

Te Rōpū Aukati Tūkino Kararehe



Group Consolidated Financial Statements

for the year ended 30 June 2022

The Royal New Zealand Society for the Prevention of Cruelty to Animals Incorporated (RNZSPCA) "SPCA"

Directory

Registered Office:

199c Lincoln Road, Henderson, Auckland

Charities Registration Number:

CC22705

Incorporation Number:

218546

SPCA Chair:

David Broderick

SPCA Vice Chair:

Robyn Kiddle

SPCA Board Members:

Siobhan Hale-Pennington (resigned 8.12.21)
David Heald
Jane Holland
Steve Merchant
Robyn O'Fee
James Robinson (resigned 8.7.22)
Julie Sellar
Gordon Trainer (resigned 24.01.22)

Auditor:

KPMG Auckland

Bankers:

ASB Bank Limited
ANZ Bank Limited
Bank of New Zealand Limited
TSB Bank Limited
Westpac New Zealand Limited

Purpose

To advance animal welfare
and prevent cruelty

*Te kōkiri i ngā mahi atawhai kararehe
me te aukati tūkino*

Vision

All animal lives matter in
our communities

*He mea nui te oranga o ngā kararehe
katoa kei ō tātau hapori*

Founding ethos

We speak for those who
cannot speak for themselves

*He reo mātau mō rātau kāore e
taea te kōrero*



Contents

Directory	2
Independent auditor’s report	4
Consolidated statement of comprehensive revenue and expense	6
Consolidated statement of financial position	7
Consolidated statement of changes in equity	9
Consolidated statement of cash flows	10
Notes to the consolidated financial statements	11 - 28

Values



Ka Kotahi Mātau
We are One



Ka Manaaki Mātau
We are Kind



Ka Māia Mātau
We are Brave



Ka Ora Mātau
We Serve



Ka Mahi Mātau
We Thrive



Independent Auditor's Report

To the members of The Royal New Zealand Society for the Prevention of Cruelty to Animals Incorporated

Report on the audit of the consolidated financial statements

Opinion

In our opinion, the consolidated financial statements of The Royal New Zealand Society for the Prevention of Cruelty to Animals Incorporated (the 'incorporated society') and its subsidiaries (the 'group') on pages 6 to 28:

- i. present fairly in all material respects the Group's financial position as at 30 June 2022 and its financial performance and cash flows for the year ended on that date in accordance with New Zealand Equivalents to International Financial Reporting Standards for Public Benefit Entities.

We have audited the accompanying consolidated financial statements which comprise:

- the consolidated statement of financial position as at 30 June 2022;
- the consolidated statements of comprehensive revenue and expense, changes in equity and cash flows for the year then ended; and
- notes, including a summary of significant accounting policies.



Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) ('ISAs (NZ)'). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the group in accordance with Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (Including International Independence Standards) (New Zealand)* issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* ('IESBA Code'), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our responsibilities under ISAs (NZ) are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

Subject to certain restrictions, partners and employees of our firm may also deal with the group on normal terms within the ordinary course of trading activities of the business of the group. These matters have not impaired our independence as auditor of the group. Other than in our capacity as auditor, the firm has no other relationship with, or interest in, the group.



Other information

The Directors, on behalf of the group, are responsible for the other information included in the group's financial statements. Our opinion on the consolidated financial statements does not cover any other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



Use of this independent auditor's report

This independent auditor's report is made solely to the members as a body. Our audit work has been undertaken so that we might state to the members those matters we are required to state to them in the independent auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members as a body for our audit work, this independent auditor's report, or any of the opinions we have formed.



Responsibilities of the Directors for the consolidated financial statements

The Directors, on behalf of the incorporated society, are responsible for:

- the preparation and fair presentation of the consolidated financial statements in accordance with generally accepted accounting practice in New Zealand (being New Zealand Equivalents to International Financial Reporting Standards for Public Benefit Entities);
- implementing necessary internal control to enable the preparation of a consolidated set of financial statements that is fairly presented and free from material misstatement, whether due to fraud or error; and
- assessing the ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate or to cease operations or have no realistic alternative but to do so.



Auditor's responsibilities for the audit of the consolidated financial statements

Our objective is:

- to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error; and
- to issue an independent 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 ISAs NZ 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 these consolidated financial statements.

A further description of our responsibilities for the audit of these consolidated financial statements is located at the External Reporting Board (XRB) website at:

<http://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-7/>

This description forms part of our independent auditor's report.



