Royal Society for the Prevention of Cruelty to Animals - Queensland Inc and controlled entities

ABN 74 851 544 037

Consolidated Financial report
For the year ended 30 June 2013

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STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2013

	Note	Consolidated 2013 $	Consolidated 2012 $	Parent Entity 2013 $	Parent Entity 2012 $
Revenue					
Revenue	3	16,024,121	15,044,984	15,271,863	14,237,736
Other income	3	20,740,536	24,953,985	20,740,536	24,953,985
	3	36,764,657	39,998,969	36,012,399	39,191,721
Less: expenses					
Finance costs		(378,743)	(499,061)	(378,743)	(490,779)
Inspectorate expense		(2,695,117)	(3,595,789)	(2,745,517)	(3,646,189)
Animal training and behaviour expense		(375,010)	(377,358)	(375,010)	(377,358)
Adminstration expense		(7,820,059)	(8,402,691)	(7,723,768)	(8,192,003)
Marketing and public relations expense		(5,470,463)	(4,757,326)	(5,439,327)	(4,739,223)
Education expense		(903,671)	(1,023,327)	(903,671)	(1,023,327)
Animal shelter expense		(10,105,879)	(8,200,003)	(10,138,279)	(8,232,403)
Retail operations expense		(6,337,044)	(5,465,808)	(6,337,044)	(5,465,808)
Branch expense		(1,039,396)	(1,077,064)	(1,039,396)	(1,077,064)
Other expenses		(579,743)	(470,170)	(15,714)	(55,228)
		(35,705,125)	(33,868,597)	(35,096,469)	(33,299,382)
Profit before income tax expense		1,059,532	6,130,372	915,930	5,892,339
Income tax expense	5	-	-	-	-
Profit for the year		1,059,532	6,130,372	915,930	5,892,339
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		439,585	(38,287)	439,585	(38,287)
Total comprehensive income		1,499,117	6,092,085	1,355,515	5,854,052
Profit is attributable to:					
- Owners of Royal Society for the Prevention of Cruelty to Animals - Queensland Inc.		1,023,979	6,063,680	915,930	5,892,339
- Non-controlling interests		35,553	66,692	-	-
		1,059,532	6,130,372	915,930	5,892,339
Total comprehensive income is attributable to:					
- Owners of Royal Society for the Prevention of Cruelty to Animals - Queensland Inc.		1,463,564	6,025,393	1,355,515	5,854,052
- Non-controlling interests		35,553	66,692	-	-
		1,499,117	6,092,085	1,355,515	5,854,052

The accompanying notes form part of these financial statements.

ROYAL SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS - QUEENSLAND INC AND CONTROLLED ENTITIES

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2013

	Note	Consolidated 2013 $	Consolidated 2012 $	Parent Entity 2013 $	Parent Entity 2012 $
Current assets					
Cash and cash equivalents	6	1,687,219	542,071	1,614,693	533,728
Receivables	7	958,710	986,360	724,021	815,618
Inventories	8	1,548,653	1,404,238	1,531,422	1,395,765
Other financial assets	9	2,759,876	5,099,911	2,759,876	5,099,911
Other assets	11	430,187	262,411	427,010	258,832
		7,384,645	8,294,991	7,057,022	8,103,854
Assets classified as held for sale	12	-	480,000	-	480,000
Total current assets		7,384,645	8,774,991	7,057,022	8,583,854
Non-current assets					
Intangible assets	14	718,914	576,023	457,832	419,219
Property, plant and equipment	13	34,892,917	34,098,534	34,883,930	34,079,957
Other assets	11	35,554	13,955	35,554	13,955
Total non-current assets		35,647,385	34,688,512	35,377,316	34,513,131
Total assets		43,032,030	43,463,503	42,434,338	43,096,985
Current liabilities					
Payables	15	4,314,590	4,062,978	4,190,498	4,026,458
Borrowings	16	7,070,399	3,571,520	7,070,399	3,571,520
Provisions	17	1,087,301	985,880	1,087,301	985,880
Total current liabilities		12,472,290	8,620,378	12,348,198	8,583,858
Non-current liabilities					
Borrowings	16	158,750	5,903,750	78,750	5,823,750
Provisions	17	77,249	114,751	77,249	114,751
Total non-current liabilities		235,999	6,018,501	155,999	5,938,501
Total liabilities		12,708,289	14,638,879	12,504,197	14,522,359
Net assets		30,323,741	28,824,624	29,930,141	28,574,626
Members funds					
Reserves	18	14,756,175	14,951,966	14,756,175	14,951,966
Accumulated surplus		15,454,661	13,795,306	15,173,966	13,622,660
Members funds attributable to owners of Royal Society for the Prevention of Cruelty to Animals - Queensland Inc.		30,210,836	28,747,272	29,930,141	28,574,626
Non-controlling interests	19	112,905	77,352	-	-
Total members funds		30,323,741	28,824,624	29,930,141	28,574,626

