Royal Society for the Prevention of Cruelty to Animals (Queensland) Limited and controlled entities

ABN 74 851 544 037

Consolidated Financial report
For the year ended 30 June 2018

TABLE OF CONTENTS

Financial report

Consolidated statement of comprehensive income 1

Consolidated statement of financial position 2

Consolidated statement of changes in equity 3

Consolidated statement of cash flows 4

Notes to financial statements .... 5 - 28

Statement by the directors of the board 29

Independent auditor's report .... 30 - 32

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2018

	Note	2018 $	2017 $
Revenue	3	51,024,669	49,400,663
Less: expenses			
Finance costs		(362,941)	(459,873)
Inspectorate expense		(3,801,460)	(3,816,664)
Animal training and behaviour expense		(397,511)	(402,207)
Administration expense		(6,448,217)	(5,856,197)
Marketing and public relations expense		(8,791,573)	(9,054,591)
Education expense		(264,038)	(257,747)
Animal shelter expense		(21,423,459)	(20,041,036)
Retail operations expense		(7,203,744)	(7,349,399)
Branch expense		-	(1,102,253)
Other expenses		(1,191,204)	(673,904)
		(49,884,147)	(49,013,871)
Surplus before income tax expense	4	1,140,522	386,792
Income tax expense	5	-	-
Surplus for the year		1,140,522	386,792
Other comprehensive income			
Items that may be reclassified subsequently to profit and loss			
Change in fair value of available for sale financial assets, net of tax		85,807	132,746
Gain or loss on disposal recognised in profit or loss		(67,088)	(225,587)
Total comprehensive income		1,159,241	293,951
Surplus is attributable to:			
- Owners of Royal Society for the Prevention of Cruelty to Animals (Queensland) Limited		1,143,859	375,664
- Non-controlling interests		(3,337)	11,128
		1,140,522	386,792
Total comprehensive income is attributable to:			
- Owners of Royal Society for the Prevention of Cruelty to Animals (Queensland) Limited		1,162,578	282,823
- Non-controlling interests		(3,337)	11,128
		1,159,241	293,951

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2018

	Note	2018 $	2017 $
Current assets			
Cash and cash equivalents	6	1,558,950	978,112
Trade and other receivables	7	2,366,326	2,136,126
Inventories	8	1,439,828	1,589,789
Other assets	9	322,121	572,879
Assets classified as held for sale		417,961	500,000
Total current assets		6,105,186	5,776,906
Non-current assets			
Other financial assets	10	1,369,942	1,250,891
Investments accounted for using equity method	12	100,911	193,060
Intangible assets	15	1,946,045	1,980,052
Property, plant and equipment	14	43,508,594	39,581,131
Other assets	9	72,590	1,063,721
Total non-current assets		46,998,082	44,068,855
Total assets		53,103,268	49,845,761
Current liabilities			
Trade and other payables	16	4,294,244	5,711,924
Borrowings	17	1,349,292	1,638,823
Provisions	18	1,560,040	1,625,739
Total current liabilities		7,203,576	8,976,486
Non-current liabilities			
Borrowings	17	7,566,955	4,086,279
Provisions	18	501,580	111,080
Total non-current liabilities		8,068,535	4,197,359
Total liabilities		15,272,111	13,173,845
Net assets		37,831,157	36,671,916
Equity			
Reserves	19	11,262,071	11,888,873
Accumulated surpluses	29	26,598,696	24,809,316
Equity attributable to owners of Royal Society for the Prevention of Cruelty to Animals (Queensland) Limited		37,860,767	36,698,189
Non-controlling interests	20	(29,610)	(26,273)
Total equity		37,831,157	36,671,916

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2018

	Reserves $	Accumulated Surpluses $	Non-controlling interests $	Total equity $
Balance as at 1 July 2016	12,627,235	23,788,131	(37,401)	36,377,965
Surplus for the year	-	357,664	11,128	386,792
Change in fair value of available for sale financial assets, net of tax	132,746	-	-	132,746
Gain or loss on disposal recognised in profit or loss	(225,587)	-	-	(225,587)
Total comprehensive income for the year	(92,841)	375,664	11,128	293,951
Transfers	(645,521)	645,521	-	-
Balance as at 30 June 2017	11,888,873	24,809,316	(26,273)	36,671,916
Balance as at 1 July 2017	11,888,873	24,809,316	(26,273)	36,671,916
Surplus for the year	-	1,143,859	(3,337)	1,140,522
Change in fair value of available for sale financial assets, net of tax	85,807	-	-	85,807
Gain or loss on disposal recognised in profit or loss	(67,088)	-	-	(67,088)
Total comprehensive income for the year	18,719	1,143,859	(3,337)	1,159,241
Transfers	(645,521)	645,521	-	-
Balance as at 30 June 2018	11,262,071	26,598,696	(29,610)	37,831,157

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2018

	Note	2018	2017
		$	$
Cash flow from operating activities			
Receipts from customers		52,022,401	50,478,593
Payments to suppliers and employees		(48,148,715)	(44,755,227)
Interest received		5,688	29,849
Finance costs		(615,232)	(610,861)
Dividend income		10,614	118,586
Net cash provided by operating activities	22(b)	3,274,756	5,260,940
Cash flow from investing activities			
Proceeds from sale of property, plant and equipment		1,562,175	312,134
Payment of security deposit		(8,869)	(20,000)
Payment for property, plant and equipment		(6,899,355)	(4,621,064)
Payment for available-for-sale financial assets		455,806	(869,905)
Proceeds from sale of available-for-sale financial assets		-	2,191,789
Payment for intangible assets		(363,800)	(895,824)
Loan to related party		-	(14,597)
Net cash provided by / (used in) investing activities		(5,254,043)	(3,917,467)
Cash flow from financing activities			
Proceeds from borrowings		7,772,000	236,267
Repayment of borrowings		(4,664,269)	(883,074)
Net cash provided by / (used in) financing activities		3,107,731	(646,807)
Reconciliation of cash			
Cash and cash equivalents at beginning of the financial year		108,078	(588,588)
Net increase / (decrease) in cash held		1,128,444	696,666
Cash and cash equivalents at end of financial year	22(a)	1,236,522	108,078

The accompanying notes form part of these financial statements.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards - Reduced Disclosure Requirements, Interpretations and other applicable authoritative pronouncements of the Australian Accounting Standards Board and the *Australian Charities and Not-for-profits Commission Act 2012 ('ACNC Act')*.

