Treasurer's letter

RSPCA Queensland - Financial Results for the Year to June 2020

We are pleased to present the financial results for RSPCA Queensland for the year ending 30 June 2020. These results present a much improved surplus and a strengthened outlook for the year ahead.

RSPCA Queensland recorded a surplus of $8.7M during what was a challenging year.

It is important to note that this surplus was largely contributed to by the injection of $4M from the Federal government to build our new facility at Toowoomba. The opening of this facility in February 2020 was key achievement for the year. This was a significant investment by RSPCA Queensland to provide a much needed and improved facility. In addition to the $4M Capital grant, we received significant donations from many of our generous donors towards the project, however a balance of $2.5M was required to complete the project necessitating RSPCA Queensland to take on an additional $2.5M in debt funding from the bank to complete the project.

The impact of COVID-19 on our 2020 results, both financial and operational, has been significant. During the COVID-19 period we conducted a full review of operations and made a number of changes, including a pivot towards virtual online adoptions. We successfully applied for the Job Keeper subsidy and additional operating grant income from the state government which kept people in jobs, allowing us to continue to provide vital services to the animals in our care.

The changes implemented during COVID-19 has laid the foundation for RSPCA Queensland to continue to financially benefit from this work in 2021 and beyond. More importantly, it means we are well positioned to keep resources where they are most needed - delivering outcomes for our animals.

It is pleasing to say that we are in the most financially sound position we have been in for some time, with a strengthened working capital position. We have cash reserves in the bank with our creditors being paid up to date, improving relationships with our key suppliers.

We have also been able to invest an additional $600k into our animal outcomes by applying further resources in the Inspectorate and Wildlife areas, which was only possible due to our surplus, community support and operational changes made during COVID-19.

As 2021 approaches, the Board continues its focus on the long term financial sustainability of our wonderful organisation. We are pleased that RSPCA Queensland has come out of 2020 stronger as a result of this, and we are positive that 2021 will continue to see us deliver improvements across our organisation and for the animals in our care.

Thank you for your generous support, it simply is not possible without you.

Yours Faithfully

Amena Reza
Treasurer, RSPCA Queensland

RSPCA Queensland

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 2020

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ROYAL SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS (QUEENSLAND) LIMITED AND CONTROLLED ENTITIES
ABN 74 851 544 037

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2020

	Note	2020 $	2019 $
Revenue	3	58,007,727	46,615,730
Less: expenses			
Finance costs		(494,196)	(378,786)
Inspectorate expense		(4,588,606)	(4,253,770)
Animal training and behaviour expense		(252,593)	(391,702)
Administration expense		(6,422,338)	(6,241,433)
Marketing and public relations expense		(7,132,942)	(9,136,171)
Education expense		(163,372)	(173,732)
Animal shelter expense		(21,391,981)	(20,093,211)
Retail operations expense		(7,463,146)	(7,300,797)
Other expenses		(1,379,996)	(1,041,907)
	4	(49,289,170)	(49,011,509)
Profit/(loss) before income tax expense		**8,718,557**	**(2,395,779)**
Income tax expense	5	-	-
Profit/(loss) for the year		**8,718,557**	**(2,395,779)**
Other comprehensive income			
Items that may be reclassified subsequently to profit and loss			
Gain on disposal recognised in profit or loss		-	-
Items that will not be reclassified subsequently to profit and loss			
Fair value gain/(loss) on investments in equity instruments designated as at FVTOCI		(91,388)	71,637
Total comprehensive income/(loss)		**8,627,169**	**(2,324,142)**
Profit/(loss) is attributable to:			
- Owners of Royal Society for the Prevention of Cruelty to Animals (Queensland) Limited		8,753,312	(2,413,603)
- Non-controlling interests		(34,755)	17,824
		8,718,557	**(2,395,779)**
Total comprehensive income/(loss) is attributable to:			
- Owners of Royal Society for the Prevention of Cruelty to Animals (Queensland) Limited		8,661,924	(2,341,966)
- Non-controlling interests		(34,755)	17,824
		8,627,169	**(2,324,142)**

The above statement should be read in conjunction with the notes to the consolidated financial statements below.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2020