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2013

	Reserves $	Retained earnings $	Non-controlling interests $	Total equity $
Consolidated				
Balance as at 1 July 2011	13,075,611	9,646,268	10,660	22,732,539
Profit for the year	-	6,063,680	66,692	6,130,372
Change in fair value of available for sale financial assets, net of tax	(38,287)	-	-	(38,287)
Total comprehensive income for the year	(38,287)	6,063,680	66,692	6,092,085
Transfers	1,914,642	(1,914,642)	-	-
Balance as at 1 July 2012	14,951,966	13,795,306	77,352	28,824,624
Profit for the year	-	1,023,979	35,553	1,059,532
Change in fair value of available for sale financial assets, net of tax	439,585	-	-	439,585
Total comprehensive income for the year	439,585	1,023,979	35,553	1,499,117
Transfers	(635,376)	635,376	-	-
Balance as at 30 June 2013	14,756,175	15,454,661	112,905	30,323,741

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2013

	Reserves $	Retained earnings $	Non-controlling interests $	Total equity $
Parent Entity				
Balance as at 1 July 2011	13,075,611	9,644,963	-	22,720,574
Profit for the year	-	5,892,339	-	5,892,339
Change in fair value of available for sale financial assets, net of tax	(38,287)	-	-	(38,287)
Total comprehensive income for the year	(38,287)	5,892,339	-	5,854,052
Transfers	1,914,642	(1,914,642)	-	-
Balance as at 1 July 2012	14,951,966	13,622,660	-	28,574,626
Profit for the year	-	915,930	-	915,930
Change in fair value of available for sale financial assets, net of tax	439,585	-	-	439,585
Total comprehensive income for the year	439,585	915,930	-	1,355,515
Transfers	(635,376)	635,376	-	-
Balance as at 30 June 2013	14,756,175	15,173,966	-	29,930,141

The accompanying notes form part of these financial statements.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2013

	Note	Consolidated 2013 $	Consolidated 2012 $	Parent Entity 2013 $	Parent Entity 2012 $
Cash flow from operating activities					
Receipts from customers		38,514,125	36,963,841	37,793,523	35,861,869
Payments to suppliers and employees		(35,486,142)	(34,955,435)	(34,989,007)	(33,973,448)
Interest received		35,444	24,117	35,444	24,117
Finance costs		(378,743)	(499,431)	(378,743)	(491,149)
Dividend income		161,458	49,786	161,458	49,786
Net cash provided by operating activities	20(b)	2,846,142	1,582,878	2,622,675	1,471,175
Cash flow from investing activities					
Proceeds from sale of property, plant and equipment		19,235	283,900	9,645	283,900
Proceeds from sale of land		480,000	-	480,000	-
Payment for property, plant and equipment		(2,433,209)	(10,289,244)	(2,433,209)	(10,297,988)
Payment for available-for-sale financial assets		-	(845,302)	-	(845,302)
Proceeds from sale of available-for-sale financial assets		2,919,826	829,735	2,919,826	829,735
Payment for intangible assets		(428,314)	(545,649)	(259,440)	(431,585)
Proceeds for held-to-maturity investment		-	800,000	-	800,000
Net cash provided by / (used in) investing activities		557,538	(9,766,560)	716,822	(9,661,240)
Cash flow from financing activities					
Proceeds from borrowings		208,256	9,100,000	208,256	9,100,000
Repayment of borrowings		(2,111,985)	(1,395,000)	(2,111,985)	(1,395,000)
Net cash provided by / (used in) financing activities		(1,903,729)	7,705,000	(1,903,729)	7,705,000
Reconciliation of cash					
Cash at beginning of the financial year		(731,041)	(252,359)	(739,384)	(254,319)
Net increase / (decrease) in cash held		1,499,951	(478,682)	1,435,768	(485,065)
Cash at end of financial year	20(a)	768,910	(731,041)	696,384	(739,384)

The accompanying notes form part of these 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 authoritative pronouncements of the Australian Accounting Standards Board and the Associations Incorporation Act of Queensland 1981.

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

The Royal Society for the Prevention of Cruelty to Animals - Qld Inc 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).

New and Amended Standards Adopted
None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2012 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods. However, amendments made to AASB 101 Presentation of Financial Statements effective 1 July 2012 now require the statement of comprehensive income to show the items of comprehensive income grouped into those that are not permitted to be reclassified to profit or loss in a future period and those that may have to be reclassified if certain conditions are met.

Early Adoption of Standards
The group elected to early adopt the following pronouncements to the annual reporting periods beginning on 1 July 2009:

- AASB 1053 Application of Tiers of Australian Accounting Standards
- AASB 2010-2 Amendment to Australian Accounting Standards arising from Reduced Disclosure Requirements

As a result of the early adoption of AASB 1053, the Tier 2 reporting requirements have been applied which has resulted in reduced disclosure in the current year financial statements. These Tier 2 reduced disclosure requirements have been made in accordance with AASB 2010-2.

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.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) 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 for which the parent has the power to control the financial and operating policies.

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.

Non-controlling interests in the result of subsidiaries are shown separately in the statement of comprehensive income and statement of financial position respectively.

