

ANNUAL REPORT

**Droughtmaster
Stud Breeders'
Society Limited**

2018 - 2019



Droughtmaster Stud Breeder's Society Limited

1 April 2018 – 31 March 2019

Patron

John Gardner

President

Jeff Williams

Vice President

Douglas Birch

Directors

National

Doug Miles

National

Kevin Woolcock

National

Vacant

Southern Zone

Vacant

Far Southern Zone

Daniel Green

South East Zone

Sean Barrett

Western Zone

Clint Gartrell

Central Zone

Douglas Birch

Northern Zone

Jack Stewart-Moore

Far Northern Zone

Jeff Williams

Administration

Chief Executive Officer

Neil Donaldson (1.04.2018 to 19.03.2019)

Office Manager

Leigh Eleison

Accounts

Toni Franklin

Registrar

Carmel Bell

Registrar

Anne-Maree Elliott

Office Details

40 Thorn Street

IPSWICH QLD 4305

Tel: 07 3281 0056

Email: office@droughtmaster.com.au

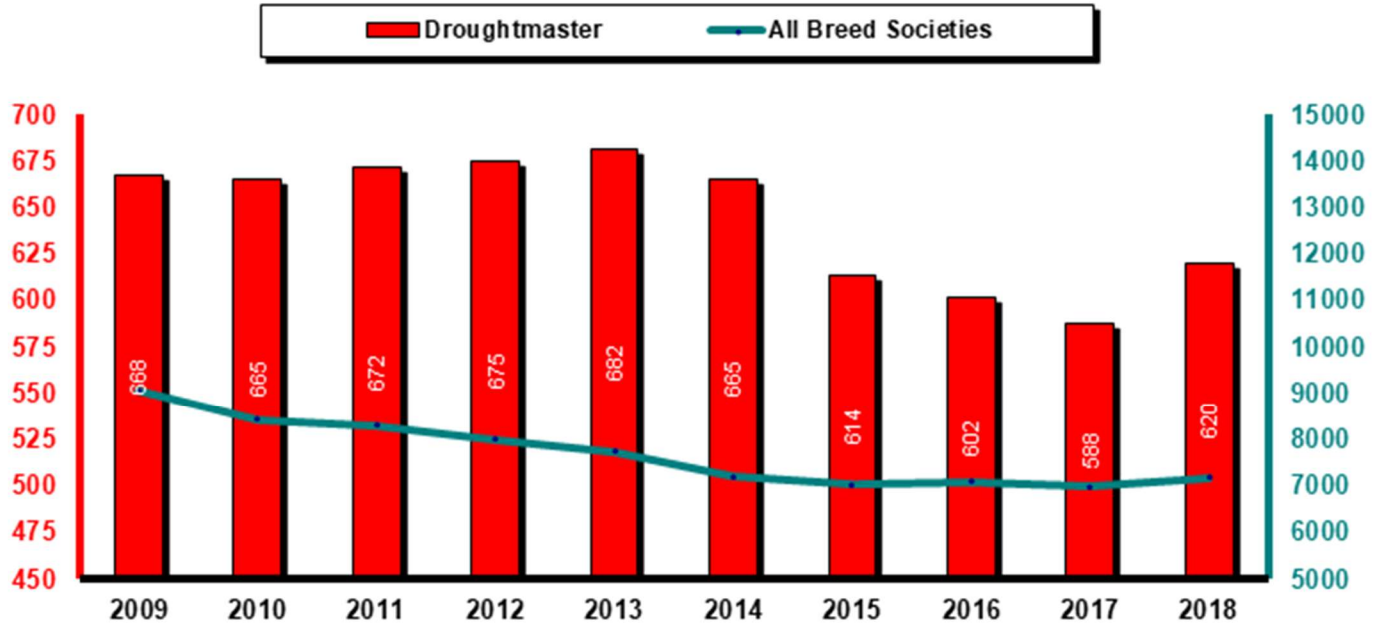
Web: www.droughtmaster.com.au

ABN: 19 010 129 683

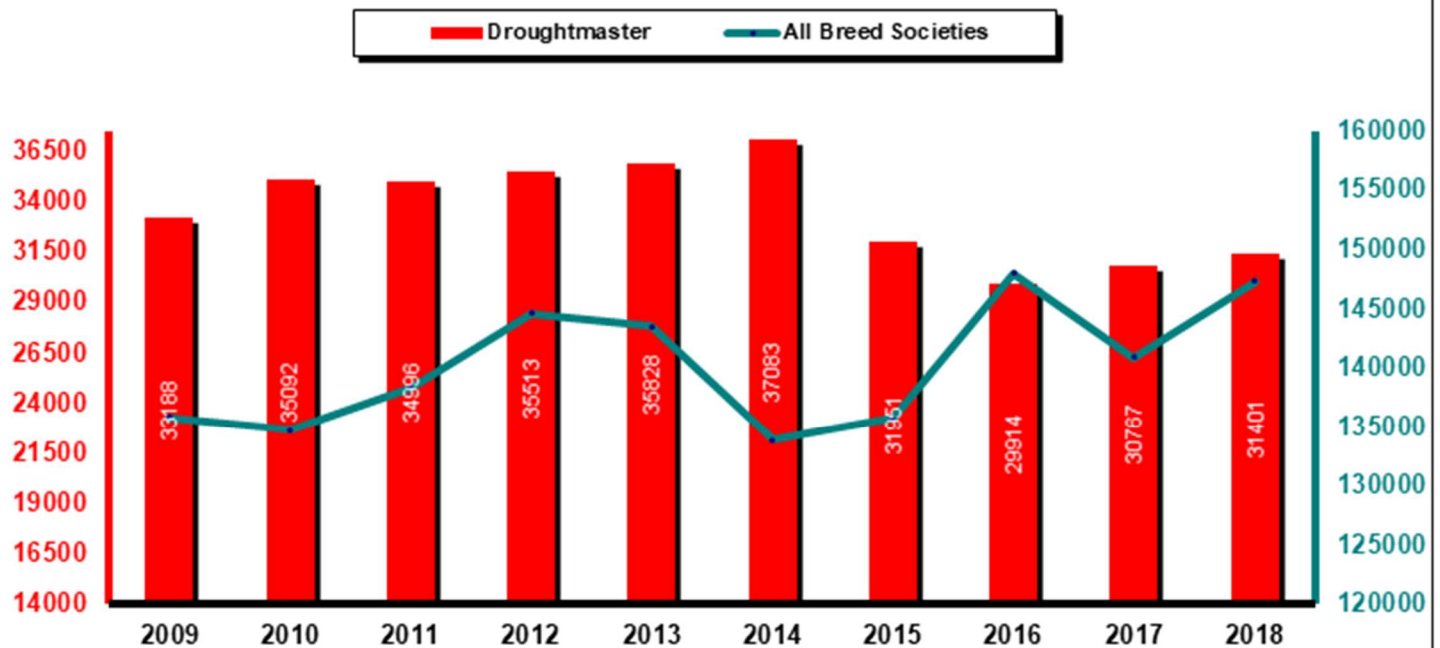
Front Cover: Farogan Valley Aura & Aria

Statistics

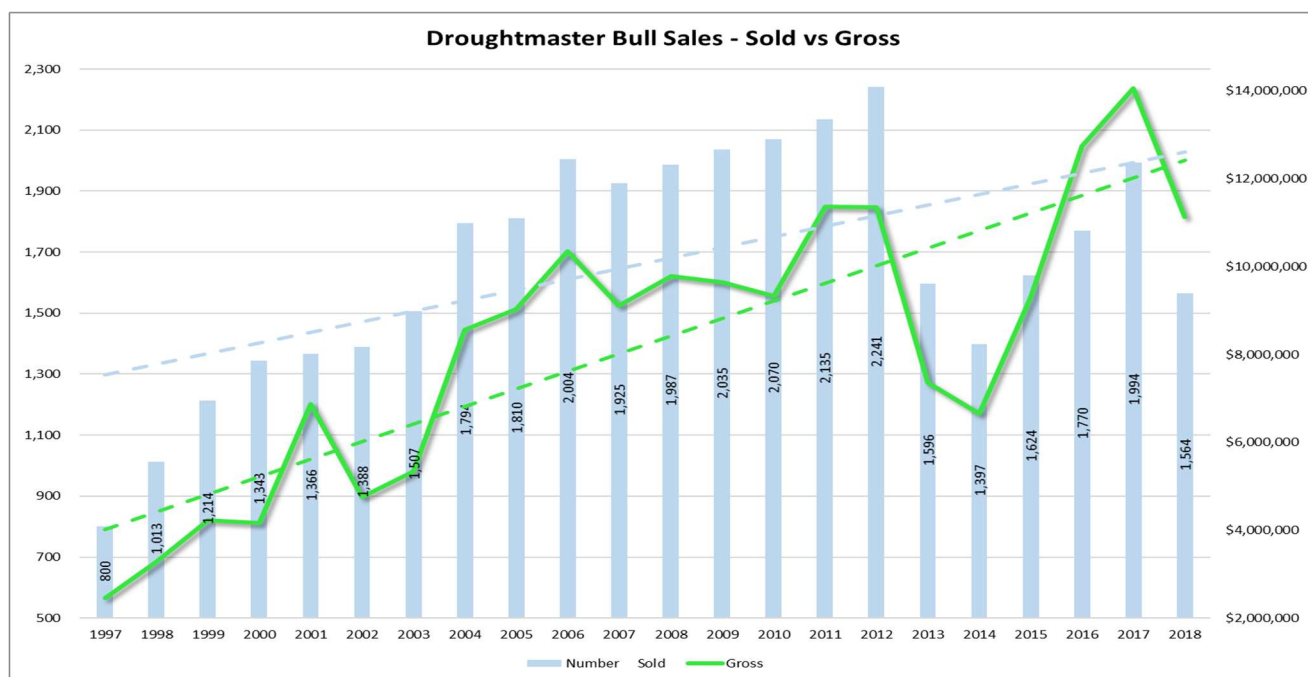
MEMBERSHIP 2009 - 2018



INVENTORY 2009- 2018



Droughtmaster Bull Auction Sale Results					
Year	Number Sold	Gross	Top	Average	Clearance
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%
2016	1,770	\$12,742,952	\$80,000	\$7,199	93%
2017	1,994	\$14,053,723	\$135,000	\$7,580	93%
2018	1,564	\$11,138,070	\$80,000	\$7,122	84%
<i>N.B. These are Calendar Year results NOT Financial Year results</i>					



DROUGHTMASTER STUD BREEDERS' SOCIETY LIMITED

ABN 19 010 129 683

**FINANCIAL REPORT
FOR THE YEAR ENDED
31 MARCH 2019**

**Liability limited by a scheme approved under
Professional Standards Legislation**

Contents

3	Directors's Report
6	Directors Declaration
7	Statement of Comprehensive Income
9	Statement Of Financial Position
11	Movements in Equity
12	Notes to the Financial Statements
19	Independent Auditors Report
21	Detailed Profit and Loss Statement

Directors's Report

Droughtmaster Stud Breeders' Society Limited For the year ended 31 March 2019

Directors Report

Your directors present their report on the company for the financial year ended 31 March 2019.