This financial report includes separate financial statements for the Royal Society for the Prevention of Cruelty to Animals (Queensland) Limited as an individual entity and the controlled entities as a consolidated group.

The Royal Society for the Prevention of Cruelty to Animals (Queensland) Limited is a not-for-profit entity for the purpose of preparing the financial statements.

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

(a) Basis of preparation of the financial report

Compliance with Australian Accounting Standards – Reduced Disclosure Requirements
The consolidated financial statements of the group also comply with Australian Accounting Standards - Reduced Disclosure Requirements as issued by the Australian Accounting Standards Board (AASB).

Application of new accounting standards
The Group has adopted all the mandatory new and amended Accounting Standards issued that are relevant to its operations and effective for the current reporting period. There was no material impact on the financial report as a result of the adoption of these standards.

Historical Cost Convention
The financial report has been prepared under the historical cost convention, as modified by revaluations to fair value for certain classes of assets as described in the accounting policies.

Critical Accounting Estimates
The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

The financial report has been prepared under the historical cost convention, as modified by revaluations to fair value for certain classes of assets and liabilities as described in the accounting policies.

Significant accounting estimates

The preparation of the financial report requires the use of certain estimates and judgements in applying the entity's accounting policies. Those estimates and judgements significant to the financial report are disclosed in Note 2.

Going Concern

The financial report has been prepared on the going concern basis, which assumes that the entity will be able to realise its assets and discharge its liabilities in the normal course of business.

In considering the preparation of the financial report on a going concern basis, the Directors have taken into account that a significant portion of the entity's annual revenues are generated from donation and bequest income which are subject to variability in terms of their timing and amount, and which are therefore difficult to forecast accurately.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation of the financial report (Continued)

In determining that the financial report is appropriately prepared on a going concern basis, the Directors have considered:

- the entity's forecast cash flows for a period of at least twelve months from the date of signing the financial report indicate that the entity will generate sufficient cash flows from operations to meet its financial obligations as and when they become due and payable;
- the entity has a proven track record of generating donation and bequest income on a recurring basis, and the level of bequest and donation commitments in the first two months of the financial year ending 30 June 2019 has exceeded $3m (refer note 25 for further details);
- the entity has recently renegotiated long term commercial bill facilities with $3m maturing in 2021 and $4m maturing in 2023. There are no specific lending covenants attaching to these facilities other than in relation to the provision of audited financial reports for the entity;
- the entity has access to an overdraft facility amounting to $1.7m. As at 30 June 2018 approximately $1.3m of this overdraft facility was undrawn and available;
- the entity has other investments of greater than $1.3m as at 30 June 2018 which can be utilised if necessary; and
- in the event that bequest and donation income is not generated at the forecast levels, or the timing of such income is inconsistent with the forecast timing, the entity has the ability to reduce its outgoings or sell assets to mitigate the impact of such revenue variability.

At the date of this report and having considered the above factors, the directors are confident that the entity will be able to continue as a going concern.

(b) Legal status

During the 2016 year the Society amended their constitution to become a company limited by guarantee effective 29 June 2016. The financial report is no longer prepared in accordance with the *Associations Incorporation Act (QLD) 1981* and is now prepared in accordance with the *Australian Charities and Not-for-profits Commission Act 2012.* The transition for financial reporting purposes is treated as a continuation.

Section 106F of the *Associations Incorporations Act (QLD) 1981* sets out the effect of a transfer of incorporation and refers to section 601BM of the *Corporations Act 2001* on whether a new entity is created and the effect on existing property, rights and obligations. Section 601BM of the *Corporations Act 2001* confirms that a new legal entity is not created as a result of the transfer. Further, section 601BC of the Corporations Act 2001 does not outline any requirements to lodge final accounts with the Registrar.

(c) Principles of consolidation

The consolidated financial statements are those of the consolidated entity ("the group"), comprising the financial statements of the parent entity and all of the entities the parent controls. The group controls an entity where it has the power, for which the parent has exposure or rights to variable returns from its involvement with the entity, and for which the parent has the ability to use its power over the entities to affect the amount of its returns.

The financial statements of subsidiaries are prepared for the same reporting period as the parent entity, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies which may exist.

All inter-company balances and transactions, including any unrealised profits or losses have been eliminated on consolidation. Subsidiaries are consolidated from the date on which control is transferred to the group and are de-recognised from the date that control ceases.

Equity interests in a subsidiary not attributable, directly or indirectly, to the group are presented as non-controlling interests. Non-controlling interests in the result of subsidiaries are shown separately in the statements of comprehensive income and statements of financial position respectively.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Foreign currency translations and balances

Functional and presentation currency

The financial statements of each entity within the consolidated entity is measured using the currency of the primary economic environment in which that entity operates (the functional currency). The consolidated financial statements are presented in Australian dollars which is the consolidated entity's functional and presentation currency.

Transactions and Balances

Transactions in foreign currencies of entities within the consolidated group are translated into functional currency at the rate of exchange ruling at the date of the transaction.

Foreign currency monetary items that are outstanding at the reporting date (other than monetary items arising under foreign currency contracts where the exchange rate for that monetary item is fixed in the contract) are translated using the spot rate at the end of the financial year.

