DESERT CHANNELS QUEENSLAND INCORPORATED

FINANCIAL REPORT
FOR THE YEAR ENDED
30 JUNE 2019

DESERT CHANNELS QUEENSLAND INCORPORATED

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DESERT CHANNELS QUEENSLAND INCORPORATED

DIRECTORS' REPORT

Your directors present their report on the association for the financial year ended 30 June 2019.

Directors

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

Mr Michael St John Pratt
Mrs Mary Ann Ballinger
Mr Dominic Burden retired 16 November 2018
Mr Andrew Drysdale appointed 16 November 2018

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

Review of Operations

The loss of the association for the financial year amounted to $50,132.

Significant Changes in the State of Affairs

No significant changes in the associations state of affairs occurred during the financial year.

Principal Activities

The principal activities of the association during the financial year were to provide a community-based natural resource management body that secures funding for the area and works with landholders to ensure a sustainable social, economic and environmental future for this region of Queensland.

No significant change in the nature of these activities occurred during the year.

Events Subsequent to the End of the Reporting Period

A significant reduction in government funding is likely to occur in 2019-2020 and subsequent years. The Board is in the process of addressing this issue. Please refer to Note 15 in the financial statements.

Likely Developments and Expected Results of Operations

Likely developments in the operations of the association 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 association.

Environmental Regulation

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

Indemnification of Officers

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 association.

DESERT CHANNELS QUEENSLAND INCORPORATED

DIRECTORS' REPORT

Proceedings on Behalf of the Association

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

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

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

Director: ______________________

Mr Andrew Drysdale

Dated this 13th day of September 2019

DESERT CHANNELS QUEENSLAND INCORPORATED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2019

	Note	2019 $	2018 $
Revenue	2	2,651,006.19	3,284,526.53
Other income	2	-	(6,186.64)
		2,651,006.19	3,278,339.89
Changes in inventories of finished goods and work in progress		(2,560.59)	3,919.44
Accountancy expenses		(3,490.00)	(3,380.00)
Advertising expenses		(6,265.54)	(12,870.46)
Auditors' remuneration	3	(11,500.00)	(11,500.00)
Board Costs		(55,351.07)	(67,957.08)
Depreciation and amortisation expenses		(28,310.04)	(37,557.00)
Employee benefits expenses		(1,152,849.02)	(1,293,855.83)
Freight and cartage		(55.91)	(179.99)
Other expenses		(1,440,756.43)	(1,740,354.73)
(Loss) Profit for the year		(50,132.41)	114,604.24
Total comprehensive income for the year		(50,132.41)	114,604.24
Total comprehensive income attributable to members of the entity		(50,132.41)	114,604.24

DESERT CHANNELS QUEENSLAND INCORPORATED

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2019

	Note	2019 $	2018 $
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	**4**	1,909,409.89	2,130,053.12
Trade and other receivables	**5**	148,313.38	371,158.15
Inventories	**6**	23,383.45	25,944.04
Other current assets	**7**	-	26,265.35
TOTAL CURRENT ASSETS		2,081,106.72	2,553,420.66
NON-CURRENT ASSETS			
Trade and other receivables	**5**	345,615.00	345,615.00
Property, plant and equipment	**8**	123,325.75	137,235.79
TOTAL NON-CURRENT ASSETS		468,940.75	482,850.79
TOTAL ASSETS		2,550,047.47	3,036,271.45
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	**9**	36,589.00	74,403.61
Financial liabilities	**10**	814.14	-
Provisions	**11**	390,827.23	395,309.58
Other current liabilities	**12**	291,489.72	686,098.47
TOTAL CURRENT LIABILITIES		719,720.09	1,155,811.66
TOTAL LIABILITIES		719,720.09	1,155,811.66
NET ASSETS		1,830,327.38	1,880,459.79
EQUITY			
Retained earnings	**13**	1,830,327.38	1,880,459.79
TOTAL EQUITY		1,830,327.38	1,880,459.79

The accompanying notes form part of these financial statements.

