ANNUAL FINANCIAL REPORT 2020

ABN 50 169 561 394


AUSTRALIAN RED CROSS
the power of humanity

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Australian Red Cross Society
ABN 50 169 561 394
Annual financial report - 30 June 2020

Cover photo: Australian Red Cross / Mathew Lynn
Left: Australian Red Cross / Aysha Leo

Overview from the Chief Financial Officer

We are pleased to present audited financial statements for the year ended 30 June 2020.

The financial statements of the Australian Red Cross Society (the Society) incorporate both the Humanitarian Services of Red Cross and Australian Red Cross Lifeblood operating divisions. The Lifeblood division is entrusted with the supply of Australia's blood and collects, processes and distributes life-saving blood and blood products as well as delivering world-class research and providing expertise in diagnostic, transplantation and other clinical services. Red Cross Humanitarian Services supports and empowers people and communities experiencing vulnerability.

The Society is comprised of two distinct divisions which are Humanitarian Services which is principally funded through donations and grants from governments and Lifeblood which is largely funded by government through the National Blood Authority. The divisions operate separately and, under the funding agreements in place, cannot cross subsidise the other.

Overview

This financial year has been defined by unprecedented events, including the Australian bushfires followed by the global COVID-19 pandemic, which created enormous additional need in our communities for support from Red Cross. The focus of our work and our financial circumstances reflects us all adapting to these emerging community needs.

Last year, the Society worked together with our volunteers and community more than ever to support those in challenging circumstances, which is also reflected in the increased specific purpose funding and donations received resulting in a record reported total revenue of $1,139.925 million ($671.811 million Lifeblood and $468.114 million Humanitarian Services). Associated increased expenditure reflects commitment of those funds for the benefit of the communities we serve.

The Society reported a net surplus of $47.720 million ($79.410 million surplus from Humanitarian Services and a deficit of $31.690 million from Lifeblood). The Lifeblood result includes a return of a surplus of $31.612 million to Government, which was generated from its main operating program. As a not-for-profit entity, both divisional results are largely driven by the difference in timing between the accounting standards requirements for recognising receipt of funds as revenue compared to those recognising committed funds as expenditure.

The public health responses to COVID-19 have placed pressure on the funding of the Humanitarian division which relies on regular donors and retail revenue to fund much of its everyday activity. The short-term financial impacts of this have been mitigated through aggressive cost and efficiency initiatives, $10.265 million Jobkeeper income and using minimal levels of debt at the Society level. The organisation's commitment towards improving internal efficiency continues to ensure our ongoing sustainability.

This year we also implemented the new accounting standard in relation to leases, AASB 16. The adoption of this new standard has resulted in the Society recognising on our balance sheet for the first time, a right-of-use (ROU) asset and related lease liability in connection with all former operating leases for the first time, and continued full compliance with general purpose financial reporting.

Humanitarian Services

The result for Humanitarian Services for the 2020 financial year was a surplus of $79.410 million. This principally arises from $70.796 million in surplus revenue recognised in the current year that is committed for expenditure in coming years to the specific purposes it was donated. These funds are separately identified in our statements as special purpose funds. The principal items identified in this category are those associated with bushfire relief and COVID-19 relief. Our result was also bolstered this year by some one-off gains such as $4.487 million on the sale of our Milton and Bendigo properties in line with our long-term property and investment strategies.

In FY2020 the Australian public donated $303.538 million (FY19 $90.412 million) to help us deliver programs, strengthen communities and support our everyday work and specific causes. Compared to previous years, there has been a higher frequency and severity of emergencies and it is the community response to these that has led to the increase in donations.

In anticipation of increasing occurrence of disasters, we opened the Disaster Relief and Recovery (DRR) fund on 1 July 2019 and by 30 June 2020, it had raised $227.277M. The fund in FY20 is being directed exclusively towards relief and recovery related to the 2020 Australian bushfires. The Society is using all these funds to help people meet their immediate needs through emergency grants, together with longer-term recovery support for people and communities. At 30 June 2020 $166.616 million had been expensed and allocated to existing claims developed in accordance with guidance from an independent advisory panel, with grant application open until the end of December 2020.

Funds not expensed by 30 June 2020 are committed to meeting future needs of bushfire victims and their communities recognising not all people feel ready or able to take advantage of entitlements for some time after an event occurs.

We sincerely thank the community for their support of those who have needed it most. Our commitment remains to those affected over the long-term recovery process and is reflected in our financial statements with the existence of separate bank accounts for funds raised and retained for this purpose and the special purpose reserves in the equity section of Statement of Financial Position. The current scientific view is that it is inevitable Australia will be impacted by disasters on a more frequent basis in the future and in anticipation of these events a new fund will be established in FY21 to respond to people who will be impacted by those future events.

Our underlying funding patterns, excluding the DRR Fund, demonstrate our ongoing commitment in supporting migrants in transition, collaborating to strengthen socially excluded communities, including Aboriginal and Torres Straight Island peoples, those in the justice system, and communities most impacted by climate change. Our Humanitarian Services revenue includes $61.065 million from Commonwealth Government grants and $39.612 million from State and Territory government grants. Together these enabled us to build sustainability within the communities we work with, support people to live safely and to provide relief where required. Total government funding increased by $15.937 million compared to FY19, largely due to an increase in funding for our Migration Support Programs and supporting more isolated members of our local and international community during COVID-19.

The current balance sheet position of the organization is strong. It has total cash reserves of $168.772 million including DRR Funds ($74.244 million excluding DRR Funds). These funds provide the basis for stable operations in the coming year.

Lifeblood

Our Lifeblood division finished the year with a deficit of $31.690 million. The Main Operating Program (MOP) reported a surplus of $0.204 million for FY20. The year-end operating result was a surplus of $31.816 million from which a $31.612 million provision for return to the National Blood Authority (NBA) was made as an offset against income. Under the Deed of Agreement with the NBA, Lifeblood can seek to retain a portion of an annual surplus of up to $5 million for future investment. Lifeblood has not sought to retain any of the MOP surplus for this period but has retained $0.204 million from the Research and Development (R&D) grant.

The remainder of the deficit relates mainly to differences in timing between the accounting standards requirements for recognising expenditure compared to how these items are funded by the NBA which is on an as incurred (cash) basis. Lifeblood's cash and investment position remains strong at $283.112 million, and during FY20 Lifeblood repaid borrowings of $10.582 million.

Our primary funding arrangement is with the NBA under an output-based model. Our performance under this arrangement was strong again this year with continued growth in plasma where we achieved our target of 802.6 tonnes of plasma for fractionation, a 9% growth on the prior year – achieving this whilst continuing to reduce product cost; a continued focus of driving efficiencies and therefore enhancing the Value Based Healthcare pillar of the Lifeblood strategic plan.

Maintaining a stable and secure blood supply requires continual investment. This year, we invested $65.220 million of funding from the NBA into the upgrade of infrastructure, technology and equipment further transforming our delivery in life-giving blood, plasma, transplantation and biological products for world leading health outcomes.

Outside of our output-funding arrangement with the NBA, we continued to provide a range of related services such as the human milk bank and transplant and immunogenetic services across New South Wales, Victoria and South Australia.

Lloyd Doddridge
Chief Financial Officer & Chief Operating Officer

Statement of profit or loss and other comprehensive income

For the year ended 30 June 2020

	Notes	2020 $'000	2019 $'000
REVENUE			
Government funding			
Operating - Commonwealth funded		633,622	585,647
Operating - State funded		69,326	63,331
Capital - Commonwealth and state funded		51,265	55,453
Total government funding		**754,213**	**704,431**
Donations, bequests and sponsorships	4	303,538	90,412
Rendering of services		7,384	7,843
Sale of goods		25,335	31,398
Non-government grants		12,479	6,269
Investment revenue	5	9,859	13,595
Other revenue	6	23,153	13,453
Net gain on assets and investments	7	3,964	-
Total revenue		**1,139,925**	**867,401**
EXPENDITURE			
Employee expenditure	8	469,658	442,685
Operating expenditure	8	378,770	262,829
Cost of services, sale of goods and consumables	8	124,254	119,563
Depreciation and amortisation	8	101,929	58,481
Interest and debt servicing costs	8	15,048	2,873
Net loss on assets and investments	7	2,546	521
Total expenditure		**1,092,205**	**886,952**
NET SURPLUS/ (DEFICIT) FOR THE YEAR		**47,720**	**(19,551)**
OTHER COMPREHENSIVE INCOME			
Items that will not be reclassified subsequently to profit or loss			
Actuarial loss on retirement defined benefit obligations		(1,126)	(1,252)
Net loss on equity instruments classified as Fair Value through other comprehensive income (FVOCI)		(3,436)	(40)
Items that may be reclassified subsequently to profit or loss			
Net (loss)/gain on debt instruments classified as FVOCI		(1,158)	95
Other comprehensive income for the year		**(5,720)**	**(1,197)**
TOTAL COMPREHENSIVE SURPLUS/(DEFICIT) FOR THE YEAR		**42,000**	**(20,748)**

The above Statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes on pages 10 to 61.
For divisional reporting refer to Note 3.

Statement of financial position

As at 30 June 2020

	Notes	2020 $'000	2019 $'000
ASSETS			
Current assets			
Cash and cash equivalents	22(a)	337,493	235,332
Trade and other receivables	9	22,570	13,639
Inventories	10	30,861	23,893
Other financial assets	11	145,076	152,614
Prepayments		14,187	19,335
Assets classified as held for sale		12,308	12,308
Total current assets		**562,495**	**457,121**
Non-current assets			
Property, plant and equipment	12	317,212	335,648
Intangible assets	13	32,237	39,214
Right-of-use assets	24	302,047	-
Total non-current assets		**651,496**	**374,862**
TOTAL ASSETS		**1,213,991**	**831,983**
LIABILITIES			
Current liabilities			
Trade and other payables	14	71,513	63,964
Borrowings	15	4,583	10,583
Provisions	16	142,163	100,960
Lease liabilities	24	35,479	-
Other liabilities	17	132,522	147,299
Total current liabilities		**386,260**	**322,806**
Non-current liabilities			
Borrowings	15	-	11,110
Provisions	16	15,675	14,530
Lease liabilities	24	290,244	-
Other liabilities	17	-	4,764
Defined benefit superannuation plans	18	1,629	514
Total non-current liabilities		**307,548**	**30,918**
TOTAL LIABILITIES		**693,808**	**353,724**
NET ASSETS		**520,183**	**478,259**
EQUITY			
Reserves	19	120,133	142,587
Specific Purpose funds	20	90,370	19,456
Accumulated funds	21	309,680	316,216
TOTAL EQUITY		**520,183**	**478,259**

The above Statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes on pages 10 to 61. For divisional reporting refer to Note 3.

Statement of changes in equity

For the year ended 30 June 2020

	Accumulated funds	Specific purpose fund	Investment revaluation reserve	Special reserve	Capital reserve	Total
	$'000	$'000	$'000	$'000	$'000	$'000
YEAR ENDED 30 JUNE 2019						
Balance as at 1 July 2018	327,284	30,598	7,658	74,856	57,876	498,272
Net deficit for the year	(19,551)	-	-	-	-	(19,551)
Transitional impact of AASB 15/1058 first year adoption	-	735	-	-	-	735
Other comprehensive deficit for the year	(1,252)	-	55	-	-	(1,197)
Transfers to/(from) specific purpose funds	11,877	(11,877)	-	-	-	-
Transfers to/(from) other reserves	(3,073)	-	-	(2,704)	5,777	-
Transitional impact of AASB 9 on first year adoption	931	-	(931)	-	-	-
Balance at 30 June 2019	**316,216**	**19,456**	**6,782**	**72,152**	**63,653**	**478,259**
YEAR ENDED 30 JUNE 2020						
Balance as at 1 July 2019	316,216	19,456	6,782	72,152	63,653	478,259
Net surplus for the year	47,720	-	-	-	-	47,720
Other comprehensive deficit for the year	(1,126)	-	(4,594)	-	-	(5,720)
Transfers (from)/to Specific purpose funds	(70,796)	70,796	-	-	-	-
Transfers (from)/to Specific purpose funds - other adjustments	(118)	118	-	-	-	-
Transfers to/(from) other reserves	17,860	-	1,066	(1,346)	(17,580)	-
Transfer to income in advance - other adjustment	(76)	-	-	-	-	(76)
Balance at 30 June 2020	**309,680**	**90,370**	**3,254**	**70,806**	**46,073**	**520,183**

The above statement of changes in equity should be read in conjunction with the accompanying notes on pages 10 to 61. For divisional reporting refer to Note 3.

Statement of cash flows

For the year ended 30 June 2020

	2020 $'000	2019 $'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from donors, government and other sources	1,187,893	923,338
Payments to suppliers and employees	(1,000,407)	(849,636)
Interest and other costs of finance paid	(4,371)	(2,873)
Interest on right-of-use assets	(10,677)	-
Net cash provided by operating activities	**172,438**	**70,829**
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for property, plant and equipment and intangibles	(51,631)	(45,217)
Proceeds from disposal of property, plant and equipment	19,508	455
Payments for purchase of investment securities	(32,180)	(81,736)
Proceeds from sale of investment of securities	34,729	76,252
Dividends received	1,621	2,825
Interest received	6,235	9,599
Net cash used in investing activities	**(21,718)**	**(37,822)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of borrowings	(10,582)	(13,401)
Payment for principal portion of lease liabilities	(37,921)	-
Net cash used in financing activities	**(48,503)**	**(13,401)**
NET INCREASE IN CASH AND EQUIVALENTS	**102,217**	**19,606**
Cash and cash equivalents at the beginning of the financial year	235,332	215,726
Effects of exchange rate changes on the balance of cash held in foreign currencies	(56)	-
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	**337,493**	**235,332**

The above Statement of cash flows should be read in conjunction with the accompanying notes on pages 10 to 61.
For divisional reporting refer to Note 3.

Notes to the financial statements

30 June 2020

NOTE 1: PRINCIPAL ACTIVITIES AND REGISTERED OFFICE IN AUSTRALIA

Australian Red Cross Society ('Society') undertakes a wide range of humanitarian activities to reduce vulnerability and improve lives in Australia and overseas.

Australian Red Cross Society is an organisation incorporated by Royal Charter and is a member of the International Federation of Red Cross and Red Crescent Societies. Australian Red Cross Society operates as two key operating divisions: Humanitarian Services, which provides relief in times of crisis and care for people experiencing vulnerability in Australia and around the world; and the Australian Red Cross Lifeblood (Lifeblood and previously called Australian Red Cross Blood Service), providing quality blood products, tissues and related services for the benefit of the community.

Australian Red Cross Society is domiciled in Australia and its registered office and principal place of business is:

Australian Red Cross Society
23-47 Villiers Street
NORTH MELBOURNE VIC 3051

Tel: (03) 9345 1800
ABN 501 69 561 394

The Humanitarian Services' head office is at 23-47 Villiers Street, North Melbourne, Victoria and it operates from 352 sites, including retail stores and an office in capital cities of all states and territories in Australia. The delivery of humanitarian services is funded principally through government grants, public donations (in particular regular monthly giving and bequests from generous Australians) and approved corporate/private donors. A network of 10,944 members support fundraising and advocacy efforts, while 16,652 volunteers assist us to deliver services to those most in need.

Lifeblood's head office is at 417 St Kilda Road, Melbourne, Victoria and it operates in all states and territories in Australia. Lifeblood operates four major blood processing centres, two major inventory and distribution hubs, plus approximately 100 fixed and mobile blood donor centres in metropolitan and regional areas across Australia. Lifeblood is funded for this activity by the Commonwealth, State and Territory Governments under a Deed of Agreement (Deed) which is administered by the National Blood Authority (NBA). In the event that Lifeblood ceases to perform services under the Deed, the Deed-funded net assets of Lifeblood would be transferred to the NBA for no consideration.

The financial statements of the Australian Red Cross Society, inclusive of the Australian Red Cross Lifeblood, have been prepared on the basis of the continuation of operations under the Deed. As Lifeblood carries on its work as a separate operating division of the Society, any cessation of services under the Deed is not anticipated to adversely impact the operations of the remainder of the Society.

Notes to the financial statements

30 June 2020

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards and Interpretations, and complies with other requirements of the law and the Australian Charities and Not-for-profit Commission Act 2012.

