricity		4,285	4,622
General Expenses		2,061	1,911
Holiday Pay Provision		7,068	3,940
Insurance		10,757	10,714
Legal Costs		1,365	5,712
Loss on Sale of Fixed Assets		-	452
Long Service Leave Provision		5,005	7,093
Meeting Expenses		28,621	25,630
Motor Vehicle Expenses		8,331	9,339
Permit and Licence Fees		2,858	2,850
Postage		8,428	11,395
Printing & Stationery		18,847	28,193
Promotional expenses		169,319	165,523
Rates		4,469	5,904
Repairs & Maintenance		5,787	5,917
Sponsored Sales		143,504	156,026
Other Employment expenses		1,671	1,167
Superannuation		28,346	27,260
Telephone		6,269	6,300
Tropical Breeds Research		11,385	12,510
Wages		295,007	288,822
		849,274	866,844
OPERATING PROFIT		17,282	59,410

The accompanying notes form part of these financial statements.

DROUGHTMASTER STUD BREEDERS SOCIETY LTD
ABN 19 010 129 683

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2016

	Note	2016 \$	2015 \$
NON OPERATING EXPENSES			
DPI Research Funds Expended		4,532	2,181
Bin Research Project – Expenses		36,263	
Less: Nett Amount Recovered			
Sale of No 13 Research Steers		(30,765)	
		10,030	(2,181)
OPERATING PROFIT		7,252	57,229
Retained Profits		972,113	914,883
PROFIT AVAILABLE FOR APPROPRIATION		979,365	972,112
RETAINED PROFITS		979,365	972,112

The accompanying notes form part of these financial statements.

DROUGHTMASTER STUD BREEDERS SOCIETY LTD
ABN 19 010 129 683

STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2016

	Note	2016 \$	2015 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		71,813	17,171
Trade and other receivables	2	17,020	(7,966)
Financial assets	3	100,000	250,000
Inventories	4	35,160	37,613
Research BIN Project - Livestock on Hand	9	93,907	-
Prepayments-Advertising 2017 DN Sale		2,303	2,303
TOTAL CURRENT ASSETS		<u>320,203</u>	<u>299,121</u>
NON-CURRENT ASSETS			
Financial assets	3	10,288	12,288
Property, plant and equipment	5	826,376	860,691
TOTAL NON-CURRENT ASSETS		<u>836,664</u>	<u>872,979</u>
TOTAL ASSETS		<u>1,156,867</u>	<u>1,172,100</u>
LIABILITIES			
CURRENT LIABILITIES			
Trade and Other Payables		57,063	91,700
Members Credit Balances		22,195	-
Provision for Beef Expos		20,000	32,917
Provision Market Development		24,847	24,943
Sales Development Fund		19,305	19,341
TOTAL CURRENT LIABILITIES		<u>143,410</u>	<u>168,901</u>
NON-CURRENT LIABILITIES			
Employee benefits	6	39,804	34,798
TOTAL NON-CURRENT LIABILITIES		<u>39,804</u>	<u>34,798</u>
TOTAL LIABILITIES		<u>183,214</u>	<u>203,699</u>
NET ASSETS		<u>973,653</u>	<u>968,401</u>
EQUITY			
Reserves	7	(5,712)	(3,712)
Retained earnings	8	979,365	972,113
TOTAL EQUITY		<u>973,653</u>	<u>968,401</u>

The accompanying notes form part of these financial statements.

DROUGHTMASTER STUD BREEDERS SOCIETY LTD
ABN 19 010 129 683

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2016

	Note	Retained Earnings	Assets Revaluations Reserve	Total
Balance at 1 April 2014		914,883	(3,520)	911,363
Profit Attributable to equity shareholders		57,229		57,229
Other Comprehensive Income – Movement in Reserve			(3,712)	(3,712)
Balance at 31 March 2015		972,113	(3,712)	968,401
Profit Attributable to equity shareholders		7,252		7,252
Other Comprehensive Income – Movement in Reserve			(5,712)	(5,712)
Balance at 31 March 2016		979,365	(5,712)	973,653

The accompanying notes form part of these financial statements.

DROUGHTMASTER STUD BREEDERS SOCIETY LTD
ABN 19 010 129 683

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2016

1 Statement of Significant Accounting Policies

The financial report is a special purpose financial report prepared to satisfy the financial report preparation requirements of the Corporations Act 2001. The directors have determined that the company is not a reporting entity.