Except for certain foreign currency hedges, all resulting exchange differences arising on settlement or re-statement are recognised as revenues and expenses for the financial year.

Subsidiaries that have a functional currency different from the presentation currency of the group are translated as follows:

- Assets and liabilities are translated at the closing rate on reporting date;
- Income and expenses are translated at actual exchange rates or average exchange rates for the period, where appropriate; and
- All resulting exchange differences are recognised in other comprehensive income.

(e) Revenue

Revenue is measured at the fair value of consideration received or receivable to the extent it is probable that the economic benefits will flow to the group, net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

The following specific recognition criteria must also be met before revenue is recognised:

Revenue from sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Risks and rewards of ownership are considered passed to the buyer at the time of delivery of the goods to the customer.

Dividend revenue is recognised when the right to receive a dividend has been established. Dividends received from associates and joint venture entities are accounted for in accordance with the equity method of accounting.

Interest revenue is recognised when it becomes receivable on a proportional basis taking in to account the interest rates applicable to the financial assets.

Grant revenue is recognised in the profit or loss when it is controlled. Where binding conditions, or specified milestones, exist relating to the specific purposes for which the grant funds may be applied, grant revenues are recognised in the statement of financial position as a liability until such time that all conditions of the grant are met.

Bequests and donations are recognised upon control.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)
(e) Revenue (Continued)

Gifted assets or assets acquired at a nominal value are recognised in the profit or loss and statement of financial position at their fair value at the date the Society obtains control over the asset.

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

(f) Income tax

Current income tax expense or revenue is the tax payable on the current period's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities.

Deferred tax assets and liabilities are recognised for temporary differences at the applicable tax rates when the assets are expected to be recovered or liabilities are settled. Deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

(g) Financial instruments

Classification

The group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the nature of the item and the purpose for which the instruments were acquired. Management determines the classification of its financial instruments at initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are subsequently measured at amortised cost using the effective interest rate method.

Available-for-sale

Available-for-sale financial assets include any financial assets not included in the above categories or are designated as such on initial recognition. Available-for-sale financial assets are subsequently measured at fair value. Unrealised gains and losses arising from changes in fair value are taken directly to equity. The cumulative gain or loss is held in equity until the financial asset is de-recognised, at which time the cumulative gain or loss held in equity is recognised in profit or loss.

Non-listed investments for which the fair value cannot be reliably measured, are carried at cost and tested for impairment.

Donated financial assets

Financial assets donated to the group are recognised at fair value at the date the group obtains the control of the assets.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)
(g) Financial instruments (Continued)

Financial liabilities

Financial liabilities include trade and other payables, other creditors and loans from third parties including inter-company balances and loans from or other amounts due to director-related entities.

Non-derivative financial liabilities are subsequently measured at amortised cost, comprising original debt less principal payments and amortisation.

Financial liabilities are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting period.

Impairment of financial assets

For loans and receivables and held-to-maturity investments carried at amortised cost, impairment losses are measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The amount of the loss reduces the carrying amount of the asset and is recognised in profit or loss. The impairment loss is reversed through profit or loss if the amount of the impairment loss decreases in a subsequent period and the decrease can be related objectively to an event occurring after the impairment was recognised.

For available-for-sale financial assets carried at fair value, the impairment loss is measured as the difference between the acquisition cost and current fair value, less any impairment loss previously recognised in profit or loss. If the asset is impaired, the cumulative loss is reclassified from equity to the profit or loss. For equity investments, the impairment loss is not reversed through profit or loss. For debt investments, the impairment loss is reversed through profit or loss if the fair value increases in a subsequent period and the increase can be objectively related to an event occurring after the impairment losses was recognised in profit or loss.

(h) Cash and cash equivalents

Cash and cash equivalents include cash on hand and at banks, short-term deposits with an original maturity of three months or less held at call with financial institutions, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the statements of financial position.

(i) Inventories

Inventories held for sale are measured at the lower of cost and net realisable value. Cost is determined on the basis of weighted average cost. Net realisable value represents the estimated selling price for inventories less all estimated costs necessary to make the sale.

For inventory acquired at no or nominal consideration, cost is the current replacement cost at the date of acquisition.

(j) Property, plant and equipment

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

Property

Freehold land and buildings are initially recorded at cost. Where freehold land and buildings were acquired at no cost or for a nominal amount, cost is deemed to be the fair value as at the acquisition date.

Property is subsequently measured on a cost basis.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)
(j) Property, plant and equipment (Continued)

Plant and equipment

Plant and equipment is measured at cost. Where plant and equipment was acquired at no cost or for a nominal amount, cost is deemed to be the fair value as at the acquisition date.
Depreciation

The depreciable amount of all property, plant and equipment is depreciated over their estimated useful lives commencing from the time the asset is held ready for use. Land and the land component of any class of property, plant and equipment is not depreciated.

Class of fixed asset	Depreciation/ amortisation rates	Depreciation/ amortisation basis
Leasehold land	over lease period	Straight line
Buildings at cost	2.5%-25%	Straight line
Plant and equipment at cost	2.5%-33.3%	Straight line
Motor vehicles at cost	22.5%	Straight line

At each period end date the leases in relation to buildings on leasehold land are reviewed to determine that, in the foreseeable future, there is no reason why they would not be renewed for a period covering at least the current useful life of the building. Where it is determined that the lease would not continue to be renewed for a period covering the useful life of the building, the balance would be written off over the likely period that the lease would continue to be renewed.

(k) Intangibles

Patents and trademarks

Patents, trademarks and licences are recognised at cost. They are amortised over their estimated useful lives, which range from 5 to 10 years. Patents, trademarks and licences are carried at cost less accumulated amortisation and any impairment losses.

