

Desert Knowledge Australia
Annual Report 2015-16



Desert Knowledge Australia Annual Report 2015-16

Desert Knowledge Australia (DKA) is a statutory corporation of the Northern Territory Government established in 2003 to 'encourage and facilitate learning, research and sustainable economic and social development relating to deserts and arid lands.... and related purposes.' DKA has the capacity to work across sectors and State/Territory borders to develop new or improved ways to deal with key challenges and opportunities in desert and remote areas. DKA also manages the Desert Knowledge Precinct, working with its member organisations to foster innovation and learning and promote investment in and the development of desert Australia.

Desert Knowledge Australia Board

A new full Board of DKA was appointed in April 2016 as follows:



Mr Chris Fry
Chair

Chris is CEO of Indigenous Business Australia (IBA), which assists Indigenous Australians to buy their own homes, own

their own businesses and invest in commercial ventures that provide strong financial returns. He joined IBA in February 2011 after an extensive history with the National Australia Bank, working in various roles over 25 years. This saw him work and live in regional, urban and country towns around Australia.

Chris has a longstanding interest and involvement in Indigenous affairs. He was Chair of the Indigenous Land Corporation's Mossman Gorge Development Steering Committee and an inaugural board member of the Indigenous Tourism Leadership Group. He has also completed a secondment with the Miriung Gajerrong Corporation in Kununurra.

Chris holds a Bachelor of Agricultural Economics from the University of New England and a Masters of Applied Finance from Charles Sturt University, is a graduate of the Australian Rural Leadership Program, and is a member of the Australian Institute of Company Directors. He is a fellow of the Australian Institute of Banking and Finance and the Australian Rural Leadership Foundation.



Ms Leeanne Caton
Deputy Chair

Leeanne is a Kalkadoon woman who grew up in Darwin. She has family and cultural connections throughout the NT, WA and Queensland.

Leeanne has worked for the Australian, Western Australian and Northern Territory Governments, as well as in the private sector. She has over 30 years' experience in Aboriginal health, education, employment, social justice, housing and economic development.

Before joining the Office of Aboriginal Affairs as Executive Director Leeanne was Managing Director of Perth-based Aboriginal owned and managed housing company Noongar Mia Mia Pty Ltd.

An Interim Board provided leadership to Desert Knowledge Australia from August 2014 until 31 March 2016. During this period, the Board made progress with the activities outlined in the DKA Strategic Plan 2015-18, endorsed in 2015 by the Minister for Business. The Interim Board of DKA consisted of six Directors:

- Dr Ken Johnson AM - Chair
- Mr Bob Liddle - Deputy Chair
- Mr Neil Ross
- Ms Ngarla Kunothe-Monks
- Mr Scott Lovett
- Mr Paul (Ngala) Ah Chee

Desert Knowledge Australia would like to sincerely thank the interim Directors for their commitment and contributions to providing a secure platform from which DKA can grow and implement its strategic goals.

Desert Knowledge Australia Board (continued)

Mr Paul Ah Chee (Ngala)

Director



Over the past 20 years Paul has been developing his capacity to contribute efficiently and effectively to the community, with a particular focus on the engagement of Indigenous Australians within the community. His goal is to see Indigenous Australians able to be economically self-sufficient and able to make choices about their future and day-to-day living.

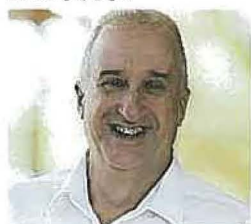
Paul is currently the Director of the Alice Springs Desert Park. He has

held a number of appointments to national boards and committees including the National Collection Council Australia, the Australian International Cultural Council, Indigenous Tourism Leadership Group, NT Indigenous Economic Development Committee, South Australian Museum and the Australian Tourism Commission.

Paul has served on the Desert Knowledge Australia Board since August 2014.

Mr Dave Batic

Director



David has worked in the Defence and Civil aviation industry for over 35 years. Prior to taking up his current appointment as General Manager Alice Springs and Tennant Creek Airports, David was General Manager Aviation Operations at Townsville International Airport.

David holds a Bachelor of Aviation and is currently a Chartered Engineer through Engineers Australia. As part of a senior management airport corporate

development program, David completed a Graduate Certificate in Business through Southern Cross University as part of an MBA program.

Since taking up the role of General Manager Alice Springs Airport, David has also been appointed as Chairman of Tourism Central Australia, Executive Board Member of the Chamber of Commerce and President of the Alice Springs RSL.

Mr Steve Brouwer

Director



Steve has been a resident of Alice Springs since 1986, and has been involved since then with building development and various commercial businesses, including an airline catering company.

Steve is Chair of the Regional Economic Development Committee, a Member of the Business Advisory Council, and Member of the Correctional Industries Advisory Council.

Mr Jimmy Cocking

Director



Jimmy is an environmentalist and community leader based in Alice Springs. He is Director of the Arid Lands Environment Centre and is passionate about desert Australia.

He has a strong connection to his local community and is keen to represent the issues facing northern and central Australia.

Desert Knowledge Australia Board (continued)

Mr Jason Quin
Director



A resident of Alice Springs, Jason Quin has worked for many years to support entrepreneurship with particular focus on ventures with a social and environmental purpose.

Currently representing Many Rivers Microfinance in Central Australia, Jason is also involved in a range of local organisations including Red Hot Arts Central Australia (Chair), Alice Springs Art Foundation (President), Arid Lands Environment Centre (Public Officer) and Tamara

Cooperative/Desert Fruit Company (Director).

Previously, Jason has worked for UnLtd - the Foundation for Social Entrepreneurs (UK), the Australian Centre for Social Innovation (Adelaide), and in Alice Springs, the Centre for Appropriate Technology, the Alice Springs Beanie Festival and the Broadband for the Bush Alliance.

Mr Rede Ogden
Director



Rede started Ogden Power in 2005 and was contracted for Bushlight in 2006 installing remote off-grid power systems. He partnered with SunPower Australia in 2008 installing the largest grid connect system in Australia at Crowne Plaza Alice Springs and installed the ADES tracker at the Desert Knowledge Australia Solar Centre, the largest dual axis tracker in the southern hemisphere.

Ogden Power is now partnered with WINAICO Australia as the NT preferred supplier and is working with WINAICO to develop off-grid solutions for remote Australia.

Mr Raymond Pratt
Director



Raymond Pratt is a proud Western Arrernte man. He is the director of DICE Australia and its group of companies, including Dice Contracting, Dice Renascent and Allgrid Energy.