KPMG
Auckland

2 November 2022

Consolidated statement of comprehensive revenue and expense

For the year ended 30 June 2022

	Notes	2022 \$'000	2021 \$'000
Revenue from exchange transactions	6	14,625	14,405
Revenue from non-exchange transactions	6	33,831	65,192
Other income		364	245
Total income		48,820	79,842
Animal expenses		(6,533)	(6,400)
Consultants		(770)	(225)
Depreciation and amortisation		(1,436)	(1,662)
Employee-related expenses	8	(31,509)	(27,119)
Lease expenses	21	(2,515)	(2,219)
Merchandise expenses		(430)	(558)
Other expenses		(10,469)	(9,646)
Programmes and initiatives		-	(8)
Travel and accommodation		(210)	(242)
Total expenses		(53,872)	(48,079)
Operating surplus/(deficit)		(5,052)	31,763
Finance income		2,085	2,609
Finance costs		(5,400)	(340)
Net finance income/(cost)	7	(3,315)	2,269
Total surplus/(deficit) for the year		(8,367)	34,032
Total comprehensive revenue and expenses		(8,367)	34,032

This statement needs to be read in conjunction with the notes to the financial statements





Consolidated statement of financial position

As at 30 June 2022

	Notes	2022 \$000	2021 \$000
Current assets			
Cash and cash equivalents	10	5,111	9,197
Investments	11	348	7,117
Receivables from exchange transactions	9	858	596
Prepayments		264	184
Inventories		60	123
GST receivable		253	418
Assets held for sale		-	21
		6,894	17,656
Non-current assets			
Rental in advance		100	133
Investment in associates and joint ventures	25	31	61
Investments	11	50,272	46,100
Property, plant and equipment	12	68,443	68,841
		118,846	115,135
Total assets		125,740	132,791
Equity			
Reserves		148	328
Accumulated comprehensive revenue and expenses		103,710	112,077
Total equity		103,858	112,405
Current liabilities			
Trade and other creditors	13	1,947	1,983
Employee entitlements		3,078	2,600
Income in advance		179	131
Loans and borrowings	15	3,000	8,000
Property funds held	16	7,607	7,607
		15,811	20,321
Non-current liabilities			
Deferred rent liability		71	65
Loans and borrowings	15	6,000	-
		6,071	65
Total liabilities		21,882	20,386
Total equity and liabilities		125,740	132,791

This statement needs to be read in conjunction with the notes to the financial statements



Approved for and on behalf of the Board

David Broderick (Board Chair):

A handwritten signature in black ink, appearing to read 'David Broderick'.

Date: 27 October 2022

Julie Sellar (ARC Chair):

A handwritten signature in blue ink, appearing to read 'Julie Sellar'.

Date: 27 October 2022

Consolidated statement of changes in equity

For the year ended 30 June 2022

	Notes	Special projects reserve	Accumulated comprehensive revenue and expense	Total equity
Group 2022		\$000	\$000	\$000
Opening balance 30 June 2021		328	112,077	112,405
Total comprehensive income for the year		-	(8,367)	(8,367)
Movements in special projects reserve		(180)	-	(180)
Balance as at 30 June 2022	22	148	103,710	103,858

Group 2021				
Opening balance 30 June 2020		428	78,045	78,473
Total comprehensive income for the year		-	34,032	34,032
Movements in special projects reserve		(100)	-	(100)
Balance as at 30 June 2021	22	328	112,077	112,405

This statement needs to be read in conjunction with the notes to the financial statements



Consolidated statement of cash flows



For the year ended 30 June 2022

	Notes	2022 \$000	2021 \$000
Cash flow from operating activities			
<i>Cash provided from:</i>			
Receipts from donations, grants and bequests		30,500	34,583
Receipts from the provision of goods and services		14,720	14,704
		45,220	49,287
<i>Cash applied to:</i>			
Payments to suppliers and employees		(51,724)	(46,642)
Net cash flow from/(applied to) operating activities	23	(6,504)	2,645
Cash flow from investing activities			
<i>Cash provided from:</i>			
Interest and dividends received		1,567	766
Sales of investments		5,480	2,026
Maturity of term deposits		8,885	9,132
Disposals of property, plant and equipment		171	-
		16,103	11,924
<i>Cash applied to:</i>			
Acquisition and development of property, plant and equipment and intangible assets		(1,217)	(750)
Purchases of investments		(9,704)	(8,592)
Investments made to term deposits		(3,304)	(3,465)
Interest and dividends paid		(460)	(339)
Net cash flow from / (applied to) investing activities		1,418	(1,222)
Cash flow from financing activities			
Proceeds from / (Repayment of) loans and borrowings		1,000	(1,000)
Deposit received for future sale of property, plant and equipment		-	1,607
Net cash from financing activities		1,000	607
Net increase / (decrease) in cash and cash equivalents		(4,086)	2,030
Cash and cash equivalents at the beginning of the year		9,197	7,167
Cash and cash equivalents at 30 June 2022		5,111	9,197

This statement needs to be read in conjunction with the notes to the financial statements

Notes to the consolidated financial statements



1. Reporting entity

The Royal New Zealand Society for the Prevention of Cruelty to Animals Incorporated ("SPCA") is incorporated in New Zealand under the Incorporated Societies Act 1908 and is a registered charity under the Charities Act 2005. The primary objective of SPCA is to promote the humane treatment of animals and provide education services on animal welfare.