	Note	2020	2019
Assets		$	**$**
Current assets			
Cash and cash equivalents	6	1,582,268	1,344,659
Trade and other receivables	7	2,601,670	1,875,183
Inventories	8	1,310,066	1,503,204
Other current assets	9	298,432	461,901
Assets classified as held for sale		-	761,239
Total current assets		**5,792,436**	**5,946,186**
Non-current assets			
Other financial assets	10	1,440,782	1,505,199
Investments	12	-	40,765
Property, plant and equipment	14	50,209,094	44,521,748
Right-of-use asset	14	2,485,596	-
Intangible assets	15	1,708,813	1,586,916
Other non-current assets	9	92,544	92,544
Total non-current assets		**55,936,829**	**47,747,172**
Total assets		**61,729,265**	**53,693,358**
Liabilities			
Current liabilities			
Trade and other payables	16	2,853,223	6,551,425
Borrowings	17	2,089,286	2,332,402
Lease liabilities	17	1,431,785	-
Provisions	18	1,904,060	1,745,370
Total current liabilities		**8,278,354**	**10,629,197**
Non-current liabilities			
Borrowings	17	7,136,663	6,847,245
Lease liabilities	17	1,387,692	-
Provisions	18	792,372	709,901
Total non-current liabilities		**9,316,727**	**7,557,146**
Total liabilities		**17,595,081**	**18,186,343**
Net assets		**44,134,184**	**35,507,015**
Equity			
Reserves	19	9,864,656	10,658,134
Retained earnings	28	34,316,069	24,860,667
Equity attributable to owners of Royal Society for the Prevention of Cruelty to Animals (Queensland) Limited		**44,180,725**	**35,518,801**
Non-controlling interests	20	(46,541)	(11,786)
Total equity		**44,134,184**	**35,507,015**

The above statement should be read in conjunction with the accompanying notes to the financial statement

ROYAL SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS (QUEENSLAND) LIMITED AND CONTROLLED ENTITIES
ABN 74 851 544 037

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2020

	Reserves $	Retained Earnings $	Non-controlling Interests $	Total Equity $
Balance as at 1 July 2018	**11,262,071**	**26,598,696**	**(29,610)**	**37,831,157**
(Loss)/income for the year	-	(2,413,603)	17,824	(2,395,779)
Change in fair value of equity investments at FVTOCI	71,637	-	-	71,637
Total comprehensive (loss)/income for the year	**71,637**	**(2,413,603)**	**17,824**	**(2,324,142)**
Transfer of investment revaluation reserve on disposal of investments in equity investments designated as FVTOCI	(30,052)	30,052	-	-
Transfers	(645,522)	645,522	-	-
Balance as at 30 June 2019	**10,658,134**	**24,860,667**	**(11,786)**	**35,507,015**
Balance as at 1 July 2019	**10,658,134**	**24,860,667**	**(11,786)**	**35,507,015**
Profit for the year	-	8,753,312	(34,755)	8,718,557
Change in fair value of equity investments at FVTOCI	(91,388)	-	-	(91,388)
Total comprehensive income for the year	**(91,388)**	**8,753,312**	**(34,755)**	**8,627,169**
Transfer of investment revaluation reserve on disposal of investments in equity investments designated as FVTOCI	(56,569)	56,569	-	-
Transfers	(645,521)	645,521	-	-
Balance as at 30 June 2020	**9,864,656**	**34,316,069**	**(46,541)**	**44,134,184**

The above statement should be read in conjunction with the accompanying notes to the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2020

	Note	2020	2019
		$	$
Cash flow from operating activities			
Receipts from customers		60,049,363	49,139,187
Payments to suppliers and employees		(50,314,976)	(44,779,981)
Interest received		1,532	21,798
Finance costs		(494,196)	(640,380)
Net cash generated by operating activities	22(b)	9,241,723	3,740,624
Cash flow from investing activities			
Proceeds from sale of property, plant and equipment		414,174	224,420
Payment for property, plant and equipment		(8,107,776)	(3,943,553)
Proceeds from sale of assets held for sale		585,599	-
Payment for intangible assets		(609,632)	(499,182)
Net cash used in investing activities		(7,717,635)	(4,218,315)
Cash flow from financing activities			
Proceeds from borrowings		2,500,000	-
Repayment of borrowings		(485,415)	(896,091)
Repayment for lease liabilities		(1,819,145)	-
Net cash generated by/(used in) financing activities		195,440	(896,091)
Net increase/(decrease) in cash and cash equivalents		1,719,528	(1,373,782)
Cash at beginning of the financial year		(137,260)	1,236,522
Cash at end of financial year	22(a)	**1,582,268**	**(137,260)**

The above statement should be read in conjunction with the accompanying notes to the financial statements.

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')*.

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 consolidated 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

AASB 15 Revenue from contracts with customers & AASB1058 Income of Not-for-Profit entities
In the current year, the Society has applied AASB 1058 Income of Not-for-Profit Entities and AASB 15 Revenue from Contracts with Customers which are effective for an annual period that begin on or after 1 July 2019.

The group has applied AASB 1058 and AASB 15 in accordance with the modified retrospective (cumulative catch up) method where the comparative figures are not restated. The Group has also elected to apply AASB 1058 and AASB 15 retrospectively only to contracts and transactions that are not 'completed contracts' as at 1 July 2019.

AASB 1058 clarifies and simplifies the income recognition requirements that apply to not-for-profit (NFP) entities, in conjunction with AASB 15. The new income recognition requirements shift the focus from a reciprocal/non-reciprocal basis to a basis of assessment that considers the enforceability of a contract and the specificity of performance obligations.