Accounting Standards include Australian equivalents to International Financial Reporting Standards (A-IFRS). Compliance with A-IFRS ensures that the financial statements and notes of the Society comply with International Financial Reporting Standards (IFRS), except for the requirements applicable to not-for-profit organisations.

The financial report of Australian Red Cross Society for the year ended 30 June 2020 was authorised for issue in accordance with a resolution of the Board on 23 October 2020.

For the purpose of the financial report the entity is considered to be a not-for-profit entity.

ACFID Compliance

Australian Red Cross is a signatory to the Australian Council for International Aid and Development (ACFID) Code of Conduct and is committed to full adherence to its requirements. The Code aims to improve international development outcomes and increase stakeholder trust by enhancing the transparency and accountability of signatory organisations. The ACFID financial statements have been prepared on page 60 in accordance with the requirements set out in the ACFID Code of Conduct and should be read in conjunction with the Financial Statements and accompanying notes. For further information on the code, please refer to www.acfid.asn.au

2.1 Application of new and revised Accounting Standards

Amendments to Australian Accounting Standards Board and interpretations that are mandatorily effective for the current year

In the current year, the Society has applied the following standards and amendments to the AASBs issued by the Australian Accounting Standards Board (AASB) that are mandatorily effective for an accounting period that begins on or after 1 July 2019, and therefore relevant for the current year end.

- AASB 16 Leases
- AASB 2018-8 'Amendments to Australian Accounting Standards - Right-of-Use Assets of Not-for-Profit Entities'
- AASB 2019-8 Amendments to Australian Accounting Standards - Class of Right-of-Use Assets arising under Concessionary Leases'
- AASB 2020-4 'Amendments to Australian Accounting Standards - Covid-19-Related Rent Concessions'

The impact of the application of the above amendments and standard has been shown in the Financial Statements.

New standards adopted as at 1 July 2019

The Society has adopted new accounting standards which have become effective this year, and are as follows:

AASB 16 Leases

The adoption of this new standard has resulted in the Society recognising a right-of-use (ROU) asset and related lease liability in connection with all former operating leases except for those identified as low-value or having a remaining lease term of less than 12 months from the date of initial application.

The new standard has been applied using the modified retrospective approach, with the cumulative effect of adopting AASB 16 being recognised in assets as an adjustment to the opening balance of ROU assets for the current period. The application of AASB 16 to leases previously classified as operating leases under AASB 117 resulted in the recognition of right-of-use assets of $317.185 million and lease liabilities of $322.387 million. Furthermore, the opening balance of deferred rent provision has decreased by $6.933 million as at 1 July 2019.

Prior periods have not been restated. Instead of performing an impairment view on the ROU assets at the date of initial application, the Society has relied on its historic assessment as to whether leases were onerous immediately before the date of initial application of AASB 16.

On transition for leases previously accounted for as operating leases with a remaining lease term less than 12 months and for leases of low-value (approximately $7,000 or less) assets, the Society has applied the optional exemptions to not recognise ROU assets but to account for the lease expense on a straight-line basis over the remaining lease term.

On transition to AASB 16 the weighted average incremental borrowing rate (IBR) applied to lease liabilities recognised under AASB 16 was from 2.410% to 3.800% (the Society decided to use 180 day bank bill swap rate (BBSW 1.235 % as at 1 July 2019) as a reference rate which reflects a risk free rate and a 2.000% to 2.565% lease specific adjustment was made to obtain IBR). The Society has benefited from the use of hindsight for determining the lease term when considering options to extend and terminate leases.

After analysing all types of leases, the Society have identified that the AASB 16 new standard will only be applicable to property and motor vehicle leases. Minor equipment leases such as printers and photocopiers were excluded from applying the standard as these leases are considered as low value leases in line with the standard exemptions.

The following is a reconciliation of the financial statement line items from AASB 117 to AASB 16.

Notes to the financial statements

30 June 2020

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

	Society 30 June 2019	Transitional impact of AASB 16 - ROU Asset & Lease Liability	Transitional impact of AASB 16 - Deferred Rent & Lease Incentive Provision	Transitional impact of AASB 16 - Make Good Asset	Society 1 July 2019	Society 30 June 2020
	$'000	$'000	$'000	$'000	$'000	$'000
STATEMENT OF FINANCIAL POSITION						
ASSETS						
Right of use assets - Properties	-	317,994	(6,933)	1,932	312,993	332,913
Accumulated Amortisation - Properties	-	-	-		-	(35,329)
Right of use assets - Motor Vehicles	-	4,192	-		4,192	6,381
Accumulated Amortisation - Motor Vehicles	-	-	-		-	(1,918)
Total	**-**	**322,186**	**(6,933)**	**1,932**	**317,185**	**302,047**
LIABILITIES						
Lease liabilities - Properties	-	318,195	-		318,195	321,275
Lease liabilities - Motor Vehicles	-	4,192	-		4,192	4,448
Trade and other payables	6,933	-	(6,933)		-	-
Total	**6,933**	**322,387**	**(6,933)**		**322,387**	**325,723**

Lease liabilities recognised in the statement of financial position as the date of initial application are reconciled as follows:

	2020 $'000	2019 $'000
Operating lease commitments disclosed as at 30 June 2019	175,077	-
Discounted using the lessee's incremental borrowing rate	(19,570)	-
Add: Adjustments for reasonably certain options and other lease components	166,880	-
Lease liability recognised as at 1 July 2019	**322,387**	**-**
COMPRISING:		
Current lease liabilities	27,844	-
Non-current lease liabilities	294,543	-
Lease liability recognised as at 1 July 2019	**322,387**	**-**

Notes to the financial statements

30 June 2020

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

AASB 2020-4 Amendments to Australian Accounting Standards - COVID-19-Related Rent Concessions

The Australian Accounting Standards Board issued AASB 2020-4 Amendments to Australian Accounting Standards - COVID-19-Related Rent Concessions (Amendment to AASB 16) on 15 June 2020. This Standard amends AASB 16 to provide a practical expedient that permits lessees not to assess whether rent concessions that occur as a direct consequence of the COVID-19 pandemic and meet specified conditions are lease modifications and, instead, to account for those rent concessions as if they were not lease modifications. This Standard applies to annual periods beginning on or after 1 June 2020. Earlier application is permitted, including in financial statements not authorised for issue at the date this Standard was issued.

The practical expedient applies only to rent concessions occurring as a direct consequence of COVID-19 and only if all of the following conditions are met:

- The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change
- Any reduction in lease payments affects only payments originally due on or before 30 June 2021 (a rent concession would meet this condition if it results in reduced lease payments on or before 30 June 2021 and increased lease payments that extend beyond 30 June 2021)
- There is no substantive change to other terms and conditions of the lease.

In the current year, the directors have elected to apply AASB 2020-4 Amendments to Australian Accounting Standards - COVID-19 Related Rent Concessions before its mandatory application date. AASB 2020-4 amends AASB 16 Leases and is effective for annual periods that begin on or after 1 June 2020.

The Society has elected to apply the practical expedient to all of the COVID-19-related rental concessions it has obtained as lessee. The amount totalling $0.757million recognised in profit or loss for the reporting period to reflect changes in lease payments that arise from rent concessions.

2.2 Standards and Interpretations issued not yet effective

At the date of authorisation of the financial statements, a number of Standards and Interpretations were in issue but not yet effective. These are listed below.

Standard/ Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 2018-7 Amendments to Australian Accounting Standards – Definition of Material	1 January 2020	30 June 2021

2.3 Basis of preparation

The financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected financial assets and liabilities, including derivatives, for which the fair value basis of accounting has been applied. Historical cost is based on the fair values of the consideration given in exchange for assets.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique.

In estimating the fair value of an asset or a liability, the Society takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis.

In addition, for financial reporting purposes fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable; and the significance of the inputs to the fair value measurement in its entirety. These are described as follows:

- Level 1: Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at measurement date;
- Level 2: Inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly (i.e. prices) or indirectly (i.e. derived from prices); and
- Level 3: Inputs are unobservable inputs for the asset or liability.

The Society's financial statements are prepared by combining the financial statements of Humanitarian Services and Lifeblood. Consistent accounting policies are employed in the preparation of and presentation of the financial statements across the divisions. The financial statements include the information and results of both divisions as disclosed in Note 3. Note 3 'Divisional Reporting' presents the Society's results and financial position split by Humanitarian Services and Lifeblood (divisions).

All other notes are shown at an aggregated level except for Note 28 'Key Management Personnel'. In preparing the financial statements, all balances and transactions between Humanitarian Services and Lifeblood, as well as unrealised profits arising within the entity, are eliminated in full.

The following significant accounting policies have been adopted in the preparation and presentation of the financial report:

(a) Foreign currency

The functional and presentation currency of Australian Red Cross Society is Australian dollars ($AUD).

Transactions in foreign currencies are initially recorded in the functional currency at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rate of exchange ruling at reporting date. All foreign currency differences in the financial report are taken to profit or loss.

Derivative financial instruments

Derivatives are initially recorded at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event, the timing and recognition in other comprehensive income depends on the nature of the hedge relationship.

(b) Income tax

The Society, being a humanitarian organisation, is exempt from income tax under subsection 50-5 of the Income Tax Assessment Act 1997. The entity is also registered as a deductible gift recipient for tax.

(c) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

(i) where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or

(ii) for receivables and payables which are recognised inclusive of GST.

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 gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified within operating cash flows.

(d) Revenue

The Society recognises revenue under AASB 1058 or AASB 15 when appropriate. In cases where there is an 'enforceable' contract with a customer with 'sufficiently specific' performance obligations, the transaction is accounted for under AASB 15 where income is recognised when (or as) the performance obligations are satisfied (i.e. when it transfers control of a product or service to a customer). Revenue is measured based on the consideration to which the Society expects to be entitled in a contract with parties.

In other cases, AASB 1058 applies when a NFP entity enters into transactions where the consideration to acquire an asset is significantly less than the fair value of the asset principally to enable the entity to further its objectives and the excess of the asset recognised (at fair value) over any 'related amounts' is recognised as income immediately.

The Society recognises revenue from the following major sources:

Training services

Revenue is recognised at a point in time as and when training services have been provided to participants and the fee is receivable.

Grants

Government grants are received by the entity in return for past or future delivery of contractual requirements or compliance with certain conditions relating to the operating activities of the entity. Government grants

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

also include income where there are no conditions specifically relating to the operating activities of the entity other than the requirement to operate in certain regions or industry sectors.

Grant Income is recognised in accordance with AASB 15 if the contract has sufficiently specific performance obligations. Grant income without sufficiently specific performance obligations is recognised under AASB 1058.

Grant income for contracts with sufficiently specific performance obligations is recognised over time based on input method. Red Cross has made a decision that expense is a good indicator of performance obligations being performed over time.

The expenditure to which the grant relates is expensed as incurred if it does not meet the capitalisation criteria for costs incurred to fulfil a contract. The expenditure may not correlate to the timing of grant receipts.

Output-based funding

Lifeblood recognises income for the delivery of products to Approved Health Providers on an accrual basis, representing the right to receive contributions from the NBA. Under the Output Based Funding Principles, Lifeblood can apply to retain up to $5 million of any operating surplus for the purpose outlined in the Principles. If the annual surplus is more than $5 million in any year then the surplus funding over that amount will be returned to the NBA unless otherwise agreed between Lifeblood and the NBA. Any excess funds to be returned are recorded as a liability within prepaid government funds.

Capital funding

The arrangement with Lifeblood and the NBA provides for capital funding comprising up to 10% of the Main Operating Program funding for the first financial year of the three year funding term and thereafter indexed at 1.95% for the remaining two years. Capital funding is from State, Territory and Commonwealth governments and is recognised as revenue when Lifeblood obtains control of the grant funds. Capital funding received in one year may be carried forward and expended in future years.

Sale of goods

Revenue from the sale of goods is measured at the fair value received or receivable and is recognised when control of the goods passes to the customer.

Rental income

Rental income received from properties owned by the Society is accounted for on a straight-line basis over the lease term. Contingent rental income is recognised as income in the periods in which it is earned.

Under the new accounting standard AASB 16 Leases, which have become effective this year, the Society as a lessor needed to classify each lease as an operating lease or finance lease. Under AASB16, a lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset.

After analysis of all types of leases, the Society has identified that all current leases are operating leases under AASB16. As a result, rental income received from properties owned by Society is accounted for on a straight-line basis over the lease term.

Donations, bequests and sponsorships

The Society receives part of its income from donations, either as cash or in-kind. Amounts donated can be recognised as revenue only when the Society gains control, economic benefits are probable and the amounts can be measured reliably.

The Society establishes controls to ensure that donations are recorded in the financial records when received under AASB 1058. Donations received for specific purposes are transferred to a separate fund within equity after being first recorded in profit or loss. Similarly in case of pledges, the future economic benefits associated with pledged amounts are not obtained before the receipt of the cash as we do not have an enforceable right to require the donors to meet their pledge. Accordingly, it is not recognised as revenue until it is received.

Bequests are recognised at the fair value of the benefit received when receipt of the amount is virtually certain by way of grant of probate. Where required, bequests are recognised in accordance with the express terms of the will under AASB 1058.

Sponsorship agreements entitle the sponsor to something of value in return for their support. Revenue is recognised at a point in time in accordance with AASB15.

Volunteering Services

The Directors have decided not to recognise volunteer services within the financial statements, given the true value of these services is not reliably measurable in financial terms. Volunteer services provide value by connecting communities, providing personal development, career pathways and work skills, contributing an abundance of knowledge, time and attributes, and are not reliably measured in financial terms.

Revenue - donations for the Disaster Relief and Recovery Fund (DRR Fund)

The Society has received donations principally through their own fund raising platform, operated by the Australian Red Cross Society, and through the use of contracted fund raising platforms.

Notes to the financial statements

30 June 2020

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Society establishes controls to ensure that donations are recorded in the financial records, however at times it is impractical to maintain effective controls over the collection of such revenue prior to its initial entry into the financial records. Therefore, donations are recognised as revenue when they are recorded in the books and records of the DRR Fund under AASB 1058.

Pledged amounts are not recognised as they are not enforceable by the entity. Donations are recognised at the gross amount and any fees deducted by fund raising platforms or merchant card fees are recognised as an expense described as Administrative Cost on the basis that the contracted platform is acting as an agent for the Australian Red Cross Society.

For other sources of donations, revenue is recognised when the entity obtains control of the funds.

All donations specifically identified by donors for the Disaster Relief and Recovery Fund (DRR Fund) and all single giving and corporate donations received by the Australian Red Cross from the 5th to the 17th January 2020 were allocated to the DRR Fund.

(e) Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents include cash on-hand; deposits held at call with financial institutions; and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(f) Non-derivative financial instruments

Financial instruments are initially measured when the related contractual rights or obligations exist, with cost including acquisition and related transaction costs on the trade date. Subsequent to initial recognition these instruments are measured as set out below:

Financial assets

Financial assets are recognised and derecognised on trade date where purchase or sale of a financial asset is under contract, the terms of which require delivery of the financial asset within the time frame established by the market concerned, and are initially measured at fair value.

Subsequent to initial recognition, financial assets are classified into the following categories depending on the nature and the purpose of the financial asset as determined at the time of initial recognition.

(i) Fair value through other comprehensive income (FVOCI) & Fair value through Profit and Loss (FVPL)

The main objective to hold these investments is to maintain and preserve the capital and the business model is not to trade as such.

On initial recognition, the Society has made an irrevocable election (on an instrument-by-instrument basis) to designate its investments in equity instruments that are not held for trading as at FVOCI.

Investments in equity and debt instruments at FVOCI are initially measured at fair value plus transaction costs.

Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investments revaluation reserve.

On initial recognition, the Society has made an irrevocable election (on an instrument-by-instrument basis) to designate its investments in hybrid instruments as at FVPL. Investments in hybrid instruments at FVPL are initially measured at fair value plus transaction costs.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or where appropriate, a shorter period.

(ii) Amortised Costs

The classification of financial assets for amortised cost under AASB 9 is as follows:

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These investments have fixed maturities, and it is the Society's intention to hold these investments to maturity. This category includes term deposit. Any of these investments held by the Society are stated at amortised cost using the effective interest method less impairment, with revenue recognised on an effective-yield basis.

Loans and other receivables

Loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method less impairment. Interest income is recognised by applying the effective interest rate.

Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arms-length transactions and reference to similar instruments.