AllGrid Energy was established to offer renewable technology solutions to Indigenous communities and the broader domestic market. The success of

both DICE and AllGrid Energy is built firmly on Ray's commitment to a collaborative business model that enables the companies to buy, build and develop the solutions needed for sustainable regional and remote enterprise.

Ray is honoured to be a board member of AEMEE, SCTE and DKA.

Strategic Directions

The strategic plan outlined by the DKA Board in mid-2015 continued to be implemented in 2015-16. The outline included six areas of strategic focus:

1. Energy

Establishing an Energy Hub at the Desert Knowledge Precinct that is a focus for research, development and industrial application for power supplies in remote areas.

2. Desert Knowledge Precinct

Continuing to develop the Desert Knowledge Precinct as a centre for complementary and like-minded organisations and businesses, working independently and in partnerships, to maximise the opportunities for Precinct members and enhance the local, national and international profile of the Precinct.

3. Intercultural Leadership

Supporting intercultural leadership has been a focus for DKA for many years, and focusing on leadership development with Aboriginal residents of remote communities is a step towards a more sustainable future for those living on their homelands.

4. Remote Community Engagement / remoteFOCUS

Working with communities to enhance their governance capacity and engagement with government, using the knowledge gained from the wide-ranging remoteFOCUS initiative (2008-16).

5. Facilitation and Collective Impact

Building on DKA's experience in facilitation and the collective impact approach, develop and provide independent rigorous facilitation services to collaborative efforts aligned with DKA's vision and strategic goals.

6. Desert Knowledge Foundation

Utilising the Deductible Gift Recipient (DGR) status of the Desert Knowledge Foundation to increase options for partnerships with business and industry to conduct research that enables DKA to better achieve its objectives.



DKA Activities

In 2015-16 DKA focussed on rebuilding operations while implementing the Strategic Plan 2015-2018. DKA operated with a total of 4 FTE staff for most of 2015-16, with a Senior Programs Manager joining the team at the end of January 2016.

Since the departure of an Acting CEO in February 2015, the organisation has been operating without a formally appointed CEO. A CEO recruitment process was initiated in 2015, but was put on hold until DKA's long-term business and financial profile was more stable, and a new Board appointed. In the interim, DKA made significant steps towards realising its strategic plan due to the strength of a close working relationship between DKA management and the interim Board. The new Board in early 2016-17 will commence refinement of the strategic plan and begin the recruitment process for a new CEO.

1.

Energy Hub

The vision for the Energy Hub at the Desert Knowledge Precinct is to accommodate a range of energy-related activities that are focused on improving power systems and supplies for off-grid, remote or isolated areas, which would have national and international application. To that end:

1) DKA engaged Ms Olivia Coldrey and Ms Irene Wyld of Wyld Consulting in 2015 to deliver a position paper on the option of developing a Centre of Excellence for Isolated Power Systems at the Desert Knowledge Precinct. Wyld consulted a selection of core stakeholders, including Power and Water Corporation, Indigenous Essential Services, CSIRO, the Department of the Chief Minister, the Centre for Appropriate Technology/CAT Projects, DKA, Ergon Energy and others. The position paper was delivered in December 2015 and circulated to the Board, DKA staff and Department of Business for comment. The paper provided substantial evidence for the value and need for the Centre, but required further textual consolidation while broadening aspects of its application.

Drawing heavily on the position paper, a discussion paper, 'Establishing a Centre of Excellence for Isolated Power Systems in Alice Springs' was written and

circulated to the new Board and a wide network of stakeholders in June 2016. Positive responses and substantial feedback to the paper helped shape the basis for a business plan for the Centre to be developed in the latter half of 2016.

2) Another element of the Energy Hub under consideration is that it be the base for a new Solar City initiative for Alice Springs. The first Alice Solar City project was an enormous success, with significant community engagement and take up of renewable energy options. DKA had been an early advocate for that project. Similarly, DKA is supporting the development of a second Solar City initiative that focuses more specifically on the technical options available to increase the amount of solar power used in the Alice Springs electricity grid. DKA has committed to supporting the initiative with office space and staff assistance in addition to a substantial governance role. If the bid for support and funding from the Commonwealth and NT Governments is successful, work will begin in early 2017.

2.

Desert Knowledge Precinct

Funded by the Department of the Chief Minister, a review of the Precinct's property arrangements by Preston Rowe Patterson was completed, providing some recommendations on options for attracting additional organisations and businesses to the Precinct and the appropriate fees and charges that might be levied by DKA. The report will be used as a reference for ongoing Precinct development.

Due to St Mary's Creek running through it, a significant portion of the 73ha Desert Knowledge Precinct cannot be developed. With this in mind, in 2015 a vision was developed to establish the Precinct as a **Land Management Hub** and leading example of land management best practices, research and development. For example, in May 2016 a trial to test the efficacy of different chemicals on buffel grass was undertaken between CSIRO, TNRM, NT Weeds Branch and DKA on the Precinct.

In partnership with other leading establishments in Alice Springs such as the Desert Park and Olive Pink Botanical Gardens, it is anticipated that the Precinct will help attract national and international land management conferences and experts to the region and provide a site for educational programs. This would also contribute to a broader Visitor Experience vision for the Precinct.

The **Visitor Experience project** is a collaborative initiative of the Precinct Management Committee, a sub-committee of the DKA Board whose membership consists of DKA Board representatives, the CEOs of Precinct members, and other relevant senior staff of the key Precinct based organisations. The work being done by the different organisations at the Precinct provided an opportunity to develop a program of information sharing and educational activities that would be of interest to visitors, schools and other groups. A Visitor Centre for the Precinct is part of this vision, creating a focal point for these activities. A business plan is to be developed in 2016-17.

New designs for clear **signage at the Precinct**, long an issue for visitors, was completed and approved in consultation with the Precinct members. Installation of Stage One (directional signage) will be completed in mid-late 2016.

The **DKA Solar Centre** has continued to grow with two new polycrystalline silicon modules installed in June 2016, bringing the total number of installations operating on site to 37. Installation of a 40kWp solar module from the National University of Singapore is anticipated for September/October 2016. As an example of active collaboration on the Precinct, the framing for new installations is done locally on-site in the Centre for Appropriate Technology workshop.