The core principle of the new income recognition requirements in AASB 1058 is that when a NFP entity enters into transactions where the consideration to acquire an asset is significantly less than the fair value of the asset principally to enable the Group to further its objectives, the excess of the asset recognised (at fair value) over any 'related amounts' is recognised as income immediately.

Under AASB 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when ''control'' of the goods or services underlying the particular performance obligation is transferred to the customer.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Application of new accounting standards (continued)

The Group recognises income from the following major sources:

Merchandise sales
For sales of goods to retail customers, revenue is recognised when control of the goods has transferred, being at the point the customer purchases the goods at the retail outlet. Payment of the transaction price is due immediately at the point the customer purchases the goods.

Grant revenue
AASB 1058 requires that in cases where there is an 'enforceable' contract with a customer with 'sufficiently specific' performance obligations, the transaction should be accounted for under AASB 15 where income is recognised when (or as) the performance obligations are satisfied, as opposed to immediate income recognition under AASB 1058.

The Group has conducted an analysis of the government grant contracts and analysed the terms of each contract to determine whether the arrangement meets the enforceability and the 'sufficiently specific' criteria under AASB 15. For those grant contracts that are not enforceable, or the performance obligations are not sufficiently specific, this will result in immediate income recognition under AASB 1058.

Bequests and donations
These are recognised upon the Group obtaining control of the bequests or donation.

Gifted assets or assets acquired at a nominal value
These are recognised in the statement of profit or loss and other comprehensive income at their fair value at the date the Group obtains control over the asset.

Software sales and maintenance fees
The Group provides a service of installation of software. Such services are recognised as a performance obligation satisfied over time. On an ongoing basis the software license fees are invoiced on either monthly or quarterly basis per contract terms, as well as maintenance charges when maintenance is performed per customer request and per contract terms.

Adoption fee, boarding fee and surrender fee income
These incomes are processed through the point of sale at the shelters upon adoption, boarding or surrender. For adoption the revenue is processed as control of the animal transfers to the customer. For boarding the revenue is processed at point of sale as the animal is handed by the customer to RSPCA upon commencement of boarding.

AASB 16 *Leases*

AASB 16 *Leases* ("AASB 16") introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets. The impact of the adoption of AASB 16 on the entity's consolidated financial statements is described below.

The date of initial application of AASB 16 for the group is 1 July 2019.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impact of AASB 16 *Leases*

The group has applied AASB 16 using the modified retrospective approach and therefore the comparative information has not been restated.

(a) Impact of the new definition of a lease

The group has made use of the practical expedient available on transition to AASB 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with AASB 117 and Interpretation 4 will continue to be applied to those contracts entered or modified before 1 July 2019.

The change in definition of a lease mainly relates to the concept of control. AASB 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration. This is in contrast to the focus on 'risks and rewards' in AASB 117 and Interpretation 4.

The group applies the definition of a lease and related guidance set out in AASB 16 to all contracts entered into or changed on or after 1 July 2019. In preparation for the first-time application of AASB 16, the group has carried out an implementation project. The project has shown that the new definition in AASB 16 will not significantly change the scope of contracts that meet the definition of a lease for the group.

(b) Impact on Lessee Accounting

(i) Former operating leases

AASB 16 changes how the Group accounts for leases previously classified as operating leases under AASB 117, which were off balance sheet.

Applying AASB 16, for all leases (except as noted below), the group:

a) Recognises right-of-use assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of the future lease payments;
b) Recognises depreciation of right-of-use assets and interest on lease liabilities in profit or loss;
c) Separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the consolidated statement of cash flows.

Lease incentives (e.g. rent-free period) are recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under AASB 117 they resulted in the recognition of a lease incentive, amortised as a reduction of rental expenses generally on a straight-line basis.

Under AASB 16, right-of-use assets are tested for impairment in accordance with AASB 136.

For short-term leases (lease term of 12 months or less) and leases of low-value assets (such as tablet and personal computers, small items of office furniture and telephones), the group has opted to recognise a lease expense on a straight-line basis as permitted by AASB 16. This expense is presented within ‘other expenses’ in profit or loss.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impact of AASB 16 *Leases* (continued)

The effect on 1 July 2019 of the recognition of the new right-of-use assets and lease liabilities is disclosed below:

	1 July 2019
	$
Increase in right-of-use assets	3,040,028
Increase in lease liabilities – current	(3,040,028)
Impact on retained earnings	-

The effect on the financial performance of the Group for the year ended 30 June 2020 in relation to the adoption of AASB 16 is disclosed below:

	30 June 2020
	$
Increase in depreciation expense	1,560,348
Increase in finance costs	110,581
Decrease in other expenses (lease rentals)	(1,572,877)
Reduction in net profit before tax	**98,052**

The below outlines the reconciliation of operating lease commitments at the end of the financial reporting year ended 30 June 2019 to the lease liability recognised in the consolidated statement of financial position after initial application of AASB 16.