(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 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.

Entities that have a functional currency different from the presentation currency are translated as follows:

- Assets and liabilities are translated at year-end exchange rates prevailing at that 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 as a separate component of equity.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Revenue

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 receipt.

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 stated net of the amount of goods and services tax (GST).

(e) Income tax

Parent entity

The parent entity is an income tax exempt charity endorsed by the Australian Taxation Office.

Subsidiary included in the consolidated group

In relation to the consolidated group, the income tax expense (revenue) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well unused tax losses.

Current and deferred income tax expense (income) is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

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. No deferred tax asset or liability is recognised in relation to temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Income tax (Continued)

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.

(f) Financial instruments

Classification

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

Non-derivative financial instruments

Non-derivative financial instruments consist of investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are initially recognised at fair value, plus directly attributable transaction costs (if any), except for instruments recorded at fair value through profit and loss. After initial recognition, non-derivative financial instruments are measured as described below.

Loans and receivables

Loans and receivables are measured at fair value at inception and subsequently 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 and are 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 and loss.

Financial liabilities

Financial liabilities include trade 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 recognised 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.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) 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 statement of financial position.

(h) Inventories

Inventories are measured at the lower of cost and net realisable value. Costs are assigned on a specific identification basis. Inventories received by way of donation are not brought to account as inventory as they cannot be reliably measured. The first recognition of these donations is upon sale of the goods, and the income is recognised on receipt.

(i) Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the asset to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset, but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset is recognised at the date of derecognition.

Non-current assets held for sale are presented separately from the other assets in the statement of financial position. They are not depreciated or amortised while they are classified as held for sale.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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

Property is measured on a cost basis.

Plant and equipment

Plant and equipment is measured on a cost basis.

Depreciation

The depreciable amount of all fixed assets 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 fixed asset 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 and trademarks are recognised at cost of acquisition. Patents and trademarks have an infinite life and are tested annually for impairment and carried at cost less accumulated impairment losses. All future charges relating to the renewal of the registration of the patent or trademark are expensed in the period that the charges are incurred.

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

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Intangibles (Continued)

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.

(l) Impairment

Assets with an indefinite useful life are not amortised but are tested annually for impairment in accordance with AASB 136. Assets subject to annual depreciation or amortisation are reviewed for impairment whenever events or circumstances arise that indicate that the carrying amount of the asset may be impaired.

An impairment loss is recognised where the carrying amount of the asset exceeds its recoverable amount. The recoverable amount of an asset is defined as the higher of its fair value less costs to sell and value in use.

(m) 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 out flow of economic benefits will result and that outflow can be reliably measured.

(n) 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 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 comprehensive income. 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.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Leases (Continued)

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.

(o) Employee benefits

(i) Short-term employee benefit obligations

Liabilities arising in respect of wages and salaries, annual leave and any other employee benefits expected to be settled within twelve months of the reporting date are measured at their nominal 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 is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

(ii) Long-term employee benefit obligations

The liability for long service leave and annual leave which not expected to be settled within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on government bonds with terms and currencies that match, as closely as possible, the estimate future cash outflows.

Employee benefit obligations are presented as current liabilities in the balance sheet 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.

(p) Business combinations

A business combination is a transaction or other event in which an acquirer obtains control of one or more businesses and results in the consolidation of the assets and liabilities acquired. Business combinations are accounted for by applying the acquisition method.

The consideration transferred is determined as the aggregate of fair values of assets given, equity issued and liabilities assumed in exchange for control. Deferred consideration payable is measured at fair value.

Goodwill is recognised initially at the excess over the aggregate of the consideration transferred, the fair value of the non-controlling interest, and the acquisition date fair value of the acquirer's previously held equity interest (in case of step acquisition), less the fair value of the identifiable assets acquired and liabilities assumed.

If the fair value of the acquirer's interest is greater than the aggregate of the consideration transferred, the fair value of the non-controlling interest, and the acquisition date fair value of the acquirer's previously held equity interest (in case of step acquisition), the surplus is immediately recognised in the statement of comprehensive income.

Acquisition related costs are expensed as incurred.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Borrowing costs

Borrowing costs can include interest, amortisation of discounts or premiums relating to borrowings, ancillary costs incurred in connection with arrangement of borrowings, foreign exchange losses net of hedged amounts on borrowings.

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

(r) Goods and services tax (GST)

Revenues, expenses and 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 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.

(s) Comparatives

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

NOTE 2: CRITICAL 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) Court costs receivable: provision for impairment

Historically court costs have been extremely difficult to recover in a timely and efficient manner. The Directors of the Board have determined that all court costs 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.

