Australian Red Cross

Our Financials

2018/2019

the power of humanity

ABN 50 169 561 394

Contents

Cover:
Sport has always been Rose's 'happy place'. We helped her navigate a tough period in her life and set goals. Now she's training for the National Indigenous Women's League and we're proud to run alongside her.

Photo:
Australian Red Cross/Dilini Perera

From the Chief Financial Officer

We are pleased to present audited financial statements for the year ended 30 June 2019.

The financial statements of the Australian Red Cross Society (the Society) incorporate both the Humanitarian Services of Red Cross and Australian Red Cross Blood Service operating divisions. The Blood Service division provides quality blood products, tissue typing and related services for patients in need. In FY2019 the Blood Service division also began providing a safe, secure and reliable source of donated breast milk to babies in hospital. Red Cross Humanitarian Services supports and empowers people and communities experiencing vulnerability.

Overview

This financial year we continued to successfully deliver against our objectives to support Australian and global communities. The Society reported total revenue of $867.401 million of which $642.927 million funded the Blood Service and $224.474 million was for Humanitarian Services.

The Society used most of these funds, as well as $22.079 million of revenue received and recognized in prior years, to deliver on our commitments, reporting a net deficit of $19.551 million ($1.418 million surplus from the Blood Service and $20.969 million deficit from Humanitarian Services).

Maintaining and growing our revenue is under continued pressure. In FY2019 we received less government funding than in previous years. We also received less revenue from our fundraising activities than we forecast. This is not unique to Red Cross – most not-for-profit organisations are seeing a decline in traditional channels like face-to-face fundraising, regular giving and community fundraising. We have put in place new fundraising channels and products but these take time to test and iterate so that they can deliver significant revenue.

This year we implemented AASB 9 Financial Instruments. We also early adopted AASB 1058 and AASB 15, which when compared to prior year, may defer the timing of revenue recognition.

Humanitarian Services

Our overall result for Humanitarian Services was a deficit of $20.969 million. This deficit was largely driven by expenses, for delivering programs, where the revenue for those programs was recognised in prior years. As such, this deficit is funded from our reserves. We currently have $72.238 million in cash and investments and no borrowings.

The Australian public donated more than $90.412 million to help us deliver programs and strengthen communities. Our Humanitarian Services revenue also included $47.959 million from Commonwealth government grants and $36.781 million from State and Territory government grants. Together this enabled us to build capacity within the communities we work with, support people to live safely and to provide relief where required.

Total government funding declined by $34.352 million compared to FY2018. This was largely due to an $18.653 million reduction attributable to the end of our SRSS migration support contract, as well as a decline in regular donations. However, we made the decision to continue supporting communities and people we believe are core to our purpose.

We continue to support migrants in transition. We continue to collaborate to strengthen socially excluded communities, including Aboriginal and Torres Straight Island peoples, those in the justice system, and communities most impacted by climate change.

Compared to previous years, there has been a higher frequency and severity of emergencies. We received $11.500 million in drought appeal funds, which were fully disbursed. This supported individual and household health and wellbeing through grants to meet everyday household expenses, and providing access to social, health and educational activities affecting rural communities in NSW, QLD, VIC and SA. We are also investing in preparing and building resilience across communities as climate change has resulted in more people being impacted by natural disasters and extreme temperature conditions, in more locations than before.

Blood Service

Our Blood Service division finished the year with a surplus of $1.418 million. This represents another successful year and the tenth consecutive operating surplus recorded. The full operating program surplus was $74.814 million. Under our Deed of Agreement with the National Blood Authority the majority of this surplus was returned. The Blood Service can retain a portion of this surplus of up to $5.000 million for future investment.

Our primary funding arrangement is with the National Blood Authority 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 736 tonnes of plasma for fractionation whilst continuing to reduce the unit cost.

Maintaining a stable and secure blood supply requires continual investment. This year, we invested $53.490 million of funding from the National Blood Authority into the upgrade of infrastructure, technology and equipment.

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

Our Blood Service cash and investment position remains strong at $315.708 million, including the repayment of borrowings of $13.400 million.