Software assets comprise of acquired software assets and capitalised development expenditure relating to the Shelter Buddy TM software from which the sales and maintenance revenues are derived by the subsidiary company.

Capitalised development expenditure

Software is initially recorded at the fair value of costs incurred during the development phase. The software is considered to have a finite life and is carried at cost less any accumulated amortisation and impairment losses. Software is amortised on a straight line basis over its estimated useful life of 8 years and is included within other expenses in the income statement. All costs associated with the research phase and the ongoing maintenance of the software are expensed to the profit or loss in the period incurred.

Software

Costs capitalised include external direct costs and services relating to implementation of acquired software. Amortisation is calculated on a straight-line basis over a 3 year period.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Impairment of non-financial assets

Goodwill, intangible assets not yet ready for use and intangible assets with indefinite useful lives are not subject to amortisation and are therefore tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired.

For impairment assessment purposes, assets are generally grouped at the lowest levels for which there are largely independent cash flows ('cash generating units'). Accordingly, most assets are tested for impairment at the cash-generating unit level. Because it does not generate cash flows independently of other assets or groups of assets, goodwill is allocated to the cash generating unit or units that are expected to benefit from the synergies arising from the business combination that gave rise to the goodwill.

Assets other than goodwill, intangible assets not yet ready for use and intangible assets with indefinite useful lives are assessed for impairment whenever events or circumstances arise that indicate the asset may be impaired.

An impairment loss is recognised when the carrying amount of an asset or cash generating unit exceeds the asset's or cash generating unit's recoverable amount. The recoverable amount of an asset or cash generating unit is defined as the higher of its fair value less costs to sell and value in use. Refer to Note 2 for a description of how management determines value in use.

Impairment losses in respect of individual assets are recognised immediately in profit or loss unless the asset is carried at a revalued amount such as property, plant and equipment, in which case the impairment loss is treated as a revaluation decrease in accordance with the applicable Standard. Impairment losses in respect of cash generating units are allocated first against the carrying amount of any goodwill attributed to the cash generating unit with any remaining impairment loss allocated on a pro rata basis to the other assets comprising the relevant cash generating unit.

The recoverable amount is assessed on the basis of the expected net cash flows which will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to present values in determining recoverable amounts.

(m) Investments in associates

An associate is an entity over which the group is able to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies.

The group's interests in associates are brought to account using the equity method after initially being recognised at cost. Under the equity method, the profits and losses of the associate are recognised in the group's profit or loss and the group's share of other comprehensive income items is recognised in the group's other comprehensive income. Details relating to associates are set out in Note 13.

Unrealised gains and losses on transactions between the group and an associate are eliminated to the extent of the group's share in an associate.

(n) Provisions

Provisions are recognised when the group 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.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Leases

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

Finance leases

Leases of fixed assets, where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are transferred to the group are classified as finance leases. Finance leases are capitalised, recording an asset and a liability equal to the fair value or, if lower, the present value of the minimum lease payments, including any guaranteed residual values. The interest expense is calculated using the interest rate implicit in the lease and is included in finance costs in the statement of profit or loss. Leased assets are depreciated on a straight line basis over their estimated useful lives where it is likely that the group will obtain ownership of the asset, or over the term of the lease. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Operating leases

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

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

(p) Employee benefits

(i) Short-term employee benefit obligations

Liabilities arising in respect of wages and salaries, annual leave, accumulated sick leave and any other employee benefits (other than termination benefits) expected to be settled wholly before twelve months after the end of the annual reporting period are measured at the (undiscounted) amounts based on remuneration rates which are expected to be paid when the liability is settled. The expected cost of short-term employee benefits in the form of compensated absences such as annual leave and accumulated sick leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables in the statements of financial position.

(ii) Long-term employee benefit obligations

The provision for other long-term employee benefits, including obligations for long service leave and annual leave, which are not expected to be settled wholly before twelve months after the end of the reporting period, are measured at the present value of the estimated future cash outflow to be made in respect of the services provided by employees up to the reporting date. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee turnover, and are discounted at rates determined by reference to market yields at the end of the reporting period on high quality corporate bonds that have maturity dates that approximate the terms of the obligations. Any remeasurements for changes in assumptions of obligations for other long-term employee benefits are recognised in profit or loss in the periods in which the change occurs.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Employee benefits (Continued)

Other long-term employee benefit obligations are presented as current liabilities in the statement of financial position if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting date, regardless of when the actual settlement is expected to occur. All other long-term employee benefit obligations are presented as non-current liabilities in the statements of financial position.

(q) Borrowing costs

Borrowing costs including interest expense calculated using the effective interest method, finance charges in respect of finance leases, and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs.

Borrowing costs are expensed as incurred, except for borrowing costs incurred as part of the cost of the construction of a qualifying asset, in which case the costs are capitalised until the asset is ready for its intended use or sale.

(r) Goods and services tax (GST)

Revenues, expenses and purchased assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the statements of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(s) Comparatives

Where necessary, comparative information has been reclassified and repositioned for consistency with current year disclosures.

NOTE 2: SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

Certain accounting estimates include assumptions concerning the future, which, by definition, will seldom represent actual results. Estimates and assumptions based on future events have a significant inherent risk, and where future events are not as anticipated there could be a material impact on the carrying amounts of the assets and liabilities discussed below:

(a) Impairment

The Society assesses impairment at each reporting date by evaluating conditions specific to the group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.
No triggers of impairment were noted in the current or prior year.

(b) Prosecution claims receivable: provision for impairment

Historically prosecution claims receivable have been extremely difficult to recover in a timely and efficient manner. The Directors of the Board have determined that all prosecution claims owing for over 12 months in respect of individuals that have failed to make at least partial repayment during the financial year will be provided for. Refer to note 7 for details of the provision for impairment of prosecution claims receivable.