	1 July 2019
	$
Operating lease commitments disclosed at 30 June 2019	2,942,507
Short-term leases recognised on a straight-line basis as an expense	188,583
Total nominal lease liabilities at 1 July 2019	3,131,090
Discounting using the group's weighted-average incremental borrowing rate of 3.57%	(91,062)
Lease liability recognised as at 1 July 2019	**3,040,028**

(ii) Former finance leases

For leases that were classified as finance leases applying AASB 117, the carrying amount of the leased assets and obligations under finance leases measured applying AASB 117 immediately before the date of initial application is reclassified to right-of-use assets and lease liabilities respectively without any adjustments, except in cases where the Group has elected to apply the low-value lease recognition exemption.
The right-of-use asset and the lease liability are accounted for applying AASB 16 from 1 July 2019.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Principles of consolidation

The consolidated financial statements incorporate the financial statements of the Group and entities controlled by the Group (its subsidiaries) made up to 30 June 2020. Control is achieved when the Group:

- has the power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and has the ability to use its power to affects its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it considers that it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally.

The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, the results of subsidiaries acquired or disposed of during the year are included in profit or loss from the date the Group gains control until the date when the Group ceases to control the subsidiary. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between the members of the Group are eliminated on consolidation.

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. Those interests of non-controlling shareholders that are present ownership interests entitling their holders to a proportionate share of net assets upon liquidation may initially be measured at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement is made on an acquisition-by-acquisition basis. Other non-controlling interests are initially measured at fair value. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) 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 group operates (the functional currency). The consolidated financial statements are presented in Australian dollars which is the consolidated group'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.

(d) Income tax

The Group is not a consolidated tax group. The society is exempt from tax. The subsidiary Shelter Management is subject to the policies mentioned below.

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.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Financial instruments

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

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. All recognised financial assets are measured subsequently in their entirety at either amortised cost.

Classification of financial assets
Listed shares that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL). Despite the foregoing, the Group may make the following irrevocable election/designation at initial recognition of a financial asset:

- the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met; and
- the Group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch in the group's financial assets at amortised cost includes trade receivables.

Amortised cost and effective interest method
The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Financial instruments (continued)

Amortised cost and effective interest method (continued)

For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

Impairment of financial assets

The group recognises a loss allowance for expected credit losses on trade receivables. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The group always recognises lifetime expected credit losses (ECL) for trade receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument.

During 2020, impairment of trade receivables has been recorded at $31,528 (2019: nil).

Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the group's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the group in accordance with the contract and all the cash flows that the group expects to receive, discounted at the original effective interest rate.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

The group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Financial instruments (continued)

Derecognition of financial assets
The group derecognises a financial asset only 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 group. If the group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the group retains substantially all the risks and rewards of ownership of a transferred financial asset, the group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities

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

All financial liabilities are measured subsequently at amortised cost using the effective interest method.

Loans and borrowings
After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost.

Derecognition
The group derecognises financial liabilities when, and only when, the group'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.

Offsetting of financial instruments
Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

(f) 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.

(g) 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.

(h) 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.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Property, plant and equipment (continued)

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.

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 depreciated/amortised the straight-line method over the lease period.

Class of property, plant and equipment	Depreciation/ amortisation rates	Depreciation/ amortisation
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.

(i) 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)

(j) Impairment of tangible and intangible 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 pro rata 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.

(k) 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.

Under the equity method, an investment in an associate is recognised initially in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group’s share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group’s share of losses of an associate exceeds the Group’s interest in that associate (which includes any long-term interests that, in substance, form part of the Group’s net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Associate has incurred legal or constructive obligations or made payments on behalf of the associate. 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.

When a Group transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognised in the Group’s consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

(l) 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)

(m) 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 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.

Long-term employee benefit obligations are presented as current liabilities in the statements of financial position if the group 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 long-term employee benefit obligations are presented as non-current liabilities in the statements of financial position.

(n) Borrowing costs

Borrowing costs including interest expense calculated using the effective interest method, finance charges in respect of 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.

(o) 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 statements of financial position are shown inclusive of GST. Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(p) Comparatives

Where necessary, comparative figures have been amended for any changes to the current year presentation or classification of items in the statement of profit or loss and other comprehensive income and the statement of financial position. There were no other changes to the financials report as a result of these classifications.