Cameron Power
Chief Financial Officer

Melbourne, 26 October 2019

Statement of profit or loss and other comprehensive income

for the financial year ended 30 June 2019

	Notes	2019 $'000	2018 $'000
REVENUE			
Government funding			
Operating - Commonwealth funded		585,647	614,730
Operating - State funded		63,331	59,694
Capital - Commonwealth and State funded		55,453	53,857
Total government funding		**704,431**	**728,281**
Donations, bequests and sponsorships	4	90,412	96,317
Rendering of services		7,843	8,852
Sale of goods		31,398	29,845
Non-government grants		6,269	5,952
Investment revenue	5	13,595	11,762
Other revenue		13,453	11,939
Net gain on assets and investments	6	-	7,897
Total revenue		**867,401**	**900,845**
EXPENDITURE			
Employee expenditure	7	442,685	468,027
Operating expenditure	7	262,829	261,104
Cost of services, sale of goods and consumables	7	119,563	111,833
Depreciation and amortisation	7	58,481	57,915
Interest and debt servicing costs	7	2,873	4,491
Net loss on assets and investments	6	521	2,122
Total expenditure		**886,952**	**905,492**
NET DEFICIT FOR THE YEAR		**(19,551)**	**(4,647)**
OTHER COMPREHENSIVE INCOME			
Items that will not be reclassified subsequently to profit or loss			
Actuarial (loss) / gain on retirement benefit obligations	17	(1,252)	1,576
Net (loss) / gain on equity instruments classified as FVOCI	18	(40)	2,663
Items that may be reclassified subsequently to profit or loss			
Net gain arising on debt instruments classified as FVOCI	18	95	354
Other comprehensive (deficit) /surplus for the year		**(1,197)**	**4,593**
TOTAL COMPREHENSIVE DEFICIT FOR THE YEAR		**(20,748)**	**(54)**

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes on pages 10 to 42.

For divisional reporting refer to Note 3.

Statement of financial position

as at 30 June 2019

	Notes	2019 $'000	2018 $'000
ASSETS			
Current assets			
Cash and cash equivalents	21(a)	235,332	215,726
Trade and other receivables	8	13,639	18,841
Inventories	9	23,893	19,240
Other financial assets	10	152,614	147,477
Prepayments		19,335	12,752
Assets classified as held for sale	11	12,308	-
Total current assets		**457,121**	**414,036**
Non-current assets			
Property, plant and equipment	11	335,648	351,337
Intangible assets	12	39,214	49,798
Defined benefit superannuation plans	17	-	768
Total non-current assets		**374,862**	**401,903**
TOTAL ASSETS		**831,983**	**815,939**
LIABILITIES			
Current liabilities			
Trade and other payables	13	63,964	52,688
Borrowings	14	10,583	13,401
Provisions	15	100,960	100,740
Other Liabilities	16	147,299	109,511
Total current liabilities		**322,806**	**276,340**
Non-current liabilities			
Borrowings	14	11,110	21,692
Provisions	15	14,530	14,458
Defined benefit superannuation plans	16	4,764	5,177
Other liabilities	17	514	-
Total non-current liabilities		**30,918**	**41,327**
TOTAL LIABILITIES		**353,724**	**317,667**
NET ASSETS		**478,259**	**498,272**
EQUITY			
Reserves	18	142,587	140,390
Specific purpose funds	19	19,456	30,598
Accumulated funds	20	316,216	327,284
TOTAL EQUITY		**478,259**	**498,272**

The above statement of financial position should be read in conjunction with the accompanying notes on pages 10 to 42.

For divisional reporting refer to Note 3.

