

**The Royal Society for the Prevention of Cruelty
to Animals New South Wales**

ABN 87 000 001 641

General Purpose Tier 2 Financial Report
(Reduced Disclosure Requirements)

30 June 2019

The Royal Society for the Prevention of Cruelty to Animals New South Wales

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The Royal Society for the Prevention of Cruelty to Animals New South Wales

Directors' report

For the year ended 30 June 2019

The Directors present their report together with the financial report of The Royal Society for the Prevention of Cruelty to Animals New South Wales (the Society) for the financial year ended 30 June 2019 and the auditor's report thereon. In order to comply with the provisions of the Australian Charities and Not-for-profits Commission Act 2012, the directors report as follows:

1 Directors

The Directors of the Society at any time during or since the end of the financial year are:

	Appointed	Resigned
Dr Peter Wright, President	22 January 2002	
Mr Graham Hall, Senior Vice President	19 April 1984	
Mr Brian Pickup, Treasurer	13 June 2017	
Ms Wendy Barrett, Director	31 October 2003	
Mr Andrew Givney, Director	3 August 2010	24 June 2019
Mr Paul O'Donnell, Ex-Junior Vice President	16 October 1998	15 January 2018
Dr Ian Roth, Director	25 March 2017	
Ms Sarah Cruickshank, Director	3 August 2010	
Mr Donald Richmond Robinson, Director	30 October 2014	
Mr Stephen Rushton, Director	25 June 2019	
Mr Peter O'Callaghan (co-opted Director for 4 yrs)	25 March 2019	

Name and responsibilities

Qualifications, experience and other directorships

Dr Peter Wright <i>President</i>	Dr P Wright BVSc, Grad Dip Ag Ec - Dr Wright is a veterinarian who runs his own practice at Goulburn, NSW, and treats domestic pets, livestock, wildlife and other exotic species. He has a long involvement with animal care groups, including WIRES, and in assisting the region's local RSPCA inspector.
Mr Graham Hall <i>Senior Vice President</i>	Mr Hall is a life member of the Society and has been an RSPCA board member for 34 years. He is the primary producer and owner of a family property near Young. He breeds Shorthorn Stud cattle, along with sheep and crops.
Mr Brian Pickup <i>Treasurer</i>	Mr B Pickup B.Ec ACA is a retired partner with Deloitte Touche Tohmatsu. His work involves accounting for businesses, as well as various not-for-profit organisations. As a registered company auditor with over 25 years' experience, his work often requires him to provide expert evidence in litigation matters, which involve accounting and business issues. Brian is interested in all aspects of the RSPCA, and particularly with assisting in financial matters.
Ms Wendy Barrett <i>Director</i>	Ms W Barrett Exec MBA, B Bus Dip Corporate Director, Grad Dip IR – Ms Barrett is a member of the Society's Animal Welfare Committee . She has previously been a long serving member of the Animal Care and Ethics Committee at the University of Western Sydney and has held the role of President of RSPCA Auxiliary. She has a special interest in progressing animal welfare, animal care and ethics. She is also the senior executive governance for Transport for NSW.

The Royal Society for the Prevention of Cruelty to Animals New South Wales

Directors' report (continued)

For the year ended 30 June 2019

1 Directors (continued)

Name and responsibilities

Qualifications, experience and other directorship

Dr Ian Roth
Director

Dr Ian Roth worked as a veterinarian with the NSW Department of Primary Industries (NSW DPI) for 40 years in biosecurity and animal welfare. He managed the NSW DPI's Animal Welfare Unit and worked closely with the Society. Until his retirement in December 2015, he was the Chief Veterinary Officer for NSW. His career successes were recognised with a Public Service Medal for outstanding public service to veterinary science, particularly pertaining to animal welfare and biosecurity in NSW.

Ms Sarah Cruickshank
Director

Ms Cruickshank is a Senior Executive for the NSW Public Service and has amassed two decades of experience in policy development, advocacy and strategic communications. Prior to this, she spent 10 years in a national public affairs company, the last five years of which she was Managing Director. Throughout her life, she has been the proud owner of several shelter cats and dogs, and is passionate about protecting the interests of vulnerable animals in our society.

Mr Donald Richmond Robinson
Director

Mr Robinson joined the Board in November 2014. Born in Young in NSW, he had a varied career before joining the NSW Police in 1971. He served in small rural communities across the state for 23 years, but resigned to take up the position of Chief Inspector for the Society. He served for 8 years, before becoming the Society Manager of Branches and Properties. He is keenly interested in all facets of the RSPCA, but particularly in the branches and their operations. As an RSPCA Australia farm assessor, he carried out inspections of piggeries accredited under the Approved Farming Scheme. In 2012, Mr Robinson retired to a 60-acre farm in Grenfell in the mid-West NSW, where he now runs a few cattle and an alpaca.

Mr Steve Coleman
Company Secretary, CEO

GDip of Inv Mgt, MBA - Mr Coleman is the Chief Executive Officer of the Society and the Society Secretary. He joined the Society as an inspector in 1991, and has contributed to animal welfare in many ways, including sitting on numerous government and industry committees and advisory councils, including the Animal Welfare Advisory Council that reports directly to the Minister for Primary Industries.

Mr Stephen Rushton, Director
Director

Mr Rushton is a barrister who has been in practice since 1986. In 2000 he was appointed Senior Counsel. In 2017 he was appointed a Commissioner of the Independent Commission Against Corruption. He has a passion for animal welfare and the environment. In 2015 he was appointed Counsel Assisting the Special Commission of Inquiry into the Greyhound Racing Industry. He has been Environmental Counsel to the Environment Authority since 1995 and is a member of the Australian Academy of Forensic Sciences. As well as being a Life Member of RSPCA NSW Mr Rushton is a volunteer at the Sydney shelter.

Mr Peter O'Callaghan
Director

Mr P O'Callaghan has over 35 years' experience in risk management for not-for-profit organisations, government enterprises and health services, among many others. He is a member of the Australian Institute of Company Directors (AICD) and was awarded the inaugural Certified Public Accountant (CPA) award for outstanding individual contribution to Victoria. As well as serving on the RSPCA NSW Board of Directors, Mr O'Callaghan is currently Chairman of Andrew Kerr Care Ltd.

The Royal Society for the Prevention of Cruelty to Animals New South Wales

Directors' report (continued)

For the year ended 30 June 2019

2 Directors' meetings

The number of Directors' meetings and number of meetings attended by each of the Directors of the Society during the financial year are:

Director	Board meetings		
	Attended	Entitled	
Dr Peter Wright, President	6	7	
Mr Graham Hall, Senior Vice President	7	7	
Mr Brian Pickup, Treasurer	6	7	
Ms Wendy Barrett, Director	6	7	
Mr Andrew Givney, Director	3	7	*
Dr Ian Roth, Director	7	7	
Ms Sarah Cruickshank, Director	3	7	
Mr Donald Robinson, Director	6	7	
Mr Peter O'Callaghan	2	2	**
Mr Steve Coleman (Company Secretary, CEO)	7	7	
Mr Stephen Rushton, Director	0	0	***

* Resigned 24 June 2019

** Appointed 25 March 2019

*** Appointed 25 June 2019

3 Principal activities, objectives and strategies

The principal activity of the Society in the course of the financial year was the prevention of cruelty to animals through the activities of the inspectorate and the operation of shelters, clinics, and the sale of animals and associated products.