Droughtmaster Stud Breeders Society Ltd is a company limited by guarantee, incorporated and domiciled in Australia.

Each member of the Company undertakes to contribute to the assets of the Company, an amount not exceeding twenty dollars (\$20) in the event of the same being wound up.

Basis of Preparation

The financial report has been prepared in accordance with the requirements of the Corporations Act 2001 and the following applicable Australian Accounting Standards and Australian Accounting Interpretations:

AASB 101:	Presentation of Financial Statements
AASB 107:	Cash Flow Statements
AASB 108:	Accounting Policies, Changes in Accounting Estimates and Errors
AASB 110:	Events after the Balance Sheet Date
AASB 116:	Property, Plant and Equipment
AASB 118:	Revenue
AASB 119:	Employee Benefits
AASB 137:	Provisions, Contingent Liabilities and Contingent Assets
AASB 139:	Recognition and Measurement of Financial Instruments
AASB 1031:	Materiality
AASB 1048:	Interpretation and Application of Standards

No other Accounting Standards, Accounting Interpretations or other authoritative pronouncements of the Australian Accounting Standards Board have been applied.

Reporting basis and conventions

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

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

Accounting Policies

Income Tax

DROUGHTMASTER STUD BREEDERS SOCIETY LTD
ABN 19 010 129 683

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2016

No provision for taxation is necessary because the Company is exempt from tax under Section 50-45 of Item 9.1(c) of the Income Tax Act of 1997.

Inventories

Inventories are measured at the lower of cost and net realisable value. Cost of inventory is determined using the first-in-first-out basis and is net of any rebates and discounts received. Livestock on hand at year end are not trading stock but research subjects accordingly they have been valued at cost.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the costs necessary to make the sale. Net realisable value is estimated using the most reliable evidence available at the reporting date and inventory is written down through an obsolescence provision if necessary.

Property, Plant and Equipment

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

Land and buildings

Land and buildings are measured using the cost model.

Plant and equipment

Plant and equipment are measured using the cost model.

Depreciation

Property, plant and equipment, is depreciated on a straight line basis over the assets useful life to the Company, commencing when the asset is ready for use.

The depreciable amount of all property, plant and equipment, except for freehold land is depreciated on a straight line method from the date that management determine that the asset is available for use. Leased assets and leasehold improvements are amortised over the shorter of either the unexpired period of the lease or their estimated useful life.

The estimated useful lives used for each class of depreciable asset are shown below:

Assets held under a finance lease and leasehold improvements are depreciated over the shorter of the term of the lease and the assets useful life.

Financial Instruments

Financial instruments are recognised initially using trade date accounting, i.e. on the date that company becomes party to the contractual provisions of the instrument.

DROUGHTMASTER STUD BREEDERS SOCIETY LTD
ABN 19 010 129 683

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2016

On initial recognition, all financial instruments are measured at fair value plus transaction costs (except for instruments measured at fair value through profit or loss where transaction costs are expensed as incurred).

At year end there remain in place an overdraft facility with the National Australia Bank for the sum of \$30,000.00. These funds have not been drawn down at any time during the year.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers but also incorporate other types of contractual monetary assets.

After initial recognition these are measured at amortised cost using the effective interest method, less provision for impairment. Any change in their value is recognised in profit or loss.

The company's trade and most other receivables fall into this category of financial instruments.

Significant receivables are considered for impairment on an individual asset basis when they are past due at the reporting date or when objective evidence is received that a specific counterparty will default.

The amount of the impairment is the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable.

In some circumstances, the company renegotiates repayment terms with customers which may lead to changes in the timing of the payments, the company does not necessarily consider the balance to be impaired, however assessment is made on a case-by-case basis.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that do not qualify for inclusion in any of the other categories of financial assets or which have been designated in this category. The company's available-for-sale financial assets include listed securities.

All available for sale financial assets are measured at fair value, with subsequent changes in value recognised in other comprehensive income.

Gains and losses arising from financial instruments classified as available-for-sale are only recognised in profit or loss when they are sold or when the investment is impaired.

In the case of impairment or sale, any gain or loss previously recognised in equity is transferred to the profit or loss.

Subsequent recoveries of amounts previously written off are credited against other expenses in profit or loss.