One SPCA, became effective from 1 November 2017, and has now been operating for four full financial years. SPCA Group ("Group") consists of RNZSPCA incorporated, SPCA Social Enterprises Limited, SPCA Investments Limited and the following Auxiliaries: Auckland North Shore Supporter and Auckland SPCA Dog Squad.

2. Statement of compliance and basis of preparation

The consolidated financial statements of the group have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand ("NZ GAAP"). They comply with the Public Benefit Entity International Public Standards ("PBE IPSAS") and other applicable financial reporting standards as appropriate that have been authorised for use by the New Zealand Accounting Standards Board for Not-For-Profit entities. For the purposes of complying with NZ GAAP, the Group is a public benefit not-for-profit entity and as appropriate applies Tier 1 Not-For-Profit PBE IPSAS on the basis that total expenses are greater than \$30 million.

2.1 Basis of measurement

These consolidated financial statements have been prepared on the historical cost basis, except for the initial measurement of assets and investments received from non-exchange transactions in the statement of financial position, which is measured at fair value. The accrual basis of accounting has been used.

SPCA's current liabilities have exceeded its current assets by \$8,917k as at 30 June 2022 (2021: current liabilities exceeded current assets by \$2,665k). This is due to the classifications of loans and borrowings (\$3,000k) and property funds held (\$7,607k) being recorded as current liabilities. As detailed in Note 16, the property funds held will be recorded in the statement of comprehensive revenue and expense on completion of the sale of Mangere property rather than requiring a cash outflow. In addition, in FY22 SPCA has incurred an operating deficit of \$5,052k (2021: operating surplus of \$31,763k); and has generated negative operating cash flows of \$6,504k (2021: positive operating cash flows of \$2,645k).

The Group has \$50,620k of investments that could be converted to cash which will enable the Group to meet any immediate obligations.

On the basis of the above, the financial statements have been prepared on the assumption that SPCA will continue its operations for the foreseeable future. SPCA has assessed the ability of the charity to continue as a going concern and considers the use of the going concern assumption continues to be appropriate.

2.2 Functional and presentation currency

The financial statements are presented in New Zealand dollars (\$) which is the controlling entity's functional and SPCA's presentation currency. All financial information has been rounded to the nearest thousand dollars (\$000) except where otherwise stated.

2.3 New pronouncements that will come into effect in subsequent period

The Group does not intend to early adopt any PBE Standards and Interpretations that have been issued or amended but are not yet effective. At the reporting date the New Zealand Accounting Standards Board has issued two new Standards; PBE IPSAS41 Financial Instruments to come into effect on 1 January 2022, and PBE FRS48 Service Performance Reporting to come into effect on 1 January 2022. PBE IPSAS41 is not expected to have a material impact on the financial statements. PBEFRS48 Service Performance requires the preparation and inclusion of a Statement of Service Performance, which will be included in the June 2023 Financial Statements.

3. Changes in accounting policies and disclosures

The accounting policies adopted in these financial statements are consistent with those of the previous period.

4. Use of judgements and estimates

The preparation of the consolidated 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 those estimates.

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

Judgements

Judgements made in applying accounting policies that have had the most significant effect on the amounts recognised in the consolidated financial statements include the following:

Revenue recognition – non-exchange revenue (conditions vs restrictions)

Revenue from non-exchange transactions is recognised as revenue when there are no contractual restrictions imposed by the giver requiring repayment if the revenue is unspent at balance date. Management makes a judgement on the value received, (where the revenue stream is not received in cash or is not easily measurable), and the existence of any conditions and restrictions attached to the revenue stream.

Revenue from bequests and legacies

Revenue in relation to a known legacy or bequest is not recognised until the revenue is measurable and probable. This includes a legacy or bequest that is being contested, has a life interest associated with its outcome or when SPCA has not been informed of the quantum thereof. If the documents are received from a third party before balance date, notifying SPCA with the certainty of the amount and timing of receipt, and if the legacy or bequest is received within one month of balance date, the legacy or bequest will be considered measurable and probable.

The useful life of property, plant and equipment (“PPE”)

Management has made a judgement on the estimated useful life of all items of PPE. The PPE register for all asset classes, including depreciation rates, reflect the assets remaining useful lives.

5. Summary of significant accounting policies

The significant accounting policies are included in the notes to which they relate. Significant accounting policies that do not relate to a specific note are outlined below.



5.1 Basis of consolidation

Controlled entities are all those entities over which the controlling entity has the power to govern the financial and operating policies to benefit from their activities.

In preparing the consolidated financial statements, all inter-entity balances and transactions and unrealised gains and losses arising within the consolidated entity are eliminated in full.