Notes to the financial statements

30 June 2020

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets

The Society recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost or at FVOCI, lease receivables, trade receivables and contract assets, as well as on financial guarantee contracts. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

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

For all other financial instruments, the Society recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Society measures the loss allowance for that financial instrument at an amount equal to the 12 month ECL. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12 month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Society neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Society recognises its retained interest in the asset and an associated liability for amounts it may have to pay.

If the Society retains substantially all the risks and rewards of ownership of a transferred financial asset, the Society continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset’s carrying amount, the sum of the consideration received and receivable, and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity, is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Society retains an option to repurchase part of a transferred asset or retains a residual interest that does not result in the retention of substantially all the risks and rewards of ownership and the Society retains control), the Society allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer.

The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in the profit or loss.

A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

Financial liabilities

Non-derivative financial liabilities, including loans and borrowings, are recognised at amortised cost, comprising original debt less principal payments and amortisation.

Interest

Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset. Interest accruing on funds held for a special purpose within the Disaster, Relief and Recovery fund and international projects are transferred to the Specific Purpose Fund within equity after first being recorded in profit or loss.

Dividends

Dividend revenue is recognised when the shareholder’s right to receive payment has been established, provided it is probable that the economic benefits will flow to the Society and the amount of income can be measured reliably.

(g) Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Where inventories are held for distribution or are to be consumed by the Society in providing services or aid at no or nominal charge, they are valued at the lower of cost and replacement cost.

Retail inventory

Retail inventory is valued at cost. No value is assigned to donated goods based on the lower of cost and net realisable value principle. The Society also receives donated goods, predominantly clothing.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Blood inventory

Inventories held for distribution display the following three essential characteristics:

(i) There must be future economic benefits;

(ii) The entity must have control over the future economic benefits; and

(iii) The transaction giving rise to the entity's control over future economic benefit must have occurred.

Lifeblood provides products and services in accordance with the Deed with the NBA. In the discharge of this agreement, Lifeblood is responsible for a range of activities, including collection, testing, processing, inventory management and distribution of blood and blood products. In this context, Lifeblood recognises certain categories of blood and blood products as current assets, to be measured at the lower of cost and current replacement cost. Cost comprises direct materials, direct labour and overheads of the division incurred in the collection, processing and testing of blood.

Lifeblood distributes in Australia the supply of fractionated plasma products manufactured in Australia and imported finished product. Plasma-derived products are manufactured in Australia by the fractionator, CSL Behring (Australia) Pty Ltd ('CSL'). In relation to blood products held for distribution, Lifeblood does not recognise plasma supplied to CSL for fractionation, fractionated product held at CSL and fractionated product at Lifeblood held for distribution. This is due to the retention of control and risk over these specific products by parties other than Lifeblood and the absence of future economic benefit under output-based funding arrangements.

Inventory at year end includes:

(i) all fresh blood products and plasma for fractionation (not yet supplied to CSL) held at Lifeblood or at a Lifeblood storage facility; and

(ii) all work in progress held at Lifeblood.

Consumable inventory has been valued at weighted average cost. Fresh product volumes are physically counted and valued as individual units. The value of work in progress is calculated using the average daily quantity supplied during the June period. All blood products are valued at direct costs plus operating overheads.

(h) Trade receivables

Trade receivables, which generally have 30-day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts.

An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written-off as incurred. The carrying value less impairment of trade receivables are assumed to approximate fair value due to their short-term nature.

(i) Non-current assets held for sale

Non-current assets classified as assets held for sale are measured at the lower of carrying amount and fair value less costs to sell. Non-current assets are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use.

This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. The sale of the asset is expected to be completed within one year from the date of classification.

(j) Property, plant and equipment

Property, plant and equipment are recorded at historical cost, less any subsequent accumulated depreciation and any impairment in value. Cost includes expenditure that is directly attributable to the item. Grant funded assets are depreciated in accordance with the terms of the funding agreement.

The initial cost of the asset includes an estimate of the cost of dismantling and removing the item and restoring the site on which it is located. This relates to leasehold improvements and the restoration obligations to restore the property to its original condition. These costs are included in leasehold improvements with a corresponding provision for site restoration.

Depreciation is provided on property, plant and equipment including leasehold buildings but excluding freehold land.

Depreciation is calculated on a straight-line basis so as to write-off the net cost of each asset (including leasehold buildings but excluding freehold land) over the shorter of its expected useful life or period of the lease, to its estimated residual value. The estimated useful life, residual values and depreciation method are reviewed at the end of each annual reporting period.

The following estimated useful lives are used in the calculation of depreciation:

	YEARS	%
Freehold buildings and renovations	5 - 40	2.5 - 20
Leasehold improvements	Shorter of lease period or useful life	
Shop fit-outs	Shorter of lease period or useful life	
Plant and equipment:		
- Motor vehicles	4 - 10	10 - 25
- Computer equipment	3 - 4	25 - 33.33
- Plant, furniture, fittings and equipment	5 - 10	10 - 20

The gain or loss on disposal of fixed assets is determined as the difference between the carrying amount of the asset at the time of disposal and the proceeds of the disposal, and is included in profit or loss in the year of disposal.

The useful life and residual value of property, plant and equipment are reviewed annually. Judgement is applied in determining the useful lives of property, plant and equipment. Any reassessment of useful life and residual value in a particular year will affect depreciation expense (either increasing or decreasing) from the date of reassessment through to the end of the reassessed useful life for both the current and future years.

(k) Impairment of property, plant and equipment

At each reporting date, the Society reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from the other assets, the Society estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. The future economic benefits of the Society's assets are not primarily dependent on their ability to generate net cash inflows. The value in use is determined as the depreciated replacement cost of the asset, rather than by using discounted future cash flows.

Depreciated replacement cost is defined as the current replacement cost of an asset less, where applicable, accumulated depreciation calculated on the basis of such cost to reflect the already consumed or expired future economic benefits of the asset. The current replacement cost of an asset is its cost measured by reference to the lowest cost at which the gross future economic benefits of that asset could currently be obtained in the normal course of business.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit and loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amounts of the asset (cash-generating unit) in prior years. A reversal is recognised immediately as profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

(l) Intangibles

Intangible assets with finite lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives and is recognised in profit or loss.

The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Subsequent expenditure is capitalised only when it increases the future economic benefits for the specific assets.

The following estimated useful lives are used in the calculation of amortisation:

	YEARS	%
Intangibles	4	25

(m) Borrowings

All borrowing costs directly attributable to the acquisition, construction or production of qualifying assets (which are assets that necessarily take a substantial period of time to get ready for their intended use or sale) are initially recognised at cost against the borrowing.

All borrowings are initially recorded at cost, being the fair value of the consideration received net of issue costs associated with the borrowing. After initial recognition, borrowings are subsequently measured at amortised cost using effective interest rate method. Amortised cost is calculated by taking into account any issue cost and discount premium on settlement.

Gains and losses are recognised in the profit or loss when the liabilities are derecognised, as well as through the amortisation process.

(n) Payables

These amounts represent liabilities for goods and services provided to the Society prior to the end of the financial year which are unpaid. The amounts are unsecured and are generally due for settlement within 30 days of recognition.

The carrying value of trade payables is assumed to approximate their fair value due to their short-term nature.

(o) Finance costs

Finance costs are recognised as an expense when incurred.

(p) Leases

For any new contracts entered into on or after 1 July 2019, the Society has considered whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

asset (the underlying asset) for a period of time in exchange for consideration'.

To apply this definition the Society assesses whether the contract meets three key evaluations, which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Society
- Society has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract
- Society has the right to direct the use of the identified asset throughout the period of use.

The Society has applied a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets.

At lease commencement date, the Society recognises a right-of-use asset and a lease liability on the Statement of Financial Position.

Right-of-use assets

The right-of-use asset, representing the right to use the underlying asset, is measured at cost, which is made up of the initial measurement of the discounted lease liability and any lease payments made in advance of the lease commencement date (net of any incentives received). Society will continue to account for all make good cost provisions under AASB 137 Provisions, Contingent Liabilities and Contingent Assets and AASB 116.16 Property, Plant and Equipment and these costs will not be reclassified/included in the right-of-use asset.

The Society depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Society also assesses the right-of-use asset for impairment when such indicators exist.

Lease Liabilities

At the commencement date, the Society recognises the lease liability as the financial obligation for future contractual lease payments.

The lease liability is measured at the present value of lease payments to be made over the remaining lease term, discounted using the 180-day bank bill swap rate as at 1 July 2019 (BBSW 1.235%) plus a 2.000% to 2.565% lease specific adjustment. The interest rate implicit in the lease is not readily determinable for use. The Society has utilised the practical expedient provided at transition to apply a single discount rate to the entire portfolio of leases.

Lease payments included in the measurement of the lease liability are made up of fixed payments, variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee (if applicable) and payments arising from options reasonably certain to be exercised. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

Subsequent to initial measurement, the liability will be reduced for lease payments made and increased for interest charges. At each reporting period, it is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments, which are to eventuate with reasonable certainty. The Society did not make any such adjustments during the periods presented.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset or profit and loss if the right-of-use asset is already reduced to zero.

The payments in relation short-term and low-value asset leases are recognised as an expense in profit or loss on a straight-line basis over the lease term.

On the Statement of Financial Position, right-of-use assets and lease liabilities are disclosed separately from other assets and liabilities. On the Statement of Profit or Loss and Other Comprehensive Income, expenses are segregated between interest and depreciation expense. Short-term leases and low value assets will be expensed as lease expense and continue to be reported as overheads. On the Statement of Cash Flows, the principal is included in financing activities and interest is shown in operating activities. Short-term leases, low-value and variable lease payments will be recorded within operating activities.

In determining the lease term, the Society includes the non-cancellable period of the lease and the next available extension option, unless known otherwise.

The Society has applied the following practical expedients:

- apply a single discount rate to a portfolio of leases with similar characteristics
- exclude initial direct costs from the measurement of the right-of-use asset at initial application
- exclude low value assets and short-term leases

Operating Leases

Comparative figures for the year ended 30 June 2019 are not restated and continue to reflect Society's accounting policies under AASB 117 Leases.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as the lease income.

Operating lease payments are recognised as an expense in the profit or loss on a straight-line basis over the lease term.

Notes to the financial statements

30 June 2020

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Lease incentives

Under AASB 16, lease incentives are recognised as part of the measurement of the right-of-use assets. This is in contrast to AASB 117, where lease incentives received to enter into operating leases, were recognised as a liability and amortised as a reduction of rental expenses on a straight line basis. The comparative amount of the lease incentives previously recognised with respect to operating leases was factored into the measurement of the opening right-of-use assets of the current period.

(q) Employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave, and long-service leave when it is probable that settlement will be required and they are capable of being measured reliably.

Liabilities recognised in respect of short-term employee benefits are measured at their nominal values using the remuneration rate expected to apply at the time of settlement. The liability for annual leave and long-service leave is recognised under provision for employee benefits. All other short-term benefit obligations are presented as payables.

Liabilities recognised in respect of long-term employee benefits are measured as the present value of the estimated future cash outflows to be made by the Society in respect of services provided by employees up to the reporting date. Expected future payments are discounted using corporate bond yields. Consideration is given to future wage and salary levels, experience of employee departures and periods of service.

Superannuation

The Society contributes to various staff retirement funds, both defined benefit and accumulation schemes, to provide members with benefits on death or retirement. The defined benefit funds operated by the Society are the Local Government Superannuation Scheme ("LGSS") in New South Wales, Australian Red Cross Staff Superannuation Plan and the Australian Red Cross Queensland Staff Retirement Fund.

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

For defined benefit retirement plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur.

Remeasurement recognised in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss. Past service cost is recognised in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset.

Defined benefit costs are categorised as follows:

(i) Service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);

(ii) Net interest expense or income; and

(iii) Remeasurement.

Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Society recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees, according to a detailed formal plan without the possibility of withdrawal, or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after statement of financial position date are discounted to present value and classified as non-current.

Portable long service

In addition to traditional long service, Victoria and ACT offer portable long service benefits for eligible workers in the community services sector.

The Portable Long Service Benefits Scheme allows eligible workers to build up long service entitlements based on time spent in their industry, rather than with a single employer. This means that eligible workers can keep their portable long service leave entitlement even if they work for different employers over the years.

The Society has identified employees eligible for portable long service benefits in both Victoria and ACT and pays levy to the respective Authorities of 1.65% of wages for eligible employees in Victoria and 1.2% of wages for eligible employees in the ACT.

(r) Provisions

Provisions are recognised when the Society has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense. Provisions include an amount relating to the site restoration requirements on leased properties.

(s) Direct Relief distributed and provided Grants

Direct Relief grants distributed

These amounts are payments made in accordance with applications that meet the terms of the grant to those people whose homes have been destroyed, have been hospitalised, lost a loved one or for urgent home repairs. This also includes mid to long term support grants for people facing financial hardship to rebuild their homes.

Direct Relief grants provided

This amount represents the expense in respect of amounts provided relating to claims applications received by 31 August 2020.

In respect of claims, the expense is recognised when an applicant makes a claim that meets the relevant grant's requirements before or on the application deadline. As at 30 June 2020 the application closure deadline was 31 August 2020. The DRR Fund has recognised an expense in respect of the provision only where were claims received on or prior to 31 August 2020, with the provision based on an analysis which includes taking into account the probability of expected settlement having regard to the terms of the grant and the outcome of experience from prior reviews of applications.

Refer to Events after the reporting period note for extension of the application deadline.

(t) Judgements and estimates

In the application of the Society's accounting policies, management are required to make judgements, estimates and assumptions about carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The 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, if the revision affects only that period; or in the period of the revision and future periods, if the revision affects both current and future periods.

Revenue

The Society has made a decision that expense is a good indicator of performance obligations being met and as such revenue for grant contracts with sufficiently specific and enforceable performance obligations is recognised to match expenses.

If it is determined that expenses are not materially representative of meeting performance obligations, an alternative measure would be considered.

The Society recognises revenue either at a point in time or over time as and when the customer obtains control of the goods and services. The Society recognises revenue at a point in time when it has a present right to the payment and the customer has obtained the ability to direct the use of goods and services provided. Revenue is recognised over time if the customer simultaneously receives and consumes the benefits provided by the Society. The Society recognises the majority of its revenue streams at a point in time. Certain Government and Non-Government Grants are recognised over time, if the performance obligations are sufficiently specific. Revenue for such grants are recognised over time once expenses are incurred to fulfil these performance obligations.

All contracts with customers have been considered enforceable for the purpose of AASB15 as the funder may have a remedy through common law, various state statutes and various State based fundraising laws.

The Society has determined that there are no significant contract costs to be recognised under AASB15 and as such indirect cost recovery is charged as agreed with the funder on the contract. No significant refund assets or refund liabilities have occurred.

Long-service leave and annual leave

Management judgement is applied in determining the following key assumptions used in the calculation of long-service leave at reporting date:

(i) future increases in salaries, wages and on costs;

(ii) experience of employee departures and period of service; and

(iii) flow of anticipated leave.

Allowance for doubtful debts

An estimate for doubtful debts is made using the simplified approach and recognising lifetime expected credit losses for trade receivables.

Provision for site restoration

The provision for the costs of site restoration represents the present value of the best estimate of the future sacrifice of economic benefits that will be required to remove leasehold improvements from leasehold properties. The estimate has been made on the basis of historical restoration costs, a review of leases and future rentals. The unexpired terms of the leases range from one to 40 years.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment & intangibles

Useful lives and residual value of property, plant and equipment are reviewed annually. Judgement is applied in determining the useful lives of property, plant and equipment. Any reassessment of useful lives and residual value in a particular year will affect depreciation and amortisation expense (either increasing or decreasing) from the date of reassessment through to the end of the reassessed useful life for both the current and future years.

Direct Relief Grants provision

In the application of the Society's accounting policies, management are required to make judgements, estimates and assumptions about the carrying amount of the Direct Relief Grants provision that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. There is a degree of uncertainty as to the amount of the pending applications that will be successful and paid.

In respect of claims, the expense is recognised when an applicant makes a claim that meets the relevant grant's requirements before or on the application deadline. As at 30 June 2020 the application closure deadline was 31 August 2020. The DRR Fund has recognised an expense in respect of the provision only where were claims received on or prior to 31 August 2020, with the provision based on an analysis which includes taking into account the probability of expected settlement having regard to the terms of the grant and the outcome of experience from prior reviews of applications.

(u) Comparative amounts

Certain comparative amounts in the financial statements have been reclassified or re-represented to conform to changes in presentation in the current financial year.