(c) RSPCA Queensland Foundation

In October 2003, the Society contributed $20,000 to establish a sub-fund under Queensland Community Fund Trust Deed administered by the Public Trustee of Queensland. Members of the general public are able to make tax deductible donations to the Fund, including by way of bequest. The funds, including the initial contribution by the Society, are invested in perpetuity and the income is distributed to the Society for use in its charitable works. Whilst this is a financial asset of the Society, it is unable to be reliably measured as its value is dependent upon future income streams which are uncertain. Therefore, this has been treated as an off-balance sheet item with income recognised upon receipt. The last annual statement received showed that fund assets had a fair value of $472,676.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

	Consolidated		Parent Entity	
	2013	2012	2013	2012
	$	$	$	$
NOTE 3: REVENUE				
Sales revenue				
Adoption, boarding and surrender fees	4,405,919	3,837,501	4,426,979	3,858,561
Inspectorate services	2,273,594	3,443,834	2,273,594	3,443,834
Merchandise sales	7,548,751	6,209,655	7,548,751	6,209,655
Veterinary services	638,059	470,725	638,059	470,725
Animal training services	187,578	181,058	187,578	181,058
Software sales and maintenance fees	773,318	828,308	-	-
	15,827,219	14,971,081	15,074,961	14,163,833
Dividend income	161,458	49,786	161,458	49,786
Interest income	35,444	24,117	35,444	24,117
	16,024,121	15,044,984	15,271,863	14,237,736
Other Income				
Fundraising Income	4,868,417	4,441,921	4,868,417	4,441,921
Bequest and donation income	15,187,935	17,194,562	15,187,935	17,194,562
Subsidies and grants	684,184	3,317,502	684,184	3,317,502
	20,740,536	24,953,985	20,740,536	24,953,985
	36,764,657	39,998,969	36,012,399	39,191,721

(i) *Bequests and donations*

The Society received bequest and donations during the 2013 financial year that totaled $15,187,935 (2012: $17,194,562) including $nil (2012: $4,049,717) in shares and $nil (2012: $310,000) from bequest of property.

(ii) *State Government Contribution – Wacol Facility*

The Society received contributions from the State Government in prior years for the construction of the Wacol Facility. These amounts were recognised as other income when the Society established control over the contribution. This treatment is in accordance with AASB1004 Contributions. The amount of contribution recognised in other income - subsidies and grants in 2012 was $2,263,980 (2013: $nil).

The related costs incurred in construction are capitalised as work in progress until completion in 2012 and then depreciated over the life of the asset.

	Consolidated		Parent Entity	
	2013	2012	2013	2012
	$	$	$	$

NOTE 4: OPERATING PROFIT

Profit / (losses) before income tax has been determined after:				
Finance costs - external interest	378,743	499,061	378,743	490,779
Foreign currency translation losses	10,045	16,712	-	-
Cost of sales	6,615,154	5,463,212	6,615,154	5,463,212
Employee benefits expense	14,124,435	12,532,455	14,124,435	12,532,455
Rental expense on operating leases	1,705,554	1,612,743	1,705,554	1,612,743
Profit (Loss) on disposal of property, plant and equipment	(6,062)	(38,075)	(6,062)	(38,075)
Gain on disposal of available-for-sale financial assets	97,144	-	97,144	-
Depreciation and amortisation of non-current assets:				
- Buildings	824,418	524,284	824,418	524,284
- Plant and equipment	628,661	472,699	628,661	468,327
- Motor vehicles	136,212	115,520	136,212	115,520
- Leasehold land	30,300	20,719	30,300	20,719
- Software	251,010	77,366	190,827	12,366
- Trademark	4,413	-	-	-
	1,875,014	1,210,588	1,810,418	1,141,216
Impairment losses/(reversal) in relation to:				
- Amounts receivable from controlled entity	-	-	15,714	(1,864)
- Non-current asset held for sale	-	40,000	-	40,000

NOTE 5: INCOME TAX

(a) Components of tax expense

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

NOTE 5: INCOME TAX (CONTINUED)

(b) Prima facie tax payable

	Consolidated 2013 $	Consolidated 2012 $	Parent Entity 2013 $	Parent Entity 2012 $
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 30% (2012: 30%)	317,860	1,839,112	274,779	1,767,702
Add tax effect of:				
Less tax effect of:				
- Exempt net income/(loss)	279,494	1,767,141	274,779	1,767,702
- Deferred tax asset on tax losses and temporary differences not brought to account	38,366	71,971	-	-
	317,860	1,839,112	274,779	1,767,702
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 $215,000 (2012: $328,000). The deferred tax asset not recognised in relation to losses at 30 June 2013 is $65,000 (2012: $98,000).