NOTE 3: REVENUE

	2018	2017
	$	$
Adoption, boarding and surrender fees	7,662,094	6,800,493
Inspectorate services	2,191,227	2,010,875
Merchandise sales	9,224,228	9,753,150
Veterinary services	786,298	528,749
Animal training services	109,440	76,821
Software sales and maintenance fees	873,903	861,145
	20,847,190	20,031,233
Dividend income	63,753	118,586
Interest income	9,340	29,849
Other income	24,220	-
	97,313	148,435
Profit on sale of non-current assets	67,088	226,377
Fundraising Income	4,670,407	4,358,277
Bequest and donation income	21,603,362	22,669,758
Subsidies and grants	3,739,309	1,966,583
	30,080,166	29,220,995
	51,024,669	49,400,663

(i) *Bequests and donations*

The Society received bequest and donations during the 2018 financial year that totaled $21,603,362 (2017: $22,669,758) including $1,148,334 (2017: $863,750) from bequest of property.

NOTE 4: OPERATING PROFIT

	2018	2017
	$	$
Surplus before income tax has been determined after:		
Finance costs	615,232	610,861
Foreign currency translation losses	8,964	(422)
Cost of sales	6,310,213	6,413,661
Employee benefits expense	23,130,511	21,742,757
Rental expense on operating leases	1,872,999	1,652,270
Loss / (gain) on disposal of property, plant and equipment	339,192	105,050
(Gain) on disposal of available-for-sale financial assets	(67,088)	(225,587)
Depreciation and amortisation of non-current assets:		
- Buildings	972,426	979,476
- Plant and equipment	1,167,644	1,153,724
- Motor vehicles	285,715	289,212
- Leasehold land	30,300	30,300
- Software	854,488	723,084
	3,310,573	3,175,796

NOTE 5: INCOME TAX

(a) Components of tax expense

Current tax	-	-
Deferred tax	-	-
Under/(over) provision in prior years	-	-
	-	-

NOTE 5: INCOME TAX (CONTINUED)

	2018	2017
	$	$
(b) Prima facie tax payable		
The prima facie tax payable on profit before income tax is reconciled to the income tax expense as follows:		
Prima facie income tax payable on profit before income tax at 27.5% (2017: 27.5%)	313,644	106,368
Less/(add) tax effect of:		
- Exempt net income	320,870	130,379
- Deferred tax asset on tax losses and temporary differences not brought to account	(7,226)	(24,011)
Income tax expense attributable to profit	-	-

(c) Deferred tax assets not brought to account

The Directors of the Board are currently reviewing the taxation position of the subsidiary, Shelter Management Pty Ltd. The subsidiary has accumulated tax losses of approximately $nil (2017: $nil). The deferred tax asset not recognised in relation to losses at 30 June 2018 is $nil (2017: $nil).

The Society also has unrecognised deferred tax assets relating to temporary differences of approximately $176,006 (2017: $245,917) consisting mainly of software assets being written off for tax purposes over 25 years.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised. At 30 June 2018, the Directors of the Board are of the view that the probability criteria have not been met. Accordingly, these deferred tax assets are not recognised in the financial statements.

NOTE 6: CASH AND CASH EQUIVALENTS

	2018	2017
Cash on hand	21,256	28,438
Cash at bank	1,537,694	949,674
	1,558,950	978,112

NOTE 7: TRADE AND OTHER RECEIVABLES

	2018	2017
	$	$
Trade debtors	905,369	1,473,267
Prosecution claims receivable	665,205	512,755
Impairment loss	(195,204)	(302,300)
	470,001	210,455
Loans - unsecured	74,293	14,597
GST receivable	184,736	117,014
Other debtors	731,927	320,793
	2,366,326	2,136,126

Impairment of prosecution claim receivables

Opening balance at 1 July	302,300	191,931
Charge for the year	(107,096)	110,369
Closing balance at 30 June	195,204	302,300

NOTE 8: INVENTORIES

CURRENT		
At cost		
Finished goods	1,439,828	1,589,789

NOTE 9: OTHER ASSETS

CURRENT		
Prepayments	322,121	572,879
NON CURRENT		
Deposit on land purchase	-	1,000,000
Security deposits	72,590	63,721
	72,590	1,063,721

NOTE 10: OTHER FINANCIAL ASSETS

At fair value		
Shares in listed corporations	1,369,942	1,250,891

NOTE 11: CONTROLLED ENTITIES

The ultimate parent entity of the Group is Royal Society for the Prevention of Cruelty to Animals (Queensland) Limited

Subsidiaries:	Country of Incorporation	Percentage Owned 2018	2017
Shelter Management Pty Ltd	Aust	87.3%	87.3%
Shelter Management Inc (dormant) (i)	USA	100%	100%

Shelter Management Pty Ltd is restricted from transferring funds to the parent entity in the form of cash dividends or repayment of loans as it has issued 150 redeemable preference shares to a minority shareholder whereby 75% of post tax operating profits are payable in settlement of the $2,400 dividend per preference share until such time that the dividends have been fully paid. At this time the shares will expire.