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

Name	Meetings Eligible to Attend	Meetings Attended
Jeffrey Williams	4	4
Daniel Green	2	1
Douglas Birch	4	4
Douglas Miles	4	3
Kevin Woolcock	4	4
Jack Stewart-Moore	3	2
Sean Barnett	3	3
Clinton Gartrell	3	2
John Atkinson	3	3
Todd Heyman	2	2
Sharon Harms	4	3
Paul Laycock	2	2
Tim Lloyd	1	1
Brian Heck	1	1

Operating Result

The Operating Profit before Appropriations and Extraordinary Items of the company after providing for income tax amounted to \$71,069.

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 promoting and recording Droughtmaster breed of cattle.

No significant change in the nature of the company's activity occurred during the financial year.

Extraordinary Items

The extraordinary activity reflected in the Financial Statements relates to the legal costs from the independent investigation carried out by Cooper Grace Ward Lawyers.

After Balance Sheet Events

Droughtmaster Stud Breeders' Society Limited engaged Cooper Grace Ward Lawyers to conduct an independent investigation into allegations made by the previous CEO and past Director against current Directors. The investigation was concluded on 7 June 2019 which was after the end of the financial year 31 March 2019. Provisions for the legal costs outside of the financial year are reflected in the Financial Statements. Cooper Grace Ward Lawyers communicated to the members on 12 June 2019 the following outcome; "Based on the evidence provided to the investigator during the investigation process, and on the balance of probabilities, the investigator determined that ... allegations were not substantiated".

Future Developments

Likely developments in the operations of the company and the expected results of those operations in future financial years have not been included in this report as the inclusion of such information is likely to result in unreasonable prejudice to the company.

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 interest 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

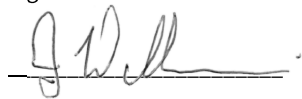
No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

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.

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



Mr Jeffrey Williams

Date 10 / 07 /2019



Mr Daniel Green

Date 10 / 07 / 2019

Directors Declaration

Droughtmaster Stud Breeders' Society Limited

For the year ended 31 March 2019

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 18 are in accordance with the Corporations Act 2001

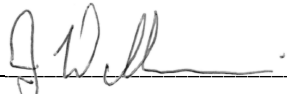
(a) comply with Australian Accounting Standards as described in Note 1 to the financial statements and the Corporations Regulations 2001

(b) give a true and fair view of the financial position as at 31 March 2019 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

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



Mr Jeffrey Williams

Director



Mr Daniel Green

Date this day of 10 July 2019

Statement of Comprehensive Income

Droughtmaster Stud Breeders' Society Limited

For the year ended 31 March 2019

	NOTES	2019	2018
Income			
Income			
Interest Income		12,528	11,384
Inventory Fees		447,632	437,330
Membership Fees		131,536	129,920
Promotional Income - Levies		173,254	154,481
Promotional Income - Other		54,798	55,322
Sponsored Sales		175,175	165,282
Sundry Income and Donations		-	3
Transfer Fees		26,297	28,516
Total Income		1,021,219	982,239
Total Income		1,021,219	982,239
Expenditure			
Less Operating Expenses			
Accountancy Fees		7,482	4,875
Amortisation - Improvements		6,743	6,742
Auditors Fees - Audit		6,250	6,000
Auditors Fees - Other		1,750	-
Bad Debts		-	4,958
Bank Charges		2,078	2,141
Computer		11,002	2,973
Data Processing Charges - ABRI		37,889	36,196
Depreciation		15,899	17,898
Doubtful Debts		1,017	-
Electricity		3,887	4,534
Employment Expenses			
Clerical Labour Hire		584	-
Fringe Benefits Tax Expense		1,950	1,789
Holiday Pay Provision		14,110	(91)
Long Service Leave Provision		7,487	6,466
Staff Expenses		1,659	2,013
Superannuation Contributions		28,025	28,989
Wages		284,260	301,748
Total Employment Expenses		338,074	340,915
General		3,409	2,119
Insurance Expense		10,067	10,692
Legal Costs Expense		4,867	2,945
Meeting		50,842	52,146

The accompanying notes form part of these financial statements. These statements should be read in conjunction with the attached compilation report.