There were no significant changes in the nature of the activities of the Society during the year.

Short-term objectives and strategies

- Improve animal outcomes;
- Provide a safe and happy work environment;
- Exceed supporters' satisfaction;
- Increase the number of financial supporters;
- Increase income; and
- Maintain vigilance on cost control.

Long-term objectives and strategies

- Continuous investment in fundraising;
- Grow our volunteer network;
- Continue focus on cruelty prevention;
- Educate the community on the importance of animal welfare;
- Invest in rehoming and reduction in length of stay strategies; and
- Partner with government, local councils and industry for the betterment of animals.

The Royal Society for the Prevention of Cruelty to Animals New South Wales

Directors' report (continued)

For the year ended 30 June 2019

3 Principal activities, objectives and strategies (continued)

Measures of performance

A key performance indicator tool has been developed during the current year to monitor the progress of the above strategies with updates at each month-end. Wherever feasible, measurable metrics have been expressed in conventional units of measurement. Other results have been given in the affirmative for a successful outcome and in the negative where we have not been successful.

4 Membership liability

The Society is a public company limited by guarantee. There is no liability of any member under the guarantee should the Society be wound up.


5 Subsequent events

There has not been any matter or circumstance occurring subsequent to the end of the financial year that has significantly affected, or may significantly affect, the operations of the Society, the results of its operations, or the state of affairs of the Society in future financial years.

6 Lead auditor's independence declaration

The Lead auditor's independence declaration is set out on page 7 and forms part of the Directors' report for the financial year ended 30 June 2019.

This report is made in accordance with a resolution of the Directors:



Dr Peter Wright
President

Mr Brian Pickup
Treasurer

Dated at Sydney this 30th day of September 2019



Auditor's Independence Declaration under subdivision 60-C section 60-40 of Australian Charities and Not-for-profits Commission Act 2012

To the Directors of The Royal Society for the Prevention of Cruelty to Animals
New South Wales

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2019 there have been:

- i. no contraventions of the auditor independence requirements as set out in the Australian Charities and Not-for-profits Commission Act 2012 in relation to the audit; and
- ii. no contraventions of any applicable code of professional conduct in relation to the audit.

A handwritten signature in black ink, appearing to read 'Cameron Roan', with a stylized flourish at the end.

Cameron Roan
Partner

Sydney

30 September 2019

The Royal Society for the Prevention of Cruelty to Animals New South Wales

Statement of profit or loss and other comprehensive income

For the year ended 30 June 2019

<i>In AUD</i>	Note	2019	2018
Revenue	4(a)	27,516,786	29,537,701
Operating expenses	6	(53,509,618)	(53,161,812)
Deficit before legacies and grants		<u>(25,992,832)</u>	<u>(23,624,111)</u>
Legacies	4(b)	25,306,092	26,068,643
Government grants	4(b)	1,096,642	1,074,421
Surplus before financing income		<u>409,902</u>	<u>3,518,953</u>
Finance income		2,251,832	2,719,912
Finance expenses		(122,071)	(990,634)
Net financing income	5	<u>2,129,761</u>	<u>1,729,278</u>
Surplus before income tax expense		2,539,663	5,248,231
Income tax expense	3(k)	-	-
Other comprehensive income			
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Net gains and losses on equity investments at FVOCI	18	694,289	-
<i>Items that may be reclassified subsequently to profit or loss</i>			
Net fair value gain on available-for-sale financial asset	18	-	1,612,676
Total comprehensive income for the year		<u>3,233,952</u>	<u>6,860,907</u>

The notes on pages 12 to 32 are an integral part of these financial statements.

The Royal Society for the Prevention of Cruelty to Animals New South Wales

Statement of financial position

As at 30 June 2019

In AUD

	Note	2019	2018
Assets			
Cash and cash equivalents	7	8,367,769	8,167,315
Trade and other receivables	8	4,812,450	3,115,937
Inventories	9	685,341	579,549
Other assets	10	82,908	64,473
Financial assets	11	8,000,000	6,000,000
Total current assets		<u>21,948,468</u>	<u>17,927,274</u>
Financial assets	11	41,795,268	45,542,151
Property, plant and equipment	13	42,301,978	42,141,240
Investment properties	12	5,105,718	1,896,085
Total non-current assets		<u>89,202,965</u>	<u>89,579,476</u>
Total assets		<u>111,151,433</u>	<u>107,506,750</u>
Liabilities			
Trade and other payables	14	4,785,611	4,605,574
Provisions	15	4,184,550	4,004,461
Finance lease liability	19	2,223	2,964
Total current liabilities		<u>8,972,384</u>	<u>8,612,999</u>
Provisions	15	316,409	262,840
Finance lease liability	19	-	2,223
Total non-current liabilities		<u>316,409</u>	<u>265,063</u>
Total liabilities		<u>9,288,793</u>	<u>8,878,062</u>
Net assets		<u>101,862,640</u>	<u>98,628,688</u>
Members' equity and specific funds			
Specific funds	16	-	-
Accumulated funds	17	96,320,027	83,530,395
Reserves	18	5,542,613	15,098,293
Total equity and funds		<u>101,862,640</u>	<u>98,628,688</u>

The notes on pages 12 to 32 are an integral part of these financial statements.

The Royal Society for the Prevention of Cruelty to Animals New South Wales

Statement of changes in equity

For the year ended 30 June 2019

<i>In AUD</i>	Specific funds	Revaluation reserve	Accumulated funds	Total
Balance at 1 July 2017	347,748	13,485,617	78,282,164	92,115,529
Surplus for the year	-	-	5,248,231	5,248,231
Change in fair value of available for sale assets	-	1,612,676	-	1,612,676
Total comprehensive income for the year	-	1,612,676	5,248,231	6,860,907
Movement in specific funds	(347,748)	-	-	(347,748)
Balance at 30 June 2018	-	15,098,293	83,530,395	98,628,688
Balance at 1 July 2018	-	15,098,293	83,530,395	98,628,688
Surplus for the year	-	-	2,539,663	2,539,663
Net gains and losses on equity investments at FVOCI	-	694,289	-	694,289
Total comprehensive income for the year	-	694,289	2,539,663	3,233,952
Net amount transferred to retained earnings for the derecognition of equity investments at FVOCI	-	(10,249,969)	10,249,969	-
Movement in specific funds	-	-	-	-
Balance at 30 June 2019	-	5,542,613	96,320,027	101,862,640

The notes on pages 12 to 32 are an integral part of these financial statements.