In the consolidated financial statements, the interest in associates and the joint venture are accounted for using the equity method. They are initially recognised at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the entity's share of the surplus or deficit and other comprehensive revenue and expenses.

5.2 Taxes

SPCA is a registered charitable organisation and is therefore exempt from income tax under section CW41 of the Income Tax Act 2007.

5.3 GST

Revenue, expenses, assets and liabilities are recognised net of the amount of GST except:

- > When GST incurred on a purchase of an asset or service is not recoverable from the taxation authority; and
- > Receivables or payables are stated GST inclusive.

The net amount of GST recoverable from, or payable to the taxation authority is included as part of receivables or payables in the statement of financial position.

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



6. Revenue

	2022 \$000	2021 \$000
Revenue from exchange transactions		
Adoption income	2,353	2,479
Animal services	770	1,255
Fundraising, functions and events	773	659
Membership income	10	11
Merchandise sales	732	937
Op shop sales	7,400	7,237
Other operating revenue	390	401
Royalties	1,544	824
Sponsorships	653	602
	14,625	14,405
Revenue from non-exchange transactions		
Donations	16,189	47,322
Government grants	3,574	2,840
Legacies and bequests	13,508	14,634
Other grants	560	396
	33,831	65,192

In the previous financial year the SPCA Trust (formerly SPCA Auckland Trust) transferred \$34,797k of treasury assets to SPCA. These were recorded at fair value at date of transfer, and were recognised as donations.

Accounting policies

Revenue is recognised to the extent that it is probable that the economic benefit will flow into SPCA and revenue can be reliably measured. Revenue is measured at the fair value of the consideration received. The following specific criteria must be met before revenue is recognised.

6.1 Revenue from exchange transactions

Adoption income and op shop sales

Revenue from the sale of goods during ordinary activities is measured at the fair value of the consideration received or receivable, net of returns and discounts.

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 the 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 reliably measured, then the discount is recognised as a reduction of revenue as the sales are recognised.

Animal services

Revenue from services is recognised in the accounting period in which the services are rendered, by reference to the stage of completion of the specific transaction.

Amounts received in advance for services to be provided in future periods are recognised as a liability until the service is provided.

Sponsorship and membership income

Revenue is recognised throughout the membership/sponsorship, and once the conditions of the agreements have been met.

6.2 Revenue from non-exchange transaction

Donations and grants

Donations and grants revenue are recognised when it becomes receivable unless SPCA has a liability to repay the donations if the conditions attached to the donation are not fulfilled. A liability is recognised to the extent that such conditions are unfulfilled at the end of the reporting period.

Donated assets

Where a physical asset is donated or vested in SPCA for nil or nominal consideration, the fair value of the asset received is recognised as revenue. Assets vested in SPCA are recognised as revenue when control through ownership over the asset is obtained.

Volunteer services

SPCA would be unable to operate without the extensive volunteer services they receive from members, supporters, service groups and the public. These services relate to both revenue and service delivery. Principal volunteer services include helping at the shelters, op shops, street collectors, numerous small fundraising events sponsored by individuals and service clubs and board members who provide governance to SPCA. Generally, the contributions made by individuals are not recorded in detail. No complete record of hours is available, and the diverse nature of contribution and individuals involved means it is not possible to reliably value the services they provide. For this reason, the value of volunteer services is not recognised as revenue.

Legacies and bequests

Legacies and bequests are recognised through surplus or deficit when receipt of the bequest or legacy is probable, and the amount can be reliably measured.

Assets bequeathed to SPCA are included at fair value on the date title passes.



7. Net finance income/(cost)

	2022 \$000	2021 \$000
Interest income on:		
Cash and cash equivalents	18	9
Investments	671	378
Unrealised gains from investments	-	1,865
Realised losses from investments	519	(50)
Dividends	877	407
Finance income	2,085	2,609
Unrealised loss from investments	(4,940)	-
Net foreign exchange gain/(loss)	7	(24)
Interest expense	(320)	(236)
Treasury account fees	(147)	(80)
Finance costs	(5,400)	(340)
Net finance income/(cost)	(3,315)	2,269

Accounting policies

Finance income and finance costs

SPCA's finance income and finance costs include:

- > Interest income;
- > Dividend income;
- > Interest expense;
- > Gain/loss on financial assets at fair value through surplus or deficit;
- > Foreign currency gain or loss on financial assets and financial liabilities; and
- > Interest income or expense is recognised using the effective interest method.

Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of SPCA entities at the exchange rate at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on the historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognised in the surplus or deficit.

Dividend income

Dividend income is recognised in the surplus or deficit on the date on which SPCA's right to receive payment is established.



8. Employee-related expenses

	2022 \$000	2021 \$000
Wages and salaries	(31,366)	(26,950)
Other employee-related expenses	(143)	(169)
	(31,509)	(27,119)

Accounting policies

Defined contribution pension plans

KiwiSaver obligations for contributions to defined contribution pension plans are recognised as an expense through surplus or deficit when they are due.