	NOTES	2019	2018
Motor Vehicle		7,223	7,109
Permit and Licence Fees		2,419	2,382
Postage		8,435	10,579
Printing & Stationery		15,693	15,564
Promotional Expenses		204,461	219,118
Rates and Taxes		5,243	5,084
Repairs & Maintenance		10,568	7,804
Sponsored Sales Expense		175,175	165,282
Telephone Expense		8,840	8,211
Tropical Breeds Research		10,837	10,971
Total Less Operating Expenses		950,150	947,237
Total Less Operating Expenses		950,150	947,237
Net Operating Income		71,069	35,002
Non Operating Income and Expenses			
Non Operating Income and Expenses			
Bad Debts Recovered		1,456	-
Bin Research Project - Net Amount Recovered Sale of Research Steers		157,606	170,216
Bin Research Project - Expenses		(94,192)	(48,730)
Loss - Sale of Fixed Assets		-	(2,242)
Trade Mission Income		10,023	29,601
Trade Mission Expenses		(3,000)	-
Total Non Operating Income and Expenses		71,893	148,845
Total Non Operating Income and Expenses		71,893	148,845
Net Income Before Appropriations and Extraordinary Items		142,962	183,847
Less Appropriations			
Amounts Appropriated To Provision - Animal Health Management		20,000	20,000
Total Less Appropriations		20,000	20,000
Less Extraordinary Items			
Legal Costs Incurred		26,700	-
Provision - Future Legal Expenses		27,426	-
Settlement Fund - Neil Donaldson Termination		65,000	-
Total Less Extraordinary Items		119,126	-
Net Income After Appropriations and Extraordinary Items		3,836	163,847

The accompanying notes form part of these financial statements. These statements should be read in conjunction with the attached compilation report.

Statement Of Financial Position

Droughtmaster Stud Breeders' Society Limited

As at 31 March 2019

	NOTES	31 MAR 2019	31 MAR 2018
Assets			
Current Assets			
Cash and Cash Equivalents			
Bank - NAB - #1680		22,033	64,132
Bank - NAB - #7061		101,248	633
Cash on Hand		460	460
Rural Bank - # 3018 66489		50,000	150,000
Rural Bank - # 3020 40324		120,000	150,000
Rural Bank - # 3020 94909		35,000	10,000
Total Cash and Cash Equivalents		328,741	375,224
Trade and Other Receivables	2	37,757	26,445
Inventories			
Merchandise Stock on Hand		24,221	34,510
Total Inventories		24,221	34,510
Research BIN Project - Livestock on Hand			
Research BIN Project - Livestock on Hand		242,484	202,809
Total Research BIN Project - Livestock on Hand		242,484	202,809
Prepayments			
Prepayments - Advertising 2017 DN Sale		2,430	4,228
Total Prepayments		2,430	4,228
Total Current Assets		635,631	643,216
Non-Current Assets			
Financial Assets	3	14,302	12,592
Property and Plant and Equipment	4	792,968	804,706
Total Non-Current Assets		807,271	817,298
Total Assets		1,442,902	1,460,514
Liabilities			
Current Liabilities			
Provision for Doubtful Debts		1,017	-
Trade Creditors and Accruals and Income Received In Advance	5	70,408	68,282
Total Current Liabilities		71,425	68,282
Non-Current Liabilities			
Provisions	6	188,377	216,264
Total Non-Current Liabilities		188,377	216,264
Total Liabilities		259,802	284,546
Net Assets		1,183,100	1,175,968

The accompanying notes form part of these financial statements. These statements should be read in conjunction with the attached compilation report.

	NOTES	31 MAR 2019	31 MAR 2018
Equity			
Retained Earnings		1,184,798	1,179,376
Reserves		(1,698)	(3,408)
Total Equity		1,183,100	1,175,968

The accompanying notes form part of these financial statements. These statements should be read in conjunction with the attached compilation report.