Statement of changes in equity

for the financial year ended 30 June 2019

		Accumulated funds	Specific purpose funds	Investment revaluation reserve	Special reserve	Capital reserve	Total
YEAR ENDED 30 JUNE 2018	**Notes**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Balance as at 1 July 2017		325,944	36,530	4,641	72,950	58,261	498,326
Net deficit for the year	20	(4,647)	-	-	-	-	(4,647)
Other comprehensive surplus for the year	18, 20	1,576	-	3,017	-	-	4,593
Transfers to/(from) specific purpose funds	19	5,932	(5,932)	-	-	-	-
Transfer to/(from) other reserves	18	(1,521)	-	-	1,906	(385)	-
Balance at 30 June 2018		**327,284**	**30,598**	**7,658**	**74,856**	**57,876**	498,272
YEAR ENDED 30 JUNE 2019							
Balance as at 1 July 2018		327,284	30,598	7,658	74,856	57,876	498,272
Transitional Impact of AASB 15/1058 first year adoption	19	-	735	-	-	-	735
Net deficit for the year	20	(19,551)	-	-	-	-	(19,551)
Other comprehensive deficit for the year	18, 20	(1,252)	-	55	-	-	(1,197)
Transfers to/(from) specific purpose funds	19, 20	11,877	(11,877)	-	-	-	-
Transfer to/(from) other reserves	18, 20	(3,073)	-	-	(2,704)	5,777	-
Transitional impact of AASB 9 first year adoption	18, 20	931	-	(931)	-	-	-
Balance as at 30 June 2019		**316,216**	**19,456**	**6,782**	**72,152**	**63,653**	**478,259**

The above statement of changes in equity should be read in conjunction with the accompanying notes on pages 10 to 42.

For divisional reporting refer to Note 3.

Statement of cash flows

for the financial year ended 30 June 2019

	Notes	2019 $'000	2018 $'000
Cash flows from operating activities			
Receipts from donors, government and other sources		923,338	947,291
Payments to suppliers and employees		(849,636)	(874,323)
Interest and other costs of finance paid		(567)	(929)
Net cash provided by operating activities	**21(b)**	**73,135**	**72,039**
Cash flows from investing activities			
Payments for property, plant and equipment and intangibles		(45,217)	(52,316)
Proceeds from disposal of property, plant and equipment		455	13,588
Payments for purchase of investment securities		(81,736)	(57,307)
Dividends received		2,825	1,651
Interest received		9,599	8,887
Proceeds from sale of investment securities		76,252	47,870
Net cash used in investing activities		**(37,822)**	**(37,627)**
Cash flows from financing activities			
Repayment of borrowings		(13,401)	(14,648)
Interest paid		(2,306)	(3,562)
Net cash used in financing activities		**(15,707)**	**(18,210)**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**19,606**	**16,202**
Cash and cash equivalents at the beginning of the financial year		215,726	199,584
Effects of exchange rate changes on the balance of cash held in foreign currencies		-	(60)
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	**21(a)**	**235,332**	**215,726**

The above statement of cash flows should be read in conjunction with the accompanying notes on pages 10 to 46.

For divisional reporting refer to Note 3.

Notes to the financial statements

for the financial year ended 30 June 2019

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 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 371 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 11,968 members support fundraising and advocacy efforts, while 15,947 volunteers assist us to deliver services to those most in need.

The Blood Service division's head office is at 417 St Kilda Road, Melbourne, Victoria and it operates in all states and territories in Australia. The Blood Service 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. The Blood Service 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 the Blood Service ceases to perform services under the Deed, the Deed-funded net assets of the Blood Service would be transferred to the NBA for no consideration.

The financial statements of the Australian Red Cross Society, inclusive of the Australian Red Cross Blood Service, have been prepared on the basis of the continuation of operations under the Deed. As the Blood Service 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.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 2019 was authorised for issue in accordance with a resolution of the Board on 26 October 2019.

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 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. For further information on the code, please refer to www.acfid.asn.au

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 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 January 2018, and therefore relevant for the current year end.

- AASB 9 Financial Instruments and related amending Standards

The impact of the application of the above amendments and standard has been shown in the financial statements below.

2.1 Application of new and revised Accounting Standards

Impact of early adoption application AASB 15 Revenue from Contracts with Customers and AASB 1058 Income of Not-for-Profit Entities

The new standards were effective from 1 July 2019, however the Directors have determined to early adopt the new standards effective 1 July 2018.