Notes to the financial statements

30 June 2020

NOTE 3: DIVISIONAL REPORTING

Operating divisions

The Australian Red Cross Society comprises the following operating divisions as defined in Note 1 to this report:

- **Australian Red Cross Humanitarian Services (Humanitarian Services)**
- **Australian Red Cross Lifeblood (Lifeblood)**

The accounting policies of the reportable divisions are the same as the group's accounting policies described in Note 2. Division surplus represents the surplus earned by each division. There is no allocation of central administration costs.

Interdivision transactions of $0.385 million (PY: $1.095 million) for the current financial year primarily include rent paid by Lifeblood operating division to Humanitarian Services operating division.

Divisional statement of profit or loss and other comprehensive income

	2020			2019		
	Humanitarian Services	Lifeblood	Society	Humanitarian Services	Lifeblood	Society
	$'000	$'000	$'000	$'000	$'000	$'000
Revenue						
Government funding						
Operating - Commonwealth funded	61,065	572,557	633,622	47,959	537,688	585,647
Operating - State funded	39,612	29,714	69,326	36,781	26,550	63,331
Capital - Commonwealth and state funded	-	51,265	51,265	-	55,453	55,453
Total government funding	**100,677**	**653,536**	**754,213**	**84,740**	**619,691**	**704,431**
Donations, bequests and sponsorships	303,538	-	303,538	90,412	-	90,412
Rendering of services	7,384	-	7,384	7,843	-	7,843
Sale of goods	25,335	-	25,335	31,398	-	31,398
Non-government grant	12,479	-	12,479	6,269	-	6,269
Investment revenue	3,715	6,144	9,859	3,812	9,783	13,595
Other revenue	11,022	12,131	23,153	-	13,453	13,453
Gain on assets	3,964	-	3,964	-	-	-
Total revenue	**468,114**	**671,811**	**1,139,925**	**224,474**	**642,927**	**867,401**
Expenditure						
Employee expenditure	134,467	335,191	469,658	129,922	312,763	442,685
Operating expenditure	227,544	151,226	378,770	103,282	159,547	262,829
Cost of services, sale of goods and consumables	3,996	120,258	124,254	4,942	114,621	119,563
Depreciation and amortisation	18,528	83,401	101,929	6,359	52,122	58,481
Interest and debt servicing costs	4,169	10,879	15,048	567	2,306	2,873
Loss on assets	-	2,546	2,546	371	150	521
Total expenditure	**388,704**	**703,501**	**1,092,205**	**245,443**	**641,509**	**886,952**
NET (DEFICIT) /SURPLUS FOR THE YEAR	**79,410**	**(31,690)**	**47,720**	**(20,969)**	**1,418**	**(19,551)**

Notes to the financial statements

30 June 2020

NOTE 3: DIVISIONAL REPORTING (continued)

	2020			2019		
	Humanitarian Services	Lifeblood	Society	Humanitarian Services	Lifeblood	Society
	$'000	$'000	$'000	$'000	$'000	$'000
Other Comprehensive Income						
Items that will not be reclassified subsequently to profit or loss						
Actuarial gain on retirement benefit obligations	-	(1,126)	(1,126)	-	(1,252)	(1,252)
Net (loss)/gain arising on equity instruments classified as FVOCI	(925)	(2,511)	(3,436)	456	(496)	(40)
Items that may be reclassified subsequently to profit or loss						
Net (loss)/gain arising on debt instruments classified as FVOCI	(98)	(1,060)	(1,158)	28	67	95
Other comprehensive income for the year	**(1,023)**	**(4,697)**	**(5,720)**	**484**	**(1,681)**	**(1,197)**
TOTAL COMPREHENSIVE SURPLUS/ (DEFICIT) FOR THE YEAR	**78,387**	**(36,387)**	**42,000**	**(20,485)**	**(263)**	**(20,748)**

Notes to the financial statements

30 June 2020

NOTE 3: DIVISIONAL REPORTING (continued)

Divisional statement of financial position

	2020			2019		
	Humanitarian Services	Lifeblood	Society	Humanitarian Services	Lifeblood	Society
	$'000	$'000	$'000	$'000	$'000	$'000
ASSETS						
Current assets						
Cash and cash equivalents	168,772	168,721	337,493	35,509	199,823	235,332
Trade and other receivables	18,084	4,486	22,570	9,515	4,124	13,639
Inventories	499	30,362	30,861	991	22,902	23,893
Other financial assets	30,685	114,391	145,076	36,729	115,885	152,614
Prepayments	3,627	10,560	14,187	4,749	14,586	19,335
Assets classified as held for sale	12,308	-	12,308	12,308	-	12,308
Total current assets	**233,975**	**328,520**	**562,495**	**99,801**	**357,320**	**457,121**
Non-current assets						
Property, plant and equipment	36,690	280,522	317,212	46,474	289,174	335,648
Intangible assets	9,315	22,922	32,237	11,684	27,530	39,214
Right-of-use assets	33,454	268,593	302,047	-	-	-
Total non-current assets	**79,459**	**572,037**	**651,496**	**58,158**	**316,704**	**374,862**
TOTAL ASSETS	**313,434**	**900,557**	**1,213,991**	**157,959**	**674,024**	**831,983**
LIABILITIES						
Current liabilities						
Trade and other payables	17,961	53,552	71,513	10,937	53,027	63,964
Borrowings	-	4,583	4,583	-	10,583	10,583
Provisions	66,152	76,011	142,163	33,405	67,555	100,960
Lease liabilities	12,073	23,406	35,479	-	-	-
Other liabilities	1,772	130,750	132,522	980	146,319	147,299
Total current liabilities	**97,958**	**288,302**	**386,260**	**45,322**	**277,484**	**322,806**
Non-current liabilities						
Borrowings	-	-	-	-	11,110	11,110
Provisions	2,315	13,360	15,675	2,261	12,269	14,530
Lease liabilities	25,042	265,202	290,244	-	-	-
Other liabilities	-	-	-	566	4,198	4,764
Defined benefit superannuation plans	-	1,629	1,629	-	514	514
Total non-current liabilities	**27,357**	**280,191**	**307,548**	**2,827**	**28,091**	**30,918**
TOTAL LIABILITIES	**125,315**	**568,493**	**693,808**	**48,149**	**305,575**	**353,724**
NET ASSETS	**188,119**	**332,064**	**520,183**	**109,810**	**368,449**	**478,259**
EQUITY						
Reserves	2,738	117,395	120,133	3,761	138,826	142,587
Specific purpose funds	90,370	-	90,370	19,456	-	19,456
Accumulated funds	95,011	214,669	309,680	86,593	229,623	316,216
TOTAL EQUITY	**188,119**	**332,064**	**520,183**	**109,810**	**368,449**	**478,259**

Notes to the financial statements

30 June 2020

NOTE 3: DIVISIONAL REPORTING (continued)

Divisional statement of changes in equity

	Humanitarian Services			Lifeblood				
	Accumulated funds	**Specific purpose funds**	**Investment revaluation reserve**	**Accumulated funds**	**Special reserve**	**Capital reserve**	**Investment revaluation reserve**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
YEAR ENDED 30 JUNE 2019								
Balance as at 1 July 2018	94,754	30,598	4,208	232,530	74,856	57,876	3,450	498,272
Net surplus/(deficit) for the year	(20,969)	-	-	1,418	-	-	-	(19,551)
Transitional impact of AASB 9 first time adoption	931	-	(931)	-	-	-	-	-
Transfers to/(from) specific purpose funds - Other adjustments	539	(539)	-	-	-	-	-	-
Transfers to/(from) other reserves	-	-	-	(3,073)	(2,704)	5,777	-	-
Transfers to/(from) specific purpose funds	11,338	(11,338)	-	-	-	-	-	-
Actuarial loss on retirement benefit obligations	-	-	-	(1,252)	-	-	-	(1,252)
Transfers (to) / from Transitional Impact AASB 15/1058	-	735	-	-	-	-	-	735
Net gain / (loss) on revaluation of financial instruments	-	-	484	-	-	-	(429)	55
Balance as at 30 June 2019	**86,593**	**19,456**	**3,761**	**229,623**	**72,152**	**63,653**	**3,021**	**478,259**

Notes to the financial statements

30 June 2020

NOTE 3: DIVISIONAL REPORTING (continued)

Divisional statement of changes in equity (continued)

	Humanitarian Services			Lifeblood				
	Accumulated funds	Specific purpose funds	Investment revaluation reserve	Accumulated funds	Special reserve	Capital reserve	Investment revaluation reserve	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
YEAR ENDED 30 JUNE 2020								
Balance as at 1 July 2019	86,593	19,456	3,761	229,623	72,152	63,653	3,021	478,259
Net surplus/(deficit) for the year	79,410	-	-	(31,690)	-	-	-	47,720
Transfers (from)/to specific purpose funds	(70,796)	70,796	-	-	-	-	-	-
Transfers (from)/to specific purpose funds - other adjustments	(118)	118	-	-	-	-	-	-
Transfers to/(from) other reserves	-	-	-	17,860	(1,346)	(17,580)	1,066	-
Actuarial loss on retirement benefit obligations	-	-	-	(1,126)	-	-	-	(1,126)
Net loss on revaluation of financial instruments	-	-	(1,023)	-	-	-	(3,571)	(4,594)
Transfer to income in advance - adjustment	(76)	-	-	-	-	-	-	(76)
Balance as at 30 June 2020	**95,013**	**90,370**	**2,738**	**214,667**	**70,806**	**46,073**	**516**	**520,183**

Notes to the financial statements

30 June 2020

NOTE 3: DIVISIONAL REPORTING (continued)

Divisional statement of cash flows

	2020			2019		
	Humanitarian Services	Lifeblood	Society	Humanitarian Services	Lifeblood	Society
	$'000	$'000	$'000	$'000	$'000	$'000
Cash flows from operating activities						
Receipts from donors, government and other sources	455,658	732,235	1,187,893	226,879	696,459	923,338
Payments to suppliers and employees	(330,877)	(669,530)	(1,000,407)	(247,550)	(602,086)	(849,636)
Interest and other costs of finance paid	(2,973)	(1,398)	(4,371)	(567)	(2,306)	(2,873)
Interest on right-of-use assets	(1,196)	(9,481)	(10,677)	-	-	-
Net cash provided by/(used in) operating activities	**120,612**	**51,826**	**172,438**	**(21,238)**	**92,067**	**70,829**
Cash flows from investing activities						
Payments for property, plant and equipment and intangibles	(1,571)	(50,060)	(51,631)	(3,642)	(41,575)	(45,217)
Proceeds from disposal of property, plant and equipment	18,875	633	19,508	217	238	455
Payments for purchase of investment securities	(8,670)	(23,510)	(32,180)	(32,323)	(49,413)	(81,736)
Proceeds from sale of investment of securities	13,308	21,421	34,729	47,043	29,209	76,252
Dividends received	740	881	1,621	954	1,871	2,825
Interest received	972	5,263	6,235	1,682	7,917	9,599
Net cash provided by/(used in) investing activities	**23,654**	**(45,372)**	**(21,718)**	**13,931**	**(51,753)**	**(37,822)**
Cash flows from financing activities						
Repayment of borrowings	-	(10,582)	(10,582)	-	(13,401)	(13,401)
Payment for principal portion of lease liabilities	(11,014)	(26,907)	(37,921)	-	-	-
Net cash provided by/(used in) financing activities	**(11,014)**	**(37,489)**	**(48,503)**	**-**	**(13,401)**	**(13,401)**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**133,252**	**(31,035)**	**102,217**	**(7,307)**	**26,913**	**19,606**
Cash and cash equivalents at the beginning of the financial year	35,509	199,823	235,332	42,816	172,910	215,726
Effects of exchange rate changes on the balance of cash held in foreign currencies	11	(67)	(56)	-	-	-
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	**168,772**	**168,721**	**337,493**	**35,509**	**199,823**	**235,332**

Notes to the financial statements

30 June 2020

NOTE 4: DONATIONS, BEQUESTS AND SPONSORSHIPS

	2020 $'000	2019 $'000
Donations and sponsorships	61,139	59,586
Bequests	12,839	15,156
Membership fundraising	975	1,254
Raffle tickets	990	1,212
Appeals - Domestic		
Drought Appeal	-	11,500
Disaster Relief and Recovery Fund[1]	227,277	-
Appeals - International		
Indonesia Earthquake & Tsunami Appeal	-	1,085
Syria Crisis Appeal	222	277
Indonesia Earthquake Appeal	-	150
Myanmar Appeal	95	136
Greek fires Appeal	-	31
Nepal Earthquake Appeal	1	13
East Africa Food Crisis Appeal	-	10
Tropical Cyclone Winston Fiji Appeal	-	2
Total donations, bequests and sponsorships	**303,538**	**90,412**

1. Refer to Note 33 for more details

NOTE 5: INVESTMENT REVENUE

	2020 $'000	2019 $'000
Interest revenue - bank deposits	5,461	8,322
Interest revenue - Investments FVOCI & FVPL	775	1,275
Dividends from other entities and imputation credit	1,788	3,200
Other income	1,835	798
Total investment revenue	**9,859**	**13,595**

NOTE 6: OTHER INCOME

	2020 $'000	2019 $'000
Other income[1]	12,131	13,453
Jobkeeper Wage Subsidy[2]	10,265	-
COVID 19 Rent Abatements[3]	757	-
	23,153	**13,453**

1. Lifeblood receives other income, which is generated from the provision of some testing services and products and services on a fee-for-service basis. Income is recognised on an accruals basis.
2. On 30 March 2020, the Federal Government announced the "JobKeeper" program, a wage subsidy to help businesses keep staff employed during the COVID situation. From 30 March 2020 to 30 June 2020, the subsidy of AUD1,500 per fortnight, per eligible employee, was available. The Society opted under the optional rules to not claim JobKeeper where employees were fully funded from government revenue. The Society expects that a similar subsidy will be available subsequent to year end until the 27 September which has helped to mitigate the decline in revenue resulting from closing the retail stores, first aid courses and face to face fundraising activities as well as fee for service programs that could no longer be run in their pre COVID form. The Society was eligible to receive the Commonwealth Government JobKeeper Wage Subsidy due to projected GST turnover (excluding Government grants) declining by greater than 15% for the turnover test period as compared to the relevant comparison period in 2019.
3. Landlords offered rent concessions due to the COVID-19 pandemic. These concessions were in the form of rent holidays, rent reductions or waivers. As per AASB 16, these concessions were not contract modifications, but were variable lease payments arising from the existing contract.

Notes to the financial statements

30 June 2020

NOTE 7. GAINS AND (LOSSES)

	2020 $'000	2019 $'000
Net gain/(loss) on disposal of property, plant and equipment	1,948	(189)
Gain/(Loss) on disposal of investments	559	(302)
Impairment on Financial assets FVOCI[1]	(109)	(8)
Foreign exchanges (loss)/gain	(134)	64
Unrealised loss in investments	(846)	(86)
Total (losses) and gains	**1,418**	**(521)**

1. Where a financial asset (fair value through other comprehensive income) is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to the profit or loss in the period.

NOTE 8. EXPENDITURE

	2020 $'000	2019 $'000
Employee expenditure		
Wages and salaries	429,113	402,605
Post-employment benefits		
Defined benefit plans	(11)	30
Defined contribution plans	38,114	36,396
Termination benefits	2,442	3,654
Total employee expenditure	**469,658**	**442,685**
Operating expenditure		
Operating lease rental expenditure - minimum lease payments	4,824	39,828
Increase in inventory	1,499	(3,933)
Impairment of trade receivables	4	6
Other expenditure		
Other operational costs	97,477	89,941
Buildings and facilities expense	33,055	32,178
Client support costs[1]	164,954	19,111
Contribution to other partner societies	11,161	18,668
Partner and call centre expense	11,623	12,491
Telecommunication costs	28,341	27,115
Telemarketing and advertising	14,458	13,583
Travel and accommodation	7,133	10,170
Worker compensation costs	4,241	3,671
Total operating expenditure	**378,770**	**262,829**

Notes to the financial statements

30 June 2020

NOTE 8. EXPENDITURE (continued)

	2020 $'000	2019 $'000
Cost of services, sale of goods and consumables		
Cost of sales	3,064	3,618
Cost of rendering training services	932	1,324
Consumables	120,258	114,621
Total cost of services, sale of goods and consumables	**124,254**	**119,563**
Depreciation of property, plant and equipment and amortisation of intangibles		
Depreciation of property, plant and equipment	48,991	45,059
Amortisation of intangibles	15,239	13,422
Amortisation of right-of-use assets	37,699	-
Total depreciation of property, plant and equipment and amortisation of intangibles	**101,929**	**58,481**
Interest and debt servicing costs		
Debt servicing	4,371	2,873
Interest on leases	10,677	-
Total interest and debt servicing costs	**15,048**	**2,873**

1. This includes the Disaster, Relief and Recovery payments to bushfire victims (See note 33 for more detail). The client support costs noted above, constitutes $118.658 million for the payments in relation to the Disaster Relief and Recovery Fund and $33.867 million for the provision for application claims for the DRR Fund.