Movements in Equity

Droughtmaster Stud Breeders' Society Limited For the year ended 31 March 2019

	2019	2018
Equity		
Increases		
Profit for the Period	3,836	163,847
Retained Earnings	1,179,376	1,015,529
Other Increases	(112)	(3,408)
Total Increases	1,183,100	1,175,968
Total Equity	1,183,100	1,175,968

Notes to the Financial Statements

Droughtmaster Stud Breeders' Society Limited

For the year ended 31 March 2019

1. Summary 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

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.

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

Land and Buildings 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 other property, plant and equipment, except for freehold land is depreciated on a diminishing value 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.

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).

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

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

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 cashflows. 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).

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 measured reliably 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.

	2019	2018
2. Trade and Other Receivables		
Trade Debtors	19,818	21,662
Research Grant 2008	10,000	10,000
Research Grant 2018 Less - Research Grant Funds Expended	(6,713)	(6,713)
GST - Accrued Expenses	1,200	1,496
GST Refund Owing	13,452	-
Total Trade and Other Receivables	37,757	26,445

	2019	2018
3. Financial Assets		
Units Unlisted Public Trust	16,000	16,000
Units Unlisted Public Trust Market Revaluation	(1,698)	(3,408)
Total Financial Assets	14,302	12,592

	2019	2018
4. Property and Plant and Equipment		
Land and Buildings - At Cost	806,547	806,547
Land and Buildings Less Accumulated Depreciation	(71,060)	(64,317)
Motor Vehicles	50,968	50,968
Motor Vehicles Less Accumulated Depreciation	(20,701)	(10,612)
Office Equipment	19,505	11,444
Office Equipment Less Accumulated Depreciation	(10,359)	(9,033)
Plant & Equipment	86,663	83,820
Plant & Equipment Less Accumulated Depreciation	(77,092)	(75,440)
Software Cost	42,500	42,500
Software Cost Less Accumulated Depreciation	(36,094)	(33,959)
Website Development	8,055	8,055
Website Development Less Accumulated Depreciation	(5,963)	(5,266)
Total Property and Plant and Equipment	792,968	804,706

	2019	2018
5. Trade Creditors and Accruals and Income Received In Advance		
Accruals	36,699	11,000
Trade Creditors	22,889	42,795
Income Received in Advance	10,820	14,486
Total Trade Creditors and Accruals and Income Received In Advance	70,408	68,282

These notes should be read in conjunction with the attached compilation report.

	2019	2018
6. Provisions		
Provision for Animal Health Management	40,000	20,000
Provision for Beef Expos	20,000	30,323
Provision for Future Legal Expenses	27,426	-
Provision for Holiday Pay	13,820	31,752
Provision for Long Service Leave	23,185	51,520
Provision for Market Development	47,453	64,528
Provision for Sales Development Fund	16,494	18,142
Total Provisions	188,377	216,264

7. Extraordinary Items

Settlement Payout

At the meeting of the board of the Society in February the then CEO of the Society, Neil Donaldson tendered his resignation citing as a cause harassment by certain directors.

At that meeting the board resolved to offer Neil Donaldson a settlement in the sum of \$65,000 in order to avoid future action and liability and this offer was accepted.

Legal Fees

In order to deal with this matter and subsequent events, the Society incurred legal costs which at 31 March 2019 totalled \$26,700.

Provision has also been made for further legal fees related to this matter in the sum of \$27,426.

Further invoices are expected to be received in respect of this matter.

The Society is in the process of making a claim against the Directors and Officers Liability insurance policy that it holds in respect of these type of occurrences.

The outcome of this claim is unknown at the present time.

8. Subsequent Events

Harassment Investigation

As a result of matters that arose during the directors meeting in February, the board initiated an investigation by Cooper Grace Ward and which was ongoing as at 31st March 2019.