As the company has accumulated losses, no preference shares have been paid (2017: $nil)

(i) A subsidiary of Shelter Management Pty Ltd

NOTE 12: INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	2018 $	2017 $
NON CURRENT		
Equity accounted associated entities	100,911	193,060

NOTE 13: INTERESTS IN ASSOCIATES

(a) Associates

Associate	Nature of relationship	Ownership interest 2018 %	Ownership interest 2017 %	Measurement basis	Quoted fair value (if available) 2018 $	Quoted fair value (if available) 2017 $
Pet Cloud Pty Ltd	Business Partner	20	20	Equity accounted	-	-
Country of incorporation: Australia						

NOTE 14: PROPERTY, PLANT AND EQUIPMENT	2018 $	2017 $
Land		
Freehold land		
At cost	3,576,250	576,250
Leasehold land		
At cost	3,000,000	3,000,000
Accumulated amortisation	(202,519)	(172,219)
	2,797,481	2,827,781
Buildings		
At cost	38,027,360	38,789,202
Accumulated depreciation	(6,640,583)	(6,611,294)
	31,386,777	32,177,908
Total land and buildings	37,760,508	35,581,939
Plant and equipment		
At cost	9,480,215	8,908,302
Accumulated depreciation	(7,868,394)	(6,908,391)
	1,611,821	1,999,911
Motor vehicles		
At cost	2,533,418	2,409,906
Accumulated depreciation	(2,037,751)	(1,752,711)
	495,667	657,195
Work in progress	3,640,598	1,342,086
Total plant and equipment	5,748,086	3,999,192
Total property, plant and equipment	43,508,594	39,581,131

Reconciliations:

	Freehold Land	Leasehold Land	Buildings	Plant and Equipment	Motor Vehicles	Work in Progress
Balance at 1 July 2016	576,250	2,858,081	32,097,784	1,918,096	728,089	651,663
Additions	-	-	1,145,313	984,088	218,318	1,273,345
Disposals	-	-	(417,184)	-	-	-
Depreciation and amortisation expense	-	(30,300)	(979,476)	(1,153,724)	(289,212)	-
Transfer from work in progress	-	-	331,471	251,451	-	(582,922)
Balance at 30 June 2017	576,250	2,827,781	32,177,908	1,999,911	657,195	1,342,086
Balance at 1 July 2017	576,250	2,827,781	32,177,908	1,999,911	657,195	1,342,086
Additions	3,000,000	-	758,826	788,796	127,512	3,612,643
Disposals	-	-	(1,891,662)	(9,242)	(3,325)	-
Depreciation and amortisation expense	-	(30,300)	(972,426)	(1,167,644)	(285,715)	-
Transfer from work in progress	-	-	1,314,131	-	-	(1,314,131)
Balance at 30 June 2018	3,576,250	2,797,481	31,386,777	1,611,821	495,667	3,640,598

NOTE 15: INTANGIBLE ASSETS

	2018 $	2017 $
Software at cost	5,397,038	3,952,237
Accumulated amortisation and impairment	(3,455,316)	(2,600,827)
	1,941,722	1,351,410
Software intangible work in progress	4,323	628,642
Total intangible assets	1,946,045	1,980,052

Reconciliations:

	Software	Software intangible work in progress
Balance at 1 July 2016	979,058	148,909
Additions	1,095,436	479,733
Depreciation and amortisation expense	(723,084)	-
Balance at 30 June 2017	1,351,410	628,642
Balance at 1 July 2017	1,351,410	628,642
Additions	540,156	280,325
Disposals	-	-
Depreciation and amortisation expense	(854,488)	-
Transfer from work in progress	904,644	(904,644)
Balance at 30 June 2018	1,941,722	4,323

NOTE 16: TRADE AND OTHER PAYABLES

	2018 $	2017 $
CURRENT		
Unsecured liabilities		
Trade creditors	2,743,612	4,328,811
Sundry payables and accrued expenses	1,550,632	1,383,113
	4,294,244	5,711,924

NOTE 17: BORROWINGS

	2018 $	2017 $
CURRENT		
Unsecured liabilities		
Bank overdraft	322,428	870,034
Insurance premium funding	-	221,832
	322,428	1,091,866
Secured liabilities		
Commercial bills	-	432,000
Bank bills	676,800	-
Finance lease liabilities	350,064	114,957
	1,026,864	546,957
	1,349,292	1,638,823
NON CURRENT		
Unsecured liabilities		
Finance lease liabilities	475,970	450,279
Redeemable preference shares	80,000	80,000
	555,970	530,279
Secured liabilities		
Commercial bills	-	3,556,000
Bank bills	7,010,985	-
	7,010,985	3,556,000
	7,566,955	4,086,279

Lease Liabilities
Lease liabilities are effectively secured as the rights to the leased assets revert to the lessor in the event of default.

Redeemable Preference Shares
During the 2006 financial year and in consideration for the sum of $80,000, the subsidiary issued preference shares to a minority shareholder. The agreement states that 75% of post tax operating profits are payable to the holder as dividends until such time that 150 preference dividends at $2,400 each have been fully paid. On the basis that the subsidiary has an obligation to repay this amount to the holder of the preference shares, management have classified the instrument as a financial liability.

Bank Facilities
The bank overdraft, commercial bills and bank loans are secured by way of:
(i) Bill of sale and mortgage over all assets and uncalled capital of the Society;
(ii) First registered mortgages over the leasehold property at Station Road Wacol and freehold property at Laurenceson Road Gympie;
(iii) Deed of mortgage over securities held by the Society.

NOTE 17: BORROWINGS (CONTINUED)

The Society has a bank overdraft facility amounting to $1,700,000 (2017: $2,200,000). This may be terminated at any time at the option of the bank. At 30 June 2018, the unutilised facility was $1,377,572 (2017: $1,329,966). Interest rates are variable.

The bank overdraft is subject to annual review, but remains payable on demand.

The Society has finance facilities as follows:

Facilities	Facilities	Maturity	Utilised	Repayments
Bank Bill	$3,032,000	9 April 2021	$2,947,785	Interest + $56,400 per month
Bank Bill	$4,740,000	9 April 2023	$4,740,000	Interest only

The interest only commercial bill facility has specific conditions applied to it that if any event occurs that alters the risk of the financial institution accepting interest only repayments the financial institution can call upon the entity to make principal reductions as opposed to interest only repayments.