The Royal Society for the Prevention of Cruelty to Animals New South Wales

Statement of cash flows

For the year ended 30 June 2019

In AUD

	2019	2018
Cash flows from operating activities		
Receipts from members and customers	20,189,474	21,351,598
Payments to suppliers and employees	(50,488,725)	(50,096,899)
Donations received	7,007,130	6,773,972
Legacies received	17,367,188	22,958,730
Government subsidy	1,096,642	1,074,421
Contributions from bequeathed properties	5,720,000	2,705,000
Contributions from bequeathed available-for-sale assets	79,853	801
Net cash (used in)/from operating activities	<u>971,562</u>	<u>4,767,623</u>
Cash flows from investing activities		
Rent received	290,866	282,919
Interest received	412,343	391,901
Dividends received	1,839,489	2,328,011
Proceeds from the sale of property, plant and equipment	4,069,965	4,428,090
Payment for property, plant and equipment	(9,824,942)	(6,330,244)
Proceeds from sale of investments	28,874,696	-
Payment for investments acquired	(26,433,525)	(4,955,929)
Net cash from/(used in) investing activities	<u>(771,108)</u>	<u>(3,855,252)</u>
Net increase in cash and cash equivalents	200,454	912,371
Cash and cash equivalents at beginning of year	8,167,315	7,254,944
Cash and cash equivalents at end of year	<u>8,367,769</u>	<u>8,167,315</u>

The notes on pages 12 to 32 are an integral part of these financial statements.

The Royal Society for the Prevention of Cruelty to Animals New South Wales

Notes to the financial statements

For the year ended 30 June 2019

1 Reporting entity

The Royal Society for the Prevention of Cruelty to Animals New South Wales (the "Society") is a public company limited by guarantee. The Society is a not-for-profit entity and registered under the Australian Charities and Not-for-profits Commission. The Society is domiciled in Australia. The address of the Society's registered office is 201 Rookwood Road, Yagoona NSW 2199. The financial statements are as at and for the year ended 30 June 2019. The Society is registered under the Australian Charities and Not-for-profits Commission Act 2012.

2 Basis of preparation

(a) Statement of compliance

In the opinion of the directors, the company is not publicly accountable. The financial statements are Tier 2 general purpose financial statements which have been prepared in accordance with Australian Accounting Standards - Reduced Disclosure Requirements adopted by the Australian Accounting Standards Board (AASB) and the Australian Charities and Not-for-profits Commission Act 2012.

The financial statements were authorised for issue by the Board of Directors on 30 September 2019.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis except for equity securities at fair value through OCI (2018: available-for-sale financial assets) which are measured at fair value. The fair value of these financial assets is determined by reference to their quoted closing exit bid price at the reporting date.

(c) Functional and presentation currency

These financial statements are presented in Australian dollars, which is the Society's functional currency.

(d) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

It was concluded that judgements made by management on the application of Australian Accounting Standards did not have a significant effect on the financial report. No estimates with a significant risk of material adjustment in the next year were noted.

3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

Certain comparative amounts have been reclassified to conform with the current year's presentation.

(a) Branch accounts

The financial statements comprise the accounts of the Society and all its Branches. The financial statements are inclusive of Branch balances at balance date and transactions during the year, after elimination of balances and transactions between Branches and Head Office. A listing of branches is shown in note 22.

The Royal Society for the Prevention of Cruelty to Animals New South Wales

Notes to the financial statements (continued)

For the year ended 30 June 2019

3 Significant accounting policies (continued)

(b) Financial instruments - Policy applicable for periods from 1 July 2018

(i) Recognition and derecognition

Financial assets and financial liabilities are recognised when the Society becomes a party to the contractual provisions of a financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred.

A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

(ii) Classification and measurement of financial assets

Financial assets are classified according to their business model and the characteristics of their contractual cash flows. Except for those receivables that do not contain a significant financing component and are measured at the transaction price, all financial assets are initially measured at fair value adjusted for transactions costs (where applicable).

(iii) Subsequent measurement of financial assets

For the purpose of subsequent measurement, financial assets, other than those designated and effective as hedging instruments, are classified into the following four categories:

- Financial assets at fair value through profit or loss (FVTPL)
- Financial assets at amortised cost;
- Debt instruments at fair value through other comprehensive income (FVTOCI); and
- Equity Instruments at FVTOCI

Financial assets are not reclassified subsequent to their initial recognition unless the Society changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance income and finance expenses, except for impairment of trade receivables which is presented within other expenses.

(a) Financial assets at fair value through profit or loss (FVTPL)

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss. There are no financial assets classified under the FVTPL category.

(b) Financial assets at amortised cost

Financial assets with contractual cash flows representing sole payments of principal and interest and held within a business model of 'hold to collect' contractual cash flows are accounted for at amortised cost using the effective interest method.

Financial assets at amortised costs comprise of cash and cash equivalents, term deposits and trade and other receivables.

The Royal Society for the Prevention of Cruelty to Animals New South Wales

Notes to the financial statements (continued)

For the year ended 30 June 2019

3 Significant accounting policies (continued)

(b) Financial instruments - Policy applicable for periods from 1 July 2018 (continued)

(iii) Subsequent measurement of financial assets (continued)

(c) Debt investments at FVOCI

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit and loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss. There are no financial assets classified under this category.

(d) Equity investments at FVOCI

These assets are subsequently measured at fair value. Dividends are recognised as income or profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

Equity investments at FVOCI comprise of investment in listed and unlisted shares and investments in trust.

(iv) Impairment of financial assets

In relation to the impairment of financial assets, AASB 9 requires an expected credit loss model as opposed to an incurred credit loss model under AASB 139. The expected credit loss model requires the Society to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

The Society has trade and other receivables which are subject to AASB 9's new expected credit loss model.

(v) Classification and measurement of financial liabilities

As the accounting for financial liabilities remains largely unchanged from AASB 139, the Society's financial liabilities were not impacted by the adoption of AASB 9. However, for completeness, the accounting policy is disclosed below. The Society's financial liabilities include, trade and other payables.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Society designated a financial liability at fair value through profit or loss.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments).

(c) Financial instruments - Policy applicable for periods before 1 July 2018

The Society classifies non-derivative financial assets into the following categories: held-to-maturity financial assets, loans and receivables and available-for-sale financial assets.

The Society classifies non-derivative financial liabilities into the other financial liabilities category.

The Royal Society for the Prevention of Cruelty to Animals New South Wales

Notes to the financial statements (continued)

For the year ended 30 June 2019

3 Significant accounting policies (continued)

(c) Financial instruments - Policy applicable for periods before 1 July 2018 (continued)

(i) *Non-derivative financial assets and financial liabilities – recognition and derecognition*

The Society initially recognises loans and receivables on the date when they are originated. All other financial assets and financial liabilities are initially recognised on the trade date.

The Society derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognised financial assets that is created or retained by the Society is recognised as a separate asset or liability.