AASB 1058 clarifies and simplifies the income recognition requirements that apply to not-for-profit (NFP) entities, in conjunction with AASB 15. These Standards supersede the NFP income recognition requirements previously in AASB 1004 Contributions (with the exception of certain matters relating to public sector NFP entities) as well as current revenue recognition guidance including AASB 118 Revenue, AASB 111 Construction Contracts and the related Interpretations when they become effective.

The timing of income recognition depends on whether such a transaction gives rise to a liability or other performance obligation (a promise to transfer a good or service), or a contribution by owners, related to an asset (such as cash or another asset) received by an entity.

The Society has determined to adopt a modified retrospective approach. A practical expedient available in paragraph C2(b) of AASB 15 and AASB 1058. As such, the new Standards will not be applied to contracts that are completed by the date of initial application. For the purposes of revenue recognition, completed contracts include contracts where revenue has been recognised in accordance with AASB 1004 and no further payment is expected.

Key requirements of AASB 1058: Income of Not-for-Profit entities

The core principle of the new income recognition requirements in AASB 1058 is 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, the excess of the asset recognised (at fair value) over any 'related amounts' is recognised as income immediately.

The Standard also prescribes specific accounting requirements for a transaction which is a transfer of a financial asset to enable an entity to acquire or construct a recognisable non-financial asset to be controlled by the entity (i.e. an in-substance acquisition of a non-financial asset) and volunteer 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.

Key requirements of AASB 15: Revenue from contract with customers

For other income transactions, the entity will have to first consider whether AASB 15 applies by way of assessing whether the performance obligation(s) arising from the transaction are 'sufficiently specific' and 'enforceable'.

The core principle of AASB 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition.

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

Income is differed from some of the contracts over the course of the contract period depending on whether the performance obligations of the contract are satisfied over time or on a point in time.

When AASB 15 does not apply to a transaction or part of a transaction, the Society then considers whether AASB 1058 applies.

Significant judgements and estimates

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 & enforceable performance obligations is recognised to match expenses. On exception, if it is determined that expenses are not materially representative of meeting performance obligations, an alternative measure would be considered.

The Society recognise 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 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 majority of the revenue streams 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 fulfill these performance obligations.

All contracts with customers have been considered enforceable for the purpose of AASB 15 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 AASB 15 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.

AASB 9 Financial Instruments

Impact and key requirements of initial application AASB 9 Financial instruments

The Society has applied AASB 9 Financial Instruments from 1 July 2018. The transition provisions of AASB 9 allow an entity not to restate comparatives. The Society has elected not to restate comparatives in respect of the classification and measurement of financial instruments.

AASB 9 Financial Instruments replaces AASB 139 Financial Instruments: Recognition and Measurement. It makes major changes to the previous guidance on the classification and measurement of financial assets. In relation to the impairment of financial assets, AASB 9 requires an expected credit loss model as opposed to an incurred credit loss model under AASB 139.

The adoption of AASB 9 has impacted the classification and measurement of the Society's financial assets as per below:

Equity investments - Available for sale financial assets under AASB 139 included listed equity investments of $45.475 million at 30 June 2018. These were classified to fair value through other comprehensive income (FVOCI) under AASB 9. The Society has chosen to make an irrevocable election to designate the equity investments at FVOCI.

Bonds with floating rate - Available for sale financial assets under AASB 139 included bonds with floating rate of $79.626 million at 30 June 2018. These were classified to fair value through other comprehensive income (FVOCI) under AASB 9.

Managed Funds - Available for sale financial assets under AASB 139 included managed funds of $11.800 million at 30 June 2018. These were reclassified to fair value through profit or loss (FVPL) under AASB 9.

Hybrid Bond - Available for sale financial assets under AASB 139 included hybrid bonds of $2.076 million at 30 June 2018. These were reclassified to fair value through profit and loss (FVPL) under AASB 9.

Investment Revaluation Reserve - Opening balance adjustments of the investment revaluation reserve included managed funds and hybrid bonds under AASB 139 of $0.931 million as at 30 June 2018, which were transferred to accumulated funds on 1 July 2018. They were reallocated to investment retained earnings under AASB 9.