DESERT CHANNELS QUEENSLAND INCORPORATED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2019

	Note	Retained earnings $	Total $
Balance at 1 July 2017		1,765,856	1,765,856
Profit attributable to equity shareholders		114,604	114,604
Balance at 30 June 2018		1,880,460	1,880,460
Profit attributable to equity shareholders		(50,132)	(50,132)
Balance at 30 June 2019		1,830,327	1,830,327

The accompanying notes form part of these financial statements.

DESERT CHANNELS QUEENSLAND INCORPORATED

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2019

		2019 $	2018 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipt of Grants		2,053,107.14	3,364,896.51
Other Income		613,490.44	231,940.87
Payments to Suppliers & Employees		(2,897,454.44)	(3,446,968.67)
Interest Received		24,613.63	28,813.27
Net cash provided by (used in) operating activities	**17**	(206,243.23)	178,681.98
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for property, plant & equipment		(14,400.00)	(48,609.20)
Net cash used in investing activities		(14,400.00)	(48,609.20)
Net increase (decrease) in cash held		(220,643.23)	130,072.78
Cash and Cash Equivalents at the beginning of the financial year		2,130,053.12	1,999,980.34
Cash at end of financial year	**4**	1,909,409.89	2,130,053.12

The accompanying notes form part of these financial statements.

1 Statement of Significant Accounting Policies

The financial statements cover Desert Channels Queensland Incorporated as an individual entity. Desert Channels Queensland Incorporated is an Association incorporated in Queensland under the Associations Incorporation Act (Qld) .

This financial report is a special purpose financial report that has been prepared to satisfy the financial reporting requirements of the Associations Incorporation Act (Qld) 1981. The Committee has determined that the Association is not a reporting entity.

These financial statements have been prepared in accordance with the recognition and measurement requirements specified by the Australian Accounting Standards and Interpretations and the disclosure requirements of AASB 101 "Presentation of Financial Statements", AASB 107 "Statement of Cash Flows", AASB 108 "Accounting Policies, Changes in Accounting Estimates and Errors", AASB 1054 "Australian Additional Disclosures", AASB 1031 "Materiality" and AASB 1048 "Interpretation and Application of Standards".

Basis of Preparation

The financial statements are special purpose financial statements that have been prepared in accordance with the significant accounting policies disclosed below which the Committee has determined are appropriate to meet the needs of members. Such accounting policies are consistent with the previous period unless otherwise stated.

The financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

The financial statements were authorised for issue on 13 September 2019 by the committee of the association.

Adoption of new and revised accounting standards

The Association has adopted the following revisions and amendments to AASB's issued by the Australian Accounting Standards Board and IFRS issued by the International Accounting Standards Board, which are relevant to and effective for the Association's financial statements for the annual period beginning 1 July 2011.

AASB 1054 Australian Additional Disclosures and AASB 2011-1 Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project

Significant effects on current, prior or future periods arising from the first-time application of these new requirements in respect of presentation, recognition and measurement are described in 1.1 below.

An overview of standards, amendments and interpretations to IFRSs and AASBs issued but not yet effective is given in note 1.2.

1.1 Adoption of Improvements to AASBs 2011 - AASB 2011-1

The ASSB has issued AASB 1054 Australian Additional Disclosures and 2011-1 Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project, and made several minor amendments to a number of AASBs. These standards eliminate a large portion of the differences between the Australian and New Zealand accounting standards and IFRS and retain only additional disclosure considered necessary. These changes also simplify some current disclosures for Australian entities and remove others.

1.2 Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Association

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective, and have not been adopted early by the Association.

Management anticipates that all of the relevant pronouncements will be adopted in the Association's accounting policies for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Association's financial statements is provided below.

Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Association's financial statements.

AASB 9 Financial Instruments (effective from 1 July 2013)

The AASB aims to replace AASB 139 Financial Instruments: Recognition and Measurement in its entirety. The replace standard (AASB 9) is being issued in phases. To date, the chapters dealing with recognition, classification, measurement and de-recognition of financial assets and liabilities have been issued. These chapters are effective for annual periods beginning 1 January 2013. Further chapters dealing with impairment methodology and hedge accounting are still being developed.

Management have yet to assess the impact that this amendment is likely to have on the financial statements of the Association. However, they do not expect to implement the amendments until all chapters of AASB 9 have been published and they can comprehensively assess the impact of all changes.