The Society also has unrecognised deferred tax assets relating to temporary differences of approximately $225,000 (2012: $233,000) 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 probably that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised. At 30 June 2013, 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

	Consolidated 2013 $	Consolidated 2012 $	Parent Entity 2013 $	Parent Entity 2012 $
Cash on hand	34,379	30,235	34,310	30,166
Cash at bank	940,698	511,836	868,241	503,562
Cash on deposit	712,142	-	712,142	-
	1,687,219	542,071	1,614,693	533,728

	Consolidated		Parent Entity	
	2013	2012	2013	2012
	$	$	$	$
NOTE 7: RECEIVABLES				
CURRENT				
Trade debtors	551,472	393,121	330,788	225,533
Prosecution claims receivable	324,396	343,701	324,396	343,701
Impairment loss	(197,074)	(199,411)	(197,074)	(199,411)
	127,322	144,290	127,322	144,290
GST receivable	118,150	223,448	104,148	220,297
Other debtors	161,766	225,501	161,763	225,498
Amounts receivables from:				
- controlled entity	-	-	450,406	434,692
Impairment loss	-	-	(450,406)	(434,692)
	958,710	986,360	724,021	815,618
NON CURRENT				
Amounts receivable from:				
- controlled entity	-	-	447,918	447,918
Impairment loss	-	-	(447,918)	(447,918)
	-	-	-	-
	-	-	-	-

Amounts receivable from subsidiaries

The Society has made unsecured interest-free loans to its subsidiary Shelter Management Ply Ltd (the controlled entity). These loans have no set repayment terms.

The controlled entity develops, sells and maintains a software product called Shelter BuddyTM. As the company is still incurring extensive expenditure in relation to the ongoing improvement and expansion of the software (with all current year amounts being expensed), the company is in a net liability position at balance date.

The Directors of the Board consider the current financial position of the controlled entity to be an indicator of impairment in relation to these loans receivable. Accordingly, amounts receivable at 30 June 2013 and 30 June 2012 have been impaired in full. The total impairment loss/(reversal) in relation to these recognised in the profit or loss during the current period was $15,714 (2012: ($1,864)) and is included within other expenses in the profit or loss.

	Consolidated		Parent Entity	
	2013	2012	2013	2012
	$	$	$	$

NOTE 7: RECEIVABLES (CONTINUED)

Impairment of prosecution claim receivables

Movements in the accumulated impairment losses were:

	Consolidated		Parent Entity	
	2013	2012	2013	2012
	$	$	$	$
Opening balance at 1 July	199,411	211,209	199,411	211,209
Amounts written off	(2,337)	(11,798)	(2,337)	(11,798)
Closing balance at 30 June	197,074	199,411	197,074	199,411

NOTE 8: INVENTORIES

CURRENT				
At cost				
Finished goods	1,548,653	1,404,238	1,531,422	1,395,765

NOTE 9: OTHER FINANCIAL ASSETS

CURRENT				
Available for sale financial assets				
At fair value:				
Shares in listed corporations	2,759,876	5,099,911	2,759,876	5,099,911
NON CURRENT				
Shares in subsidiary	-	-	544,505	544,505
Provision for impairment loss	-	-	(544,505)	(544,505)
	-	-	-	-

See note 7 for a discussion on the reasons for considering the carrying value of the investment in the subsidiary to be impaired at that date.

NOTE 10: CONTROLLED ENTITIES

The ultimate parent entity of the Group is Royal Society for the Prevention of Cruelty to Animals - Queensland Inc.

Subsidiaries:	Country of Incorporation	Percentage Owned 2013	2012
Shelter Management Pty Ltd	Aust	72.2%	72.2%
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 (2012: $nil)

(i) A subsidiary of Shelter Management Pty Ltd

	Consolidated 2013 $	2012 $	Parent Entity 2013 $	2012 $
NOTE 11: OTHER ASSETS				
CURRENT				
Prepayments	430,187	262,411	427,010	258,832
NON CURRENT				
Security deposits	35,554	13,955	35,554	13,955

NOTE 12: ASSETS CLASSIFIED AS HELD FOR SALE

During the 2011 year the Society received a residential property from a bequest which was marketed for sale. The property was valued at the date the Society obtained legal title to the property at its fair value of $520,000. The fair value was determined by an external valuation dated 20 April 2011. Subsequent to the 2012 year-end the property was sold for $490,000 less 2% commission. Accordingly, at 30 June 2012 the carrying value of the asset was reduced to reflect the fair value less costs to sell, being $480,000. An impairment charge of $40,000 was recognised in the Statement of Comprehensive Income in that year.

Carrying amounts of assets				
Property held for sale	-	480,000	-	480,000

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

	Consolidated		Parent Entity	
	2013	2012	2013	2012
	$	$	$	$
NOTE 13: PROPERTY, PLANT AND EQUIPMENT				
Land				
Freehold land				
At cost	576,250	576,250	576,250	576,250
Leasehold land				
At cost	3,000,000	3,000,000	3,000,000	3,000,000
Accumulated amortisation	(51,019)	(20,719)	(51,019)	(20,719)
	2,948,981	2,979,281	2,948,981	2,979,281
Buildings				
At cost	32,358,961	31,019,494	32,358,961	31,019,494
Accumulated depreciation	(2,978,180)	(2,154,971)	(2,978,180)	(2,154,971)
	29,380,781	28,864,523	29,380,781	28,864,523
Total land and buildings	32,906,012	32,420,054	32,906,012	32,420,054
Plant and equipment				
Plant and equipment at cost	5,040,134	4,201,866	5,008,982	4,167,867
Accumulated depreciation	(3,407,118)	(2,808,975)	(3,384,953)	(2,793,553)
	1,633,016	1,392,891	1,624,029	1,374,314
Motor vehicles at cost	1,270,852	1,069,503	1,270,852	1,069,503
Accumulated depreciation	(916,963)	(783,914)	(916,963)	(783,914)
	353,889	285,589	353,889	285,589
Total plant and equipment	1,986,905	1,678,480	1,977,918	1,659,903
Total property, plant and equipment	34,892,917	34,098,534	34,883,930	34,079,957