The adjustment amounts to each financial statement line impacted by AASB 9 and AASB 15 is disclosed below.

AASB 9 and AASB 15 Impact on Statement of financial position as at 01 July 2018

	Society 30 June 2018	Transitional impact of AASB 9	Transitional impact of AASB15 / 1058	Society 1 July 2018
	$'000	$'000	$'000	$'000
Statement of financial position				
Liabilities				
Current liabilities	-	-	-	-
Trade and other payables	52,688		(735)	51,953
Equity				
Investment revaluation reserve	7,658	(931)	-	6,727
Specific purpose funds	30,598		735	31,333
Accumulated funds	327,284	931	-	328,215

As the financial year is the first year of implementation of AASB 15 and 1058, the transitional impact on 1 July 2018 was a $0.735 million increase in "Specific purpose funds" and a decrease in trade and other payables (revenue in advance). This is made up of $1.275 million being transferred from "Specific purpose funds" to trade and other payables for contracts that are not completed contracts under AASB 15 and AASB 1058. On the other hand, $2.010 million was transferred from opening trade and other payables (income in advance) to "Specific purpose funds" for contracts that would have been recognised point in time had AASB 15 been applied.

AASB 15 Impact on Statement of Profit or Loss and Other comprehensive income for FY19

	Year 2019
Statement of Profit or Loss and Other Comprehensive Income	$'000
Revenue	
Decrease in Operating - Commonwealth funding	72
Decrease in Operating - State funding	387
Decrease in Non-Government grants	316
Total decrease in funding	775

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 16 'Leases'	1 January 2019	30 June 2020
AASB 2018-8 'Amendments to Australian Accounting Standards – Right-of-Use Assets of Not-for-Profit Entities'	1 January 2019	30 June 2020

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Basis of preparation (Continued)

AASB 16 Leases

The Society has commenced assessment of the new and revised Standards and Interpretations issued but not effective. The Society will adopt this standard effective 1 July 2019, for the reporting period ending 30 June 2020. AASB 16 defines a lease as "a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration". Subject to the exemptions, a lessee is required to recognise its leases on the balance sheet. This involves recognising:

- A 'right-of-use' asset; and
- A lease liability.

The lease liability is initially measured as the present value of future lease payments. The initial measurement of the right-of-use asset is based on the lease liability, with adjustments for any prepaid rents, lease incentives received and initial direct costs incurred. In subsequent periods, the lease liability is accounted for similarly to a financial liability using the effective interest method. The right-of-use asset is accounted for similarly to a purchased asset and depreciated.

Exemptions available include short term leases where the term is 12 months or less and low value assets. Additionally, on 24 December 2018, the Australian Accounting Standards Board provided a temporary option for not-for-profit entities to initially measure the right-of-use assets arising from peppercorn leases, at cost, instead of fair value. The Society has decided to exercise the temporary relief option.

As at reporting date, the Society has conducted a preliminary financial evaluation of adopting this standard. However, it is impractical at this stage, to provide a reasonable estimate of the impact.

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, except for leasing transactions that are within the scope of AASB 117.

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 Blood Service. 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 Blood Service (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 Blood Service, 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 the 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

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Basis of preparation (Continued)

a customer and excludes amounts collected on behalf of third 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 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 compliance with certain conditions relating to the operating activities of the entity. Government grants 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

The Blood Service 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, the Blood Service 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 the Blood Service and the NBA. Any excess funds to be returned are recorded as a liability within other liabilities.

Capital funding

The arrangement with the Blood Service and the NBA provides for capital funding comprising 10% of the funding for the Main Operating Program for the financial year. In cases where the capital funding transaction includes a transfer to enable an entity to acquire or construct a recognisable non¬financial asset to be controlled by the entity, AASB 1058 requires the entity to recognise a liability for the excess of the fair value of the transfer over any related amounts recognised and recognises income as it satisfies its obligations under the transfer.

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.

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 international projects is 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.

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.

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, 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 Society under AASB 1058. Donations received for specific purposes are transferred to a separate fund within equity after being first recorded in profit or loss.