Consolidation Standards

A package of consolidation standards are effective for the annual periods beginning or after 1 January 2013. Information on these new standards is presented below. The Association's management have yet to assess the impact of these new and revised standards on the Association's consolidated financial statements.

AASB 10 Consolidated Financial Statements (AASB 10)

AASB 10 supersedes AASB 127 Consolidated and Separate Financial Statements (AASB 127) and Interpretation 112 Consolidation - Special Purpose Entities. It revised the definition of control together with accompanying guidance to identify an interest in a subsidiary. However, the requirements and mechanics of consolidation and the accounting for any non-controlling interest and changes in control remain the same.

AASB 12 Disclosure of Interests in Other Entities (AASB 12)

AASB 12 integrates and makes consistent the disclosure requirements for various types of investments, including unconsolidated structured entities. It introduces new disclosure requirements about the risks to which an entity is exposed from its involvement with structured entities.

Consequential amendments to AASB 127 Separate Financial Statements (AASB 127) and AASB 128 Investments in Associations and Joint Ventures (AASB 128)

AASB 127 Consolidated and Separate Financial Statements was amended to AASB 127 Separate Financial Statements which now deals only with separate financial statements. AASB 128 bring investments in joint ventures into its scope. However, AASB 128's equity accounting methodology remains unchanged.

AASB 13 Fair Value Measurement (AASB 13)

AASB 13 does not affect which items are required to be fair-valued, but clarifies the definition of fair value and provides related guidance on enhanced disclosures about fair value measurements. It is applicable for annual periods beginning on or after 1 January 2013. The Association's management has yet to assess the impact of this new standard.

AASB 2011-9 Amendments to Australia Accounting Standards Presentation of Items of Other Comprehensive Income (AASB 101 Amendments)

The AASB 101 Amendments require an entity to group items presented in other comprehensive income into those that, in accordance with other IFRSs : (a) will not be reclassified subsequently to profit or loss and (b) will be reclassified subsequent to profit or loss when specific conditions are met. It is applicable for annual periods beginning on or after 1 July 2012. The Association's management expect this will change the current presentation of items in other comprehensive income; however it will not affect the measure or recognition of such items

Amendments to AASB 119 Employee Benefits (AASB 119 Amendments)

The AASB 119 Amendments include a number of targeted improvements throughout the Standard. The main changes relate to defined benefit plans. They:

- eliminate the 'corridor method', requiring entities to recognise all gains and losses arising in the reporting period in other comprehensive income
- streamline the presentation of changes in plan assets and liabilities
- enhance the disclosure requirements, including information about the characteristics of defined benefit plans and the risks that entities are exposed to through participation in them.

The amended version of IAS 19 is effective for financial years beginning on or after 1 January 2013. The Association's management have yet to assess the impact of this revised standard on the Association's consolidated financial statements.

AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements (AASB 124 Amendments)
AASB 2011-4 makes amendments to AASB 124 Related Party Disclosures to remove individual key management personnel disclosure requirements, to achieve consistency with the international equivalent (which includes requirements to disclose aggregate (rather than individual) amounts of KMP compensation), and remove duplication with the Corporations Act 2011. The amendments are applicable for annual periods beginning on or after 1 July 2013. The Association's management have yet to assess the impact of these amendments.

Amendments to IAS 32 Financial Instruments: Presentation and IFRS 1 Financial Instruments: Disclosures

The amendments to IAS 32 add application guidance to address inconsistencies in applying IAS 32's criteria for offsetting financial assets and financial liabilities. The amendments are applicable for annual periods beginning on or after 1 July 2014. Qualitative and quantitative disclosures have been added to IFRS 7 relating to gross and net amounts of recognised financial instruments that are (a) set off in the statement of financial position and (b) subject to enforceable master netting arrangements and similar agreements, even if not set off in the statement of financial position. The Association's management have yet to assess the impact of these amendments.

Accounting Policies

Income Tax

The Association is endorsed as an income tax exempt charitable entity under Subdivision 50-B of the Income Tax Assessment Act 1997, and is registered for Goods and Services Tax.

Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of manufactured products includes direct materials, direct labour and an appropriate portion of variable and fixed overheads. Overheads are applied on the basis of normal operating capacity. Costs are assigned on the basis of weighted average costs.

Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost or fair value as indicated less, where applicable, any accumulated depreciation and impairment losses.

Plant and equipment

Plant and equipment are measured on the cost basis and are therefore carried at cost less accumulated depreciation and any accumulated impairment.

In the event the carrying value of plant and equipment is greater than the estimated recoverable amount, the carrying value is written down immediately to the estimated recoverable amount. A formal assessment of recoverable amount is made when impairment indicators are present.

Depreciation

The depreciation method and useful life used for items of property, plant and equipment (excluding freehold land) reflects the pattern in which their future economic benefits are expected to be consumed by the association. Depreciation commences from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements. The depreciation method and useful life of assets is reviewed annually to ensure they are still appropriate.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of the reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are included in the statement of comprehensive income. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

Impairment of Assets

At the end of each reporting period, the association assesses whether there is any indication that an asset may be impaired. The assessment will include considering external and internal sources of information. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss unless the asset is carried at a revalued amount in accordance with another Standard (e.g. in accordance with the revaluation model in AASB 116). Any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that Standard.

Where it is not possible to estimate the recoverable amount of an individual asset, the association estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

Employee Benefits

Provision is made for the associations liability for employee benefits arising from services rendered by employees at 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, plus related on-costs.

Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wage increases and the probability that the employee may not satisfy vesting requirements. Those cash outflows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cash flows.

Provisions

Provisions are recognised when the association 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.

Provisions recognised represent the best estimate of the amounts required to settle the obligation at the end of the reporting period.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the statement of financial position.

Revenue and Other Income

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed. For this purpose, deferred consideration is not discounted to present values when recognising revenue.

Revenue from the sale of goods is recognised at the point of delivery as this corresponds to the transfer of significant risks and rewards of ownership of the goods and cessation of all involvement in those goods.

Interest revenue is recognised using the effective interest rate method, which for floating rate financial assets is the rate inherent in the instrument.

Revenue recognition relating to the provision of services is determined with reference to the stage of completion of the transaction at the end of the reporting period and where outcome of the contract can be estimated reliably. Stage of completion is determined with reference to the services performed to date as a percentage of total anticipated services to be performed. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent that related expenditure is recoverable.

Trade and Other Payables

Trade and other payables represent the liabilities for goods and services received by the association that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of liability.

Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

Related Party Note

The Statement of Comprehensive Income includes an income and expenses amount of $121,810 (2018: $65,085) which comprises of related party trading between the entities of DC Solutions Ltd and Desert Channels Queensland Incorporated.

The Statement of Comprehensive Income includes an income and expenses amount of $-176,512 (2018: $-213,125) which comprises of related party trading between the entities of PBE Services Pty Ltd and Desert Channels Queensland Incorporated.

The Statement of Comprehensive Income includes an income and expenses amount of $-21,058 (2018: $-51,920) which comprises of related party trading between the entities of Pipebore Excell Pty Ltd and Desert Channels Queensland Incorporated.

The Statement of Comprehensive Income includes an income and expenses amount of $- (2018: $-43,200) which comprises of related party trading between the entities of Vicki Burden and Desert Channels Queensland Incorporated.

The financial report was authorised for issue on 13 September 2019 by the board of directors.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

2 Revenue and Other Income

	2019 $	2018 $
Revenue		
Sales revenue:		
Sale of goods	647.47	1,874.43
Other revenue:		
Interest received	24,613.63	28,813.27
Other revenue	2,625,745.09	3,253,838.83
	2,650,358.72	3,282,652.10
Total revenue	2,651,006.19	3,284,526.53
Other income		
Loss on Sale of Non-current Assets	-	(6,186.64)
Total other income	-	(6,186.64)
Interest revenue from:		
Interest Received	24,613.63	28,813.27
Total interest revenue on financial assets not at fair value through profit or loss	24,613.63	28,813.27
Other revenue from:		
Funding Received	2,246,468.00	2,998,157.74
Other Income	166,078.09	131,076.81
Pledge Income	210,000.00	110,059.28
Diesel Fuel Rebate	3,199.00	14,545.00
Total other revenue	2,625,745.09	3,253,838.83