(q) Non-current assets held for sale

Non-current assets classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

At 30 June 2020 the entity's current liabilities exceed its current assets by $2,485,918 (2019: $4,683,011). Non-current assets include financial assets of $1,440,782 (2019: $1,505,199) which are shares in listed corporations. This balance has been recorded as non-current on the basis that the entity does not intend to realise this asset for a period of 12 months from 30 June 2020, although it is readily accessible. Additionally under AASB 16, lease liabilities due to be paid within 12 months of $1,235,341 are classified as current liabilities whereas the Right-of-Use assets related to these liabilities are classified as entirely non-current. The time profile of the AASB 16 lease liabilities and Right-of-Use assets will be similar but not identical. The Group has a bank bill maturing April 2021 ($1.955m at 30 June 2020) in current liabilities that is likely to be rolled into a non-current bank bill before maturity, although at the date of this report funds are available to pay out the loan on maturity if required. Current liabilities also include employee provisions of $1.9m which will fluctuate over time, however while operations continue this balance is highly unlikely to go below $1m in a 12 month period. The Group has an overall net assets position of $44,134,184 at 30 June 2020 (2019: $35,507,015).

The outbreak of COVID-19 and the subsequent quarantine measures imposed by the Australian and other governments as well as the travel and trade restrictions imposed by Australia and other countries in early 2020 have caused disruption to businesses and economic activity. For the Group COVID-19 has impacted operations relating to retail, adoptions, boarding and donations during the financial year. As the COVID-19 situation remains fluid (due to evolving changes in government policy and evolving business and customer reactions thereto) as at the date these financial statements are authorised for issue, the directors of the group considered that the financial effects of COVID-19 on the Group's financial statements cannot be reasonably estimated for future financial periods. However, the directors consider that the general economic impacts arising from COVID-19 are expected to have a negative impact on certain sections of the operations, including retail, adoptions, boarding and donations. It is also likely to impact on certain market segments for the group's customers, suppliers and related entities. The economic effects arising from the COVID-19 outbreak are expected to affect the results of the group for full year of 2021.

At the date of this report and having considered the above factors, the Directors consider the going concern basis to be appropriate for the Group.

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 Group 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.

NOTE 2: SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(b) Prosecution claims receivable: provision for impairment

Historically prosecution claims receivable have been extremely difficult to recover in a timely and efficient manner. An expected credit loss for prosecution claims receivable has been recognised based on the average percentage of provision for doubtful prosecution debtors over the previous six year. The board of directors consider this an appropriate estimate of the expected credit loss over the life of the prosecution claims.

NOTE 3: REVENUE

	2020	2019
	$	$
Adoption, boarding and surrender fees	8,247,086	7,232,224
Inspectorate services	692,136	425,953
Merchandise services	8,653,310	9,518,842
Veterinary services	183,265	845,709
Animal training services	122,551	238,937
Software sales and maintenance fees	1,136,381	1,276,702
	19,034,729	19,538,367
Dividend income	49,595	60,766
Interest income	1,532	21,798
Other income	773,815	840,558
	824,942	923,122
Gain on lease event	35,386	-
Profit on sale of non-current assets	23,214	(50,756)
Fundraising Income	4,371,235	4,784,387
Bequest and donation income	22,758,708	19,098,919
Subsidies and grants for construction	4,073,197	435,967
Subsidies and grants - other	6,886,316	1,885,724
	38,148,056	26,154,241
	58,007,727	**46,615,730**

NOTE 4: OPERATING PROFIT

	2020	2019
	$	$
Profit/(loss) before income tax has been determined after:		
Finance costs - leases	110,582	141
Finance costs – borrowings	354,830	369,400
Finance costs – other	28,784	270,839
Foreign currency translation (gain)/loss	-	(26,291)
Cost of sales	5,364,651	6,140,353
Employee benefits expense	24,229,212	22,445,195
Rental expense on operating leases	321,839	1,924,450
Loss on disposal of property, plant and equipment	175,640	95,485
Impairment of interest in associate	40,764	41,591
Share of loss from associate	-	18,555

NOTE 4: OPERATING PROFIT (CONTINUED)	2020 $	2019 $
Depreciation and amortisation of non-current assets:		
- Buildings	1,105,769	993,471
- Plant and equipment	730,627	973,484
- Motor vehicles	245,731	272,793
- Leasehold land	30,300	30,300
- Software	487,735	853,986
- Right-of-use	1,560,348	-
	4,160,510	3,124,034

NOTE 5: INCOME TAX

(a) Components of tax expense

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

(b) Prima facie tax payable

The prima facie tax payable on profit/(loss) before income tax is reconciled to the income tax expense as follows:		
Prima facie income tax payable on profit/(loss) before income tax at 27.5% (2019: 27.5%)	2,397,603	(650,575)
Less tax effect of:		
- Exempt net income	2,472,860	(611,979)
- Deferred tax asset on tax losses and temporary differences not brought to account	(75,257)	(38,596)
	2,397,603	(650,575)
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 (2019: $nil). The deferred tax asset not recognised in relation to losses at 30 June 2020 is $ nil (2019: $nil).