Bequests are recognised at the fair value of the benefit received when receipt of the amount is certain. 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 point in time in accordance with AASB15.

(e) Cash and cash equivalents

For the purpose 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)

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Basis of preparation (Continued)

The main objective to hold these investments is to maintain and preserve the capital and the business model is not to trade as such. For equity and debt securities, we have decided to recognise them under the FVOCI approach and for the hybrid securities under the FVPL approach.

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

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 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.

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.

(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.

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.

The Blood Service provides products and services in accordance with the Deed with the NBA. In the discharge of this agreement, the Blood Service is responsible for a range of activities, including collection, testing, processing, inventory management and distribution of blood and blood products. In this context, the Blood

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Basis of preparation (Continued)

Service 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.

The Blood Service 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 Limited ('CSL'). In relation to blood products held for distribution, the Blood Service does not recognise plasma supplied to CSL for fractionation, fractionated product held at CSL and fractionated product at the Blood Service held for distribution. This is due to the retention of control and risk over these specific products by parties other than the Blood Service 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 the Blood Service or at a Blood Service storage facility; and

(ii) all work in progress held at the Blood Service.

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 relevant 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 -2 5
- 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) 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

(l) 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.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Basis of preparation (Continued)

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.

(m) 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.

(n) 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.

(o) Finance costs

Finance costs are recognised as an expense when incurred.

(p) Leases

Finance leases

Finance leases transfer to the Society substantially all the risks and benefits incidental to ownership of the leased item and are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and the finance cost. The finance cost is charged to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Operating 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.

Lease incentives

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefits of incentives are recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

(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

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Basis of preparation (Continued)

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.

(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) 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.

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.

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.

(t) 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.

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 Blood Service (Blood Service)

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 $1.095million for the current financial year majorly include rent paid by the Blood Service operating division to Humanitarian Services operating division.

Note 3. DIVISIONAL REPORTING (Continued)

Divisional statement of profit or loss and other comprehensive income

	2019			2018		
	Humanitarian Services	Blood Service	Society	Humanitarian Services	Blood Service	Society
	$'000	$'000	$'000	$'000	$'000	$'000
Revenue						
Government funding						
Operating - Commonwealth funded[1]	47,959	537,688	585,647	83,130	531,600	614,730
Operating - State funded[1]	36,781	26,550	63,331	35,962	23,732	59,694
Capital - Commonwealth and state funded	-	55,453	55,453	-	53,857	53,857
Total government funding	**84,740**	**619,691**	**704,431**	**119,092**	**609,189**	**728,281**
Donations, bequests and sponsorships	90,412	-	90,412	96,317	-	96,317
Rendering of services	7,843	-	7,843	8,852	-	8,852
Sale of goods	31,398	-	31,398	29,845	-	29,845
Non-government grant	6,269	-	6,269	5,952	-	5,952
Investment revenue	3,812	9,783	13,595	4,313	7,449	11,762
Other revenue	-	13,453	13,453	-	11,939	11,939
Net gain on assets	-	-	-	7,897	-	7,897
Total revenue	**224,474**	**642,927**	**867,401**	**272,268**	**628,577**	**900,845**
Expenditure						
Employee expenditure	129,922	312,763	442,685	165,875	302,152	468,027
Operating expenditure	103,282	159,547	262,829	106,183	154,921	261,104
Cost of services, sale of goods and consumables	4,942	114,621	119,563	5,301	106,532	111,833
Depreciation and amortisation	6,359	52,122	58,481	7,403	50,512	57,915
Interest and debt servicing costs	567	2,306	2,873	929	3,562	4,491
Net loss on assets	371	150	521	-	2,122	2,122
Total expenditure	**245,443**	**641,509**	**886,952**	**285,691**	**619,801**	**905,492**
NET (DEFICIT)/SURPLUS FOR THE YEAR	**(20,969)**	**1,418**	**(19,551)**	**(13,423)**	**8,776**	**(4,647)**
OTHER COMPREHENSIVE INCOME						
Items that will not be reclassified subsequently to profit or loss						
Actuarial gain on retirement benefit obligations	-	(1,252)	(1,252)	-	1,576	1,576
Net gain / (loss) arising on equity instruments classified as FVOCI	456	(496)	(40)	1,437	1,226	2,663
Items that may be reclassified subsequently to profit or loss						
Net gain / (loss) arising on debt instruments classified as FVOCI	28	67	95	-	354	354
Other comprehensive income for the year	**484**	**(1,681)**	**(1,197)**	**1,437**	**3,156**	**4,593**
TOTAL COMPREHENSIVE (DEFICIT)/SURPLUS FOR THE YEAR	**(20,485)**	**(263)**	**(20,748)**	**(11,986)**	**11,932**	**(54)**