3 Auditors' Remuneration

	2019 $	2018 $
Auditor's Remuneration		
Auditor's Remuneration - Desert Channels Queensland	11,500.00	11,500.00

	2019 $	2018 $

4 Cash and Cash Equivalents

	2019 $	2018 $
Cash on Hand	300.00	300.00
Commonwealth Bank Cheque Account	-	46,690.12
Commonwealth Bank Cash Management Account	695,538.51	681,851.86
Desert Channels Foundation	272,306.13	177,430.14
Suncorp Leave Account	410,847.65	407,156.90
Business Online Saver	267,083.85	623,588.60
PayPal Account	245.98	391.75
Commonwealth Bank MasterCard	-	3,136.98
Desert Channels Foundation Investment Account	263,087.77	189,506.77
	1,909,409.89	2,130,053.12

Reconciliation of cash

Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:

	2019 $	2018 $
Cash and cash equivalents	1,909,409.89	2,130,053.12
	1,909,409.89	2,130,053.12

5 Trade and Other Receivables

	2019 $	2018 $
Current		
Trade Debtors	148,313.38	371,158.15
Non-Current		
Loan - DC Solutions Limited	345,615.00	345,615.00

The association does not hold any financial assets whose terms have been renegotiated, but which would otherwise be past due or impaired.

6 Inventories

	2019 $	2018 $
Current		
At cost:		
Stock on Hand	23,383.45	25,944.04

DESERT CHANNELS QUEENSLAND INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

	2019 $	2018 $

7 Other Current Assets

	2019 $	2018 $
Current		
Prepayments	-	26,265.35

8 Property, Plant and Equipment

PLANT AND EQUIPMENT

	2019 $	2018 $
Plant and Equipment:		
At cost	669,465.46	655,065.46
Accumulated depreciation	(546,139.71)	(517,829.67)
Total Plant and Equipment	123,325.75	137,235.79

Movements in Carrying Amounts

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year.

	Freehold Land $	Buildings $	Plant and Equipment $	Leased Plant and Equipment $	Total $
Balance at 1 July 2017	-	-	132,370.23	-	132,370.23
Additions	-	-	48,609.20	-	48,609.20
Disposals	-	-	(6,186.64)	-	(6,186.64)
Depreciation expense	-	-	(37,557.00)	-	(37,557.00)
Balance at 30 June 2018	-	-	137,235.79	-	137,235.79
Additions	-	-	14,400.00	-	14,400.00
Depreciation expense	-	-	(28,310.04)	-	(28,310.04)
Carrying amount at 30 June 2019	-	-	123,325.75	-	123,325.75

9 Trade and Other Payables

	2019 $	2018 $
Current		
Sundry Creditors		
PAYG Tax Payable	-	15,299.61
Net GST Payable	17,345.00	30,354.00
	19,244.00	28,750.00
	36,589.00	74,403.61

		2019 $		2018 $
10	**Financial Liabilities**			
	Current			
	Commonwealth Bank Cheque Account	29.65		-
	Commonwealth Bank MasterCard	784.49		-
	Total current borrowings	814.14		-
	Total borrowings	5 814.14	5	-
11	**Provisions**			
	Provision for Employee Entitlements	390,827.23		395,309.58
	Total provisions	390,827.23		395,309.58
	Analysis of Total Provisions			
	Current	390,827.23		395,309.58
		390,827.23		395,309.58
12	**Other Liabilities**			
	Current			
	Unexpended Grant Revenue	291,489.72		686,098.47
13	**Retained Earnings**			
	Retained earnings at the beginning of the financial year	1,880,459.79		1,765,855.55
	(Net loss) Net profit attributable to the association	(50,132.41)		114,604.24
	Retained earnings at the end of the financial year	1,830,327.38		1,880,459.79

14 Contingent Assets

	2019 $	2018 $
Estimates of the potential financial effect of contingent assets that may become receivable:		
Contingent Assets		
Loan - DC Solutions Ltd		
There is a loan in existence between Desert Channels Queensland (Lender) and DC Solutions Limited (Borrower). There has been $345,615 already drawn on this loan, which is recognised on the Balance Sheet of both entities. There is no guarantee that the final $258,000 will be drawn down. The Repayment Date of this loan is 26th of October, 2019.	258,000.00	258,000.00

15 Events After the Reporting Period

While government funding was relatively stable in the 2018-19 financial year, recent negotiations with various funding bodies have indicated that a significant reduction in government grants is likely to occur during the 2019-2020 financial year and this will flow through to later years unless other revenue sources can be negotiated. While the exact amount of the reduction is not know, it is projected that it could be as much as 25% of current grant funds received.