In consultation with Precinct members, through the Precinct Land Management sub-committee, and relevant local experts, a **buffel/land management plan** for the Precinct was finalised in late 2015. Working with fellow Precinct member, Centre for Appropriate Technology, the plan has been successfully implemented and as a result we are seeing native flora returning to the landscape and a return of native wildlife.

DKA has been working closely with community land management groups, Arid Lands Environment Centre (ALEC), Territory Natural Resource Management and the Alice Springs Town Council, in the development and submission of a **multi-project proposal to Green Army**. If approved the Precinct work will include a focus on St Mary's Creek, removing invasive grasses and educating participants with the intention to eventually reintroduce the endangered Slater's Skink in partnership with the Alice Springs Desert Park, which has a very successful breeding program for the species. The Slater's Skink was discovered on the Desert Knowledge Precinct land some 50 years ago.



Desert
Knowledge
Precinct

Early in 2015-16 the Precinct Management Committee approved a new logo for the Desert Knowledge Precinct, featuring a corkwood seed pod.

3. Intercultural Leadership

DKA continued to implement a program working with Indigenous Rangers focusing on intercultural leadership skills in partnership with the Central Land Council and Central Desert Native Title Services, and Ranger teams from Tennant Creek and Ti Tree in the NT and Kiwirrkurra in W.A. Workshops were held throughout the year to identify skills development needs, and activities that would develop the skills. DKA facilitated the Rangers, with guidance from Traditional Owners to create project plans around the activities, which will be delivered and evaluated throughout 2016-17.



Rangers from Ti Tree and Tennant Creek are facilitated to identify intercultural leadership skills that they will then work to develop through the program.

4. Remote Community Engagement, Facilitation and Collective Impact

In 2013, DKA committed to trialling a collective impact approach to working with complex socio-economic issues, testing its suitability for the particular problems of remote desert Australia. The approach was used in two contexts:

1) Remote Focus – Ngaanyatjarra Lands, WA

With funding from the Department of Prime Minister and Cabinet and the Sidney Myer Foundation to work with Ngaanyatjarra Council on governance reform, DKA used aspects of the collective impact approach to facilitate the appointment of independent Directors to the Ngaanyatjarra Board, and contributed to increased governance capacity and planning for the Board members the latter part of 2015. However, the work was put on hold by the Council and the funders due to priority changes, and the trial remained incomplete.

2) Early Childhood Development – Alice Springs

DKA tested the collective impact facilitation approach in response to a community-driven request for help with an initiative to improve

the conditions for children in the pre-birth – 4 year old range. The initiative contributed to the funding of a substantial early childhood precinct in an Alice Springs suburb; and a workshop organised by DKA in May 2016 re-invigorated support for the program, now called 'Strong Kids. Strong Centre'. While DKA relinquished its role in the program, passing on the backbone facilitator role to organisations directly involved with early childhood, the experience gained in facilitating the process is being adapted for use in intercultural facilitation.

DKA also trialled an intercultural program in late 2015 called 'Codes for Life', which focused on building Aboriginal men's capacity to assume their social responsibilities through better understanding of the multiple cultural codes that affect them, including sporting codes. The success of the workshop was the basis for securing funding to continue to trial the approach in 2016-17 in Alice Springs and Tennant Creek.



Props used in the 'Codes for Life' workshop included a shield, coolamon, boomerangs, spears, a payback spear, an AFL football and a measuring tape.

Desert Knowledge Australia

Financial Statements

For the Year Ended 30 June 2016

Desert Knowledge Australia

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For the Year Ended 30 June 2016

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Desert Knowledge Australia

Report by the Board of Directors

30 June 2016

The directors of Desert Knowledge Australia (DKA) submit herewith the annual report of DKA for the financial year ended 30 June 2016. The directors report as follows:

1. General information

Information on directors

The following persons held office as members of the Board for the 2015/16 financial year until 31 March 2016.

Chair	Dr Ken Johnson
Deputy Chair	Mr Bob Liddle
Members	Mr Neil Ross Mr Paul Ah Chee Mr Scott Lovett Ms Ngarla Kunoth-Monks (Appointed 18 August 2015)

On 22 April 2016, a new board was appointed and has held office from that date until the date of this financial report.

Chair	Mr Chris Fry
Deputy Chair	Ms Leeanne Caton
Members	Mr Steve Brouwer Mr Jimmy Cocking Mr Jason Quinn Mr Paul Ah Chee Mr Rede Ogden Mr Ray Pratt Mr Dave Batic

Principal activities

The functions of DKA are specified in the *Desert Knowledge Australia Act 2003* (NT). The principal activities of DKA are to:

- Encourage and facilitate the development of a body of knowledge and expertise relevant to deserts and arid lands;
- Encourage improvements to the economies and livelihoods of communities in deserts and arid lands and further the economic and social development and ecologically sustainable wealth creation of those communities; and
- Establish, develop and manage the Desert Knowledge Australia Precinct as a nationally and internationally renowned centre of knowledge about deserts and arid lands and for its contribution to education and training, research, commerce and technology relevant to the economic and social development of communities in deserts and arid lands.

Ministerial Directions

No written ministerial directions were received by DKA, under Section 9 of the *Desert Knowledge Australia Act 2003*, for the year ended 30 June 2016.

Desert Knowledge Australia

Report by the Board of Directors continued

30 June 2016

2. Operating results and review of operations for the year

Operating results

The loss incurred by DKA amounted to \$75,137 (2015 loss was \$87,633).

Programs & Projects	Revenue	Expense	Surplus/(Deficit)
	\$000	\$000	\$000
Desert Leadership Project	15	(42)	(27)
Subtotal Programs & Projects	15	(42)	(27)
Core Activities			
Governance and Management	999	(1,176)	(177)
Solar Centre	132	(65)	67
Desert Knowledge Precinct Management	535	(433)	102
Desert Knowledge Business	-	(40)	(40)
Subtotal Core Activities	1,666	(1,714)	(48)
	1,681	(1,756)	(75)

Dividends paid or recommended

No dividends were paid or declared since the start of the financial year. No recommendation for payment of dividends has been made.

Desert Knowledge Australia

Report by the Board of Directors continued

30 June 2016

3. Other items

Significant changes in state of affairs

There have been no significant changes in the state of affairs of DKA during the year.

Events after the reporting date

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

Likely developments and expected results of operations

In accordance with the strategic plan, DKA intends to continue to develop and facilitate networks across Australia and the globe, to further desert knowledge, whilst continuing to develop the Desert Knowledge Precinct.