The Society derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Society has a legal right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

The Society classifies non-derivative financial assets into the following categories: held-to-maturity financial assets, loans and receivables and available-for-sale financial assets.

(ii) *Non-derivative financial assets – measurement*

Held-to-maturity financial assets

These assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method.

Loans and receivables

These assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method.

Cash and cash equivalents

In the statement of cash flows, cash and cash equivalents includes bank overdrafts that are repayable on demand and form an integral part of the Society's cash management.

Available-for-sale financial assets

These assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses are recognised in OCI and accumulated in the revaluation reserve. When these assets are derecognised, the gain or loss in equity is reclassified to profit or loss.

(ii) *Non-derivative financial liabilities - measurement*

Non-derivative financial liabilities are initially recognised at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortised cost using the effective interest rate method.

The Royal Society for the Prevention of Cruelty to Animals New South Wales

Notes to the financial statements (continued)

For the year ended 30 June 2019

3 Significant accounting policies (continued)

(d) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain and loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

(ii) Subsequent expenditure

Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Society.

(iii) Depreciation

Depreciation is calculated to write off the cost of property, plant and equipment less their estimated residual values using the straight-line basis over their estimated useful lives, and is generally recognised in profit or loss. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Society will obtain ownership by the end of the lease term. Land is not depreciated.

The estimated useful lives for the current and comparative year are as follows:

	2019	2018
• Buildings	20 years, or lease term	20 years, or lease term
• Animal shelters	20 - 50 years, or lease term	20 - 50 years, or lease term
• Motor vehicles	5 years	5 years
• Plant, furniture and equipment	3-10 years	3-10 years

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

(e) Impairment - Policy applicable for periods before 1 July 2018

(i) Non-derivative financial assets

Financial assets not classified as at fair value through profit or loss, including an interest in an equity accounted investee, are assessed at each reporting date to determine whether there is objective evidence that it is impaired.

Objective evidence that financial assets are impaired includes:

- default or delinquency by a debtor;
- restructuring of an amount due to the Society on terms that the Society would not consider otherwise;
- indications that a debtor or issuer will enter bankruptcy;
- adverse changes in the payment status of borrowers or issuers;
- the disappearance of an active market for a security; or
- observable data indicating that there is measurable decrease in expected cash flows from a group of financial assets.

For an investment in an equity security, objective evidence of impairment includes a significant or prolonged decline in its fair value below its cost. The Society considers a decline of 20 percent to be significant and a period of 9 months to be prolonged.

The Royal Society for the Prevention of Cruelty to Animals New South Wales

Notes to the financial statements (continued)

For the year ended 30 June 2019

3 Significant accounting policies (continued)

(e) Impairment - Policy applicable for periods before 1 July 2018 (continued)

(i) *Non-derivative financial assets (continued)*

Financial assets measured at amortised cost

The Society considers evidence of impairment for financial assets measured at both a specific asset and a collective level. All individually significant assets are assessed for specific impairment. Those found not to be impaired are then collectively assessed for any impairment that has been incurred but not yet individually identified. Assets that are not individually significant are collectively assessed for impairment. Collective assessment is carried out by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Society uses historical information on the timing of recoveries and the amount of loss incurred, and makes an adjustment if current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends.

An impairment loss is calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account. When the Society considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed through profit or loss.

Available-for-sale financial assets

Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses accumulated in the fair value reserve to profit or loss. The amount reclassified is the difference between the acquisition cost (net of any principal repayment and amortisation) and the current fair value, less any impairment loss recognised previously in profit or loss. If the fair value of an impaired available-for-sale debt security subsequently increases and the increase can be related objectively to an event occurring after the impairment loss was recognised, then the impairment loss is reversed through profit or loss, otherwise, it is reversed through OCI.

(ii) *Non-financial assets*

At each reporting date, the Society reviews the carrying amounts of its non-financial assets (other than inventories) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Indefinite life intangible assets are tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. In respect of CGUs, they are allocated to reduce the carrying amounts of assets in the CGU (or group of CGUs) on a pro rata basis.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

The Royal Society for the Prevention of Cruelty to Animals New South Wales

Notes to the financial statements (continued)

For the year ended 30 June 2019

3 Significant accounting policies (continued)

(f) Changes in significant accounting policies

The Society has initially adopted AASB 9 from 1 July 2018.

Due to the transition methods chosen by the Society in applying these standards, comparative information throughout these financial statements has not been restated to reflect the requirements of the new standards.

Except for this change, the Society has consistently applied the accounting policies to all periods presented in these consolidated financial statements.

(i) AASB 9 Financial Instruments

AASB 9 replaces the provisions of AASB 139 that relate to recognition, classification and measurement of financial assets and financial liabilities, de-recognition of financial instruments, impairment of financial assets and hedge accounting. The adoption of AASB 9 Financial Instruments from 1 July 2018 resulted in changes in accounting policies.

On 1 July 2018, the Society has classified its financial instruments in the appropriate AASB 9 categories.

All recognised financial assets that are within the scope of AASB 9 are required to be subsequently measured at amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Financial assets classified as held-to-maturity and loans and receivables under AASB 139 that were measured at amortised cost continue to be measured at amortised cost under AASB 9 as they are held within a business model to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding.

The adoption of AASB 9 has not had a significant effect on the Society's accounting policies related to financial liabilities.

Impairment of financial assets

In relation to the impairment of financial assets, AASB 9 requires an expected credit loss model as opposed to an incurred credit loss model under AASB 139. The expected credit loss model requires the Society to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets.

While cash and cash equivalents are also subject to the impairment requirements of AASB 9, there has been no identification of any impairment loss.

There was no AASB 9 impact on retained earnings at 1 July 2018.

The table below shows the classification of each class of financial asset and financial liability under AASB 139 and AASB 9 as at the date of initial adoption, 1 July 2018.

The Royal Society for the Prevention of Cruelty to Animals New South Wales

Notes to the financial statements (continued)

For the year ended 30 June 2019

3 Significant accounting policies (continued)

(f) Changes in significant accounting policies (continued)

	AASB 139 classification	AASB9 classification	AASB 139 carrying amount	AASB 9 carrying amount
<i>In dollars</i>				
Financial Assets				
Cash and cash equivalents	Loans and receivables	Financial assets at amortised cost	8,367,769	8,367,769
Trade and other receivables	Loans and receivables	Financial assets at amortised cost	4,812,450	4,812,450
Financial assets				
- Term deposits	Loans and receivables	Financial assets at amortised cost	8,000,000	8,000,000
- Investment in listed shares	Available-for- sale financial assets	Equity investments at FVOCI	41,006,016	41,006,016
- Investment in unlisted trusts and shares	Available-for- sale financial assets	Equity investments at FVOCI	789,252	789,252
Financial Liabilities				
Trade and other payables	Financial liabilities at amortised cost	Financial liabilities at amortised cost	4,785,611	4,785,611

(g) Employee benefits

(i) Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Society has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(ii) Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

The Royal Society for the Prevention of Cruelty to Animals New South Wales

Notes to the financial statements (continued)

For the year ended 30 June 2019

3 Significant accounting policies (continued)

(g) Employee benefits (continued)

(iii) *Other long-term employee benefits*

The Society's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Remeasurements are recognised in profit or loss in the period in which they arise.