Reconciliations

Reconciliation of the carrying amounts of property, plant and equipment at the beginning and end of the current financial year

	Consolidated 2013	Consolidated 2012	Parent Entity 2013	Parent Entity 2012
Freehold land				
Opening carrying amount	576,250	576,250	576,250	576,250
Closing carrying amount	576,250	576,250	576,250	576,250
Leasehold land				
Opening carrying amount	2,979,281	3,000,000	2,979,281	3,000,000
Amortisation expense	(30,300)	(20,719)	(30,300)	(20,719)
Closing carrying amount	2,948,981	2,979,281	2,948,981	2,979,281

	Consolidated		Parent Entity	
	2013	2012	2013	2012
	$	$	$	$

NOTE 13: PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Reconciliations (Continued)

	Consolidated 2013 $	Consolidated 2012 $	Parent Entity 2013 $	Parent Entity 2012 $
Buildings				
Opening carrying amount	28,864,523	4,798,982	28,864,523	4,798,982
Additions	1,342,336	9,719,596	1,342,336	9,719,596
Disposals	(1,660)	(310,000)	(1,660)	(310,000)
Depreciation expense	(824,418)	(524,284)	(824,418)	(524,284)
Transfer from work in progress	-	15,180,229	-	15,180,229
Closing carrying amount	29,380,781	28,864,523	29,380,781	28,864,523
Plant and equipment				
Opening carrying amount	1,392,891	953,136	1,374,314	930,187
Additions	880,524	1,003,101	880,524	1,003,101
Disposals	(11,738)	(54,580)	(2,148)	(54,580)
Depreciation expense	(628,661)	(472,699)	(628,661)	(468,327)
Transfer	-	(36,067)	-	(36,067)
Closing carrying amount	1,633,016	1,392,891	1,624,029	1,374,314
Motor vehicles				
Opening carrying amount	285,589	362,359	285,589	362,359
Additions	210,349	50,532	210,349	50,532
Disposals	(5,837)	(11,782)	(5,837)	(11,782)
Depreciation expense	(136,212)	(115,520)	(136,212)	(115,520)
Closing carrying amount	353,889	285,589	353,889	285,589

	Consolidated		Parent Entity	
	2013	2012	2013	2012
	$	$	$	$
NOTE 14: INTANGIBLE ASSETS				
Software at cost	1,560,575	1,164,989	659,531	432,616
Accumulated amortisation and impairment	(844,709)	(596,427)	(201,699)	(13,397)
	715,866	568,562	457,832	419,219
Trademarks at cost	7,461	7,461	-	-
Accumulated amortisation and impairment	(4,413)	-	-	-
	3,048	7,461	-	-
Total intangible assets	718,914	576,023	457,832	419,219

Reconciliations

Reconciliation of the carrying amounts of intangible assets at the beginning and end of the current financial year

	Consolidated 2013 $	Consolidated 2012 $	Parent Entity 2013 $	Parent Entity 2012 $
Software at cost				
Opening balance	568,562	107,285	419,219	-
Additions	428,314	502,574	259,440	395,516
Amortisation expense	(251,010)	(77,366)	(190,827)	(12,366)
Transfer	-	36,069	-	36,069
Disposal	(30,000)	-	(30,000)	-
Closing balance	715,866	568,562	457,832	419,219
Trademarks at cost				
Opening balance	7,461	455	-	-
Additions	-	7,006	-	-
Amortisation expense	(4,413)	-	-	-
Closing balance	3,048	7,461	-	-

NOTE 15: PAYABLES

	Consolidated 2013 $	Consolidated 2012 $	Parent Entity 2013 $	Parent Entity 2012 $
CURRENT				
Unsecured liabilities				
Trade creditors	2,354,875	2,171,216	2,238,461	2,138,810
Sundry payables and accrued expenses	1,959,715	1,891,762	1,952,037	1,887,648
	4,314,590	4,062,978	4,190,498	4,026,458

NOTE 16: BORROWINGS

	Consolidated		Parent Entity	
	2013	2012	2013	2012
	$	$	$	$
CURRENT				
Unsecured liabilities				
Insurance Premium Funding	190,901	-	190,901	-
Loan RSPCA NSW	216,189	203,778	216,189	203,778
	407,090	203,778	407,090	203,778
Secured liabilities				
Bank overdraft	918,309	1,273,112	918,309	1,273,112
Commercial bills	5,745,000	345,000	5,745,000	345,000
Business loans	-	1,749,630	-	1,749,630
	6,663,309	3,367,742	6,663,309	3,367,742
	7,070,399	3,571,520	7,070,399	3,571,520
NON CURRENT				
Unsecured liabilities				
Redeemable preference shares	80,000	80,000	-	-
Secured liabilities				
Commercial bills	78,750	5,823,750	78,750	5,823,750
	158,750	5,903,750	78,750	5,823,750

Loan from RSPCA NSW

The loan from RSPCA NSW had an original term of two years, which expired March 2008. Subsequently it was agreed with RSPCA NSW that no further interest will accrue on the loan from 1 July 2011 and the Society will repay the balance by foregoing commission earned through World for Pets internet sales in NSW. Subsequent to year end the Society entered into a new informal agreement to repay the loan in $10,000 monthly instalments until repaid in Jun 2015.