DKA expects to receive ongoing support from the Northern Territory Government, in the form of grant funding to perform the activities described above and as directed by the Minister.

Disclosure of information regarding likely developments in the operations of DKA in future years and the expected results of those operations are likely to result in unreasonable prejudice to DKA. Accordingly, this information has not been disclosed in this report.

Indemnification of officers and auditors

Section 56 of the *Desert Knowledge Australia Act 2003* indemnifies members of the Board, committees and staff from civil and criminal liabilities done in good faith in the exercise of their duties under the Act. DKA has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of any related body corporate against liability incurred as such an officer or auditor.

Auditor

The Auditor-General for the Northern Territory undertakes for the audit of DKA, in accordance with Section 47 of the *Desert Knowledge Australia Act 2003*.

Desert Knowledge Australia


Report by the Board of Directors continued

30 June 2016


Remuneration

Name	Appointed	Period of Membership Fees	2016 \$	2015 \$
F Chaney	5 May 10	4 years, 9 months	-	1,800
K Johnson	6 Aug 14	23 months	14,903	16,065
N Ross	6 Aug 14	23 months	1,303	1,520
R Liddle	6 Aug 14	23 months	304	912
Ngarla Kunoth Monks	18 Aug 15	11 months	797	-
Total income paid or payable, or otherwise made available to all Board Members of DKA from DKA, including superannuation guarantee levy.			17,307	20,297

Signed in accordance with a resolution of the Board of Directors



Chris Fry
Chair
16 November 2016



Dave Batic
Board Member
16 November 2016


Desert Knowledge Australia

Board's Declaration

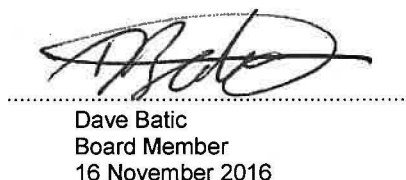
The Board declares that:

1. the financial statements and notes for the year ended 30 June 2016 are in accordance with the *Desert Knowledge Australia Act 2003* and:
 - a. comply with Accounting Standards, which, as stated in accounting policy note 1 to the financial statements, constitutes explicit and unreserved compliance with Australian Accounting Standards; and
 - b. give a true and fair view of the financial position and performance of DKA;
2. In the Board's' opinion, there are reasonable grounds to believe that DKA 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.



Chris Fry
Chair
16 November 2016



Dave Batic
Board Member
16 November 2016

Desert Knowledge Australia

Statement of Profit or Loss and Other Comprehensive Income
For the Year Ended 30 June 2016

		2016	2015
	Note	\$	\$
Grant revenue	11	810,000	986,818
Interest revenue	11	50,254	72,661
Other revenue	11	820,509	734,814
Total Revenue		1,680,763	1,794,293
Expenses	12	(791,418)	(662,159)
Employee expenses		(552,389)	(841,462)
Depreciation and Amortisation		(412,093)	(378,305)
Total Expenses		(1,755,900)	(1,881,926)
Deficit for the year		(75,137)	(87,633)
Total comprehensive income for the year		(75,137)	(87,633)

The accompanying notes form part of these financial statements.

Desert Knowledge Australia

Statement of Financial Position

As at 30 June 2016

	Note	2016 \$	2015 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	2	2,251,721	1,674,777
Trade and other receivables	3	255,638	226,740
TOTAL CURRENT ASSETS		2,507,359	1,901,517
NON-CURRENT ASSETS			
Property, plant and equipment	4	13,028,904	13,374,198
Intangible assets	5	816	976
TOTAL NON-CURRENT ASSETS		13,029,720	13,375,174
TOTAL ASSETS		15,537,079	15,276,691
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	6	532,707	108,517
Employee benefits	8	43,365	21,397
Rent received in advance	7	110,633	110,633
TOTAL CURRENT LIABILITIES		686,705	240,547
NON-CURRENT LIABILITIES			
Rent received in advance	7	2,487,282	2,597,915
TOTAL NON-CURRENT LIABILITIES		2,487,282	2,597,915
TOTAL LIABILITIES		3,173,987	2,838,462
NET ASSETS		12,363,092	12,438,229
EQUITY			
Issued capital		7,808,935	7,808,935
Retained earnings		4,554,157	4,629,294
TOTAL EQUITY		12,363,092	12,438,229

The accompanying notes form part of these financial statements.

Desert Knowledge Australia

Statement of Changes in Equity

For the Year Ended 30 June 2016

2016

	Note	Capital contribution \$	Retained earnings \$	Total Equity \$
Balance at 1 July 2015		7,808,935	4,629,294	12,438,229
Deficit attributable to members of DKA		-	(75,137)	(75,137)
Balance at 30 June 2016		7,808,935	4,554,157	12,363,092

2015

	Note	Capital contribution \$	Retained earnings \$	Total Equity \$
Balance at 1 July 2014		7,808,935	4,716,927	12,525,862
Deficit attributable to members of DKA		-	(87,633)	(87,633)
Balance at 30 June 2015		7,808,935	4,629,294	12,438,229

The accompanying notes form part of these financial statements.

Desert Knowledge Australia

Statement of Cash Flows For the Year Ended 30 June 2016

	Note	2016 \$	2015 \$
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from government grants		1,210,000	960,000
Other operating receipts		1,153,226	496,758
Payments to suppliers and employees		(1,769,897)	(1,677,146)
Interest received		50,254	72,661
Net cash provided by (used in) operating activities	17	<u>643,583</u>	<u>(147,727)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property, plant and equipment	4	<u>(66,639)</u>	<u>(596,282)</u>
Net cash used in investing activities		<u>(66,639)</u>	<u>(596,282)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net cash used in financing activities		<u>-</u>	<u>-</u>
Net increase/(decrease) in cash and cash equivalents held		576,944	(744,009)
Cash and cash equivalents at beginning of year		1,674,777	2,418,786
Cash and cash equivalents at end of financial year	2	<u>2,251,721</u>	<u>1,674,777</u>

The accompanying notes form part of these financial statements.

Notes to the Financial Statements

For the Year Ended 30 June 2016

This financial report covers DKA as an individual entity. DKA is a not-for-profit entity incorporated under the *Desert Knowledge Australia Act 2003* and operates in Australia.

The functional and presentation currency of DKA is Australian dollars.

1 Summary of Significant Accounting Policies

(a) Basis of Preparation

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Desert Knowledge Australia Act 2003*.

The significant accounting policies used in the preparation and presentation of these financial statements are provided below and are consistent with prior reporting periods unless otherwise stated.