9. Receivables from exchange transactions

	2022 \$000	2021 \$000
Trade receivables	277	201
Other receivables	581	395
	858	596
Current	858	596
	858	596

Accounting policies

Trade and other receivables are measured at amortised cost using the expected credit loss method, less allowance for impairment losses.

10. Cash and cash equivalents

	2022 \$000	2021 \$000
Bank balances	4,011	4,994
Short-term deposits with maturities less than three months	1,100	4,203
	5,111	9,197
Current	5,111	9,197
	5,111	9,197

Accounting policies

Cash and cash equivalents represent highly liquid investments, with maturities less than three months, that are readily convertible into a known amount of cash with an insignificant risk of changes in value.

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between three and twelve months, depending on the immediate cash requirements of SPCA, and earn interest at the respective short-term deposit rates.

11. Investments

	2022 \$000	2021 \$000
Current investments		
Term deposits with maturities more than three months but less than 12 months	348	7,117
	348	7,117
Non-current investments		
Equity securities	29,028	32,101
Corporate securities	21,244	13,999
	50,272	46,100
Non-current	50,272	46,100
Current	348	7,117
	50,620	53,217

In May 2022 the Aoraki Trust transferred SPCA Investments Limited \$3,298k via a pass-through transaction through RNZSPCA, these were recorded at fair value at date of transfer, and were recognised as non-exchange revenue in the statement of comprehensive revenue and expense.

Accounting policies

Current investments comprise of deposits and term bonds. They are stated at the amount invested, including any amount subsequently compounded to the original amount invested. Where an investment is acquired in a non-exchange transaction for nil or nominal consideration, the investment is initially measured at its fair value.



12. Property, plant and equipment

	Land	Buildings	Plant and equipment	Medical plant and equipment	Fixtures and fittings	Motor vehicles	Computer equipment	Office equipment	Capital work in progress	Total
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Costs										
Balance at 1 July 2020	34,113	32,812	276	432	2,570	2,523	268	331	-	73,325
Additions	-	125	13	30	268	304	7	10	-	757
Disposals	-	(50)	(50)	(77)	(314)	(58)	(1)	(45)	-	(595)
WIP transfer	-	(25)	-	-	-	-	-	-	-	(25)
Balance at 30 June 2021	34,113	32,862	239	385	2,524	2,769	274	296	-	73,462
Additions	-	98	21	108	359	564	-	-	67	1,217
Disposals	-	(36)	(52)	(26)	6	(158)	(206)	(66)	-	(538)
Reclassification between assets	-	(40)	142	(83)	71	(3)	24	(111)	-	-
WIP transfer	-	-	-	-	-	-	-	-	-	-
Balance at 30 June 2022	34,113	32,884	350	384	2,960	3,172	92	119	67	74,141
Accumulated depreciation										
Balance at 1 July 2020	-	1,524	126	163	522	718	225	148	-	3,426
Depreciation 2021	-	681	1	14	21	429	29	24	-	1,199
Reclassification to assets held for sale	-	(4)	-	-	-	-	-	-	-	(4)
Balance at 30 June 2021	-	2,201	127	177	543	1,147	254	172	-	4,621
Disposals depreciation	-	54	25	(65)	67	(121)	(199)	(120)	-	(368)
Depreciation 2022	-	698	56	47	221	380	20	14	-	1,436
Balance at 30 June 2022	-	2,953	208	159	831	1,406	75	66	-	5,698
Carrying amounts										
At 30 June 2021	34,113	30,661	112	208	1,981	1,622	20	124	-	68,841
At 30 June 2022	34,113	29,931	142	225	2,129	1,766	17	53	67	68,443



12. Property, plant and equipment (continued)

Securities held

In order for SPCA to purchase the land in Wiri, a borrowing facility (refer Note 16) was obtained through the Westpac Banking Corporation. The facility is provided on the understanding that it does not exceed 40 % of the value of the properties and that SPCA should retain at least \$6,000k in treasuries during the term of the loan.

The properties listed below are held as security;

Security held over land - Wiri	Secured asset	Carrying value
Mortgage over specific properties	485 Puhinui Road, Wiri, Auckland	\$15,000,000
	1 Torridon Street, North Dunedin, Dunedin	\$2,747,843
	6 Rawiri Place, Hobsonville, Auckland	\$8,074,004
	22 Harewood Road, Woodend, Invercargill	\$1,663,367

Accounting policies

Recognition and measurement

Property, plant and equipment are measured initially at cost. Cost includes expenditure that is directly attributable to the acquisition of the items. The cost of an item of property, plant and equipment is only recognised when it is probable that future economic benefit or service potential associated with the item will flow to the society, and if the items cost or fair value can be measured reliably.