NOTE 18: PROVISIONS	2018	2017
	$	$
CURRENT		
Employee benefits	1,560,040	1,625,739
	1,560,040	1,625,739
NON CURRENT		
Employee benefits	501,581	111,080
	501,581	111,080

NOTE 19: RESERVES

Available for sale financial asset reserve	239,488	220,769
Other reserves	11,022,583	11,668,104
	11,262,071	11,888,873

The available for sale financial asset reserve is used to record movements in fair values of financial assets classified as available for sale.

The transfers from retained earnings to the Wacol goverment grant reserve of $645,521 (2017: $645,521) represents the depreciation charge.

NOTE 20: NON-CONTROLLING INTERESTS

Accumulated losses	(29,610)	(26,273)

NOTE 21: RELATED PARTY TRANSACTIONS

Transactions with Subsidiaries

Transactions between related parties are on normal commercial terms and conditions no more favourable that those available to other parties unless otherwise stated:

	Consolidated		Parent	
	2018	2017	2018	2017
	$	$	$	$
IT support and maintenance costs charged to RSPCA by Shelter Management Pty Ltd.	-	-	120,000	120,000
Hosting fees charged by Shelter Management Pty Ltd to RSPCA	-	-	21,060	21,060
Loan to Shelter Management Pty Ltd. This loan is interest free, unsecured and at call. The Society has agreed not to call on this loan should it jeopardise the liquidity of the subsidiary. The carrying value is shown after impairment loss / (reversal) of $nil (2017: $nil) recorded within other expenses.	-	-	347,918	347,918
Working account owed by Shelter Management Pty Ltd. This account is interest free and unsecured. The carrying value is shown after impairment loss / (reversal) of $551,984 (2017: $172,915) recorded within other expenses.	-	-	1,263,039	711,055
Recharge of executive and administrative wages to Shelter Management Pty Ltd	-	-	244,225	193,975

Other related party transactions

Management fees were paid to DNR Capital Pty Ltd of $11,278 (2017: $22,294) of which Justine Hickey (RSPCA QLD Treasurer) is a Director.

NOTE 22: CASH FLOW INFORMATION	2018 $	2017 $
(a) Reconciliation of cash		
Cash at the end of the financial year as shown in the statements of cash flows is reconciled to the related items in the statements of financial position is as follows:		
Cash on hand	21,256	28,438
Cash at bank	1,537,694	949,674
Bank overdrafts	(322,428)	(870,034)
	1,236,522	108,078

	2018 $	2017 $
(b) Reconciliation of cash flow from operations with surplus after income tax		
Surplus from ordinary activities after income tax	1,140,522	386,792
Adjustments and non-cash items		
Amortisation	854,488	723,084
Depreciation	2,456,085	2,452,712
Non-cash bequests	(550,001)	-
Net (gain) / loss on disposal of property, plant and equipment	342,052	105,050
Net (gain) / loss on disposal of financial instruments	(67,088)	(225,587)
Net (gain) on sale of properties held for sale	(37,846)	-
Share of associated company's net profit after dividends	92,149	106,940
Properties held for sale	-	400,000
Net movement in share portfolio, net of gains	(33,243)	400,000
Changes in assets and liabilities		
(Increase) / decrease in receivables	(230,200)	(211,405)
(Increase) / decrease in other assets	250,756	28,595
(Increase) / decrease in inventories	149,961	193,294
Increase / (decrease) in payables	(1,417,680)	1,174,205
Increase / (decrease) in provisions	324,801	127,260
Cash flows from operating activities	3,274,756	5,260,940

NOTE 23: KEY MANAGEMENT PERSONNEL COMPENSATION

Remuneration paid to key management personnel includes salary, contributions to members' superannuation and other benefits paid to them on their behalf. The following individuals are considered to be the key management personnel for the group:

Mark Townend (Chief Executive Officer)
Sheila Collecott (Executive Manager of Animal Focus)
Nick Crethar (Chief Financial Officer)
Todd Franks (Executive Manager of People Services)

	2018 $	2017 $
Key management personnel compensation	907,478	1,076,452

NOTE 24: CAPITAL AND LEASING COMMITMENTS

	2018	2017
a) Finance leasing commitments		
Payable		
- not later than one year	350,068	156,132
- later than one year and not later than five years	605,399	531,993
Minimum lease payments	955,467	688,125
Less future finance charges	(129,433)	(122,889)
Total finance lease liability	826,034	565,236
Represented by:		
Current liability (note 17)	350,064	114,957
Non-current liability (note 17)	475,970	450,279
	826,034	565,236
b) Operating lease commitments		
Non-cancellable operating leases contracted for but not capitalised in the financial statements: Payable		
- not later than one year	1,624,309	1,258,162
- later than one year and not later than five years	1,934,440	2,316,845
	3,558,749	3,575,007

NOTE 24: CAPITAL AND LEASING COMMITMENTS (CONTINUED)

The Society has 12 non-cancellable property leases with terms ranging from 1 to 5 years, with rent payable monthly in advance. Escalation clauses within the lease agreements require that the minimum lease payments shall be increased by CPI per annum. Options exist to renew the leases at the end of their terms, with terms between 1 and 5 years. The Society also has 19 motor vehicle leases expiring in 2018 and 2019 and a number of equipment leases with terms ranging from 3 to 5 years.

NOTE 25: CONTINGENT ASSETS

A contingent asset exists for bequests advised up to the date of signing of the financial statements that had not been received at balance date. The bequests have been advised via written or verbal advice from an executor or solicitor.

Estimates of the maximum amounts of contingent assets that may become receivable:

	Consolidated and Parent	
	2018	2017
	$	$
Probate advised - written	1,136,000	2,547,085
Provide advised - verbal	8,000	7,410
Probate not advised – written & verbal	1,339,200	1,641,103
	2,483,200	4,195,598

NOTE 26: CONTINGENT LIABILITIES

The Society has provided bank guarantees to the total value of $89,372 (2017: $89,372) as rental guarantees.