The financial statements are based on historical costs, except for the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

The financial statements were authorised for issue by the directors on 30 September 2016.

(b) Comparative Amounts

Comparatives are consistent with prior years, unless otherwise stated.

(c) Property, Plant and Equipment

Classes of property, plant and equipment are measured using the cost model as specified below.

Where the cost model is used, the asset is carried at its cost less any accumulated depreciation and any impairment losses. Costs include purchase price, other directly attributable costs and the initial estimate of costs of dismantling and restoring the asset, where applicable.

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

The depreciable amount of all property, plant and equipment, except for leasehold land is depreciated on a straight-line method from the date that management determine that the asset is available for use.

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

Notes to the Financial Statements

For the Year Ended 30 June 2016

1 Summary of Significant Accounting Policies continued

The depreciation rates used for each class of depreciable asset are shown below:

Fixed Asset Class	Depreciation rate
Leasehold rights	144 to 150 years
Leasehold improvements	40 years
Office refurbishments	10 years
Improvements	40 years
Solar equipment	10 to 25 years

At the end of each annual reporting period, the depreciation method, useful life and residual value of each asset is reviewed. Any revisions are accounted for prospectively as a change in estimate.

When an asset is disposed of, the gain or loss is calculated by comparing proceeds received with its carrying amount and is taken to profit or loss.

(d) Financial instruments

Financial assets are classified into the following specified categories: 'held-to-maturity' investments and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Financial Assets

Financial assets are divided into the following categories which are described in detail below:

- loans and receivables;

Financial assets are assigned to the different categories on initial recognition, depending on the characteristics of the instrument and its purpose. A financial instrument's category is relevant to the way it is measured and whether any resulting income and expenses are recognised in profit or loss or in other comprehensive income.

All income and expenses relating to financial assets are recognised in the statement of profit or loss and other comprehensive income in the 'finance income' or 'finance costs' line item respectively.

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the effect of discounting is immaterial.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

Notes to the Financial Statements

For the Year Ended 30 June 2016

1 Summary of Significant Accounting Policies continued

For certain categories of financial assets, such as trade receivables, assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include DKA's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 30 days, as well as observable changes in national or local economic conditions that correlate with default on receivables. In some circumstances, DKA renegotiates repayment terms with customers which may lead to changes in the timing of the payments. DKA does not necessarily consider the balance to be impaired, however assessment is made on a case-by-case basis.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

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

Derecognition of financial assets

DKA derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If DKA neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, DKA recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If DKA retains substantially all the risks and rewards of ownership of a transferred financial asset, DKA continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

Other financial liabilities

Other financial liabilities, including trade and other payables, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Derecognition of financial liabilities

DKA derecognises financial liabilities when, and only when, DKA's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Notes to the Financial Statements

For the Year Ended 30 June 2016

1 Summary of Significant Accounting Policies continued

(e) Impairment of non-financial assets

At the end of each reporting period, DKA reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, DKA estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest DKA of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

(f) Intangible Assets

Trademarks

Trademarks are recognised at cost of acquisition. Trademarks have a finite life and are carried at cost less any accumulated amortisation and any impairment losses. Trademarks are amortised over their useful life ranging from 1 to 10 years.

Amortisation

Amortisation is based on the cost of an asset less its residual value.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use.

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(g) 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.

(h) Employee benefits

Provision is made for DKA'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, 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 satisfy vesting requirements. Those cash flows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cash flows.

Notes to the Financial Statements

For the Year Ended 30 June 2016

1 Summary of Significant Accounting Policies continued

(i) Income Tax

DKA is exempt from payment of income tax under section 50-25 of the Income Tax Assessment Act (1997).

(j) Leases

Leases of fixed assets are classified as finance leases when the terms of the lease transfer, substantially, all the risks and rewards incidental to ownership of the leased asset to DKA.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for that period.

Leased assets are depreciated on a straight-line basis over their estimated useful lives where it is likely that DKA will obtain ownership of the asset or over the term of the lease.

Lease payments for operating leases, where substantially all of the risks and benefits remain with the lessor, are charged as expenses on a straight-line basis over the life of the lease term.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

(k) 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 DKA and specific criteria relating to the type of revenue, as noted below, have been satisfied.

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

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.

Grant income

Government grants received or receivable are recognised immediately as revenue when there is reasonable assurance that:

- (a) DKA obtains control of the contribution or the right to receive the contribution;
- (b) it is probable that the economic benefits comprising the contribution will flow to DKA;
- (c) the amount of the contribution can be measured reliably; and
- (d) DKA will comply with the conditions attaching to them, if any.

Government grants are recognised in profit or loss on a systematic basis over the periods in which DKA recognises as expenses the related costs for which the grants are intended to compensate.

Notes to the Financial Statements

For the Year Ended 30 June 2016

1 Summary of Significant Accounting Policies continued

Government grants that become receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to DKA with no future related costs are recognised in profit or loss of the period in which they become receivable. The Northern Territory Government has agreed to continue providing financial support for the foreseeable future.

Interest Income

Interest income is recognised as it accrues, when it is probable that the future economic benefits will flow to DKA and it can be measured reliably.

Rental income

Rental income is recognised on a straight-line basis over the term of the relevant lease.

Sale of property, plant and equipment

The profit or loss on the sale of an asset is determined when control of the asset has passed from DKA to the buyer.

(l) Goods and Services Tax (GST)

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

(m) Economic dependency

The ongoing operations of DKA are reliant on continued funding by the Northern Territory Government.

(n) Critical accounting estimates and judgments

The directors make estimates and judgements during the preparation of these financial statements regarding assumptions about current and future events affecting transactions and balances.

These estimates and judgements are based on the best information available at the time of preparing the financial statements, however as additional information is known then the actual results may differ from the estimates.

The significant estimates and judgements made have been described below.

Key estimates - property, plant and equipment residual values and useful lives

These assets are written down to their estimated residual value over their anticipated useful lives using the straight-line basis. Management reviews residual values annually considering market conditions and disposal values.

Notes to the Financial Statements

For the Year Ended 30 June 2016

1 Summary of Significant Accounting Policies continued

(o) Adoption of new and revised accounting standards

In the current period DKA has adopted all of the new and revised Standards and Interpretations issues by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current annual reporting period. The adoption of these new and revised Standards and Interpretations has resulted in no significant change to DKA's accounting policies.