The Society also has unrecognised deferred tax assets relating to temporary differences of approximately $321,840 (2019: $246,583) 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 2020, 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	**2020 $**	**2019 $**
Cash on hand	14,082	30,177
Cash at bank	1,568,186	1,314,482
	1,582,268	1,344,659

NOTE 7: TRADE AND OTHER RECEIVABLES		
Trade receivables	542,618	877,493
Prosecution claims receivable	1,326,870	886,978
Loss allowance	(671,446)	(449,000)
	1,198,042	1,315,471
Loans - unsecured	-	114,844
GST receivable	(20,915)	232,593
Other receivables	1,424,543	212,275
	2,601,670	**1,875,183**

Impairment of prosecution claim receivables		
Opening balance at 1 July 2019	449,000	195,204
Charge for the year	222,446	253,796
Closing balance at 30 June 2020	671,446	449,000

NOTE 8: INVENTORIES		
At cost		
Finished goods	1,310,066	1,503,204

NOTE 9: OTHER ASSETS		
Current		
Prepayments	298,432	461,901
Non-current		
Security deposits	92,544	92,544
	92,544	92,544

NOTE 10: OTHER FINANCIAL ASSETS		
At fair value		
Shares in listed corporations	1,440,782	1,505,199

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 2020	2019
Shelter Management Pty Ltd	Australia	87.3%	87.3%
Shelter Management Inc (dormant) (i)	USA	100%	100%
Tap Tins Pty Ltd	Australia	100%	33.3%

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 entity has accumulated losses, no preference shares have been paid dividend (2019: $nil)

(i) A subsidiary of Shelter Management Pty Ltd

NOTE 12: INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD		**2020 $**	**2019 $**
NON CURRENT			
Interests in associates	13 (a)	-	40,765

An impairment of $40,765 was recognised against the value of the Interest in associates at 30 June 2020 (2019: $51,591).

NOTE 13: INTERESTS IN ASSOCIATES

(a) *Associates*

Associate	**Nature of relationship**	**Ownership interest 2020 %**	**2019 %**	**Measurement basis**	**Quoted fair value (if available) 2020 $**	**2019 $**
Pet Cloud Pty Ltd	Business Partner	13.5	18.3	Equity accounted	-	-

Country of incorporation: Australia

NOTE 14: PROPERTY, PLANT AND EQUIPMENT	2020 $	2019 $
Land		
Freehold land		
At cost	3,380,057	3,586,307
Leasehold land		
At cost	3,000,000	3,000,000
Accumulated amortisation	(263,119)	(232,819)
	2,736,881	2,767,181
Buildings		
At cost	51,056,768	41,170,355
Accumulated depreciation	(8,644,855)	(7,633,492)
	42,411,913	33,536,863
Total land and buildings	48,528,851	39,890,351
Plant and equipment		
At cost	10,666,274	9,768,547
Accumulated depreciation	(9,551,133)	(8,820,504)
	1,115,141	948,043
Motor vehicles		
At cost	2,782,524	2,725,254
Accumulated depreciation	(2,265,140)	(2,183,608)
	517,384	541,646
Work in progress	47,718	3,141,708
(i) Total property, plant and equipment	50,209,094	44,521,748

NOTE 14: PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Reconciliations:

	Freehold Land	Leasehold Land	Buildings	Plant and equipment	Motor Vehicles	Work in progress
Balance at 1 July 2018	3,576,250	2,797,481	31,386,777	1,611,821	495,667	3,640,598
Additions	10,057	-	5,377	316,029	319,815	3,290,915
Disposals	-	-	(71,625)	(6,323)	(1,043)	(30,000)
Depreciation and amortisation expense	-	(30,300)	(993,471)	(973,484)	(272,793)	-
Transfer from work in progress	-	-	3,209,805	-	-	(3,759,805)
Balance at 30 June 2019	3,586,307	2,767,181	33,536,863	948,043	541,646	3,141,708
Balance at 1 July 2019	3,586,307	2,767,181	33,536,863	948,043	541,646	3,141,708
Additions	-	-	12,529	380,391	221,468	7,493,379
Disposals	(206,250)	-	(190,998)	-	(164,198)	(5,153)
Depreciation and amortisation expense	-	(30,300)	(1,105,769)	(730,627)	(245,731)	-
Accumulated depreciation disposals	-	-	94,406	-	164,199	
Transfer from work in progress	-		10,064,882	517,334	-	(10,582,216)
Balance at 30 June 2020	3,380,057	2,736,881	42,411,913	1,115,141	517,384	47,718

(ii) Right-of-use assets

	2020 $	2019 $
Right-of-use plant and equipment	931,436	-
Accumulated amortisation	(317,259)	-
	614,177	
Right-of-use land and buildings	3,114,508	-
Accumulated amortisation	(1,243,089)	-
	1,871,419	
Total right-of-use assets	2,485,596	-