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 16: BORROWINGS (CONTINUED)

The Society has a bank overdraft facility amounting to $1,000,000 (2012: $1,900,000). This may be terminated at any time at the option of the bank. At 30 June 2013 the unutilised facility was $81,691 (2012: $626,888). 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**
Commercial Bill	$225,000	26 February 2016	$168,750	Interest + $11,250 per quarter
Commercial Bill	$3,000,000	30 November 2013	$2,600,000	Interest + $100,000 per quarter
Commercial Bill	$3,100,000	30 November 2013	$3,100,000	Interest only

	Note	Consolidated 2013 $	Consolidated 2012 $	Parent Entity 2013 $	Parent Entity 2012 $
NOTE 17: PROVISIONS					
CURRENT					
Employee benefits		1,087,301	985,880	1,087,301	985,880
NON CURRENT					
Employee benefits		77,249	114,751	77,249	114,751

	Consolidated		Parent Entity	
	2013	2012	2013	2012
	$	$	$	$
NOTE 18: RESERVES				
Available for sale financial asset reserve	505,675	66,090	505,675	66,090
Other reserves	14,250,500	14,885,876	14,250,500	14,885,876
	14,756,175	14,951,966	14,756,175	14,951,966

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 $635,376 (2012: $349,338) represents the depreciation charge. In 2012 this was offset by grants and donations received to fund the construction of the Wacol site of $2,263,980.

NOTE 19: NON-CONTROLLING INTERESTS				
Retained Earnings	112,905	77,352	-	-

NOTE 20: CASH FLOW INFORMATION

(a) Reconciliation of cash

Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position is as follows:				
Cash on hand	34,379	30,235	34,310	30,166
Cash at bank	940,698	511,836	868,241	503,562
At call deposits with financial institutions	712,142	-	712,142	-
Bank overdrafts	(918,309)	(1,273,112)	(918,309)	(1,273,112)
	768,910	(731,041)	696,384	(739,384)

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

NOTE 20: CASH FLOW INFORMATION (CONTINUED)

	Consolidated		Parent Entity	
	2013	2012	2013	2012
	$	$	$	$
(b) Reconciliation of cash flow from operations with profit after income tax				
Profit from ordinary activities after income tax	1,059,532	6,130,372	915,930	5,892,339
Adjustments and non-cash items				
Amortisation	255,423	77,366	190,827	12,366
Depreciation	1,619,591	1,133,222	1,619,591	1,137,594
Net (gain) / loss on disposal of property, plant and equipment	6,062	38,075	6,062	38,075
Net (gain) / loss on disposal of financial instruments	(97,144)	(8,211)	(97,144)	(8,211)
Non cash donations of other assets	-	(4,019,350)	-	(4,019,350)
Impairment of non-current asset held for sale	-	40,000	-	40,000
Changes in assets and liabilities				
(Increase) / decrease in receivables	57,650	37,692	121,597	125,526
(Increase) / decrease in other assets	(189,375)	(186,703)	(189,777)	(185,945)
(Increase) / decrease in inventories	(144,415)	28,832	(135,657)	37,305
Increase / (decrease) in payables	214,899	482,562	127,327	572,455
Increase / (decrease) in provisions	63,919	182,659	63,919	182,659
Increase / (decrease) in unearned income	-	(2,353,638)	-	(2,353,638)
Cash flows from operating activities	2,846,142	1,582,878	2,622,675	1,471,175

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 2013 $	Consolidated 2012 $	Parent Entity 2013 $	Parent Entity 2012 $
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 reversal of impairment losses of $nil (2012: $130) recorded in other expenses.	-	-	447,918	447,918
Working account owed by Shelter Management Pty Ltd. This account is interest free and unsecured. The carrying value is shown after impairment losses of $15,714 (2012: reversal of impairment losses $1,734) recorded within other expenses.	-	-	450,406	434,692
Recharge of executive and administrative wages to Shelter Management Pty Ltd.	-	-	29,173	37,071

	Consolidated		Parent Entity	
	2013	2012	2013	2012
	$	$	$	$

NOTE 22: 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)
Michael Hornby (Executive Manager of Revenue and Brand)
Nick Crethar (Executive Manager Assets and Resource)

Key management personnel compensation	791,159	815,649	782,249	780,502

NOTE 23: CAPITAL AND LEASING COMMITMENTS

Operating lease commitments				
Non-cancellable operating leases contracted for but not capitalised in the financial statements:				
Payable				
- not later than one year	1,349,953	1,364,985	1,349,953	1,364,985
- later than one year and not later than five years	1,298,359	1,945,487	1,298,359	1,945,487
	2,648,312	3,310,472	2,648,312	3,310,472

The Society has 13 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 20 motor vehicle leases expiring in 2015 and a number of equipment leases with terms ranging from 3 to 5 years.