(h) Leases

(i) *Leased assets*

Assets held by the Society under leases which transfer to the Society substantially all the risks and rewards of ownership are classified as finance leases. The leased asset is measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the assets are accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases are classified as operating leases and are not recognised in the Society's statement of financial position.

(ii) *Lease payments*

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

(i) Revenue

Revenue is recognised at the fair value of the consideration received or receivable when the Society is legally entitled to receive it. Revenues are recognised net of the amounts of goods and services tax (GST) payable to the Australian Taxation Office. Revenue is recognised for the major business activities as follows:

(i) *Sale of goods*

Revenue is recognised when the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably. Revenue is measured net of returns, trade discounts and volume rebates.

(ii) *Rendering of services*

The Society is involved in the provision of veterinary services and related services. The Society recognises revenue from rendering of services when the services have been performed.

(iii) *Legacies and bequests*

Legacies are recognised when the Society obtains control of the contribution or the right to receive the contribution, which is the earlier of receipt of funds or notification by the Executor of uncontested entitlement.

Revenues from legacies comprising bequests of property or shares are recognised at fair value, being the market value of the property at the date the Society becomes legally entitled to the property. Subsequently, these assets are measured in accordance with the accounting policies adopted by the Society for that type of asset.

(iv) *Donations and fundraising*

Donations and fundraising income are recognised when received. The Society conducts a number of fundraising appeals throughout the year.

The Royal Society for the Prevention of Cruelty to Animals New South Wales

Notes to the financial statements (continued)

For the year ended 30 June 2019

3 Significant accounting policies (continued)

(i) Revenue (continued)

(iv) *Donations and fundraising (continued)*

The Royal Society for the Prevention of Cruelty to Animals New South Wales has implemented systems of control to ensure the monies received at its offices are properly recorded in the accounting records.

(v) *Contributions received / receivable*

Contributions received or receivable are recognised as revenue when the Society obtains control of the contribution or the right to receive the contribution, it is probable that the economic benefits comprising the contribution will flow to the entity and the amount of the contribution can be measured reliably.

(vi) *Government grants*

Grants and subsidies from governments are recognised at their fair value in the period in which the services are provided, having regard to the stage of completion of the service obligations, where a performance and return obligation exists. Where no such obligation exists, the grants are recognised when the right to receive the grant is established as contributions received/receivable (refer to h(v)).

(vii) *Royalties*

Royalty revenue is recognised on an accrual basis in accordance with the substance of the relevant agreement.

(viii) *Rental income*

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. However, contingent rentals arising under operating leases are recognised as income in a manner consistent with the basis on which they are determined.

(j) Finance income and expenses

Finance income comprises interest income on funds invested, investment revaluation, dividend income and distributions that are recognised in profit or loss. Interest income is recognised as it accrues, using the effective interest method. Dividends and distributions are recognised as revenue when the right to receive payment is established.

Finance expenses comprise interest expense on borrowings, management fees and impairment losses recognised on financial assets that are recognised in profit or loss. All borrowing costs are recognised in profit or loss using the effective interest method.

(k) Income tax

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

(l) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in, first-out principle. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

(m) Assets held for sale

Non-current assets are classified as held-for-sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

Such assets are generally measured at the lower of their carrying amount and fair value less costs to sell. Impairment losses on initial classification as held-for-sale or held-for-distribution and subsequent gains and losses on remeasurement are recognised in profit or loss.

Once classified as held-for-sale, property, plant and equipment are no longer depreciated.

The Royal Society for the Prevention of Cruelty to Animals New South Wales

Notes to the financial statements (continued)

For the year ended 30 June 2019

3 Significant accounting policies (continued)

(n) Investment property

Investment properties are properties held to earn rentals and/or capital appreciation. Where such property is acquired by legacy, investment properties are measured initially at deemed cost (being fair value as per note 12, including transaction costs). Subsequent to initial recognition, investment properties are measured at cost.

Depreciation is provided on investment properties, including freehold buildings but excluding land.

Depreciation is calculated on a straight line basis so as to write off the net cost or other revalued amount of each asset over its expected useful life to its estimated residual value. The estimated useful lives, residual values and depreciation method is reviewed at the end of each annual reporting period. For the buildings, a useful life of 20 years is used in the calculation of depreciation.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

(o) Specific funds

Income and expenditure relating to Specific Funds is brought to account through the Statement of Profit or Loss and Other Comprehensive Income. An amount equivalent to the income and expenditure is transferred to/from the Specific Funds from/to Accumulated funds. Capital expenditure incurred within the terms of the Specific Funds is capitalised in the financial statements of the Society as property, plant and equipment and depreciated accordingly. An amount equivalent to the expenditure is transferred from the Specific Funds to Accumulated funds.

(p) Goods and services tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(q) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2018, and have not been applied in preparing the financial statements. Those which may be relevant to the Society are set out below. The Society does not plan to adopt these standards early.

AASB 15 Revenue from Contracts with Customers, (effective from 1 January 2019)

AASB 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including AASB 118 Revenue, AASB 111 Construction Contracts and IFRIC 13 Customer Loyalty Programmes.

AASB 15 is effective for annual reporting periods beginning on or after 1 January 2019. The Society is assessing the potential impact on its financial statements resulting from the application of AASB 15.

The Royal Society for the Prevention of Cruelty to Animals New South Wales

Notes to the financial statements (continued)

For the year ended 30 June 2019

3 Significant accounting policies (continued)

(q) New standards and interpretations not yet adopted (continued)

AASB 16 Lease, (effective from 1 January 2019)

AASB 16 introduces a single, on-balance sheet accounting model for lessees. A lessee recognises a right of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional exemptions for short-term leases and leases of low value items. Lessor accounting remains similar to the current standard - i.e. lessors continue to classify leases as finance or operating leases.

AASB 16 is effective for annual reporting periods beginning on or after 1 January 2019. The Society is assessing the potential impact on its financial statements resulting from the application of AASB 16.

AASB 1058 Income of Not-for-profit Entities, (effective from 1 January 2019)

AASB 1058 provide a more comprehensive model for the accounting of income for not-for-profit entities relating to the recognition of income. Under AASB 1058, the timing of income recognition will depend on whether a transaction gives rise to a performance obligation, liability or contribution by owners. It replaces the existing requirements in AASB 1004.

AASB 1058 is effective for annual reporting periods beginning on or after 1 January 2019, with early adoption permitted for entities that have also adopted AASB 15.