Cooper Grace Ward completed their investigation in June and the outcome was reported by them to members.

Queensland Floods

In February and April of this year there were significant floods occurred in North West and Central Queensland which impacted on graziers in those areas.

While it is known that some members of the Society were impacted by this flood event, the extent of losses and the impact of the Society's future revenue is not yet known.

Independent Auditors Report

Droughtmaster Stud Breeders' Society Limited

For the year ended 31 March 2019

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 2019 and the statement of comprehensive income 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.

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.

Auditors 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 2019 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 Mortley

Auditor's signature: *Ian Mortley*

Auditor's address: 40 James Street Burleigh Heads Qld 4220

Dated: 10 / 07 / 2019

Detailed Profit and Loss Statement

Droughtmaster Stud Breeders' Society Limited

For the year ended 31 March 2019

	NOTES	2019	2018
Operating Income			
Operating Income			
Inventory Fees		447,632	437,330
Interest Income		12,528	11,384
Membership Fees		131,536	129,920
Promotional Income - Levies		173,254	154,481
Promotional Income - Other		54,798	55,322
Sponsored Sales		175,175	165,282
Sundry Income and Donations		-	3
Transfer Fees		26,297	28,516
Total Operating Income		1,021,219	982,239
Total Operating Income		1,021,219	982,239
Total Income		1,021,219	982,239
Operating Expenditure			
Accountancy Fees		7,482	4,875
Amortisation - Improvements		6,743	6,742
Auditors Fees - Audit		6,250	6,000
Auditors Fees - Other		1,750	-
Bad Debts		-	4,958
Bank Charges		2,078	2,141
Computer		11,002	2,973
Data Processing Charges - ABRI		37,889	36,196
Depreciation		15,899	17,898
Doubtful Debts		1,017	-
Electricity		3,887	4,534
Employment Expenses			
Clerical Labour Hire		584	-
Fringe Benefits Tax Expense		1,950	1,789
Holiday Pay Provision		14,110	(91)
Long Service Leave Provision		7,487	6,466
Staff Expenses		1,659	2,013
Superannuation Contributions		28,025	28,989
Wages		284,260	301,748
Total Employment Expenses		338,074	340,915
General		3,409	2,119
Insurance Expense		10,067	10,692
Legal Costs Expense		4,867	2,945
Meeting		50,842	52,146
Permit and Licence Fees		2,419	2,382

	NOTES	2019	2018
Postage		8,435	10,579
Printing & Stationery		15,693	15,564
Promotional Expenses		204,461	219,118
Repairs & Maintenance		10,568	7,804
Sponsored Sales Expense		175,175	165,282
Telephone Expense		8,840	8,211
Tropical Breeds Research		10,837	10,971
Motor Vehicle		7,223	7,109
Rates and Taxes		5,243	5,084
Total Operating Expenditure		950,150	947,237
Net Operating Income		71,069	35,002
Non Operating Income And Expenses			
Bad Debts Recovered		1,456	-
Bin Research Project - Net Amount Recovered Sale of Research Steers		157,606	170,216
Bin Research Project - Expenses		(94,192)	(48,730)
Loss - Sale of Fixed Assets		-	(2,242)
Trade Mission Income		10,023	29,601
Trade Mission Expenses		(3,000)	-
Total Non Operating Income And Expenses		71,893	148,845
Net Income Before Appropriations and Extraordinary Items		142,962	183,847
Less Appropriations			
Amounts Appropriated To Provision - Animal Health Management		20,000	20,000
Total Less Appropriations		20,000	20,000
Less Extraordinary Items			
Legal Costs Incurred		26,700	-
Provision - Future Legal Expenses		27,426	-
Settlement Fund - Neil Donaldson Termination		65,000	-
Total Less Extraordinary Items		119,126	-
Net Income After Appropriations and Extraordinary Items		3,836	163,847