NOTE 9: TRADE AND OTHER RECEIVABLES

	2020 $'000	2019 $'000
Trade receivables	6,594	5,382
Allowance for doubtful debts	(99)	(89)
Total trade receivables	**6,495**	**5,293**
Other receivables	16,075	7,200
Goods and services tax receivable	-	1,146
Total trade and other receivables	**22,570**	**13,639**

* Trade receivables are non-interest bearing and are generally on 30 day terms. Where debts are assessed to be non-recoverable, these are written off.

	2020 $'000	2019 $'000
Aging of past due but not impaired trade receivables		
0-30 days	2,790	578
30-60 days	377	240
60-90 days	85	39
90-120 days	117	68
120+ days	166	223
Total past due but not impaired trade receivables	**3,535**	**1,148**

Notes to the financial statements

30 June 2020

NOTE 9: TRADE AND OTHER RECEIVABLES (continued)

	2020 $'000	2019 $'000
Movement in the allowance for doubtful debts		
Opening balance 1 July	89	102
Impairment losses recognised on receivables	23	5
Amounts written off as uncollectible	(13)	(18)
Closing balance 30 June	**99**	**89**
Aging of impaired trade receivables		
0-30 days	32	44
30-60 days	22	23
60-90 days	10	-
90-120 days	5	4
120+ days	30	18
Total impaired trade receivables	**99**	**89**

NOTE 10. INVENTORIES

	2020 $'000	2019 $'000
Consumables inventory	18,166	9,198
Finished goods	11,656	13,587
Work in progress	1,039	1,108
Total inventories	**30,861**	**23,893**

NOTE 11. OTHER FINANCIAL ASSETS

	2020 $'000	2019 $'000
Fair Value through Other Comprehensive Income (FVOCI) Shares - Listed	37,379	38,678
Bonds		
Listed Bonds	3,806	3,657
Unlisted bonds	94,515	93,137
Total Fair value through Other Comprehensive Income (FVOCI) assets	**135,700**	**135,472**
Fair Value through Profit & Loss (FVPL)		
Managed Funds		
Listed managed funds	-	3,012
Unlisted managed funds	7,052	7,560
Hybrid Bonds - Listed	2,324	1,570
Total Fair value through Profit or Loss (FVPL) assets	**9,376**	**12,142**
Total Fair value through Profit & Loss (FVPL) and Fair Value through Other Comprehensive Income (FVOCI) assets	**145,076**	**147,614**
Financial assets at amortised cost		
Term deposits	-	5,000
Total Financial assets at amortised cost	**-**	**5,000**
Total current other financial assets	**145,076**	**152,614**

Notes to the financial statements

30 June 2020

NOTE 11. OTHER FINANCIAL ASSETS (continued)

Fair value measurements recognised in the statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
YEAR ENDED 30 JUNE 2020				
Financial assets FVOCI & FVPL				
Bonds	6,130	94,515	-	100,645
Shares	37,379	-	-	37,379
Managed funds	-	7,052	-	7,052
Total current other financial assets	**43,509**	**101,567**	**-**	**145,076**

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
YEAR ENDED 30 JUNE 2019				
Financial assets FVOCI & FVPL				
Bonds	5,227	93,137	-	98,364
Shares	38,678	-	-	38,678
Managed funds	3,012	7,560	-	10,572
Financial assets at amortised costs				
Term deposits	5,000	-	-	5,000
Total current other financial assets	**51,917**	**100,697**	**-**	**152,614**

Notes to the financial statements

30 June 2020

NOTE 12. PROPERTY, PLANT AND EQUIPMENT

12(a) Carrying Amounts

	Land, buildings and renovations	Shop fit-outs	Plant and equipment	Work in progress	Total
	$'000	$'000	$'000	$'000	$'000
YEAR ENDED 30 JUNE 2020					
Gross carrying amount					
Balance as at 30 June 2019	387,742	5,065	288,267	26,598	707,672
Balance as at 30 June 2020	382,097	5,311	297,500	13,047	697,955
Accumulated depreciation					
Balance as at 30 June 2019	(159,657)	(4,257)	(208,110)	-	(372,024)
Balance as at 30 June 2020	(169,985)	(4,582)	(206,176)	-	(380,743)
Net book value as at 30 June 2019	**228,085**	**808**	**80,157**	**26,598**	**335,648**
Net book value as at 30 June 2020	**212,112**	**729**	**91,324**	**13,047**	**317,212**

12(b) Movements

	Land, buildings and renovations	Shop fit-outs	Plant and equipment	Work in progress	Total
	$'000	$'000	$'000	$'000	$'000
YEAR ENDED 30 JUNE 2019					
Gross carrying amount					
Balance as at 1 July 2018	396,811	4,478	273,294	15,221	689,804
Transfer from intangibles	-	-	357	480	837
Assets classified as held for sale[1]	(15,136)	-	-	-	(15,136)
Transfers to/(from) work in progress	6,606	633	22,905	(30,144)	-
Additions	540	-	-	41,081	41,621
Disposals	(1,079)	(42)	(8,293)	(40)	(9,454)
Classification transfer	-	(4)	4	-	-
Balance at 30 June 2019	**387,742**	**5,065**	**288,267**	**26,598**	**707,672**
Accumulated depreciation					
Balance as at 1 July 2018	(142,448)	(3,936)	(192,083)	-	(338,467)
Transfer to asset held for sale[1]	2,828	-	-	-	2,828
Classification transfer	-	3	(3)	-	-
Depreciation expense	(20,747)	(352)	(23,960)	-	(45,059)
Disposals	710	28	7,936	-	8,674
Balance as at 30 June 2019	**(159,657)**	**(4,257)**	**(208,110)**	**-**	**(372,024)**
Net book value as at 30 June 2019	**228,085**	**808**	**80,157**	**26,598**	**335,648**

1. In 2019, assets classified as held for sale ($12.3 million) include properties in Carlton (Victoria) and Adelaide (South Australia). These have now been agreed for sale with settlement occurring post 30 June 2020.

Notes to the financial statements

30 June 2020

NOTE 12. PROPERTY, PLANT AND EQUIPMENT (continued)

12(b) Movements (continued)

	Land, buildings and renovations	Shop fit-outs	Plant and equipment	Work in progress	Total
	$'000	$'000	$'000	$'000	$'000
YEAR ENDED 30 JUNE 2020					
Balance as at 1 July 2019	387,742	5,065	288,267	26,598	707,672
Reclassification of Make Good Asset (transfer to ROU Asset)	(8,987)	-	-	-	(8,987)
Additions	-	-	-	42,766	42,766
Disposals	(11,344)	(90)	(32,062)	-	(43,496)
Transfers to/(from) work in progress	14,686	336	41,295	(56,317)	-
Balance as at 30 June 2020	**382,097**	**5,311**	**297,500**	**13,047**	**697,955**
Accumulated depreciation					
Balance as at 1 July 2019	(159,657)	(4,257)	(208,110)	-	(372,024)
Reclassification of Make Good Asset depreciation (transfer to ROU Asset)	7,056	-	-	-	7,056
Depreciation expense	(21,629)	(414)	(26,947)	-	(48,990)
Disposals	4,245	89	28,881	-	33,215
Balance as at 30 June 2020	**(169,985)**	**(4,582)**	**(206,176)**	**-**	**(380,743)**
Net book value as at 30 June 2020	**212,112**	**729**	**91,324**	**13,047**	**317,212**

In 2020, assets classified as held for sale ($12.308 million) include properties in Carlton (Victoria) and Adelaide (South Australia) since last year and scheduled for settlement in September 2020 and March 2021 respectively. Subsequent to the year-end, the properties for Carlton were settled in September 2020. For these assets that are classified as held for sale, the appropriateness of the held for sale classification at the reporting date was reassessed and affirmed. Further, the impact of COVID-19 on the carrying value of the assets that were classified as held for sale was assessed with no change to the carrying value required.

Notes to the financial statements
30 June 2020

NOTE 13. INTANGIBLE ASSETS

	2020 $'000	2019 $'000
Carrying amounts of:		
Software	26,284	35,078
Work in progress	5,953	4,136
Total intangible assets	**32,237**	**39,214**

	Software $'000	Work in progress $'000	Total $'000
YEAR ENDED 30 JUNE 2019			
Gross carrying amount			
Balance at 1 July 2018	97,819	15,043	112,862
Transfer to property, plant and equipment	(357)	(480)	(837)
Additions to work in progress	-	3,675	3,675
Transfers to/(from) work in progress	14,102	(14,102)	-
Balance as at 30 June 2019	**111,564**	**4,136**	**115,700**
Accumulated amortisation			
Balance at 1 July 2018	(63,064)	-	(63,064)
Amortisation expense	(13,422)	-	(13,422)
Balance as at 30 June 2019	**(76,486)**	**-**	**(76,486)**
Net book value as at 30 June 2019	**35,078**	**4,136**	**39,214**

	Software $'000	Work in progress $'000	Total $'000
YEAR ENDED 30 JUNE 2020			
Gross carrying amount			
Balance at 1 July 2019	111,564	4,136	115,700
Additions to work in progress	-	8,263	8,263
Transfers to/(from) work in progress	6,446	(6,446)	-
Balance as at 30 June 2020	**118,010**	**5,953**	**123,963**
Accumulated amortisation			
Balance at 1 July 2019	(76,486)	-	(76,486)
Amortisation expense	(15,240)	-	(15,240)
Balance as at 30 June 2020	**(91,726)**	**-**	**(91,726)**
Net book value as at 30 June 2020	**26,284**	**5,953**	**32,237**

NOTE 14. TRADE AND OTHER PAYABLES

	2020 $'000	2019 $'000
Current		
Trade payables	50,538	45,861
Accruals and other payables	20,070	18,103
Goods and service tax payable	905	-
Total trade and other payables	**71,513**	**63,964**

Trade payables are non-interest bearing and are normally settled on 30 day terms. Other payables are non-interest bearing and have an average term of 30 days. The continuous monitoring of cash flow ensures payables are paid within the credit time frame.

NOTE 15. BORROWINGS

	2020 $'000	2019 $'000
Current - secured		
Bank loans	4,583	6,401
Finance lease liabilities	-	4,182
Non-current - secured		
Bank loans	-	4,583
Finance lease liabilities	-	6,527
Total borrowings	**4,583**	**21,693**
Disclosed in the financial statements as:		
Current borrowings	4,583	10,583
Non-current borrowings	-	11,110
Total borrowings	**4,583**	**21,693**

Leased assets pledged as security for lease liabilities

The total current and non-current lease liabilities, which are effectively secured as the rights to the leased assets, are recognised in the financial statements and revert to the lessor in the event of default.

Notes to the financial statements

30 June 2020

NOTE 15. BORROWINGS (continued)

Financing facilities

	2020 $'000	2019 $'000
Unsecured bank overdraft facility		
amount used	-	-
amount unused	8,000	8,000
Total	**8,000**	**8,000**
Secured bank loan facility[1]		
amount used	4,583	10,983
Total	**4,583**	**10,983**
Secured leasing facility		
amount used[2]	6,527	10,709
Total	**6,527**	**10,709**
Credit card facility		
amount used	1,201	945
amount unused	1,449	1,705
Total	**2,650**	**2,650**

The Society is not in default of the financing facilities.

1. In 2011, the Society had entered into a 10-year loan agreement for the value of $47.500 million to partially fund the building works of the Sydney Processing Centre in Alexandria. The loan is secured by a fixed charge on the building works and equipment (including fixtures and fittings) and a charge over the Deed of Indemnity between the Society and the NBA. Lifeblood receives special grant funding to cover the loan repayments under this arrangement. The weighted average effective interest rate was 8.63%.
2. The property fit out secured leasing facility is a part of leases under note 24 lease liability for FY2020.

Notes to the financial statements

30 June 2020

NOTE 16. PROVISIONS

	2020 $'000	2019 $'000
Current		
Employee benefits[1]	88,116	78,314
Remuneration review[2]	17,095	19,313
Site restoration	2,330	3,183
Other[3]	755	150
Direct Relief Grants provision[4]	33,867	-
Non-current		
Employee benefits[1]	8,883	8,723
Site restoration	6,792	5,807
Total provisions	**157,838**	**115,490**
Disclosed in the financial statements as:		
Current provisions	142,163	100,960
Non-current provisions	15,675	14,530
Total provisions	**157,838**	**115,490**

(a) Movements in employee benefits provisions

	2020 $'000	2019 $'000
Movements in employee benefits provision		
Opening balance 1 July	87,037	84,031
Provision recognised during the year	9,962	3,006
Closing balance 30 June	**96,999**	**87,037**
Movements in remuneration review provision		
Opening balance 1 July	19,313	21,823
Payment made during the year	(291)	(1,714)
Provision recognised during the year	(1,927)	(796)
Closing balance 30 June	**17,095**	**19,313**
Movements in site restoration provision		
Opening balance 1 July	8,990	9,076
Provision (utilised)/recognised during the year	132	(86)
Closing balance 30 June	**9,122**	**8,990**
Movements in other provision		
Opening balance 1 July	150	268
Provision recognised during the year	605	(118)
Closing balance 30 June	**755**	**150**

Notes to the financial statements

30 June 2020

NOTE 16. PROVISIONS (continued)

(a) Movements in employee benefits provisions (continued)

	2020 $'000	2019 $'000
Movements in Direct Relief Grants provision		
Opening balance 1 July	-	-
Provision recognised during the year	33,867	-
Closing balance 30 June	**33,867**	**-**

1. The employee benefits provision contains provisions for annual leave, long service leave and rostered days off and other employee entitlements. Annual leave provision and Roster day off (RDO) provision have only current portions of $36.831 million and $0.132 million approximately. Long service leave provision has a current portion of $51.152 million and non current portion of $8.883 million.
2. The provision for Remuneration Review is a provision for the Humanitarian Division's estimate of employee underpayments for some employees. A comprehensive remuneration review was conducted in 2017 to explore how best to develop a national remuneration framework that will be 'fit for the future' of Red Cross. As part of this review, it was identified that the organisation had made incorrect assumptions about award and enterprise agreement coverage and classification of certain roles which resulted in a number of employees being underpaid over a number of years. This issue affects a number of current and former employees. The provision is for back paying employees to correct this issue. In December 2018, the majority of the then current employees were paid a proportion of the then identifiable amount of back pay. There were further payments made to some of then current employees in Nov 2019 and April 2020. The majority of the remaining provision relates to ex-employees whose back payments are still being reviewed.
3. This relates to provision for legal claims.
4. The Direct Relief Grants provision is a provision for applications made for bushfire grants from the Disaster Relief and Recovery Fund of $33.867 million. As at 30 June 2020, all claims in respect of the Disaster Relief and Recovery Fund were required to be made by 31 August 2020. The Society has accounted for funds allocated as a liability, only where the claims were in progress over July and August and there was a likelihood of these being paid as assessed at 30 June 2020. Subsequent to year end, the application deadline was extended to 31 December 2020.

NOTE 17. OTHER LIABILITIES

	2020 $'000	2019 $'000
Current		
Lease incentive	-	1,088
Government grants refundable[1]	32,790	69,814
Revenue in advance[2]	99,732	76,397
Non-current		
Lease incentive	-	4,764
Total other liabilities	**132,522**	**152,063**
Disclosed in the financial statements as:		
Current other liabilities	132,522	147,299
Non-current other liabilities	-	4,764
Total other liabilities	**132,522**	**152,063**

1. Lifeblood government grants refundable of $31.612 million relates to the expected return of funds to the National Blood Authority (NBA) for surpluses in the reported period for Lifeblood. Humanitarian Services grants refundable of $1.177 million relates to contracts ending in FY2020 with no possibility of extension or alternate use of funding.
2. Revenue in advance includes:
   (i) $95.105 million output funding net cash prepayment relates to government grant funding received in advance from NBA for product and services to be supplied in July 2020.
   (ii) $0.594 million deferred income in Humanitarian services.