The Society receives a number of government grants subject to various conditions. Until such time as these conditions are met and the grant acquitted, there is a possibility that some or all of the monies may need to be returned to the grantor.

As at 30 June 2018 the Society received grant monies amounting to $87,955 (2017: $191,674) which are subject to conditions and, at that date, had yet to be acquitted as required under the relevant agreements.

These monies have been recognised as revenue in the period they were received as control is deemed to have passed at that point.

The Society received a government grant for the construction of new headquarters at Wacol based on the original Funding Agreements signed on 9 December 2008 and 3 June 2011, which is subject to the condition that the new headquarters continues in operation or use for a period of 30 years after the completion date in 2011. In the event that operations cease prior to the expiration of a period of 30 years, the Society could be liable for the repayment of an amount of the funding provided.

NOTE 27: EVENTS SUBSEQUENT TO REPORTING DATE

There has been no matter or circumstance, which has arisen since 30 June 2018 that has significantly affected or may significantly affect:

(a) the operations, in financial years subsequent to 30 June 2018, of the group, or
(b) the results of those operations, or
(c) the state of affairs, in financial years subsequent to 30 June 2018, of the group.

The financial report was authorised for issue by the Board of Directors of the Royal Society for the Prevention of Cruelty to Animals (Queensland) Limited on 29 September 2018.

NOTE 28: ENTITY DETAILS

The Royal Society for the Prevention of Cruelty to Animals (Queensland) Limited is the State's leading animal welfare authority. It is also the oldest animal welfare authority in Queensland. The Society is a non-government, registered animal welfare charity, with powers to enforce an Act of the Queensland Parliament - The Animal Care and Protection Act 2001, which was proclaimed on March 1, 2002.

The registered office and principal place of business of the group is:

Royal Society for the Prevention of Cruelty to Animals (Queensland) Limited
139 Wacol Station Rd
Wacol QLD 4076

NOTE 29: ACCUMULATED SURPLUSES

	2018 $	2017 $
Accumulated surpluses at beginning of year	24,809,316	23,788,131
Net surplus for the year	1,143,859	375,664
Transfers to / (from) reserves	645,521	645,521
Accumulated surpluses at end of year	26,598,696	24,809,316

NOTE 30: PARENT ENTITY INFORMATION	2018 $	2017 $
Financial Position		
Assets		
Current assets	5,634,769	5,332,472
Non-current assets	45,859,062	43,269,308
Total assets	51,493,831	48,601,780
Liabilities		
Current liabilities	6,837,867	8,665,316
Non-current liabilities	7,988,536	4,117,359
Total liabilities	14,826,403	12,782,675
Equity		
Accumulated surpluses	25,405,357	23,930,232
Reserves		
Available for sale financial asset reserve	239,488	220,769
Other reserves	11,022,583	11,668,104
Total equity	36,667,428	35,819,105
Financial performance		
Surplus for the year	829,600	126,566
Other comprehensive income	18,719	33,725
Total comprehensive income	848,319	160,291

The accounting policies of the parent entity, which have been applied in determining the financial information shown above, are the same as those applied in the consolidated financial statements except as set out below. See note 1 for a summary of the significant accounting policies relating to the Group.

Investments in subsidiaries, associates and joint ventures
Investments in subsidiaries, associates and joint ventures are accounted for at cost. Dividends received from subsidiaries, associates and joint ventures are recognised in profit or loss when a right to receive the dividend is established (provided that it is probable that the economic benefits will flow to the Parent and the amount of income can be measured reliably).

STATEMENT BY THE DIRECTORS OF THE BOARD

The directors of the Society declare that:

1. The financial statements and notes, as set out on pages 1 - 28 presents fairly the Society's financial position as at 30 June 2018 and performance for the year ended on that date of the Society in accordance with Australian Accounting Standards - Reduced Disclosure Requirements and other mandatory professional reporting requirements under the *Australian Charities and Not-for-profit s Commission Act* 2012; and

2. In the directors' opinion there are reasonable grounds to believe that the society will be able to pay its debts as and when they become due and payable.

Signed in accordance with subsection 60.15(2) of the *Australian Charities and Not-for-profit Commission Regulation* 2013.

Graham Newton Director	Justine Hickey Director & Treasurer

Dated this 29th day of September 2018

Deloitte Touche Tohmatsu
ABN 74 490 121 060
Level 23, Riverside Centre
123 Eagle Street
Brisbane, QLD, 4000
Australia

Phone: +61 7 3308 7000
www.deloitte.com.au

Independent Auditor's Report to the Directors of Royal Society for the Prevention of Cruelty to Animals (Queensland) Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Royal Society for the Prevention of Cruelty to Animals (Queensland) Limited (the "Entity") and its subsidiaries (the "Group") which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the declaration by the directors.

In our opinion, the accompanying financial report of the Group is in accordance with Division 60 of the *Australian Charities and Not-for-profits Commission Act 2012* (the "ACNC Act"), including:

(i) giving a true and fair view of the Group's financial position as at 30 June 2018 and of their financial performance for the year then ended; and

(ii) complying with Australian Accounting Standards – Reduced Disclosure Regime and Division 60 of the *Australian Charities and Not-for-profits Commission Regulation 2013*.

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 Group in accordance with the auditor independence requirements of the ACNC Act and 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 other 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.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2018, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and 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. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the Financial Report

The directors of the Entity are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards – Reduced Disclosure Regime and the ACNC Act and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Deloitte.

In preparing the financial report, the directors are responsible for assessing the ability of the Group 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 intend to liquidate the Group 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 the 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 Group'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 Group'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 based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

R. D. Wanstall

Richard Wanstall
Partner
Chartered Accountants
Brisbane, 5 October 2018