The Royal Society for the Prevention of Cruelty to Animals New South Wales

Notes to the financial statements (continued)

For the year ended 30 June 2019

4 Revenue

<i>In AUD</i>	2019	2018
(a) Operating revenue		
Donations	7,007,130	6,773,972
Royalty	50,011	58,209
Profit on sale of property	440,753	845,275
Membership subscriptions	17,507	35,253
Fees for service – animals	8,046,286	8,731,389
Sale of goods	1,284,010	1,458,164
Sale of animals	2,046,844	2,165,094
Rent	290,865	282,919
Court fines and costs	252,244	255,838
Fundraising	6,895,442	7,275,562
Sundry income	1,185,692	1,656,026
	<u>27,516,786</u>	<u>29,537,700</u>
(b) Other revenue		
Legacies	25,306,092	26,068,643
Government grants - animal welfare services	1,096,642	1,074,421
	<u>26,402,734</u>	<u>27,143,064</u>

5 Net financing income

<i>In AUD</i>	2019	2018
Interest income	412,343	391,901
Distribution income	1,839,489	2,328,011
Finance income	<u>2,251,832</u>	<u>2,719,912</u>
	2019	2018
Management fees	122,071	225,771
Impairment loss on available-for-sale financial assets	-	764,863
Finance expenses	<u>122,071</u>	<u>990,634</u>
Net financing income	<u>2,129,761</u>	<u>1,729,278</u>

The Royal Society for the Prevention of Cruelty to Animals New South Wales

Notes to the financial statements (continued)

For the year ended 30 June 2019

6 Operating expenses

In AUD

2019 **2018**

An analysis of the Society's operating expenses for the year, is as follows:

Salaries and wages expense	28,876,650	27,817,321
Contributions to defined superannuation contribution plans	2,583,094	2,414,664
Depreciation on investment properties	90,367	65,245
Depreciation of non-current assets	2,734,988	2,723,595
Bad debts expense/(recovered)	31,101	(30,390)
Administration expenses	5,846,155	5,605,218
Animal related expenses	4,631,553	5,035,720
Purchase of merchandise	574,640	763,147
Repairs and maintenance	555,100	628,934
Fundraising expenses	5,098,425	5,070,412
Occupancy expenses	563,356	561,459
Other expenses	1,924,189	2,506,486
	<u>53,509,618</u>	<u>53,161,812</u>

7 Cash and cash equivalents

In AUD

2019 **2018**

Cash at bank	8,336,223	8,138,309
Cash on hand	31,546	29,006
	<u>8,367,769</u>	<u>8,167,316</u>

8 Trade and other receivables

In AUD

2019 **2018**

Trade receivables	1,497,821	1,909,259
Bequests receivable	3,583,936	1,444,884
Allowance for doubtful debts	(269,307)	(238,206)
	<u>4,812,450</u>	<u>3,115,937</u>

Allowance for doubtful debts

Opening balance	238,206	274,311
Impairment losses/(recovery) recognised on receivables	31,101	(36,105)
Closing balance	<u>269,307</u>	<u>238,206</u>

The average credit period on sale of goods is 30 days. No interest is charged on the overdue trade receivables. Allowances for doubtful debts are recognised against trade receivables based on the estimated irrecoverable amounts determined by reference to past default experience of the counterparty and an analysis of the counterparty's current financial position.

The Royal Society for the Prevention of Cruelty to Animals New South Wales

Notes to the financial statements (continued)

For the year ended 30 June 2019

9 Inventories

<i>In AUD</i>	2019	2018
Finished goods	685,341	579,549

10 Other assets

<i>In AUD</i>	2019	2018
Prepayments	82,908	64,473

11 Financial assets

<i>In AUD</i>	2019	2018
Current		
Financial assets at amortised cost		
Term deposits (> 3 months maturity)	8,000,000	6,000,000
	<u>8,000,000</u>	<u>6,000,000</u>
Non-current		
Equity instruments at FVOCI		
Shares held at market value	41,006,016	-
Unlisted trusts and shares at market value	789,252	-
Available-for-sale investments		
Shares held at market value	-	44,739,066
Unlisted trusts and shares at market value	-	803,085
	<u>41,795,268</u>	<u>45,542,151</u>

The carrying value of financial assets approximate their fair value. Fair value is determined with reference to quoted market prices.

12 Investment properties

<i>In AUD</i>	2019	2018
Investment properties at cost	5,105,718	1,896,085

Investment properties are held at cost less accumulated depreciation and accumulated impairment losses. In the current year the Society performed impairment analysis of its investment property. No indication of impairment was noted as fair value approximates the carrying value of its investment properties.

The Royal Society for the Prevention of Cruelty to Animals New South Wales

Notes to the financial statements (continued)

For the year ended 30 June 2019

13 Property, plant and equipment

<i>In AUD</i>	Capital works in progress at cost \$	Land and buildings at cost	Motor vehicles at cost \$	Plant furniture and equipment at cost \$	Total \$
Cost					
Balance at 1 July 2018	4,399,584	48,724,324	4,583,373	8,093,053	65,800,334
Additions	2,012,636	34,637	4,402,355	109,950	6,559,578
Transfers	(2,963,836)	2,963,836	-	-	-
Disposals	-	-	(4,369,257)	(528,467)	(4,897,724)
Balance as at 30 June 2019	3,448,384	51,722,797	4,616,471	7,674,536	67,462,188
Accumulated depreciation and impairment losses					
Balance at 1 July 2018	-	(16,706,179)	(794,361)	(6,158,555)	(23,659,095)
Depreciation for the year	-	(1,375,098)	(890,219)	(469,661)	(2,734,978)
Transfers	-	-	741,656	492,207	1,233,863
Disposals	-	-	-	-	-
Balance as at 30 June 2019	-	(18,081,277)	(942,924)	(6,136,009)	(25,160,210)
Carrying amount					
At 1 July 2018	4,399,584	32,018,145	3,789,012	1,934,498	42,141,239
At 30 June 2019	3,448,384	33,641,520	3,673,547	1,538,527	42,301,978

During the year the Society performed impairment analysis of its land and building at cost at the non-cash generating specialised assets level. Fair value of its and land buildings exceeds its carrying value by \$22.3m.

The Royal Society for the Prevention of Cruelty to Animals New South Wales

Notes to the financial statements (continued)

For the year ended 30 June 2019

14 Trade and other payables

<i>In AUD</i>	2019	2018
Trade payables	2,594,310	2,586,900
Other payables and accruals	2,191,301	2,018,674
	<u>4,785,611</u>	<u>4,605,574</u>

15 Provisions

<i>In AUD</i>	2019	2018
Current		
Employee benefits	4,184,550	4,004,461
	<u>4,184,550</u>	<u>4,004,461</u>
Non-current		
Employee benefits	316,409	262,840
	<u>316,409</u>	<u>262,840</u>

16 Specific funds

<i>In AUD</i>	2019	2018
RSPCA DiDi Redford Memorial Trust Fund	-	-
The Winifred & Maurice Neirous Trust Fund	-	-
	<u>-</u>	<u>-</u>

(a) RSPCA DiDi Redford Memorial Trust Fund

The Fund was established to pay for surgery on cruelty cases, injured strays and unwanted animals.