NOTE 18. DEFINED BENEFIT SUPERANNUATION PLANS

The Society has recognised a liability in the statement of financial position in respect of its defined benefit superannuation arrangements. Currently, contributions are made to the following defined benefit plans:

1) Local Government Super (NSW); and
2) Australian Red Cross Queensland Staff Retirement Fund (QLD).

All contributions are expensed when incurred.

Local Government Super (NSW): Local Government Super provides defined benefits whereby components of the final benefit are derived from a multiple of member salary and years of membership. Members receive lump sum or pension benefits on retirement, death, disablement and withdrawal. The defined benefits scheme was closed to new members effective from 15 December 1992. The Local Government Superannuation Scheme was established on 1 July 1997 to specifically cater for the superannuation requirements of Local Government employees. LGSS Pty Ltd (ABN 68078003497) (AFSL 383558) is the Trustee of the Local Government Superannuation Scheme (known as Local Government Super). Local Government Super is a resident regulated superannuation scheme within the meaning of the Superannuation Industry (Supervision) Act 1993.

Australian Red Cross Queensland Staff Retirement Fund (QLD): The fund, offering both defined benefit and defined contribution plans, is a final average (3 years) lump sum benefit arrangement providing benefits on death, disability, resignation and retirement. The defined benefit section provides benefits based on the length of service and final average salary. The defined contribution section receives fixed contributions and the employer's legal or constructive obligation is limited to these contributions. The fund commenced on 15 June 2006 as a successor fund transfer from the Australian Red Cross Qld Staff Superannuation Plan. This fund is a sub-fund of the AMP Superannuation Savings Trust, which was established under a Trust Deed dated 1 July 1998. The Trustee is AMP Superannuation Limited.

The plans in Australia typically expose the Australian Red Cross to actuarial risks such as; investment risk, interest rate risk, longevity risk and salary risk:

Investment Risk: The present value of the defined benefit plan liability is calculated using a discount rate determined by reference to high quality corporate bond yields; if the return on plan assets is below this rate, it will create a plan deficit.

Interest Risk: A decrease in the bond interest rate will increase the plan liability; however, this will be partially offset by an increase in the return on the plan's debt investments.

Longevity Risk: The present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of the plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan's liability.

Salary Risk: The present value of the defined benefit plan liability is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the plan's liability.

The risk relating to benefits to be paid to the dependants of plan members (widow and orphan benefits) is re-insured by an external insurance company. No other post-retirement benefits are provided to these employees.

The most recent actuarial valuation of the plan assets and the present value of the defined benefit obligation was carried out at 30 June 2020 by:

- Mr Jeff Humphries , Principal, CHR Consulting Pty Ltd for Australian Red Cross Queensland Staff Retirement Fund (QLD)
- Mr Richard Boyfield, Partner, Representative of Mercer Consulting (Australia) Pty Ltd for Local Government Super (NSW).

The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the projected unit credit method.

Notes to the financial statements

30 June 2020

NOTE 18. DEFINED BENEFIT SUPERANNUATION PLANS (continued)

(a) Principal actuarial assumptions

The principal assumptions used for the purposes of the actuarial valuations were as follows:

	2020 %	2019 %
Discount rate	2.50	2.73
Expected rate of salary increase	2.50	2.50
Anticipated rate of return on plan assets	5.80	6.00

(b) Amounts recognised in the statement of profit and loss and other comprehensive income

	2020 $'000	2019 $'000
Service cost		
Current service cost	(19)	67
Net interest cost	8	(37)
Components of defined benefit cost recognised in profit or loss	**(11)**	**30**
Remeasurement on the net defined benefit liability		
Return on plan assets (excluding amounts included in net interest expense)	557	(417)
Actuarial loss arising from changes in demographic assumptions	-	3
Actuarial loss arising from changes in financial assumptions	289	2,087
Actuarial loss/(gain) arising from experience adjustment	280	(421)
Components of defined benefit loss recognised in other comprehensive income	**1,126**	**1,252**
Total defined benefit loss	**1,115**	**1,282**

The current service cost and the net interest expense for the year are included in staff expenditure in the statement of profit or loss and other comprehensive Income. The remeasurement of the net defined benefit liability is included in other comprehensive income.

(c) Amounts recognised in the statement of financial position

	Notes	2020 $'000	2019 $'000
Present value of funded defined benefit plan obligation (d)	18 (d)	20,263	20,151
Fair value of defined benefit plan assets (e)	18 (e)	(18,634)	(19,637)
Net liability arising from defined benefit plan obligation		**1,629**	**514**

NOTE 18. DEFINED BENEFIT SUPERANNUATION PLANS (continued)

(d) Reconciliation of movement in the present value of the defined benefit plan obligation

	2020 $'000	2019 $'000
Balance at beginning of the year	20,151	18,245
Current service cost	535	601
Interest on obligation	516	680
Remeasurement (gains)/losses		
Actuarial loss arising from changes in demographic assumptions	-	3
Actuarial loss arising from changes in financial assumptions	289	2,088
Actuarial loss/(gain) arising from experience adjustments	280	(421)
Benefits paid (including expenses and taxes)	(1,407)	(954)
Other	(101)	(91)
Balance at end of the year	**20,263**	**20,151**

(e) Reconciliation of movement in the fair value of plan assets

	2020 $'000	2019 $'000
Balance at beginning of the year	19,637	19,013
Interest income	508	717
Remeasurement		
Return on plan assets (excluding amounts included in net interest expense)	(557)	417
Contributions by the employer	524	496
Contributions by plan participants	30	38
Benefits paid	(1,407)	(954)
Other	(101)	(90)
Balance at end of the year	**18,634**	**19,637**
The fair value of the plan assets at the end of the reporting period for each category, are as follows:		
Australian equities	4,416	4,595
International equities	4,864	5,027
Australian fixed interest	3,541	2,140
International fixed interest	410	3,299
Property	2,068	432
Cash	1,304	1,846
Other	2,031	2,298
Total fair value of the plan assets	**18,634**	**19,637**

NOTE 18. DEFINED BENEFIT SUPERANNUATION PLANS (continued)

(f) Sensitivity analysis for actuarial assumptions

Significant actuarial assumptions for the determination of the defined obligation are discount rate and expected salary increase. The sensitivity analysis below has been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

- If the discount rate is 50 basis points higher / (lower), the defined benefit obligation would (decrease) / increase by $0.762 million (2019: $0.767 million).
- If the expected salary growth increases / (decreases) by 50 basis points, the defined benefit obligation would increase / (decrease) by $0.356 million (2019: $0.369 million).

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation liability recognised in the statement of financial position.

There was no change in the methods and assumptions used in preparing the sensitivity analysis from prior years other than the change in the bond rate used to calculate the employee liability obligations.

(g) Asset-liability matching study

There were no asset-liability matching strategies adopted by the funds during the period.

(h) Effects on future cash flows

Local Government Super's funding arrangements are assessed at least every three years following the release of the triennial actuarial review. Following completion of the last review as at 30 June 2018, Lifeblood operating division had sufficient assets to cover its liabilities, and no adjustments to funding have occurred. The next triennial valuation will be completed as at 30 June 2021. The Society reviews its funding positions annually with funding arrangements adjusted as appropriate.

Members of the Australian Red Cross Queensland Staff Retirement Fund contribute at the rate of 5% of salary. The residual contribution (including back service payments) is paid by the Society. The funding requirements are based on the local actuarial measurement framework. In this framework the discount rate is set on the expected return on the Fund's assets. The Society carries the investment volatility risk and may be required to make additional contributions from time to time if assets do not cover members' vested benefits.

The average duration of the benefit obligation for the funds at 30 June 2020 is 9.53 years (2019: 9.66 years). This number can be analysed as follows:

- Active members: 8.86 years (2019: 9.24 years);
- Retired members: 8.69 years (2019: 8.87 years)

The Society expects to make a contribution of $0.380 million (2019: $0.386 million) to the defined benefit plans during the next financial year.

(i) Historic summary

	2020 $'000	2019 $'000
Defined benefit plan obligations	20,263	20,151
Less plan assets	(18,634)	(19,637)
Deficit	**1,629**	**514**
Actual return on assets	(557)	417
Cumulative amount recognised in the other comprehensive income		
Cumulative amount of actuarial losses	3,322	2,196
Expected contributions and funding arrangements		
Expected employer contributions at 30 June	380	386

Notes to the financial statements

30 June 2020

NOTE 19. RESERVES

	Investment revaluation reserve (i)	Special reserve (ii)	Capital reserve (iii)	Total
	$'000	$'000	$'000	$'000
YEAR ENDED 30 JUNE 2019				
Balance as at 1 July 2018	7,658	74,856	57,876	140,390
Transitional impact of AASB 9 first time adoption	(931)	-	-	(931)
Transfers to reserves from accumulated funds	-	(2,704)	5,777	3,073
Net unrealised (loss) / gain arising on revaluation of equity	(40)	-	-	(40)
Net loss on debt classified as FVOCI	95	-	-	95
Balance as at 30 June 2019	**6,782**	**72,152**	**63,653**	**142,587**
	$'000	$'000	$'000	$'000
YEAR ENDED 30 JUNE 2020				
Balance as at 1 July 2019	6,782	72,152	63,653	142,587
Transfers to reserves from accumulated funds	-	(1,346)	(17,580)	(18,926)
Transfer of realised loss/(gain) to accumulated funds	1,066	-	-	1,066
Net unrealised (loss) / gain arising on revaluation of equity	(3,436)	-	-	(3,436)
Net loss on debt classified as FVOCI	(1,158)	-	-	(1,158)
Balance as at 30 June 2020	**3,254**	**70,806**	**46,073**	**120,133**

(i) Investment revaluation reserve comprises the cumulative unrealised gains and losses arising from the changes in the fair value of instruments classified as FVOCI that have been recognised in other comprehensive income, net of any realised gains and losses reclassified to profit or loss when these financial assets have been derecognised in the case of debt instruments designated as FVOCI. In the case of equity instruments designated as FVOCI, there is no recycling of changes in fair value from other comprehensive income to profit or loss.

(ii) The Society's special reserve records retained surplus over which the Society has restricted use.

(iii) The Society's Capital Reserve records capital surplus less capital expenditure relating to various capital funded programs or funds received for the purpose of future capital expenditure.

Notes to the financial statements

30 June 2020

NOTE 20. SPECIFIC PURPOSE FUNDS

	International projects	Domestic programs	Total
	$'000	$'000	$'000
YEAR ENDED 30 JUNE 2019			
Balances as at 1 July 2018	12,695	17,903	30,598
Transfers (to) / from accumulated funds	(9,528)	(1,810)	(11,338)
Transfers (to) / from accumulated funds - Other adjustments	-	(539)	(539)
Transitional Impact of AASB 15/1058 first year adoption	-	735	735
Balance as at 30 June 2019	**3,167**	**16,289**	**19,456**
YEAR ENDED 30 JUNE 2020			
Balances as at 1 July 2019	3,167	16,289	19,456
Transfers (to) / from accumulated funds[1]	(2,072)	72,868	70,796
Transfers (to) / from accumulated funds - Other adjustments[1]	(11)	129	118
Balance as at 30 June 2020	**1,084**	**89,286**	**90,370**

Specific purpose funds (SPF) are unspent tied funds carried forward for the purpose of spending on specific activities or programs in the future.

1. For FY2020, the balance of Specific purpose funds has increased by $70.914 million. The increase is mostly due to $60.661 million Disaster Relief and Recovery funds that are being carried forward and are available for direct relief grants and expenditure in future years. (Refer to Note 33). There was also a reduction in the SPF balance of $12.379 million for contracts that have been fulfilled in FY2020. Apart from DRR Funds there was also a balance SPF of $22.650 million for programs committed for FY2021 and beyond.

NOTE 21. ACCUMULATED FUNDS

	2020 $'000	2019 $'000
Balance at beginning of financial year	316,216	327,284
Surplus/(deficit) for the financial year	47,720	(19,551)
Actuarial (loss) on defined benefit superannuation plans	(1,126)	(1,252)
Transitional impact of AASB 9 first year adoption	-	931
Transfers (to)/from specific purpose funds	(70,796)	11,338
Transfers (to)/from specific purpose funds - other adjustments	(118)	539
Transfer to other reserves	17,860	(3,073)
Transfer to income in advance - adjustment	(76)	-
	309,680	**316,216**

Notes to the financial statements

30 June 2020

NOTE 22. CASH AND CASH EQUIVALENTS

(a) Reconciliation of cash and cash equivalents

	2020 $'000	2019 $'000
Cash	145,078	25,725
Term deposits	192,415	209,607
Net cash and cash equivalents	**337,493**	**235,332**

The above cash includes $107.649 million for the Disaster Relief and Recovery fund quarantined in separate bank accounts as at 30 June 2020.

(b) Reconciliation of surplus / (deficit) for the year to cash flows from operating activities

	2020 $'000	2019 $'000
Net surplus/(deficit)	47,720	(19,551)
Depreciation and amortisation of non-current assets	101,929	58,481
Impairment of financial assets	109	8
Net foreign currency (gains)	134	(64)
Loss on disposal of investments	287	388
Loss/(gain) on disposal of property, plant and equipment and intangibles	(1,948)	189
Investment interest recognised in profit or loss	(6,236)	(9,597)
Dividends recognised in profit or loss	(1,788)	(3,200)
Components of defined benefit recognised in profit or loss	(11)	30
Other Income - COVID 19 Rent Abatements	(757)	-
Changes in assets and liabilities		
Increase in trade and other receivables	(4,905)	(638)
Increase in inventory	(6,968)	(4,653)
Decrease/(increase) in prepayments	1,122	(743)
Increase in trade, other payables and other liabilities	16,766	7,076
(Decrease)/increase in prepaid government funds	(15,645)	42,751
Increase in provisions	42,348	292
Increase in revenue in advance	281	60
Net cash inflow from operating activities	**172,438**	**70,829**

NOTE 23. COMMITMENTS

(a) Capital commitments

	2020 $'000	2019 $'000
Capital commitments contracted for at reporting balance date but not provided for in the financial statements are payable as follows:		
No longer than 1 year	16,319	7,961
TOTAL COMMITMENTS	**16,319**	**7,961**

The majority of the Society commitments include $4.964 million relating to the plasma machine replacement project and $4.547 million attributable to LabNet with the balance committed to other business initiatives.

Notes to the financial statements
30 June 2020

NOTE 23. COMMITMENTS (continued)

(b) Non-cancellable operating leases

The Society leases various premises used as offices, blood collection centres, processing and testing centres, and warehouses under non-cancellable lease agreements expiring within 2 to 20 years. At 30 June 2019, the commitment for minimum lease repayments in relation to non-cancellable operating leases was calculated based on the contractual undiscounted cash flows of the initial lease term under the contract. This approach was consistent with the calculation of the make good provision.

From 1 July 2019, the Society has recognised right-of-use assets and corresponding lease liabilities (see note 24) for these leases except for those identified as low-value asset leases.

At 30 June 2020, the commitments for minimum lease payments relate to low-value asset lease agreements.

	2020 $'000	2019 $'000
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	548	33,991
Later than one year but not later than five years	339	80,810
Later than five years	2	60,276
	889	**175,077**

(c) Property fit-out leases

The Society leases various items of equipment and fit-outs under a lease expiring within 2 years. Under the terms of the leases, Lifeblood has the option to acquire the leased assets on expiry of the leases. These leases relate to:

(i) Property fit-out leases

In 2012, the Melbourne Processing Centre in West Melbourne was completed and the constructed asset was used to underwrite a $33.500 million 10 year lease. As at 30 June 2020, the residual balance of this facility was $6.527 million (2019: $10.709 million). The Society receives special grant funding to cover the lease repayments under this arrangement.

The effective interest rate for the property fit-out leases was 8.02%.

(ii) Total equipment and property fit-out leases

	2020 $'000	2019 $'000
Within one year	-	4,881
Later than one year but not later than five years	-	6,914
Minimum future property fit-out lease payments	**-**	**11,795**
Less: future finance charges	-	(1,086)
Total property fit-out leases	**-**	**10,709**
Representing property fit-out leases:		
Current	-	4,182
Non-current	-	6,527
Total property fit-out leases	**-**	**10,709**

The property fit out secured leasing facility is disclosed under note 24 lease liability for FY20.