Available-for-sale financial assets

DROUGHTMASTER STUD BREEDERS SOCIETY LTD
ABN 19 010 129 683

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2016

A significant or prolonged decline in value of an available-for-sale asset below its cost is objective evidence of impairment, in this case, the cumulative loss that has been recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment. Any subsequent increase in the value of the asset is taken directly to other comprehensive income.

Impairment of Non-Financial Assets

At the end of each reporting period the company determines whether there is an evidence of an impairment indicator for non-financial assets.

Where this indicator exists the recoverable amount of the asset is estimated.

Where assets do not operate independently of other assets, the recoverable amount of the relevant cash-generating unit (CGU) is estimated.

The recoverable amount of an asset or CGU is the higher of the fair value less costs of disposal and the value in use. Value in use is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

Where the recoverable amount is less than the carrying amount, an impairment loss is recognised in profit or loss.

Reversal indicators are considered in subsequent periods for all assets which have suffered an impairment loss, except for goodwill.

Financial Assets

Recognition

Financial assets are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

Available-for-sale financial assets

All investments are classified as available-for-sale financial assets. Available-for-sale financial assets are reflected at fair value unless the fair value cannot be reliably measured. Unrealised gains and losses arising from changes in fair value are taken directly to equity.

Fair value

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

Employee Benefits

DROUGHTMASTER STUD BREEDERS SOCIETY LTD
ABN 19 010 129 683

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2016

Provision is made for the company's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled.

Employee benefits expected to be settled more than one year after the end of the reporting period have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wage increases and the probability that the employee may satisfy vesting requirements. Cash flows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cash flows. Changes in the measurement of the liability are recognised in profit or loss.

Employee benefits are presented as current liabilities in the statement of financial position if the company does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date regardless of the classification of the liability for measurement purposes under AASB 119.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options which vest immediately are recognised as a deduction from equity, net of any tax effects.

Provisions

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

Cash and Cash Equivalents

Cash and cash equivalents comprises cash on hand, demand deposits and short-term investments which are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

Revenue and Other Income

Revenue is recognised when the amount of the revenue can be measured reliably, it is probable that economic benefits associated with the transaction will flow to the company and specific criteria relating to the type of revenue as noted below, has been satisfied.

All revenue is stated net of the amount of goods and services tax (GST).

Revenue is measured at the fair value of the consideration received or receivable and is presented net of returns, discounts and rebates.

DROUGHTMASTER STUD BREEDERS SOCIETY LTD
ABN 19 010 129 683

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2016

Sale of goods

Revenue is recognised on transfer of goods to the customer as this is deemed to be the point in time when risks and rewards are transferred and there is no longer any ownership or effective control over the goods.

Interest revenue

Interest revenue is recognised using the effective interest rate method.

Rendering of services

Revenue in relation to rendering of services is recognised depends on whether the outcome of the services can be measured reliably. If this is the case then the stage of completion of the services is used to determine the appropriate level of revenue to be recognised in the period. If the outcome cannot be reliably measured then revenue is recognised to the extent of expenses recognised that are recoverable.

Other income

Other income is recognised on an accruals basis when the company is entitled to it.

Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payables are stated inclusive of GST. The net amount of GST recoverable from, or payable to, the ATO is included as part of receivables or payables in the statement of financial position.

Cash flows in the statement of cash flows are included on a gross basis and the GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Comparative Amounts

Comparatives are consistent with prior years, unless otherwise stated.

Where a change in comparatives has also affected the opening retained earnings previously presented in a comparative period, an opening statement of financial position at the earliest date of the comparative period has been presented.

DROUGHTMASTER STUD BREEDERS SOCIETY LTD
ABN 19 010 129 683

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2016

	2016	2015
	\$	\$
<hr/>		
2		
Trade and Other Receivables		
Current		
Trade Debtors	8,073	(17,822)
Research Grant 2008	10,000	10,000
Less: Research Grant Funds Expended	(6,712)	(2,181)
GST On Purchases	5,659	2,037
	<u>17,020</u>	<u>(7,966)</u>
The carrying value of trade receivables is considered a reasonable approximation of fair value due to the short term nature of the balances.		
3		
Financial Assets		
Current		
Term Deposits	<u>100,000</u>	<u>250,000</u>
Non-Current		
Units Unlisted Public Trust	<u>10,288</u>	<u>12,288</u>
4		
Inventories		
Current		
Merchandise Stock on Hand - at Cost	35,160	37,613