A number of Australian Accounting Standards and Interpretations are in issue but not effective for the current period end. The reported results and position of DKA will not change on adoption of these pronouncements as they do not result in any changes to DKA's existing accounting policies. Adoption would, however, result in changes to information currently disclosed in the financial statements. DKA does not intend to adopt any of these pronouncements before their effective dates.

2 Cash and cash equivalents

	Note	2016 \$	2015 \$
Cash at bank and on hand		680,089	128,671
Short-term bank deposits		1,571,632	1,546,106
		<u>2,251,721</u>	<u>1,674,777</u>

Reconciliation of cash

Cash and cash equivalents reported in the statement of cash flows are reconciled to the equivalent items in the statement of financial position as follows:

	Note	2016 \$	2015 \$
Cash and cash equivalents		<u>2,251,721</u>	<u>1,674,777</u>

3 Trade and other receivables

	Note	2016 \$	2015 \$
CURRENT			
Trade receivables		163,038	137,349
Other receivables		92,600	89,391
Total current trade and other receivables		<u>255,638</u>	<u>226,740</u>

(a) Impairment of receivables

Reconciliation of changes in the provision for impairment of receivables is as follows:

	2016 \$	2015 \$
Balance at beginning of the year	-	-
Provision used	-	-
Balance at end of the year	<u>-</u>	<u>-</u>

Notes to the Financial Statements

For the Year Ended 30 June 2016

3 Trade and other receivables continued

Credit risk

DKA has no significant concentration of credit risk with respect to any single counterparty or DKA of counterparties. The class of assets described as 'trade and other receivables' is considered to be the main source of credit risk related to DKA.

The following table details DKA's trade and other receivables exposure to credit risk (prior to collateral and other credit enhancements) with ageing analysis and impairment provided for thereon. Amounts are considered as 'past due' when the debt has not been settled within the terms and conditions agreed between DKA and the customer or counter party to the transaction. Receivables that are past due are assessed for impairment by ascertaining solvency of the debtors and are provided for where there is objective evidence indicating that the debt may not be fully repaid to DKA.

The balances of receivables that remain within initial trade terms (as detailed in the table) are considered to be of high credit quality.

	Gross amount \$	Past due and impaired \$	Past due but not impaired (days overdue)			
			< 30 \$	31-60 \$	61-90 \$	> 90 \$
2016						
Trade and term receivables	163,038	-	110,388	31,796	20,854	-
Other receivables	92,600	-	92,600	-	-	-
Total	255,638	-	202,988	31,796	20,854	-
2015						
Trade and term receivables	137,349	-	27,205	9,381	77,745	23,018
Other receivables	89,391	-	89,391	-	-	-
Total	226,740	-	116,596	9,381	77,745	23,018

DKA does not hold any financial assets with terms that have been renegotiated, but which would otherwise be past due or impaired.

The other classes of receivables do not contain impaired assets.

(b) Collateral held as security

The carrying value of trade receivables is considered a reasonable approximation of fair value due to the short-term nature of the balances.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable in the financial statements.

Notes to the Financial Statements

For the Year Ended 30 June 2016

	2016 \$	2015 \$
4 Property, plant and equipment		
Leasehold land		
At cost	676,909	676,909
Accumulated amortisation	(40,617)	(36,104)
Total leasehold land	<u>636,292</u>	<u>640,805</u>
Plant and equipment		
At cost	1,504,778	992,406
Accumulated depreciation	(203,194)	(140,971)
Total plant and equipment	<u>1,301,584</u>	<u>851,435</u>
Office refurbishments		
At cost	32,653	32,653
Accumulated depreciation	(18,069)	(14,804)
Total office refurbishments	<u>14,584</u>	<u>17,849</u>
Motor Vehicles		
At cost	60,549	-
Accumulated depreciation	(2,151)	-
Total Motor Vehicles	<u>58,398</u>	<u>-</u>
Work in Progress		
At cost	-	506,282
Total work in progress	<u>-</u>	<u>506,282</u>
Improvements		
At cost	10,748,618	10,748,617
Accumulated depreciation	(1,410,565)	(1,221,692)
Total improvements	<u>9,338,053</u>	<u>9,526,925</u>
Solar equipment		
At cost	2,730,974	2,680,974
Accumulated depreciation	(1,050,981)	(850,072)
Total solar equipment	<u>1,679,993</u>	<u>1,830,902</u>
Total plant and equipment	<u>12,392,612</u>	<u>12,733,393</u>
Total property, plant and equipment	<u>13,028,904</u>	<u>13,374,198</u>

Desert Knowledge Australia

Notes to the Financial Statements
For the Year Ended 30 June 2016

4 Property, plant and equipment continued

(a) Movements in carrying amounts of property, plant and equipment

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

	Land \$	Plant and Equipment \$	Office Refurbishments \$	Work in Progress \$	Improvements \$	Solar Equipment \$	Motor Vehicles \$	Total \$
Year ended 30 June 2015								
Balance at the beginning of the year	645,318	843,584	21,114	-	9,715,796	1,930,249	-	13,156,061
Additions	-	40,000	-	506,282	-	50,000	-	596,282
Depreciation / amortisation expense	(4,513)	(32,149)	(3,265)	-	(188,871)	(149,347)	-	(378,145)
Balance at the end of the year	640,805	851,435	17,849	506,282	9,526,925	1,830,902	-	13,374,198
	Land \$	Plant and Equipment \$	Office Refurbishments \$	Work in Progress \$	Improvements \$	Solar Equipment \$	Motor Vehicles \$	Total \$
Year ended 30 June 2016								
Balance at the beginning of the year	640,805	851,435	17,849	506,282	9,526,925	1,830,902	-	13,374,198
Additions	-	512,372	-	(506,282)	-	-	60,549	66,639
Depreciation / amortisation expense	(4,513)	(62,223)	(3,265)	-	(188,872)	(150,909)	(2,151)	(411,933)
Balance at the end of the year	636,292	1,301,584	14,584	-	9,338,053	1,679,993	58,398	13,028,904

Notes to the Financial Statements

For the Year Ended 30 June 2016

4 Property, plant and equipment continued

There was no impairment recognised in 2016. (2015: nil)

On 16 July 2007, the Minister for Planning & Lands granted to DKA a lease of Land (Lot 09398) with an area of 72 hectares at South Stuart Highway, Alice Springs on which Desert Knowledge Precinct is situated for 75 years (with an option to extend for another 75 years). The value of the leasehold right was based on the cost held in the land register.