(d) Specific Purpose Funds

Specific Purpose Funds (SPF) of $90.370 million are committed funds received via grants and donations by the Society and are set aside for pre-determined purposes.

Notes to the financial statements

30 June 2020

NOTE 24. LEASES

(a) Right of Use assets

	2020 $'000	2019 $'000
Carrying amounts of		
Properties	297,584	-
Vehicles	4,463	-
Total right-of-use assets	**302,047**	**-**

	Properties $'000	Vehicles $'000	Total $'000
Cost			
Balance at 1 July 2019	312,993	4,191	317,184
Additions - new leases	20,372	2,190	22,562
Disposal	(452)	-	(452)
Balance as at 30 June 2020	**332,913**	**6,381**	**339,294**
Accumulated depreciation			
Balance at 1 July 2019	-	-	-
Amortisation expense	(35,781)	(1,918)	(37,699)
Disposal	452	-	452
Balance as at 30 June 2020	**(35,329)**	**(1,918)**	**(37,247)**
Net book value as at 30 June 2020	**297,584**	**4,463**	**302,047**

(b) Lease liabilities

	2020 $'000	2019 $'000
Maturity analysis - contractual undiscounted cash flows		
No longer than 1 year	39,253	-
Longer than 1 year and not longer than 5 years	108,503	-
Longer than 5 years	73,215	-
Total[1]	**220,971**	**-**

1. The value of contractual and undiscounted cash flows does not include options. It takes into account all AASB16 leases and non AASB16 leases.

NOTE 24. LEASES (continued)

Lease liabilities are presented in the statement of financial position as follows:

	2020 $'000	2019 $'000
Current	35,479	-
Non-current	290,244	-
Total lease liabilities[2]	**325,723**	**-**

2. The total lease liabilities include option to extend.

Other Leases

The Society leases IT equipment, photocopiers and printers with lease terms of up to 4 years. These leases are short-term and/or leases of low-value items. The Group has elected not to recognise right-of-use assets and lease liabilities for these leases. The Society also has processing centre fit-out leases for the Lifeblood division.

Sale-and-leaseback

In May 2020, the Society sold one of its buildings in Milton, Queensland and leased the building back for 5 years. The Society has an option to extend the end of the contract term annually for 3 years. The rent is adjusted every year by 3% to reflect increases in local market rents for similar properties.

NOTE 25. CONTINGENT ASSETS AND LIABILITIES

(a) Contingent liabilities

There is a potential for claims to arise from viral / bacterial infections or blood-borne disease which are currently unidentified, or in circumstances where there are no test or screening procedures available to test for a virus / bacteria / disease state. In the event that commercial insurance does not cover financial exposure arising as a result of transmission of blood-borne disease occurring subsequent to 1 July 2000, a national managed fund has been established with claims covered at the discretion of the NBA.

Lifeblood is entitled to seek, and the NBA may at its discretion grant, indemnities in respect of potential liabilities arising from litigation in relation to pre July 2000 transfusion-transmitted diseases.

The Humanitarian Division of the Society embarked on a comprehensive remuneration review in 2017, as a first step towards its future remuneration strategy. This review identified that the Society had made incorrect assumptions about award and enterprise agreement coverage and classification of certain roles which resulted in a number of employees being underpaid over a number of years.

As at 30 June 2018, the Society estimated the magnitude of the underpayment (calculated from July 2012) and recorded a liability of $21.823 million in the statement of financial position as at that date. The estimate was based on number of assumptions, and there was a potential for the underpayment to be higher or lower than the amount recorded. In December 2018, the majority of our current employees were back paid a proportion (approximately 80%) of their back pay. The total amount back paid was $1.714 million. There were further payments made in Nov 2019 and April 2020 for total of $0.291 million and majority of the current employees back payments have now been made. As a result the majority of the remaining provision relates to ex-employees whose back payments are still being reviewed.

The Society has bank guarantees in place in relation to certain property leases. The value of these guarantees at 30 June 2020 was $0.177 million (2019: $0.077 million). The Board is satisfied the guarantees will not be called upon and therefore no liability has been recorded in the statement of financial position.

Since 1924, Red Cross has managed a number of respite care homes for children. Most of these closed before 1970. Until now, the Humanitarian Division of the Society has had its own process for investigating and responding to complaints in a caring, compassionate and prompt way. However, the Society wanted to provide people who experienced institutional child sexual abuse at one of our homes with an alternative way of seeking redress. The National Redress Scheme provides support to people who experienced child sexual abuse in Australian institutions. It was launched in response to the Royal Commission into Institutional Responses to Child Sexual Abuse. The Society has been working closely with the Government since February 2020 to undertake the necessary steps to join. Post year end and prior to signing these accounts, the Society's application was approved by the Government and we are now a participating institution in the Scheme. However it is not possible to provide an estimate of any potential liability at this stage. Refer subsequent event note 28.

There are no other contingent liabilities or events identified which would be expected to have a material impact on the financial statements in the future.

NOTE 26. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2020 $'000	2019 $'000
Financial assets		
Cash and cash equivalents	337,493	235,332
Trade and other receivables	22,570	13,639
Prepayments	14,187	19,335
Bonds	98,321	96,795
Shares	37,379	38,678
Managed Funds	7,052	10,572
Hybrid Bonds	2,324	1,570
Term deposits	-	5,000
Financial liabilities		
Trade and other payables	71,513	63,964
Lease incentives	-	5,852
Interest bearing loans and borrowings	4,583	21,693
Government grants refundable	32,790	69,814
Revenue in advance	99,732	76,397

The Society's Board considers the above carrying amounts of financial assets and financial liabilities to approximate their fair values.

(b) Financial risk management objectives and policies

The Society's financial instruments consist mainly of:

- deposits with banks;
- investments in equities, managed funds, bonds, debentures and other fixed interest securities;
- accounts receivable and payable, which arise directly from the Society's operations;
- derivatives, being forward foreign currency contracts, to manage currency risks.

It is, and has been throughout the financial year, the Society's policy that no trading in derivative financial instruments shall be undertaken. Similarly, it is not the Society's policy to trade in investments (i.e. to speculate and engage in short-term profit taking). All investments are held to generate income to further the Society's causes and as such are classified as 'FVOCI' or 'FVPL'. Sales do occur however with selected investments which are described in the financial statements as 'FVOCI or FVPL', when the Society is advised to adjust its portfolio in relation to risk exposure and diversification as advised by its investment portfolio managers. The Society holds investments to maximise capital value whilst maintaining a low risk appetite investment strategy.

(c) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: market interest rates (interest rate risk), foreign currency risk and market prices (price risk).

(c)(i) Foreign currency risk management

The Society is exposed to fluctuations in foreign currencies arising from purchase of goods and supply of aid in currencies other than the Society's functional currency ($AUD).

NOTE 26. FINANCIAL INSTRUMENTS (continued)

The carrying amount of the Society's foreign currency denominated monetary assets and monetary liabilities at the reporting date is as follows:

	2020		2019	
	Foreign currency	AUD equivalent	Foreign currency	AUD equivalent
Cash	**$'000**	**$'000**	**$'000**	**$'000**
USD	7	10	1	1
Euro	153	251	14	23
Total	**-**	**261**	**-**	**24**

Foreign currency sensitivity analysis

The Society is mainly exposed to movements in exchange rates relating to Euro and US dollars (USD).

The following table details the Society's sensitivity to a 10% increase and decrease in the Australian Dollar against the relevant foreign currencies. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. A positive number indicates an increase in profit or loss and other equity where the Australian Dollar strengthens against the respective currency. For a weakening of the Australian Dollar against the respective currency there would be an equal and opposite impact on the profit and other equity, and the balances below would be negative.

	2020 $'000	2019 $'000
Profit or loss		
USD	1	-
Euro	15	2

(c)(ii) Interest rate risk management

The Society is exposed to market interest rate fluctuations on its fixed and variable interest securities, as well as interest bearing borrowings. The Society accepts the risk as normal in relation to fixed interest financial assets, as they are held to generate investment income on unused funds.

Interest rate sensitivity analysis

The following table summarises how the Society's surplus or deficit and equity would have been affected by changes in interest rates at reporting date.

	Carrying amount	-50 basis points deficit	-50 basis points equity	+100 basis points deficit	+100 basis points equity
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
Financial assets					
Cash and cash equivalents	337,493	(1,687)	(1,687)	3,375	3,375
Financial assets at FVOCI and FVPL	145,076	(725)	(725)	1,451	1,451
Financial liabilities					
Bank loans - fixed interest rate	4,583	-	-	-	-
Finance leases	-	-	-	-	-
Total increase / (decrease)	**-**	**(2,412)**	**(2,412)**	**4,826**	**4,826**

Sensitivity analysis does not apply to Bank loans with fixed Interest Rate.

NOTE 26. FINANCIAL INSTRUMENTS (continued)

(c)(iii) Price risk

Equity price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices, whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

(c)(iv) Concentration Risk

Concentration risk is the risk to over-rely on one vendor. This is a classic case of putting all your eggs in one basket. If an institution relies heavily on a single provider for many products and services-especially critical ones-that institution might be unable to conduct business if something catastrophic happens to that vendor. The risk arises from the observation that more concentrated portfolios are less diverse and therefore the returns on the underlying assets are more correlated.

In order to mitigate the concentration risk, the Society has no more than 40% of cash and investments held with any single institution. The Society has quarantined the funds raised for the Disaster Relief and Recovery Fund across the big four banking institutions in the lowest risk cash accounts.

(d) Equity price sensitivity

The sensitivity analysis below has been determined based on the exposure to equity price risks at year end.

At reporting date, if the equity prices had been 5% higher/lower:

- the surplus for the year ended 30 June 2020 would have been unaffected as the equity investments are classified as available for sale and any increment or decrement in the fair value, with the exception of impairment, is an adjustment to other comprehensive income.
- other comprehensive income for the year ended 30 June 2020 would have increased/decreased by $1.869 million (2019 : $1.934 million) as a result of the change in the fair value of equities.

The society's sensitivity to equity prices has not changed significantly from the prior year.

(e) Credit risk management

The maximum exposure to credit risk, excluding the value of any collateral or other security, at reporting date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements.

Credit risk for derivative financial instruments arises from the potential failure by counter parties to the contract to meet their obligations.

(f) Liquidity risk management

The Society manages liquidity risk by monitoring forecast cash flows and ensuring that adequate liquid funds or unutilised borrowing facilities are maintained.

The following table details the Society's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Society can be requested to pay. The table includes both interest and principal cash flows.

Notes to the financial statements

30 June 2020

NOTE 26. FINANCIAL INSTRUMENTS (continued)

NON-DERIVATIVE FINANCIAL LIABILITIES

	Weighted average effective interest rate	Less than 1 month	1-3 months	3 months to 1 year	1 to 5 years	5+years	Total
	%	$'000	$'000	$'000	$'000	$'000	$'000
YEAR ENDED 30 JUNE 2020							
Non-interest bearing		204,383	32,115	1,522	-	-	238,020
Finance lease liability	8.02	364	735	3,431	1,997	-	6,527
Bank loan liability	8.63	558	1,129	2,896	-	-	4,583
		205,305	**33,979**	**7,849**	**1,997**	**-**	**249,130**
YEAR ENDED 30 JUNE 2019							
Non-interest bearing		138,969	70,713	867	4,712	742	216,003
Finance lease liability	8.02	336	679	3,168	6,527	-	10,710
Bank loan liability	8.63	514	1,036	4,851	4,583	-	10,984
		139,819	**72,428**	**8,886**	**15,822**	**742**	**237,697**

The following table details the Society's expected maturity for its non-derivative financial assets. The table below has been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the Society anticipates that the cash flow will occur in a different period.

NON-DERIVATIVE FINANCIAL ASSETS

	Weighted average effective interest rate	Less than 1 month	1-3 months	3 months to 1 year	1 to 5 years	5+years	Total
	%	$'000	$'000	$'000	$'000	$'000	$'000
YEAR ENDED 30 JUNE 2020							
Non-interest bearing	-	250,074	-	-	-	-	250,074
Fixed interest rate instruments	1.25	4,028	142,005	7,327	79,998	7,287	240,645
Variable interest rate instruments	0.45	28,721	-	-	-	-	28,721
		282,823	**142,005**	**7,327**	**79,998**	**7,287**	**519,440**
YEAR ENDED 30 JUNE 2019							
Non-interest bearing	-	117,708	-	-	-	-	117,708
Fixed interest rate instruments	2.30	-	149,000	10,040	85,623	7,701	252,364
Variable interest rate instruments	1.32	50,823	-	-	-	-	50,823
		168,531	**149,000**	**10,040**	**85,623**	**7,701**	**420,895**

Notes to the financial statements

30 June 2020

NOTE 27. GOING CONCERN

The spread of novel coronavirus (COVID-19) was declared a public health emergency by the World Health Organisation on 31 January 2020 and upgraded to a global pandemic on 11 March 2020. The rapid rise of the virus has seen an unprecedented global response by Governments, regulators and industry sectors.

The Australian Federal Government enacted its emergency plan on 29 February 2020 which has seen the closure of Australian borders from 20 March, an increasing level of restrictions on corporate Australia's ability to operate, significant volatility and instability in financial markets and the release of a number of government stimulus packages to support individuals and businesses as the Australian and global economies face significant slowdowns and uncertainties.

For the year ended 30 June 2020, COVID-19 has impacted the Society, specifically as follows:

- A rapid increase in demand for our support and services to support mental health, social isolation, and emergency relief for those groups falling between the gaps of available government policy;
- Ability to run programs such as our Humanitarian Settlement program, Accommodation centres, Night Cafe and Learner Driver programs amongst other were impacted also reducing the fee for service income that could be generated from these programs;
- Fund raising efforts were significantly impacted and Face to Face Fundraising ceased with flow on impacts to a decline in revenue in future years;
- Government funding cuts due to no new refugees coming to Australia;
- Closure of Red Cross retail stores;

The JobKeeper wage subsidy along with some stand down of staff, freezing and renegotiation of contracts, ceasing discretionary spend, and a favourable tax campaign and additional funding received to support COVID activities allowed the Society to cover most of the decline in revenue.

As a result of the Society's ability to adapt and pivot to the changing circumstances, as well as continuing the path to strengthened capital, revenue and cost optimisation, the Society continues to be a going concern with a strong financial base on which to grow.

NOTE 28. EVENTS AFTER THE REPORTING PERIOD

Subsequent to year-end the Society joined the National Redress Scheme. Refer to contingent assets and liabilities note 25.

With the initial phase of the JobKeeper program due to conclude in September 2020, the Government announced a second phase on 21 July 2020 which will extend the program for an additional six months through to March 2021, with a lower two-tier payment structure and a requirement for employers to retest the decline in turnover to continue to access the payment.

The Society will be assessing in future if the Society is eligible to access the payment.

Victoria is under lockdown until 26 October 2020 and Victorian borders are closed. Most of the Red Cross stores and branches in Victoria are closed and Face to Face fundraising continues to be on hold.

As at 30 June 2020 the application for Direct Relief grants closure deadline was 31 August 2020. Subsequent to year end, the Society extended the application deadline to 31 December 2020.

Should all funds not be claimed by the 31 December 2020, the Society will extend our program of support based on community needs analysis.

The sale of Carlton properties was settled in September 2020. Refer to Property, plant and equipment note 12.

NOTE 29. ECONOMIC DEPENDENCY

A significant portion of revenue is received by way of recurrent and capital grants from Commonwealth, State and Territory governments. The current Deed between the NBA and the Society relates to the period 1 July 2016 to 30 June 2025.

NOTE 30. KEY MANAGEMENT PERSONNEL

The members of the Australian Red Cross Society Board provide their service on a volunteer basis and receive no payment other than reimbursement for reasonable travel and other expenses incurred in connection with their roles. The Lifeblood Board comprises executive and non-executive members who are remunerated. Members of the Society Board who also serve as a member of Lifeblood Board or a Lifeblood committee are remunerated by the Lifeblood.