The Board intends to address this matter with two strategies. Firstly, every effort will be made to secure alternative funding. Secondly, the Board will implement whatever cost savings are necessary to ensure its continuing viability.

It is not anticipated that this change in circumstances will affect the Board's ability to operate as a going concern because of the above strategies.

16 Board Remuneration

During the year Directors' Fees of $54,949.68 (2018: $46,811.98) were paid to Directors listed in the Directors' Report.

17 Cash Flow Information

	2019 $	2018 $
Reconciliation of Cash Flow from Operations with Profit after Income Tax		
Profit (Loss) after income tax	(50,132.41)	114,604.24
Non-cash flows in profit		
Depreciation	28,310.04	37,557.00
Net (Profit)/Loss on disposal on Non-Current Assets	-	6,186.64
Changes in assets and liabilities, net of the effects of purchase and disposals of subsidiaries		
(Increase)/Decrease in receivables	249,110.12	(53,683.26)
(Increase)/Decrease in inventories	2,560.59	(3,919.44)
Increase/(Decrease) in payables	(37,000.47)	(43,956.83)
Increase/(Decrease) in provisions	(4,482.35)	37,316.39
Increase/(Decrease) in unexpended grants	(394,608.75)	84,577.24
	(206,243.23)	216,238.98

18 Association Details

The registered office of the association is:

92 Galah Street, Longreach Q 4730

The principal place of business is:

92 Galah Street, Longreach Q 4730

DESERT CHANNELS QUEENSLAND INCORPORATED

DIRECTORS' DECLARATION

The directors of the association declare that:

1. The financial statements and notes, as set out on pages 3 to 20, are in accordance with the Association Incorporation Act (Qld) 1981 and:

   (a) comply with Accounting Standards, which, as stated in accounting policy Note 1 to the financial statements, constitutes explicit and unreserved compliance with International Financial Reporting Standards (IFRS); and

   (b) give a true and fair view of the financial position as at 30 June 2019 and of the performance for the year ended on that date of the association.

2. In the directors' opinion there are reasonable grounds to believe that the association 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 Andrew Drysdale

Dated this 13th day of September 2019

COMPILATION REPORT
TO DESERT CHANNELS QUEENSLAND INCORPORATED

We have compiled the accompanying special purpose financial statements of Desert Channels Queensland Incorporated which comprise the statement of financial position as at 30 June 2019, IncomeStatement, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

The specific purpose for which the special purpose financial statements have been prepared is set out in Note 1.

The responsibility of the director

The director is solely responsible for the information contained in the special purpose financial statements and has determined that the basis of accounting used is appropriate to meet their needs and for the purpose that the financial statements were prepared.

Our responsibility

On the basis of the information provided by the directors, we have compiled the accompanying special purpose financial statements in accordance with the basis of accounting and APES 315: Compilation of Financial Information.

Our procedures use accounting expertise to collect, classify and summarise the financial information, which the directors provided, in compiling the financial statements. Our procedures do not include verification or validation procedures. No audit or review has been performed and accordingly no assurance is expressed.

The special purpose financial statements were compiled exclusively for the benefit of the directors. We do not accept responsibility to any other person for the contents of the special purpose financial statements.

Name of Firm: Ringrose Button
Chartered Accountants

Name of Partner: Bill Ringrose

Address: 116 Eagle Street, Longreach QLD 4730

Dated this 13th day of September 2019

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF DESERT CHANNELS QUEENSLAND INCORPORATED

Opinion

We have audited the financial report of Desert Channels Queensland Inc (the association), which comprises the statement of financial position as at 30 June 2019, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, a summary of significant accounting policies and the certification by Directors on the annual statements giving a true and fair view of the financial position and performance of the association.