Reconciliation:	**Right of use asset**
Balance at 1 July 2019	-
Initial adoption of AASB 16	3,040,028
Additions	1,016,762
Disposals	(10,846)
Depreciation expense	(1,560,348)
Balance at 30 June 2020	2,485,596

NOTE 15: INTANGIBLE ASSETS

	2020 $	2019 $
Software at cost	6,505,850	5,896,218
Accumulated amortisation and impairment	(4,797,037)	(4,309,302)
	1,708,813	1,586,916
Total intangible assets	1,708,813	1,586,916

Reconciliations:	**Software at cost**	**Software intangible work in progress**
Balance at 1 July 2018	1,941,722	4,323
Additions	499,180	-
Disposals	-	(4,323)
Amortisation expense	(853,986)	-
Balance at 30 June 2019	1,586,916	-

Reconciliations:	**Software at cost**
Balance at 1 July 2019	1,586,916
Additions	609,632
Amortisation expense	(487,735)
Balance at 30 June 2020	1,708,813

NOTE 16: TRADE AND OTHER PAYABLES

	2020 $	2019 $
Unsecured liabilities		
Trade payables	1,746,521	4,715,796
Sundry payables and accrued expenses	1,106,702	1,835,629
	2,853,223	6,551,425

NOTE 17: BORROWINGS & LEASE LIABILITY

(i) Borrowings

Current		
Unsecured liabilities		
Bank overdraft	-	1,481,919
	-	1,481,919
Secured liabilities		
Bank bills	2,089,286	589,500
Finance lease liability	-	260,983
	2,089,286	850,483
Total current borrowings	2,089,286	2,332,402

NOTE 17: BORROWINGS & LEASE LIABILITY (CONTINUED)	**2020 $**	**2019 $**
Non-current		
Unsecured liabilities		
Finance lease liability	-	225,380
Redeemable preference shares	80,000	80,000
	80,000	305,380
Secured liabilities		
Bank bills	7,056,663	6,541,865
	7,056,663	6,541,865
Total non-current borrowings	7,136,663	6,847,245
(ii) Lease Liabilities		
Current Lease Liabilities		
Lease Liabilities	1,235,341	-
Finance Lease Liabilities	196,444	-
	1,431,785	-
Non-current Lease Liabilities		
Lease Liabilities	1,343,267	-
Finance Lease Liabilities	44,425	-
	1,387,692	-

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 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.

The Society has a bank overdraft facility amounting to $1,700,000 (2019: $1,700,000). This may be terminated at any time at the option of the bank. At 30 June 2020, the unutilised facility was $1,700,000 (2019: $218,081). Interest rates are variable.

NOTE 17: BORROWINGS & LEASE LIABILITY (CONTINUED)

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	$1,980,600	9 April 2021	$1,955,950	Interest + $56,400 per month
Bank Bill	$4,740,000	9 April 2023	$4,740,000	Interest only
Bank Bill	$1,500,000	23 December 2024	$1,500,000	Interest only
Bank Bill	$949,999	23 December 2024	$949,999	Interest + $16,667 per month

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 group to make principal reductions as opposed to interest only repayments.

NOTE 18: PROVISIONS	**2020**	**2019**
	$	**$**
CURRENT		
Employee benefits	1,904,060	1,745,370
	1,904,060	1,745,370
NON-CURRENT		
Employee benefits	792,372	709,901
	792,372	709,901

NOTE 19: RESERVES	**2020**	**2019**
	$	**$**
Available for sale financial asset reserve	133,115	281,072
Other reserves	9,731,541	10,377,062
	9,864,656	10,658,134

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 government grant reserve of $645,521 (2019: $645,522) represents the depreciation charge.

NOTE 20: NON-CONTROLLING INTERESTS	**2020**	**2019**
	$	**$**
Interest held by minority shareholders in subsidiary	(46,541)	(11,786)

NOTE 21: RELATED PARTY TRANSACTIONS

Transactions with Subsidiaries

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

	Parent	
	2020	**2019**
	$	**$**
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 loan is fully impaired at balance date. No additional impairment recorded was in 2020.	347,918	347,918
Working account owed by Shelter Management Pty Ltd. This account is interest free and unsecured. The loan is mostly impaired at balance date. An impairment for the increase in loan was recorded in 2020.	1,841,871	1,546,669
Recharge of executive and administrative wages to Shelter Management Pty Ltd	334,262	304,690
Rent charged from RSPCA to Shelter Management Pty Ltd	6,000	6,000

Other related party transactions

Management fees were paid to DNR Capital Pty Ltd of $11,599 (2019: $11,288) of which Justine Hickey (RSPCA QLD Treasurer) is a Director.

Management fees were paid to Ranbury Management Group of $142,335 of which Ali Shery is a member of key management.