Where an asset is acquired in a non-exchange transaction for nil or nominal consideration, the asset is initially measured at its fair value.

Any assets that were gifted as part of the merger were initially measured at fair value.

Subsequent expenditure

After initial recognition, property, plant and equipment are measured using the cost model.

Depreciation

Depreciation is charged on a straight-line basis over the useful life of the asset. Depreciation is charged at rates calculated to allocate the cost or valuation of the asset less any estimated residual value over its remaining useful life:

Fixed assets have been depreciated at the following rates:

> Buildings	2 % - 8 %	per annum straight-line
> Plant and equipment	8.5 % - 67 %	per annum straight-line
> Medical plant and equipment	7 % - 67 %	per annum straight-line
> Fixtures and fittings	6 %	per annum straight-line
> Motor vehicles	7 % - 21 %	per annum straight-line
> Computer equipment	21 % - 67 %	per annum straight-line
> Office equipment	17.5 % - 30 %	per annum straight-line

Land is not depreciated.

12. Property, plant and equipment (continued)

An item of property, plant and equipment is derecognised upon disposal or when no further economic benefits are expected from its use or disposal.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the surplus or deficit.

Assets with a finite useful life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less the cost to sell or the value in use. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

The value in use is the depreciated replacement cost of an asset where the future economic benefits or service potential of the asset are not primarily dependent on the asset's ability to generate net cash inflows and where SPCA would, if deprived of the asset, replace its remaining future economic benefits or service potential.

If an asset's carrying amount exceeds its recoverable amount, the asset is impaired, and the carrying amount is written down to the recoverable amount. The total impairment loss is recognised in the surplus or deficit.

The carrying amounts of SPCA's assets are reviewed at each reporting date to determine whether there is any objective evidence of impairment. If any such indication exists, the asset's recoverable amount is estimated.

13. Trade and other payables

	2022 \$000	2021 \$000
Trade payables	1,729	1,736
Other payables and accrued expenses	218	247
	1,947	1,983
Current	1,947	1,983
	1,947	1,983

Accounting policies

Trade and other payables are stated at amortised cost using the effective interest method.

14. Employee entitlements

Accounting policies

Wages, salaries and annual leave

Liabilities for wages and salaries and accumulating annual leave are recognised in the surplus or deficit during the period in which the employee rendered the related services and are generally expected to be settled within 12 months of the reporting date. The liabilities for these short-term benefits are measured at the amounts expected to be paid when the liabilities are settled.



15. Loans and borrowings

	2022 \$000	2021 \$000
Non-current liabilities		
Interest-bearing borrowings	6,000	-
	6,000	-
Current liabilities		
Current portion of Interest-bearing borrowings	3,000	8,000
	3,000	8,000

Accounting policies

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the statement of comprehensive revenue and expense over the period of the borrowing under the effective interest method. Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

During the 2021 financial year, SPCA obtained a borrowing facility from Westpac Banking Corporation for the purchase of land located at Wiri for future site development. This loan bears interest at a rate of 4.05 % - \$3,000k and 4.74 % - \$6,000k per annum and is repayable on the 23rd of October 2023.

16. Property funds held

	2022 \$000	2021 \$000
Deposits received for future sale of property	7,607	7,607
	7,607	7,607

On the 1st October 2019, SPCA entered into a sale and purchase agreement to sell the property located at Mangere for \$19,071k. The settlement date is 15 February 2023, (this has subsequently been extended to 15 October 2024) with progressive payments. The agreement assures continued occupancy throughout this period. Proceeds will be allocated towards the build of a new centre. In accordance with this sale and purchase agreement, a deposit to the value of \$6,000k was received by 30 November 2019 and a further \$1,607k 18 December 2020. However, this property is still being used for SPCA operational purposes. The property funds held represent the obligation to return the amounts paid should the sale not go ahead. There are no restrictions on the use of the cash received. Commercial and legal restrictions on the Mangere site are contractually in place through an unconditional sales and purchase agreement.

17. Financial instruments

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

Financial assets are derecognised if SPCA's contractual rights to the cash flow from the financial assets expire or if SPCA transfers the financial asset to another party without retaining control of substantially all risks and rewards of the asset. Financial liabilities are derecognised if SPCA's obligations specified in the contract expire or are discharged or cancelled.

Financial instruments are recognised in the statement of financial position at fair value. For instruments not at fair value inclusive of any directly attributable transaction costs, the financial instruments are measured as described below.



18.1 Financial assets

A financial asset is classified at fair value, through the surplus or deficit, if it is classified as held-for-trading or is designated as such on initial recognition. Directly attributable transactions costs are recognised in the surplus or deficit as incurred. Financial assets at fair value through the surplus or deficit are measured at fair value and changes therein, including any interest or dividend income, and recognised in the surplus or deficit.