Balance at end of year	<u>-</u>	<u>-</u>
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This fund has been fully written off due to closure of the fund account in 2018. This was the result of the Society's revision of fund management.

(b) The Winifred and Maurice Neirous Trust Fund

The Fund was established to assist in the purchase of medicines for RSPCA animals from the income earned.

Balance at end of year	<u>-</u>	<u>-</u>
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This fund has been fully written off due to closure of the fund account in 2018. This was the result of the Society's revision of fund management.

The Royal Society for the Prevention of Cruelty to Animals New South Wales

Notes to the financial statements (continued)

For the year ended 30 June 2019

17 Accumulated funds

<i>In AUD</i>	2019	2018
Balance at beginning of financial year	83,530,395	78,282,164
Surplus for the year	2,539,663	5,248,231
Net amount transferred to retained earnings for the derecognition of equity investments at FVOCI	10,249,969	-
Balance at end of financial year	<u>96,320,027</u>	<u>83,530,395</u>

18 Reserves

<i>In AUD</i>	2019	2018
Balance at beginning of financial year	15,098,293	13,485,617
Net gains and losses on equity investments at FVOCI	694,289	-
Change in fair value of available-for-sale securities	-	1,612,676
Net amount transferred to retained earnings for the derecognition of equity investments at FVOCI	(10,249,969)	-
Balance at end of financial year	<u>5,542,613</u>	<u>15,098,293</u>

The asset revaluation reserve represents the cumulative gains and losses arising on the revaluation of available-for-sale financial assets that have been recognised in other comprehensive income, net of the amounts reclassified to profit or loss when those assets have been disposed of or are determined to be impaired. Upon initial application of AASB 9, the Society changed the classification of its available-for-sale investments to equity investments at FVOCI with net gains and losses recognised in OCI and are never reclassified to profit or loss.

19 Leases

Operating leases

<i>In AUD</i>	2019	2018
Leases as lessee		
Non-cancellable operating lease commitments are payable as follows:		
Less than one year	332,308	387,677
Between one and five years	397,173	151,472
Greater than five years	15,717	6,877
	<u>745,198</u>	<u>546,026</u>

Operating leases relate to leased premises at Yagoona, Rouse Hill, Tuggerah, Broken Hill, Woy Woy, Tighes Hill and Port Macquarie. The leases are for differing terms in accordance with the contractual agreements. The Society does not have an option to purchase the leased assets at the expiry of the lease periods.

Finance leases

Non-cancellable finance lease commitments are payable as follows:		
Less than one year	2,223	2,964
Between one and five years	-	2,223
	<u>2,223</u>	<u>5,187</u>

The Royal Society for the Prevention of Cruelty to Animals New South Wales

Notes to the financial statements (continued)

For the year ended 30 June 2019

20 Capital and other commitments

<i>In AUD</i>	2019	2018
Capital expenditure commitments		
<i>Contracted but not provided for</i>		
Shelters	156,565	1,554,656

The Society is in the process of a multi-staged re-development of the Yagoona and Blue Mountains Shelter. The above capital commitments are in the relation to the contracted costs at year end in relation to the re-development.

21 Charitable Fundraising Act 1991

The following additional information is provided in accordance with the requirements of the above Act.

(a) *Fundraising appeals*

Head Office and Branches have conducted various fundraising appeals during the year. Details of aggregate gross income and total expenses of fundraising appeals, as disclosed in these financial statements were as follows:

<i>In AUD</i>	2019	2018
Gross proceeds from the fundraising appeals		
Head office		
Donations	6,850,398	6,614,375
Fundraising	6,694,142	7,061,660
Branches		
Donations	156,731	159,597
Fundraising	201,300	213,902
Gross proceeds from fundraising appeals	<u>13,902,571</u>	<u>14,049,534</u>
Cost of fundraising appeals		
Head office	(5,048,376)	(5,041,239)
Branches	(45,048)	(29,173)
Total costs of fundraising appeals	<u>(5,093,424)</u>	<u>(5,070,412)</u>
Net surplus obtained from fundraising	<u>8,809,147</u>	<u>8,979,122</u>

Fundraising from cash donations and cash legacies are generally conducted on an honorary basis by members of the Society supported by officers who are employed for specific inspectorial, veterinary or other necessary administrative purposes.

Costs of fundraising appeals noted above includes amongst other things, costs for events and communications with supporters of the Company that may ultimately bequeath assets to the Society. Income from fundraising appeals doesn't include assets bequeathed by supporters given bequest and legacy income isn't deemed a fundraising appeal pursuant to the Charitable Fundraising Act 1991. Accordingly, in assessing the return on costs of fundraising appeals, regard should be made to the bequest and legacy income also generated from these activities.

(b) Fundraising appeals conducted during the financial period comprise: Appeals, raffles, stalls, social functions.

The Royal Society for the Prevention of Cruelty to Animals New South Wales

Notes to the financial statements (continued)

For the year ended 30 June 2019

21 Charitable Fundraising Act 1991 (continued)

(c) Statement showing how funds received were applied to charitable purposes	2019	2018
Net surplus from fundraising appeals	8,809,147	8,979,122
<i>Net surplus was applied to the charitable purpose in the following manner:</i>		
Funding RSPCA Inspectors	(6,810,509)	(6,825,823)
Animal shelter facilities for stray, abandoned and abused animals	(22,056,210)	(22,915,878)
Veterinary clinic services	(10,687,369)	(10,814,450)
Expenditure on support services	(17,702,281)	(17,211,518)
	<u>(57,256,369)</u>	<u>(57,767,669)</u>
Shortfall	<u>(48,447,222)</u>	<u>(48,788,547)</u>
Government grant	1,096,642	1,074,421
Legacies	25,306,092	26,068,643
Investment income	2,251,832	2,719,912
Fees for service - animals	10,093,131	10,896,483
Other income - gross	3,521,083	4,591,684
Total income from other sources	<u>42,268,780</u>	<u>45,351,142</u>

The amount applied towards charitable purposes above includes internal purchases that are incurred between Shelters and Clinics, however the value of operating expenses as per note 6, is net of internal sales and internal purchases, as the net impact on profit for internal sales and internal purchases is Nil.

22 Related parties

(a) Transactions with key management personnel

(i) Key management personnel compensation

During the financial year the Society has not compensated or agreed to compensate any director of the Society.

The key management personnel compensation was \$1,229,777 for the year ended 30 June 2019 (2018: \$1,754,035) In addition to this, the post employment benefits (i.e. superannuation contributions) amounted to \$134,657 for the year ended 30 June 2019 (2018: \$165,677).

There were five key management personnel who terminated their employment in FY18, and the sum of their termination benefits (i.e. redundancy payments) amounted to \$314,657 (2018:\$64,525).