On 30 June 2008, the NT Government transferred the ownership of the Business Innovation Centre to DKA. The total cost of the building was \$3,007,499. DKA contributed \$1,250,000, all of which was recorded as expense in prior years (2007, 2006 and 2005.)

During the 2008/2009 financial year, the Centre for Appropriate Technology transferred ownership of solar equipment with a total value of \$1,975,500 to DKA.

During the 2009/10 financial year, CSIRO funded and managed an extension to the Desert Knowledge Business and Innovation Centre (owned by DKA) valued at \$3,319,000. A \$0 rent lease agreement, in return for funding this extension, was made for a period of 30 years of the 40 year building life.

During the 2010/11 financial year, the Northern Territory Government transferred the ownership of the Desert Knowledge Precinct head works, having a total cost of \$5,304,766, to DKA. Included in the head works was a Sewerage Plant with a cost of \$939,850, having a useful life of 30 years. The balance of \$4,364,916 was allocated to permanent road earthworks that are being depreciated over the 144 years remaining under the 75 +75 year lease arrangement.

During the 2010/11 financial year, the Centre for Appropriate Technology transferred ownership of solar equipment with a total value of \$705,474 to DKA.

On 30 June 2012, the NT Government transferred a final balance of \$69,759 for ownership of Desert Knowledge Precinct head works to DKA. This is being depreciated in line with the previous contribution in the 10/11 financial year.

On 13 February 2015 ownership of Tel Solar Energy assets valued at \$50,000 were transferred to DKA from CAT Projects.

Notes to the Financial Statements

For the Year Ended 30 June 2016

	2016 \$	2015 \$
5 Intangible Assets		
Trademarks and other rights		
Cost	1,600	1,600
Accumulated amortisation and impairment	(784)	(624)
Net carrying value	816	976
Total Intangibles	816	976
		Trademarks and other rights \$
Year ended 30 June 2015		
Balance at the beginning of the year		976
Amortisation		(160)
Closing value at 30 June 2016		816
Year ended 30 June 2014		
Balance at the beginning of the year		1,136
Amortisation		(160)
Closing value at 30 June 2015		976

On 30 June 2011, \$1,600 was paid towards the renewal of the 'Desert Knowledge Australia' Trade Mark. This amount is to be amortised over 10 years commencing 1 July 2011.

Intangible assets have finite useful lives. The current amortisation charges for intangible assets are included under depreciation and amortisation expense in the statement of profit or loss and other comprehensive income.

6 Trade and other payables	2016 \$	2015 \$
CURRENT		
Trade payables	52,774	57,695
Other payables	479,933	50,822
	532,707	108,517

All amounts are short term and the carrying values are considered to be a reasonable approximation of fair value.

Notes to the Financial Statements

For the Year Ended 30 June 2016

	2016 \$	2015 \$
7 Other liabilities		
CURRENT		
Rent received in advance	<u>110,633</u>	110,633
NON-CURRENT		
Rent received in advance	<u>2,487,282</u>	2,597,915

DKA holds a 30 year lease agreement with CSIRO which provides for \$0 rent in exchange for the acquisition of a building extension valued at \$3,151,080. This was recorded as rent received in advance. The annual value of rent, being \$110,633, is being amortised each year against this amount.

8 Employee Benefits	2016 \$	2015 \$
CURRENT		
PAYGW	11,628	-
Superannuation	10,157	-
Payroll accrual	1,601	9,313
Social Club	2,115	2,115
Vehicle deduction	2,491	2,491
Employee loan	32	-
Provision for annual leave	<u>15,341</u>	7,478
	<u>43,365</u>	21,397

9 Capital and Leasing Commitments**(a) Operating Leases**

Operating leases relate to the property owned by DKA with lease terms of between 5 to 10 years, with an option to extend. All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the property at the expiry of the lease period.

Rental income earned by DKA from its properties and direct operating expenses arising on the properties for the year are set out in notes 11 and 12 respectively. Expenses are included within expense line 'Desert Knowledge Precinct'.

	2016 \$	2015 \$
Minimum lease payments under non-cancellable operating leases:		
- not later than one year	110,633	213,354
- later than one year	442,532	853,416
- later than five years	<u>2,044,750</u>	2,007,218
	<u>2,597,915</u>	3,073,988

Notes to the Financial Statements

For the Year Ended 30 June 2016

10 Financial Risk Management continued

10 Financial Risk Management

DKA is exposed to a variety of financial risks through its use of financial instruments. This note discloses DKA's objectives, policies and processes for managing and measuring these risks. DKA's overall risk management plan seeks to minimise potential adverse effects due to the unpredictability of financial markets. DKA does not speculate in financial assets.

The most significant financial risks to which DKA are exposed to are described below:

Specific risks

- Market risk - cash flow interest rate risk and price risk
- Credit risk
- Liquidity risk

Financial instruments used

The principal categories of financial instruments used by DKA are:

- Trade receivables
- Cash at bank
- Trade and other payables

Objectives, policies and processes

In late 2014 the DKA Board established Finance, Audit and Risk Management (FARM) sub-committee who meet three times per year (April/May, June/July, and December/January) to:

- monitor and review the financial reporting processes and procedures;
- ensure there is an adequate system of internal control;
- review the risk management systems;
- monitor, oversee and review the external audit process;
- monitor compliance with applicable laws, regulations and organisational policies;
- review post completion audits of major tenders and projects within a suitable timeframe after project/tender has commenced;
- ensure adequate internal communication and reporting; and
- prepare the annual report for the Minister

In the 2016FY the FARM Committee met only once on 30 September 2015. This was due to committee availability in December, and with Board membership terms intended to end on 31 December no January 2016 dates were explored. In late December DKA were advised that the Board's term had been extended to 31 March 2016 in which case a full Board meeting occurred at the earliest opportunity, based again on Director availability, on 10 March 2016. The Interim Board's term ended on 31 March and while the instruments of appointment for a new Board was dated 22 April acceptances were not received until after 30 June.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to DKA.

Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposure to wholesale and retail customers, including outstanding receivables and

Notes to the Financial Statements

For the Year Ended 30 June 2016

10 Financial Risk Management continued

committed transactions.

DKA only deals with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults. The utilisation of credit limits by customers is regularly monitored by management.

Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable.

Management considers that all the financial assets that are not impaired for each of the reporting dates under review are of good credit quality, including those that are past due.