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:				
Probate advised - written	1,970,122	2,717,026	1,970,122	2,717,026
Probate not advised - written	702,287	1,673,802	702,287	1,673,802
Probate not advised - verbal	-	11,361	-	11,361
	2,672,409	4,402,189	2,672,409	4,402,189

	Consolidated		Parent Entity	
	2013	2012	2013	2012
	$	$	$	$

NOTE 25: CONTINGENT LIABILITIES

The Society has provided bank guarantees to the total value of $190,420 (2012: $176,420) as rental guarantees.

The Society receives a number of goverment 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 2013 the Society received grant monies amounting to $227,795 (2012: $270,466) 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.

NOTE 26: ECONOMIC DEPENDENCE

The Society is relying on the financial facilities in place with Westpac Bank together with financial support from local and state government grants, bequests and donations. Significant bequests have been advised to the Society at the date of this report that have not been received at balance date and are therefore not included within income for the period (refer Note 16 and Note 24).

The subsidiary is dependent upon the continue financial, administrative and managerial support of the Society, including the interest free loan and current account which the Society does not intend to call upon should it jeopardise the liquidity of the subsidiary.

NOTE 27: NET CURRENT ASSET DEFICIENCY

The Society's current liabilities exceeds its current assets by $5,087,645. This is as a result of bank borrowings to the value of $5.7m being due in November 2013. The Society has been in discussions with several banking institutions and intends to refinance its debt before the expiry date.

NOTE 28: EVENTS SUBSEQUENT TO REPORTING DATE

There has been no matter or circumstance, which has arisen since 30 June 2013 that has significantly affected or may significantly affect:

(a) the operations, in financial years subsequent to 30 June 2013, of the group, or
(b) the results of those operations, or
(c) the state of affairs, in financial years subsequent to 30 June 2013, of the group.

NOTE 29: ENTITY DETAILS

The Royal Society for the Prevention of Cruelty to Animals Queensland Inc. 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 Inc.
139 Wacol Station Rd
Wacol QLD 4076

ROYAL SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS - QUEENSLAND INC AND CONTROLLED ENTITIES

STATEMENT BY THE DIRECTORS OF THE BOARD

In the opinion of the Directors of the Board the financial report as set out on pages 1 - 32:

1. Presents fairly the financial position of Royal Society for the Prevention of Cruelty to Animals - Queensland Inc. as at 30 June 2013 and performance for the year ended on that date in accordance with the Australian Accounting Standards - Reduced Disclosure Requirements and other mandatory professional reporting requirements.

2. At the date of this statement, there are reasonable grounds to believe that Royal Society for the Prevention of Cruelty to Animals - Queensland Inc. will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the committee and is signed for and on behalf of the committee by:

A. Tribe

Andrew Tribe (Vice President)

L M Bundesen

Lisa Bundesen (Treasurer)

Dated this nineteenth day of September 2013

PITCHER PARTNERS
ACCOUNTANTS • AUDITORS • ADVISORS

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Independent Auditor's Report to the Members of the Royal Society for the Prevention of Cruelty to Animals – Queensland Inc.

We have audited the accompanying financial report of Members of the Royal Society for the Prevention of Cruelty to Animals – Queensland Inc (the Society), which comprises the statements of financial position as at 30 June 2013, the statements of comprehensive income, the statements of changes in equity and the statements of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and management's assertion statement of the entity and the consolidated entity comprising the entity and the entities it controlled at the year's end or from time to time during the financial year.

Management's Responsibility for the Financial Report

Management is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the Associations Incorporations Act (Qld) 1981, and for such internal control as management determines is necessary to enable the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit, we have complied with the independence requirements of Australian professional ethical pronouncements.

Opinion

Basis for qualified auditor's opinion

It is not practicable, because of the way income is raised, to establish controls over members' subscriptions, donations or fundraising income prior to its initial entry in the accounting records, nor is it practicable for us to confirm that all members' subscriptions, donations and fundraising income has been received and recorded. Our audit related to this income was therefore limited to the amounts recorded in the accounts.
Qualified auditor's opinion

Qualified auditor's opinion

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had the limitation discussed in the qualification paragraph not existed, the financial report of the Royal Society for the Prevention of Cruelty to Animals- Queensland Inc. is in accordance with the Associations Incorporation Act (Qld) 1981, including:

(i) giving a true and fair view of the Society's and the consolidated entity's financial position as at 30 June 2013 and of their performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards - Reduced Disclosure Requirements

PITCHER PARTNERS

J. Evans

J.J EVANS
Partner

Brisbane, Queensland
19 September 2013