(ii) Key management personnel and director transactions

The Society paid for veterinarian services from Dr Peter Wright who is the President of the Society. The transaction was at arms length and amounted to \$2,226 (2018: \$14,550). There was no outstanding balance owing to Dr Peter Wright at 30 June 2019 (2018: nil).

During the year, the Society paid \$1,650 at arms length commercial rates to Wyndarra Consulting for services relating to governance and risk assessment (2018: nil). Mr Peter O' Callaghan is the Director of Wyrnarra Consulting. There was no outstanding balance owing to Wyndarra Consulting at 30 June 2019 (2018: nil).

During the year the Society incurred costs reimbursed to directors for attendance of board meetings of \$5,496 (2018: \$10,391) at arms length commercial rates. There was no balances outstanding to the board of directors at 30 June 2019 (2018: nil).

All other transactions between the Society and its key management personnel in the ordinary course of business and have been conducted on an arms length basis.

The Royal Society for the Prevention of Cruelty to Animals New South Wales

Notes to the financial statements (continued)

For the year ended 30 June 2019

22 Related parties (continued)

(b) Branches

Albury
Armidale
Bathurst
Blue Mountains
Broken Hill
Central Coast
Cobar
Cooma
Dubbo
Eurobodalla
Glen Innes
Goulburn and Southern Highlands
Gunnedah
Illawarra
Inverell
Kempsey
Moree
Mudgee and District
Nowra
Orange
Port Macquarie
Sapphire Coast
Tamworth
Taree
Tenterfield
Tweed Shire
Ulladulla and District
Wagga Wagga
Sydney Auxiliary

23 Contingent liabilities

In the ordinary course of operations, the Society receives claims against it which may involve litigation. Where the outcome is probable and can be reasonably quantified, provision is made in these financial statements.

24 Subsequent events

There have been no events subsequent to balance date which would have a material effect on the Society's financial statements at 30 June 2019.

The Royal Society for the Prevention of Cruelty to Animals New South Wales

Directors' declaration

In the opinion of the directors of The Royal Society for the Prevention of Cruelty to Animals New South Wales ('the Society'):

- (a) the Society is not publicly accountable;
- (b) the financial statements and notes that are set out on pages 8 to 32 are in accordance with the Australian Charities and Not-for-profits Commission Act 2012, including:
 - (i) giving a true and fair view of the Society's financial position as at 30 June 2019 and of its performance, for the financial year ended on that date;
 - (ii) complying with Australian Accounting Standards – Reduced Disclosure Regime and the Australian Charities and Not-for-profits Commission Regulation 2013 ; and
- (c) 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 a resolution of the directors:



Dr Peter Wright
President



Mr Brian Pickup
Treasurer

Dated at Sydney this 30th day of September 2019


The Royal Society for the Prevention of Cruelty to Animals New South Wales

Declaration by Executive Officer in accordance with the Charitable Fundraising Act (NSW) 1991

For the year ended 30 June 2019

I, Peter Wright, President of The Royal Society for the Prevention of Cruelty to Animals New South Wales, state that in my opinion:

- (a) the financial report gives a true and fair view of all income and expenditure of The Royal Society for the Prevention of Cruelty to Animals New South Wales with respect to fundraising appeal activities for the financial year ended 30 June 2019;
- (b) the statement of financial position gives a true and fair view of the state of affairs with respect to fundraising appeal activities as at 30 June 2019;
- (c) the provisions of the *Charitable Fundraising Act 1991 and Regulations* and the conditions attached to the authority have been complied with for the financial year ended 30 June 2019; and
- (d) the internal controls exercised by The Royal Society for the Prevention of Cruelty to Animals New South Wales are appropriate and effective in accounting for all income received and applied from any fundraising appeals.



Dr Peter Wright
President

Dated at Sydney this 30th day of September 2019



Independent Auditor's Report

To the members of The Royal Society for the Prevention of Cruelty to Animals
New South Wales

Report on the audit of the Financial Report

Opinion

We have audited the **Financial Report**, of The Royal Society for the Prevention of Cruelty to Animals New South Wales (the Society).

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

- i. giving a true and fair view of the Society's financial position as at 30 June 2019, and of its financial performance and its cash flows for the year ended on that date; and
- ii. complying with *Australian Accounting Standards – Reduced Disclosure Requirements* and Division 60 of the *Australian Charities and Not-for-profits Commission Regulation 2013*.

The **Financial Report** comprises:

- i. Statement of financial position as at 30 June 2019.
- ii. Statement of profit or loss and other comprehensive income, Statement of changes in equity, and Statement of cash flows for the year then ended.
- iii. Notes including a summary of significant accounting policies.
- iv. Directors' declaration.
- v. Declaration by the Executive Officer in respect of fundraising appeals of the Society.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Society in accordance with the auditor independence requirements of the *ACNC Act 2012* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.



Other information

Other Information is financial and non-financial information in The Royal Society for the Prevention of Cruelty to Animals New South Wales's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

The Other Information we obtained prior to the date of this Auditor's Report was the Directors' Report.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, the auditor does not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we 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.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- i. Preparing the Financial Report that gives a true and fair view in accordance with Australian Accounting Standards - Reduced Disclosures Requirements and the ACNC.
- ii. Preparing the Financial Report in accordance with Section 24(2) of the Charitable Fundraising (NSW) Act 1991 and Regulations.
- iii. Implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.
- iv. Assessing the Society's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Society or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- i. to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- ii. 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. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this Financial Report.



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

We also:

- i. 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.
- ii. 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 Society's internal control.
- iii. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- iv. Conclude on the appropriateness of the Directors' 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 Society'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 Society to cease to continue as a going concern.
- v. 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.

In addition we have:

- i. Obtained an understanding of the internal control structure for fundraising appeal activities.
- ii. Examined on a test basis of evidence supporting compliance with the accounting and associated record keeping requirements for fundraising appeal activities pursuant to the Act and Regulation.

We have not audited on a continuous basis the accounting records relied upon for reporting on fundraising appeal activities. These do not necessarily reflect accounting adjustments after the event or normal year-end financial adjustments required for the preparation of Financial Report such as accruals, prepayments, provisioning and valuations.

Report on Other Legal and Regulatory Requirements

Opinion pursuant to the Charitable Fundraising Act (NSW) 1991

In our opinion:

- i. the Financial Report gives a true and fair view of the Society's financial result of fundraising appeal activities for the financial year ended 30 June 2019;
- ii. the Financial Report has been properly drawn up, and the associated records have been properly kept for the period from 1 July 2018 to 30 June 2019, in accordance with the *Charitable Fundraising Act (NSW) 1991* and Regulations;
- iii. money received as a result of fundraising appeal activities conducted during the period from 1 July 2018 to 30 June 2019 has been properly accounted for and applied in accordance with the *Charitable Fundraising Act (NSW) 1991* and Regulations; and
- iv. there are reasonable grounds to believe that the Society will be able to pay its debts as and when they fall due.



KPMG



Cameron Roan

Partner

Sydney

30 September 2019