In our opinion, the accompanying financial report presents fairly, in all material respects, the financial position of the association as at 30 June 2019 and of its financial performance for the year then ended in accordance with the accounting policies described in Note 1 to the financial statements and the requirements of the *Associations Incorporation Act 1981*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the association in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the special purpose financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
Recognition of revenue Refer to Note 2 "Revenue and other income" and Note 10 "Financial Liabilities". The association's primary source of revenue is from delivery of government funded projects. Revenue is derived from a number of contracts and recognised based on the stage of completion of each contract. Generally, but not always, contracts are partly or fully pre-paid in advance, with identified outcomes for delivery and acquittal. Recognition of revenue is determined with reference to stages of the work completed, i.e. the percentage of work performed up to the reporting date with respect to the total anticipated contract work to be performed. The recognition of revenue is dependent on the	Our procedures included, amongst others: • Evaluating management's processes and controls in respect of the recognition of contract revenue. As part of this process we tested key controls including: - the review process for contract status at year end; - the estimation and review of costs to complete contracts; and - the project reviews that are undertaken by management on a periodic basis. • Selecting a sample of contracts for testing using quantitative and qualitative factors which may indicate that a greater level of judgment is required in recognising revenue. • For the sample of contracts we selected, the following procedures were performed:

following key factors:

- determination of stage of completion;

- estimation of total contract revenue and contract cost including the estimation of cost contingencies, and allocation of all project costs;

- determination of potential contract variations and estimation of amounts; and

- estimation of project completion date.

We focused on revenue as a key audit matter due to the number and type of estimation events over the course of a contract life, and the unique nature of individual contract conditions leading to complex and judgmental revenue recognition from contracts.

- obtaining an understanding of the contract terms and inspecting signed contracts to assess project delivery against conditions;

- testing a sample of costs incurred to date and agreeing these to supporting documentation;

- assessing through enquiry of management the current project status against the original budget;

- reviewing the forecast costs to complete projects in respect of a sample of contracts;

- testing on a sample basis contractual entitlement, variations and claims recognised in contract revenue; and

- evaluating on a sample basis significant exposures to refund of monies due to failed delivery of contract works.

- Assessing the adequacy of the disclosures in the financial statements.

Related Party Transactions

Refer to Note 1 "Significant Accounting Policies including "Related Party Note".

The association has disclosed related party transactions with:

DC Solutions Ltd (a company with oversight by the same Board and management as the association)

Pipebore Excell Pty Ltd (a company controlled by a director who is a related party to the CEO).

As the association is largely funded by government contracts, adequate disclosure of related party transactions is required in the public interest and to meet the requirements of relevant accounting standards.

Our procedures included, amongst others:

- Verifying the value of related party transactions disclosed in the financial reports;
- Assessing the adequacy of the disclosures in the financial statements;
- Enquiry of management and Chairperson to identify related party transactions;
- Review of controls used in relation to purchasing including:
  - Examining contractual arrangements;
  - Reviewing tendering processes;
  - Reviewing tender assessment processes;
  - Testing on a sample basis the oversight and authorisation of related party transactions.

Going Concern Basis of Accounting

Refer Note 15 "Events after the Reporting Period"

The association financial reports have been prepared on the going concern basis of accounting. However, Note 15 identifies the potential in future years for material uncertainty in the organisation continuing as a going concern due to potential loss of revenue at the conclusion of existing contracts.

Our procedures included, amongst others:

- Enquiry of management relating to the extent and timing of contract expiration;
- Examination of strategic planning initiatives to increase future revenue streams;
- Reviewing oversight and controls relating to cost management and forward expenditure commitments (e.g. staff contracts); and
- Assessing adequacy of disclosure in the financial reports.

Other Information

The directors are responsible for the other information, which comprises the information included in the association's annual report for the year ended 30 June 2019 but does not include the special purpose financial report and our auditor's report thereon. The annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors.

Responsibilities of the Directors for the Financial Report

The directors are responsible for the preparation and fair presentation of the financial report in accordance with the financial reporting requirements of the *Associations Incorporation Act 1981* and for such internal control as the directors determines is necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intends to liquidate the association or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 association's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the director's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the association's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Lionel Walsh
Walsh Accounting

13 September 2019

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Barcaldine QLD 4725