NOTE 22: CASH FLOW INFORMATION

(a) Reconciliation of cash	2020 $	2019 $
Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position is as follows:		
Cash and cash equivalents (Note 6)	1,582,268	1,344,659
Bank overdraft (Note 17)	-	(1,481,919)
	1,582,268	(137,260)

(b) Reconciliation of cash flow from operations with profit/(loss) after income tax

Profit/(Loss) from ordinary activities after income tax	8,718,557	(2,395,778)
Adjustments and non-cash items		
Amortisation	487,735	853,957
Depreciation	3,672,775	2,270,051
Net (gain)/loss on disposal of property, plant and equipment	117,038	97,003
Impairment of equity accounted investment	40,765	41,591
Share of associated company's net profit after dividends	-	18,555
Credit losses	31,528	-
Net movement in share portfolio, net of gains	(49,595)	(63,618)
Changes in assets and liabilities		
(Increase)/decrease in receivables	(979,996)	539,000
(Increase)/decrease in other assets	466,573	(207,591)
(Increase)/decrease in inventories	193,138	(63,376)
Increase/(decrease) in payables	(3,698,203)	2,251,181
Increase/(decrease) in provisions	241,408	393,648
Cash flows from operating activities	9,241,723	3,740,624

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) to 01/10/2019
Sheila Collecott (Executive Manager of Animal Focus) to 28/02/2020
Nick Crethar (Chief Financial Officer)
Todd Franks (Executive Manager of People Services)
Darren Maier (Chief Executive Officer) from 14/10/2019
Serena Dean (General Manager Strategy and Business operations) from 01/06/2020

	2020 $	2019 $
Key management personnel compensation	1,026,064	927,630

NOTE 24: 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	
	2020 $	2019 $
Probate advised - written	2,063,133	5,701,192
Provide advised - verbal	1,007,764	572,713
Probate not advised – written & verbal	355,569	770,175
	3,426,466	7,044,080

NOTE 25: CONTINGENT LIABILITIES

The Society has provided bank guarantees to the total value of $75,372 (2019: $92,343) 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 2020 the Society had not received any grant monies which are subject to conditions and, that had yet to be acquitted as required under the relevant agreements. (2019: $nil)

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

NOTE 26: EVENTS SUBSEQUENT TO REPORTING DATE

The COVID-19 pandemic is ongoing, with aspects of RSPCA's operations relating to retail, adoptions, boarding and donations continuing to be impacted post 30 June 2020.

As the situation remains fluid (due to evolving changes in government policy and evolving business and customer reactions thereto) as at the date these financial statements are authorised for issue, the directors of the group considered that the financial effects of COVID-19 on the Group's financial statements cannot be reasonably estimated for future financial periods.

Other than this, there has been no matter or circumstance, which has arisen since 30 June 2020 that has significantly affected or may significantly affect:

(a) the operations, in financial years subsequent to 30 June 2020, of the group, or
(b) the results of those operations, or
(c) the state of affairs, in financial years subsequent to 30 June 2020, 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 24 October 2020.

NOTE 27: 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 28: RETAINED EARNINGS

	2020 $	2019 $
Retained earnings at beginning of year	24,860,667	26,598,696
Net profit/(loss)	8,753,312	(2,413,603)
Transfers from reserves	702,090	675,574
	34,316,069	24,860,667

NOTE 29: PARENT ENTITY INFORMATION

	2020 $	2019 $
Financial Position		
Assets		
Current assets	5,727,637	5,741,406
Non-current assets	54,311,004	46,364,199
Total assets	60,038,641	52,105,605
Liabilities		
Current liabilities	8,224,053	10,616,900
Non-current liabilities	9,236,728	7,477,146
Total liabilities	17,460,782	18,094,046
Equity		
Retained earnings	32,713,203	23,353,426
Reserves		
Available for sale financial asset reserve	133,115	281,072
Other reserves	9,731,541	10,377,062
Total equity	42,577,859	34,011,560
Financial performance		
Profit/(loss) for the year	8,718,525	(2,727,505)
Other comprehensive income	(91,388)	71,637
Total comprehensive income	8,627,137	(2,655,868)

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).

ROYAL SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS (QUEENSLAND) LIMITED AND CONTROLLED ENTITIES

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 - 31 presents fairly the society's financial position as at 30 June 2020 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.

Justine Hickey, Director

Dated this day of 24 October 2020

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Australia

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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 consolidated financial statements of Royal Society for the Prevention of Cruelty to Animals (Queensland) Limited (the "Entity") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at June 30, 2020, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and statement by directors.
In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at June 30, 2020, and (of) its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with 60 of the Australian Charities and Not-for-profits Commission Act 2012 (the "ACNC Act").

Basis for Opinion

We conducted our audit in accordance Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards) (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 2020 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 is free from material misstatement, whether due to fraud or error.

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.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are 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 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 these consolidated financial statements.

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.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group's audit. We remain solely responsible for our audit opinion.

We communicate with management and 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

Vanessa de Waal
Partner
Chartered Accountants
Brisbane, 28 October 2020