18.1.1 Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are subsequently measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprises of cash and cash equivalents, investments, trade and other receivables and legacy receivables.

Cash and cash equivalents represent highly liquid investments that are readily convertible into a known amount of cash with an insignificant risk of changes in value, with maturities less than three months.

Trade and other receivables are stated at expected realisable value and are measured at amortised cost using the expected credit loss method, less allowance for impairment losses.

18.1.2 Impairment of financial assets

A financial asset, not subsequently measured at fair value through the surplus or deficit, is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if there is objective evidence of impairment because of one or more events that occurred after the initial recognition of the asset, and that the loss event(s) had an impact of the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its' carrying amount, and the present value of estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in categories that share similar credit risk characteristics.

All impairment losses are recognised in the surplus or deficit.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. The reversal is recognised in the surplus and deficit.

All financial instruments measured at fair value in the current financial year, are categorised as level 1 in the fair value hierarchy and are valued using the quoted market price in active markets for an identical instrument.

18.2 Amortised financial liabilities

Financial liabilities classified as amortised cost are non-derivative financial liabilities that are not classified at fair value through the surplus or deficit financial liabilities.

Financial liabilities classified as amortised cost are subsequently measured at amortised cost using the effective interest method.

Financial liabilities classified as amortised cost comprise cash and cash equivalents (bank overdrafts), trade and other payables, borrowings and finance lease payable.

18.3 Fair values and risk management

Accounting classification and fair values	Carrying value				Fair value	
	Financial assets at fair value through surplus or deficit	Loans and receivables	Financial liabilities amortised cost	Total	Level 1	Total
2022	\$000	\$000	\$000	\$000	\$000	\$000
Financial assets measured at fair value						
Equity securities	29,028	-	-	29,027	29,027	29,027
Corporate securities	21,244	-	-	21,245	21,245	21,245
	50,272	-	-	50,272	50,272	50,272
Financial assets not measured at fair value						
Trade and other receivables	-	858	-	858	-	-
Investments	-	348	-	348	-	-
Cash and cash equivalents	-	5,111	-	5,111	-	-
	-	6,317	-	6,317	-	-
Financial liabilities not measured at fair value						
Loans and borrowings	-	-	9,000	9,000	-	-
Trade payables	-	-	1,729	1,729	-	-
	-	-	10,729	10,729	-	-
2021						
Financial assets measured at fair value						
Equity securities	32,101	-	-	32,101	32,101	32,101
Corporate securities	13,999	-	-	13,999	13,999	13,999
	46,100	-	-	46,100	46,100	46,100
Financial assets not measured at fair value						
Trade and other receivables	-	596	-	596	-	-
Investments	-	7,117	-	7,117	-	-
Cash and cash equivalents	-	9,197	-	9,179	-	-
	-	16,910	-	16,910	-	-
Financial liabilities not measured at fair value						
Loans and borrowings	-	-	8,000	8,000	-	-
Trade and other payables	-	-	1,736	1,736	-	-
	-	-	9,736	9,736	-	-

18.3 Fair values and risk management (continued)

Financial risk management

SPCA has exposure to the following risks arising from financial instruments:

- i. Credit risk
- ii. Liquidity risk
- iii. Market risk

Risk management framework

SPCA's board of directors has overall responsibility for the establishment and oversight of SPCA's risk management through the Audit and Risk Committee (ARC), which is responsible for developing and monitoring SPCA's risk management policies. The ARC reports regularly to the board of directors on its activities.

SPCA's risk management policies are established to identify and analyse the risks faced by SPCA, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in the market conditions and SPCA's activities. Through SPCA's training and management standards and procedures, SPCA aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

The ARC oversees how management monitors compliance within SPCA's risk management policies & procedures and reviews the adequacy of the risk management framework concerning the risks faced by SPCA.

i. Credit risk

Credit risk is the risk of financial loss to SPCA if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from SPCA's receivables from its customers and investments in debt securities.

The carrying amount of financial assets represents the maximum credit exposure.

Trade and other receivables

Trade and other receivables are not considered to have large amounts of exposure, and the maximum exposure is the carrying value of the trade and other receivables.

Cash and cash equivalents

SPCA held consolidated cash and cash equivalents of \$5,111k at 30 June 2022 (2021: \$9,197k). The cash and cash equivalents are held with banks and financial institutions.

ii. Liquidity risk

Liquidity risk is the risk that SPCA will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. SPCA's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable deficits or risking damage to SPCA's reputation. The group's financial liabilities mainly relate to trade and other payables which are due in less than 12 months.

iii. Market risk

Market risk is the risk that changes in market prices – such as foreign exchange rates, interest rates and equity prices which will affect SPCA's income or the value of its holdings of financial instruments.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimising the return.

Currency Risk

SPCA's exposure to currency risk is minimal.

Interest rate risk

SPCA's exposure to interest rate risk is minimal.