DROUGHTMASTER STUD BREEDERS SOCIETY LTD
ABN 19 010 129 683

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2016

	2016 \$	2015 \$
5 Property, Plant and Equipment		
Land and Buildings		
Buildings - at Cost	806,547	806,547
Less Accumulated Depreciation	<u>(50,833)</u>	<u>(44,091)</u>
	755,714	762,456
Total Land and Buildings	<u>755,714</u>	<u>762,456</u>
 Plant & Equipment - at Cost	 83,820	 83,820
Less Accumulated Depreciation	<u>(72,068)</u>	<u>(64,136)</u>
	11,752	19,684
Motor Vehicles - at Cost	46,503	46,503
Less Accumulated Depreciation	<u>(11,912)</u>	<u>(382)</u>
	34,591	46,121
Office Equipment - at Cost	11,034	10,659
Less Accumulated Depreciation	<u>(6,857)</u>	<u>(5,085)</u>
	4,177	5,574
Software Cost	42,500	43,907
Less Accumulated Depreciation	<u>(27,314)</u>	<u>(22,428)</u>
	15,186	21,479
Website Development	8,055	6,647
Less Accumulated Depreciation	<u>(3,099)</u>	<u>(1,270)</u>
	4,956	5,377
Total Plant and Equipment	<u>70,662</u>	<u>98,235</u>
Total Property, Plant and Equipment	<u>826,376</u>	<u>860,691</u>
 6 Employee Benefits		
Non-Current		
Provision Long Service Leave	<u>39,804</u>	<u>34,798</u>
 7 Reserves		
Asset Revaluation Reserve		
Decrease In Market Value	<u>(5,712)</u>	<u>(3,712)</u>

DROUGHTMASTER STUD BREEDERS SOCIETY LTD
ABN 19 010 129 683

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2016

	2016 \$	2015 \$
<hr/>		
8 Retained Earnings		
Retained earnings at the beginning of the financial year	972,112	914,883
Net profit attributable to members of the company	7,252	57,229
Retained earnings at the end of the financial year	<u>979,364</u>	<u>972,112</u>

9 BIN Research Project

During the 2015/2016 Financial Year the Society purchased 3 consignments of Droughtmaster steers from an MLA Female Fertility Project, upon which research could be conducted. Transport, agistment, feeding and research costs for all 3 consignments were subsidised by the MLA Donor Company Scheme.

The 3 consignments purchased by the Society were the 2013, 2014 and 2015 drops of calves. The 47 head of 2013 drop of steers have been fed and slaughtered. The strong cattle market saw a revenue positive net outcome of \$12,053 after the cost of research and analysis were accounted for.

The 2014 and 2015 drop steers are still being grown-out and lot-fed prior to slaughter and collection of performance data. Their transport, feed and research costs to date total \$17,551. The 2014 and 2015 steers are valued in the Balance Sheet at their purchase price of \$93,907.

DROUGHTMASTER STUD BREEDERS SOCIETY LTD
ABN 19 010 129 683

DIRECTORS' DECLARATION

The directors have determined that the company is not a reporting entity and that this special purpose financial report should be prepared in accordance with the accounting policies outlined in Note 1 to the financial statements.

The directors of the company declare that:

1. The financial statements and notes, as set out on pages 1 to 16 are in accordance with the Corporations Act 2001;
 - (a) comply with Australian Accounting Standards as described in Note 1 to the financial statements and the Corporations Regulations 2001; and
 - (b) give a true and fair view of the financial position as at 31 March 2016 and of its performance for the year ended on that date in accordance with the accounting policies described in Note 1 to the financial statements; and
2. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

Director:

Steven Pickering

Director:

Michael Flynn

Dated this day of

18 MAR 2016

**INDEPENDENT AUDITORS REPORT
TO THE MEMBERS OF DROUGHTMASTER STUD BREEDERS SOCIETY LTD
ABN 19 010 129 683**

Report on the Financial Report

I have audited the accompanying financial report of Droughtmaster Stud Breeders Society Ltd which comprises the statement of financial position as at 31 March 2016 and the statement of comprehensive income and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report and have determined that the accounting policies described in Note 1 to the financial statements, which form part of the financial report, are appropriate to meet the requirements of the Corporations Act 2001 and are appropriate to meet the needs of the members. The directors' responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

My responsibility is to express an opinion on the financial report based on my audit. No opinion is expressed as to whether the accounting policies used, as described in Note 1, are appropriate to meet the needs of the members. I conducted my audit in accordance with Australian Auditing Standards. These Auditing Standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