Details of remuneration of Board Members and Executive Team are outlined in the following table. The following includes payments for short-term employee benefits, post-employment benefits, long-term employee benefits and termination benefits:

Notes to the financial statements

30 June 2020

NOTE 30. KEY MANAGEMENT PERSONNEL (continued)

	Short-term employee benefits – Salaries and fees	Post employment benefits – Superannuation contributions	Long-term employee benefits – Long service leave	Termination benefits	Total
	$	$	$	$	$
YEAR ENDED 30 JUNE 2020					
Humanitarian Services	2,126,665	159,228	63,436	367,609	2,716,938
Lifeblood	4,783,000	331,000	58,000	-	5,172,000
Total compensation	**6,909,665**	**490,228**	**121,436**	**367,609**	**7,888,938**
YEAR ENDED 30 JUNE 2019					
Humanitarian Services	2,209,291	164,251	35,477	-	2,409,019
Lifeblood	4,528,778	322,045	62,000	20,102	4,932,925
Total	**6,738,069**	**486,296**	**97,477**	**20,102**	**7,341,944**

For the purposes of the above table, remuneration includes salaries and wages, paid annual leave and paid sick leave, non-monetary benefits (such as medical care, housing, cars and free or subsidised goods or services). Also included in remuneration is an amount relating to long-term employee benefits which have accrued, but not paid, to the employees during the period such as long-service leave.

BOARD MEMBERS

SOCIETY BOARD

- Mr Ross Pinney (President)
- Ms Lyndal Moore (Deputy President to November 2019)
- Mr Charles Burkitt (Deputy President from November 2019)
- Mr Peter Lewinsky (Chair of Audit and Risk Committee to February 2020)
- Mr Kym Pfitzner (Chair of Audit and Risk Committee from February 2020)
- Ms Eveline Kuang
- Ms Wendy Prowse
- Mr Sam Hardjono
- Mr Charles Burkitt
- Ms Kathleen Cole (from January 2020)
- Ms Winifred Smith AM
- Ms Rose Rhodes PSM
- Dr Akin Falaki (to April 2020)
- Ms Rita Richards (from April 2020)
- Ms Anne Macarthur OAM
- Ms Dianne Buckles (to October 2019*)
- Ms Aisling Blackmore (from October 2019)
- Mr James Birch AM
- Mr Ian Hamm
- Dr Melissa Phillips
- Ms Cris Topfner-Rigby

LIFEBLOOD BOARD

- Mr James Birch AM (Chair)
- Ms Shelly Park (Chief Executive)
- Mr Nigel Ampherlaw
- Mr Christopher Baggoley AO
- Mr Charles Burkitt (from January 2020)
- Ms Hannah Crawford (to January 2020*)
- Dr Lance Emerson
- Ms Julie Fahey (from March 2019)
- Ms Merran Kelsall (from February 2020)
- Ms Jenni Mack AM
- Ms Lyndal Moore (to December 2019*)
- Prof Robyn Ward (from September 2019)

* Designated term completed.

Mr Kym Pfitzner was granted a leave of absence from 31 August 2020. Mr Sam Hardjono is the Acting Chair A&RC and John MacLennan as Acting NSW Chair from 1 September 2020

Notes to the financial statements

30 June 2020

NOTE 30. KEY MANAGEMENT PERSONNEL (continued)

HUMANITARIAN SERVICES OPERATING DIVISION

Executive Team

- Ms Judy Slatyer - Chief Executive Officer (to September 2020)
- Mr Simon Bolles - Chief Financial Officer and Support Services (from February 2020 to July 2020)
- Ms Belinda Dimovski - Director, Engagement & Support
- Mr Noel Clement - Director, Migration, Emergencies & Movement Relations
- Ms Penny Harrison - Director, Volunteering
- Mr Michael Annear - Director, International Programs (from January 2020)
- Ms Kerry McGrath - Director, Community Programs (to September 2019)
- Mr Christopher Wheatley - Director, Strategy, People & Performance (to March 2020)
- Ms Caroline Sheehan - Director, Transformation (from November 2019)
- Mr Cameron Power - Chief Financial Officer (to January 2020)
- Mr Peter Walton - Director, International Programs (to December 2019)

LIFEBLOOD

Executive Team

- Mr John Brown - Executive Director, Finance
- Ms Stuart Chesneau - Executive Director, Business Growth and Innovation
- Ms Cath Gillard - Executive Director, People and Culture
- Ms Marion Hemphill - General Counsel
- Ms Ann Larkin - Executive Director, Information and Communications Technology
- Mr Peter McDonald - Executive Director, Corporate Strategy and Transformation
- Dr Joanne Pink - Executive Director, Clinical Services and Research
- Ms Cath Stone - Executive Director, Donor Services
- Mr Greg Wilkie - Executive Director, Manufacturing and Quality

NOTE 31. AUDITORS' REMUNERATION

AUDITORS OF AUSTRALIAN RED CROSS

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, Australian Red Cross Society, its related practices and non-related audit firms:

	2020 $	2019 $
Deloitte Touche Tohmatsu		
Audit of financial report	365,275	450,682
Audit of acquittals in relation to specific purpose grants	100,385	92,148
Total	**465,660**	**542,830**
Ernst & Young		
Internal audit services	185,044	255,034
Other non audit services[1]	424,474	239,928
Total	**609,518**	**494,962**

1. Other Ernst and Young non-audit services relate to consulting fees for remuneration compliance and projects on costing and youth homelessness services for the current year. Prior year services relates to consulting fees for projects on adoption of new accounting standards, remuneration compliance and single touch payroll.

Notes to the financial statements

30 June 2020

NOTE 32. RELATED PARTY DISCLOSURES

(a) Board Members

The Board Members are disclosed in note 28.

Lyndal Moore is an employee of KPMG who provided consulting services to Humanitarian Services during the year. These services were delivered on commercial terms. She was not involved in providing any services by KPMG to Australian Red Cross Society.

Eveline Kuang is an employee of King & Wood Mallesons. The company provided legal services to Humanitarian Services during the year but Eveline wasn't involved in providing those services.

(b) Executive Team

Penny Harrison's partner is the Chair of the 'Trust Alliance' at RedR Australia. RedR Australia joined the identity project "Trust Alliance" as well as participated in and funded $15k towards the pilots. Both Penny and her partner are not involved into any decision making role regarding RedR's participation.

Peter Walton is a member of Centre for Humanitarian Leadership Advisory Board at Deakin University, also a member of Advisory Board of Masters of International Development at Melbourne University. Both roles are advising on strategic direction.

(c) Wholly-owned group

In states and territories where the Lifeblood is located on Humanitarian Services premises, there are contractual arrangements for the sub-lease of premises between the respective operating units of the Lifeblood and Humanitarian Service for the sharing of facilities and outgoings. The effect of the above transactions has been eliminated in full in the Society balances.

During the reporting period, net payments of $0.385 million (2019: $1.095 million) transacted between the Lifeblood and Humanitarian Services. The transactions largely relate to the Lifeblood's occupancy of premises owned by Humanitarian Services, whereby there are contractual arrangements for the sub-lease of these facilities by the Lifeblood. As at 30 June 2020 , there were nil (2019: $0.400 million) commitments for minimum lease payments in relation to non-cancellable operating leases payable to the Society over a 5-year period.

NOTE 33. DISASTER RELIEF AND RECOVERY FUND

On 1 July 2019, Australian Red Cross Society (the Society) established the Disaster, Relief and Recovery Fund (DRR Fund), with the intent that the Society can be there as soon as an emergency strikes in Australia and further afield and in particular funding community support in respect of specified disasters.

Following the devastating summer of 2019/20 bushfires and the generous public response, management agreed to utilise the funds donated to the DRR Fund solely for this specific disaster. The DRR Fund was closed to additional donations on 17 April 2020, with the exception of donations pledged (but not received) as at this date.

The balance of the DRR Fund represents the grants and donations received by the Society that are set aside for people impacted by the summer of 2019/20 bushfires who are still coming forward. These will be disbursed or spent specifically for further bushfire relief claims and recovery efforts in FY2021 and FY2022. Future expenditure relating to grants and any future donations in respect of bushfire relief will be expensed and recognised as income respectively in the statement of income and expenditure in future periods, with any surplus or deficit allocated to the DRR Fund.

Apart from $5 million used to fund the Australian Red Cross emergency team this financial year, all other funds allocated to the DRR Fund for the year ended 30 June 2020 have been or will be used to support those impacted by the summer of 2019 / 2020 bushfires including affected communities to meet their immediate needs through emergency grants, together with longer-term recovery support for people and communities.

NOTE 33. DISASTER RELIEF AND RECOVERY FUND (continued)

		2020 $'000
Donations in respect of the Disaster, Relief and Recovery Fund		227,044
Interest earned on funds held in separate bank accounts		233
Total Gross Income for the Disaster, Relief and Recovery fund		**227,277**
Direct Relief Grants		
- distributed		118,658
- provided		33,867
Total Direct Relief grants		**152,525**
Emergency services on the ground		5,000
3 Year Recovery Programs		848
Administrative Support Costs[1,2]		8,243
Total Expenditure		**166,616**
Surplus (balance of DRR Fund)[3]		**60,661**
Committed amounts allocated as follows:		
Specific Purpose Funds - balance as at 30 June 2020 available for Direct Relief Grants and expenditure	Note 20	60,661

1. Administration Support Costs are the necessary costs of managing a fund of this size and distributing money as quickly and efficiently as possible. They include the set-up of a dedicated grant payments team, casework support for people with complex needs, fraud prevention, data security, and the fundraising systems that made it possible to raise money. Third party fundraising platform and merchant card fees of $2.4 million are included in this amount.
2. For FY2020, the Society capped the administration support costs allocated to the Bushfire to 4 cents in every dollar raised.
3. Specific purpose funds relate to the grants and donations received by the Society and are set aside for victims of the bushfires who are still coming forward, and to be disbursed or spent specifically for disaster, relief and recovery efforts in FY2021 and FY2022.

The funds set aside are held in low risk interest bearing accounts with Commonwealth bank, ANZ, and NAB. Interest is then allocated back into the fund for distribution.

NOTE 34. ACFID INCOME STATEMENT

Australian Red Cross is a signatory to the Australian Council for International Aid and Development (ACFID) Code of Conduct and is committed to full adherence to its requirements. The Code aims to improve international development outcomes and increase stakeholder trust by enhancing the transparency and accountability of signatory organisations.

The ACFID financial statements have been prepared in accordance with the requirements set out in the ACFID Code of Conduct and should be read in conjunction with the financial statements and accompanying notes. Please refer to the ACFID website www.acfid.asn.au for more details.

Notes to the financial statements

30 June 2020

NOTE 34. ACFID INCOME STATEMENT (continued)

INCOME STATEMENT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020	2020 Humanitarian Services $'000	2020 Society $'000	2019 Humanitarian Services $'000	2019 Society $'000
REVENUE				
Donations and gifts[1]	290,699	290,699	75,256	75,256
Legacies and bequests	12,839	12,839	15,157	15,157
Grants				
- Department of Foreign Affairs and Trade	17,404	17,404	8,066	8,066
- other Australian	92,675	746,211	79,226	698,918
- other overseas	3,077	3,077	3,716	3,716
Investment income	3,715	9,859	3,812	13,595
Other income	14,986	27,117	3,918	17,370
Retail and Commercial activities	32,719	32,719	35,323	35,323
Total revenue	**468,114**	**1,139,925**	**224,474**	**867,401**
EXPENDITURE				
International aid and development programs expenditure				
- funds to international programs	17,316	17,316	24,746	24,746
- program support costs	2,811	2,811	4,426	4,426
- community education[2]	937	937	1,025	1,025
Domestic programs[3]	278,926	982,427	124,828	766,337
Fundraising costs[4]				
- public, government, multilateral and private	23,059	23,059	19,339	19,339
Retail and Commercial activities	31,344	31,344	31,556	31,556
Accountability and Administration	34,311	34,311	39,523	39,523
Total expenditure	**388,704**	**1,092,205**	**245,443**	**886,952**
Excess /(deficiency) of revenue over expenditure from continuing operations	**79,410**	**47,720**	**(20,969)**	**(19,551)**
OTHER COMPREHENSIVE INCOME				
Items that will not be reclassified subsequently to profit or loss				
- Actuarial loss on retirement benefit obligations	-	(1,126)	-	(1,252)
- Net gain / (loss) on equity instruments	(925)	(3,436)	456	(40)
Items that may be reclassified subsequently to profit or loss				
- Net gain / (loss) on of debt instruments	(98)	(1,158)	28	95
Other comprehensive (loss)/income for the year	**(1,023)**	**(5,720)**	**484**	**(1,197)**
TOTAL COMPREHENSIVE SURPLUS/(DEFICIT) FOR THE YEAR	**78,387**	**42,000**	**(20,485)**	**(20,748)**

1. During the financial year nil (2019: nil) was recorded as non-monetary donations and gifts. In addition to those goods which are capable of reliable measurement, the organisation has received donated goods for sale in its retail outlets as well as volunteer hours in providing community services. Significant contributions are also received by way of gifts in kind as pro bono support from corporate partners and volunteers. These goods and services are of a nature for which fair value cannot be reasonably determined and have not been recorded in this income statement. There has been no non-monetary expenditure included in the income statement.
2. Expenditure incurred for International Humanitarian Law is included in Community education as per ACFID guidelines.
3. During FY2020, simplified reporting for domestic programs was introduced in line with ACFID guidelines. As such, domestic programs costs are not split between various projects.
4. Fundraising costs include both International and Domestic programs. There are no separately recorded costs incurred for Government, multilateral and private fundraising costs.

During the financial year there were no transactions (2019: nil) in the International Political or Religious Adherence Promotion program category.

Board members' declaration

30 June 2020

The Society Board Members declare that:

(a) in the Board's opinion, there are reasonable grounds to believe that the Society will be able to pay its debts as and when they become due and payable;

(b) in the Board's opinion, the attached financial statements and notes thereto are in accordance with the Australian Charities and Not-for-profits Commission Act 2012, including compliance with Australian Accounting Standards and give a true and fair view of the financial position and performance of the Society and the ACFID financial statements comply with the ACFID Code of Conduct; and

(c) the Board has been given signed declarations by the Society's Chief Executive Officer and Chief Financial Officer regarding the integrity of the financial statements and that the Society's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

Signed in accordance with a resolution of the Society Board.

On behalf of the Society Board

Ross Pinney
President of the Society

Melbourne, 23 October 2020

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AUSTRALIAN RED CROSS SOCIETY

Deloitte.

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The Board Members
The Australian Red Cross Society
23 – 47 Villiers Street
NORTH MELBOURNE VIC 3051

23 October 2020

Dear Board Members,

Auditor's Independence Declaration to The Australian Red Cross Society

In accordance with the Division 60 of the *Australian Charities and Not-for-profits Commission Act 2012*, I am pleased to provide the following declaration of independence to the board members of The Australian Red Cross Society.

As lead audit partner for the audit of the financial statements of The Australian Red Cross Society for the financial year ended 30 June 2020, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) 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) any applicable code of professional conduct in relation to the audit.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Lefevre

Isabelle Lefevre
Partner
Chartered Accountants

Independent auditor's report to the members

30 June 2020

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Independent Auditor's Report to the Members of the Australian Red Cross Society

Opinion

We have audited the financial report of the Australian Red Cross Society (the "Society") which comprises the statement of financial position as at 30 June 2020, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, Australian Council for International Development ("ACFID") statements, other explanatory information and the Board Members' declaration.

In our opinion:

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

(i) giving a true and fair view of the Society's financial position as at 30 June 2020 and of its financial performance for the year then ended; and
(ii) complying with Australian Accounting Standards and Division 60 of the *Australian Charities and Not-for-profits Commission Regulation 2013*.

(b) the Society complied in all material respects with the financial reporting requirements of the ACFID Code of Conduct.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Society in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Other Information

(a) The Board Members are responsible for the other information. The other information comprises 'About Us', Our Work, People Making a Difference, Guiding the Organisation and the introduction to the financial statements but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

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

Independent auditor's report to the members

30 June 2020

Deloitte.

Responsibilities of Management and the Board Members for the Financial Report

Management of the Society is responsible for the preparation of the financial report in accordance with Australian Accounting Standards, the ACNC Act and the ACFID Code of Conduct and for such internal control as management determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Board Members are responsible for assessing the ability of the Society to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Board Members either intend to liquidate the Society or to cease operations, or has no realistic alternative but to do so.

The Board Members are responsible for overseeing the Society's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Society's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of the Board Member's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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.

- 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.

Independent auditor's report to the members

30 June 2020

Deloitte.

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

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Lefevre

Isabelle Lefevre
Partner
Chartered Accountants
Melbourne, 23 October 2020

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October 2020

redcross.org.au

the power of humanity

AUSTRALIAN RED CROSS