The credit risk for liquid funds and other short-term financial assets is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

Liquidity risk

Liquidity risk arises from DKA's management of working capital. It is the risk that DKA will encounter difficulty in meeting its financial obligations as they fall due.

At the reporting date, these reports indicate that DKA is expected to have sufficient liquid resources to meet its obligations under all reasonably expected circumstances and will not need to draw down any of the financing facilities.

DKA is dependent on continuous grant funding.

DKA's liabilities have contractual maturities which are summarised below:

	Not later than 1 month	
	2016	2015
	\$	\$
Trade payables	52,774	58,148

Market risk

Most of DKA's transactions are carried out in Australian Dollars.

(i) Cash flow interest rate sensitivity

DKA is exposed to interest rate risk as funds are deposited at floating and fixed rates. Deposits placed at fixed rates expose DKA to fair value interest rate risk.

DKA manages interest rate risk by investing in high interest deposits.

The following table illustrates the sensitivity of the net result for the year and equity to a reasonably possible change in interest rates of +1% and -1% (2015: +1%/-1%), with effect from the beginning of the year. These changes are considered to be reasonably possible based on observation of current market conditions.

The calculations are based on the financial instruments held at each reporting date. All other variables are held constant.

	2016		2015	
	+1%	-1%	+1%	-1%
Cash and cash equivalents				
Net results	22,517	(22,517)	16,748	(16,748)
Equity	22,517	(22,517)	16,748	(16,748)

Notes to the Financial Statements

For the Year Ended 30 June 2016

11 Revenue and Other Income

Rent received includes non-cash rent from CSIRO of \$110,633 (2015: \$110,633)

	2016 \$	2015 \$
Revenue		
Grants received - NT Government	810,000	960,000
Grants received - other	-	26,818
Total grant revenue	810,000	986,818
Rents received	234,149	227,410
Other	586,360	507,404
Total other revenue	820,509	734,814
Interest	50,254	72,661
	1,680,763	1,794,293

12 Expenses

The result for the year includes the following specific expenses:

Consultants	83,535	29,453
Board costs	17,958	23,575
Media/marketing/advertising	9,906	30,640
Motor vehicles	14,940	19,619
Travel/accommodation	11,857	18,115
Desert Knowledge Precinct	350,122	314,017
Other expenses	303,100	226,740
	791,418	662,159

13 Key Management Personnel Disclosures

The remuneration paid to the key management personnel of DKA during the year are as follows:

	2016 \$	2015 \$
Compensation to key management personnel	171,192	272,040

14 Remuneration of Auditors

The *Desert Knowledge Australia Act 2003* appoints the Auditor-General for the Northern Territory to audit the annual financial report for DKA each year.

15 Contingencies

In the opinion of the Directors, DKA did not have any contingencies at 30 June 2016 (30 June 2015: None).

16 Related Parties

DKA's main related parties are as follows:

Notes to the Financial Statements

For the Year Ended 30 June 2016

(a) Key management personnel

Any person(s) having authority and responsibility for planning, directing and controlling the activities of DKA, directly or indirectly, including any director (whether executive or otherwise) of that DKA is considered key management personnel.

For details of disclosures relating to key management personnel, refer to Note 13: Key Management Personnel Disclosures.

(b) Entities under control of Desert Knowledge Australia

Desert Knowledge Foundation is owned by the DKA. DKA has a different Board of Directors to the Desert Knowledge Foundation and does not control that entity. Desert Knowledge Foundation is a non-trading DKA and has had no transactions in the year ended 30 June 2016.

(c) Transactions with related parties

During the year ended 30 June 2016, there were no transactions with related parties.

17 Cash Flow Information

(a) Reconciliation of result for the year to cash flows from operating activities

Reconciliation of net income to net cash provided by operating activities:

	2016 \$	2015 \$
(Deficit)/Surplus for the year	(75,137)	(87,633)
Non-cash flows in profit:		
- amortisation	160	160
- depreciation	411,933	378,145
- rent received in advance	(110,633)	(110,633)
Changes in assets and liabilities:		
- (increase)/decrease in trade and other receivables	(28,898)	(154,240)
- increase/(decrease) in trade and other payables	424,190	(94,150)
- increase/(decrease) in employee benefits	21,968	(79,376)
Cash flow from operations	<u>643,583</u>	<u>(147,727)</u>

18 Events Occurring After the Reporting Date

The Business Manager was employed on a secondment basis from the NT Government (NTG) until 8 July 2016 when she transferred to DKA employment under the Public Employment Mobility Act. Long service leave, annual leave and sick leave totalling \$127,338 was taken up as a liability on 8 July 2016. DKA are to be reimbursed for annual leave which was paid each month to NTG as an accrual, but not sick leave or long service leave. The exact amount owing for annual leave is still to be calculated but it is estimated to be between \$26,000 and \$31,000.

Notes to the Financial Statements
For the Year Ended 30 June 2016

19 DKA Details

The registered office of and principal place of business of DKA is:

Desert Knowledge Business and Innovation Centre
Desert Knowledge Precinct
South Stuart Highway
Alice Springs NT 0870

Section 46 (2) Information

The following information is required by section 46 (2) of the *Desert Knowledge Australia Act 2003*:

- (a) There were no financial investments by DKA in bodies corporate, trusts, partnerships and joint ventures;
- (b) There were no known contingent liabilities of DKA; and,
- (c) There were no guarantees given by DKA.

21 Other statutory information

Distributions

No dividends or distributions were made during the financial year ended 30 June 2016 (2015: Nil).

Number of employees

As of 30 June 2016, DKA employed five (5) staff directly (2015: 4). Another one (1) staff member was employed by the Department of Business and Employment with wages and on-costs invoiced to and paid by DKA (2015:1).



Auditor-General

Independent Auditor's Report to the Minister for Trade, Business and Innovation

Desert Knowledge Australia

I have audited the accompanying financial report of Desert Knowledge Australia which comprises the statement of financial position as at 30 June 2016, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the certification of the financial statements by the Board.

The Board's Responsibility for the Financial Report

The Board of Desert Knowledge Australia is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and for such internal control as the Board determines is necessary to enable the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on the financial report based on my audit. I conducted my audit in accordance with Australian Auditing Standards. Those 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 judgement, 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 Board, as well as evaluating the overall presentation of the financial report.

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

Opinion

In my opinion the financial report gives a true and fair view of the financial position of Desert Knowledge Australia as at 30 June 2016, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards.

Julie Crisp
Auditor-General for the Northern Territory
Darwin, Northern Territory

23 November 2016