19. Contingent assets or liabilities

There are no contingent assets or liabilities. (2021: Nil)

20. Capital commitments

SPCA is contractually committed to incur future capital expenditure of \$0 with external parties. (2021: Nil)

21. Operating leases

Leases as lessee

SPCA leases some buildings facilities under operating leases. These typically run for three years, with an option to renew the lease after that date. Lease payments are renegotiated upon renewal to reflect market rentals.

SPCA leases some vehicles under operating leases. These leases typically run for a period of 3 – 5 years.

SPCA leases a range of equipment under operating leases, ranging from security cameras, dishwashers and copiers. These leases run for three years.

	2022 \$000	2021 \$000
Lease Commitments		
Less than one year	1,956	1,160
Between one and five years	2,036	874
More than five years	-	-
	3,992	2,034
Amounts recognised in surplus or deficit		
Lease expense	2,515	2,219
	2,515	2,219

Accounting policies

SPCA has entered into many leases for its commercial properties and motor vehicles. SPCA has determined based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a substantial portion of the economic life of the commercial property, that it does not retain all the significant risks and rewards of ownership assets and accounts for the contracts as operating leases.

Payments made under operating leases are recognised in the statement of comprehensive revenue and expense 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.

Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term. Incentives granted to lessees in negotiating a new or renewed lease are recognised as a reduction of rental income straight-line over the lease term.



22. Equity and reserves

Special project reserve

The WB Sheath Foundation was established through a bequest in 1994 for the benefit of education and other activities to promote public awareness of animal welfare. The funds are to be kept separate and distinct from SPCA funds. The WB Sheath Foundation may only distribute funds through formal resolution of the Trustees.

23. Reconciliation of surplus with net cash from operating activities

	2022 \$000	2021 \$000
Cash flows from operating activities		
Surplus/(deficit) for the year	(8,367)	34,032
Adjustments for:		
Depreciation and impairment	1,478	1,662
Other expenses	205	157
Movement in reserves	(180)	(100)
Net finance income	3,315	(2,269)
Investments funds transfer	(3,200)	(30,556)
	(6,749)	2,926
Changes in:		
Inventories	63	(14)
Trade and other receivables	(97)	78
Prepayments	(80)	(42)
Rental in advance	34	34
Trade and other payables	(36)	(122)
Provision for employee benefits	478	(275)
Deferred rent liability	7	8
Income in advance	47	52
Disposals from property, plant and equipment	(171)	52
	245	(281)
Net cash from operating activities	(6,504)	2,645

24. Related parties

Transactions with key management personnel

The table below depicts the aggregate remuneration of key management personnel and the number of individuals, determined on a full-time equivalent basis, receiving remuneration and who are on standard employment contracts. Members of SPCA Board do not receive emoluments.

Group	2022 \$000	2021 \$000
Key management personnel (senior leadership team and national area management)		
Total remuneration	2,582	2,389
Number of persons	21	23
Distribution received		
SPCA Trust (Formerly Auckland SPCA Trust)	-	1,000

25. Investments in associates and joint ventures

SPCA Social Enterprises Limited, a separate entity within SPCA has been created to separate out activities which carry out commercial activities. It is intended that initiatives such as the “Certified” programme, investment in Pet Depot & Op Shops be managed within this entity. In 2021, SPCA Trust distributed \$1,000k into SPCA, which was utilised for general purposes.

Pet Depot

SPCA has partnered with Pet Depot, an online pet store for animal lovers across the country looking for convenient ways to buy food, flea and worming treatments for their cats and dogs.

On 8th April 2020, SPCA Social Enterprises Limited obtained a 30% shareholding in Pet Depot (429 shares). Of the total shareholding, 10% (143 Shares) were purchased at a fair value of \$100,000 with the additional 20% (286 shares) being received “in lieu of brand license fees” associated with the SPCA name. On 23rd March 2022 an additional payment was made of \$12,000.

Certified

SPCA has had a long-standing certification programme (previously known as Blue Tick), which oversees the well-being of farming animals. The Blue Tick programme is currently being rebranded under “Certified”. The scheme is royalty based and will form part of SPCA Social Enterprises Limited activities

26. Subsequent events

Subsequent events of a material nature that have occurred after the balance sheet date and up to the date of the audit report include;

Major capital purchases

During the 2019 financial year, SPCA entered into a property sale and purchase agreements to purchase land in Whangarei for \$1,070k, and Wiri \$15,000k. These land purchases were made with the intention to build new centres in each area. In the 2021 financial year, SPCA placed these projects on hold: due to the economic climate, COVID-19 and the concerns around sourcing the funds for these new builds and infrastructure. In 2022 the Wiri project recommenced and in the 2023 financial year further work will be completed on the Wiri site, including completing the design, earthworks and Council consent. Completion of construction is expected by the end of calendar 2024.



**Together,
we can give**

them a better life.