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

The financial report has been prepared for distribution to members for the purpose of fulfilling the directors' financial reporting under the Corporations Act 2001. I disclaim any assumption of responsibility for any reliance on this report or on the financial report to which it relates to any person other than the members, or for any purpose other than that for which it was prepared.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

**INDEPENDENT AUDITORS REPORT
TO THE MEMBERS OF DROUGHTMASTER STUD BREEDERS SOCIETY LTD
ABN 19 010 129 683**

Independence

In conducting my audit, I have complied with the independence requirements of the Corporations Act 2001. I confirm that the independence declaration required by the Corporations Act 2001, provided to the directors of Droughtmaster Stud Breeders Society Ltd would be in the same terms if provided to the directors as at the date of this auditor's report.

Auditor's Opinion

In my opinion the financial report of Droughtmaster Stud Breeders Society Ltd is in accordance with the Corporations Act 2001, including:

- (a) giving a true and fair view of the company's financial position as at 31 March 2016 and of its performance for the year ended on that date in accordance with the accounting policies described in Note 1; and
- (b) complying with Australian Accounting Standards to the extent described in Note 1 and complying with the Corporations Regulations 2001.

Name of Auditor:



Ian Morley

WLW Group Pty Ltd

Address:

40 James Street, Burleigh Heads Qld 4220

Dated this day of

20th May 2016

DROUGHTMASTER STUD BREEDERS SOCIETY LTD
ABN 19 010 129 683

PROFIT AND LOSS STATEMENT
FOR THE YEAR ENDED 31 MARCH 2016

	2016 \$	2015 \$
INCOME		
Inventory Fees	377,014	407,383
Discounts allowed	(13,097)	(20,705)
Membership Fees	119,197	121,010
Promotional Income - Levies	151,622	203,370
Promotional Income - Other	51,570	-
Sponsored Sales	143,504	156,027
Sundry Income and Donations	(16)	6
Transfer Fees	28,248	39,110
Bad debts recovered	1,104	3,616
	859,146	909,818
OTHER INCOME		
Interest Received	7,410	16,437
DPI Research Funds Expended	(4,532)	(2,181)
Bin Research Project - Expenses	(36,263)	-
Less: Nett Amount Recovered Sale of No 13 Research Steers	30,765	-
	(2,620)	14,256
	856,526	924,074

The accompanying notes form part of these financial statements.

DROUGHTMASTER STUD BREEDERS SOCIETY LTD
ABN 19 010 129 683

PROFIT AND LOSS STATEMENT
FOR THE YEAR ENDED 31 MARCH 2016

	2016 \$	2015 \$
EXPENSES		
Accounting Fees	4,000	-
Amortisation - Improvements	6,742	12,663
Accounting - Special Review	-	120
Auditors Remuneration - Fees	3,000	6,000
Bad Debts	2,516	4,759
Bank Charges	2,565	2,792
Computer Expenses	4,609	4,259
Data Processing Charges, ABRI	34,512	34,312
Depreciation	27,947	20,659
Electricity	4,285	4,622
General Expenses	2,061	1,911
Holiday Pay Provision	7,068	3,940
Insurance	10,757	10,714
Legal Costs	1,365	5,712
Loss on Sale of Fixed Assets	-	452
Long Service Leave Provision	5,005	7,093
Meeting Expenses	28,621	25,630
Motor Vehicle Expenses	8,331	9,339
Permit and Licence Fees	2,858	2,850
Postage	8,428	11,395
Printing & Stationery	18,847	28,193
Promotional expenses	169,319	165,523
Rates	4,469	5,904
Repairs & Maintenance	5,787	5,917
Sponsored Sales	143,504	156,026
Other Employment expenses	1,671	1,167
Superannuation	28,346	27,260
Telephone	6,269	6,300
Tropical Breeds Research	11,385	12,510
Wages	295,007	288,822
	<u>849,274</u>	<u>866,844</u>
Net Operating profit	<u>7,252</u>	<u>57,229</u>

The accompanying notes form part of these financial statements.

A herd of brown cows is grazing in a lush green field. In the background, there is a dense line of trees. Overlaid on the image is a large, red, stylized mountain range graphic. The word "DROUGHTMASTER" is written in a bold, red, sans-serif font across the middle of the image, partially obscured by the mountain graphic.

DROUGHTMASTER