[1] A review of our categorisation of government revenue in Humanitarian services, we have adjusted the 2018 government revenue as follows;

- decrease in Commonwealth funded revenue $102.863million to $83.130million.
- increase in state government revenue from $16.229million to $35.962million.

Note 3. DIVISIONAL REPORTING (Continued)

Divisional statement of financial position

	2019			2018		
	Humanitarian Services	Blood Service	Society	Humanitarian Services	Blood Service	Society
	$'000	$'000	$'000	$'000	$'000	$'000
ASSETS						
Current assets						
Cash and cash equivalents	35,509	199,823	235,332	42,816	172,910	215,726
Trade and other receivables	9,515	4,124	13,639	13,464	5,377	18,841
Inventories	991	22,902	23,893	1,194	18,046	19,240
Other financial assets	36,729	115,885	152,614	51,331	96,146	147,477
Prepayments	4,749	14,586	19,335	4,006	8,746	12,752
Assets classified as held for sale	12,308	-	12,308	-	-	-
Total current assets	**99,801**	**357,320**	**457,121**	**112,811**	**301,225**	**414,036**
Non-current assets						
Property, plant and equipment	46,474	289,174	335,648	59,327	292,010	351,337
Intangible assets	11,684	27,530	39,214	14,203	35,595	49,798
Defined benefit superannuation plans	-	-	-	-	768	768
Total non-current assets	**58,158**	**316,704**	**374,862**	**73,530**	**328,373**	**401,903**
TOTAL ASSETS	**157,959**	**674,024**	**831,983**	**186,341**	**629,598**	**815,939**
LIABILITIES						
Current liabilities						
Trade and other payables	10,937	53,027	63,964	13,604	39,084	52,688
Borrowings	-	10,583	10,583	-	13,401	13,401
Provisions	33,405	67,555	100,960	37,849	62,891	100,740
Other liabilities	980	146,319	147,299	2,135	107,376	109,511
Total current liabilities	**45,322**	**277,484**	**322,806**	**53,588**	**222,752**	**276,340**
Non-current liabilities						
Borrowings	-	11,110	11,110	-	21,692	21,692
Provisions	2,261	12,269	14,530	2,662	11,796	14,458
Other liabilities	566	4,198	4,764	530	4,647	5,177
Defined benefit superannuation plans	-	514	514	-	-	-
Total non-current liabilities	**2,827**	**28,091**	**30,918**	**3,192**	**38,135**	**41,327**
TOTAL LIABILITIES	**48,149**	**305,575**	**353,724**	**56,780**	**260,887**	**317,667**
NET ASSETS	**109,810**	**368,449**	**478,259**	**129,561**	**368,711**	**498,272**
EQUITY						
Reserves	3,761	138,826	142,587	4,208	136,182	140,390
Specific purpose funds	19,456	-	19,456	30,598	-	30,598
Accumulated funds	86,593	229,623	316,216	94,755	232,529	327,284
TOTAL EQUITY	**109,810**	**368,449**	**478,259**	**129,561**	**368,711**	**498,272**

Divisional statement of changes in equity

	Humanitarian Services			Blood Service				Total
	Accumulated funds	Specific purpose funds	Investment revaluation reserve	Accumulated funds	Special reserve	Capital reserve	Investment revaluation reserve	
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
YEAR ENDED 30 JUNE 2018								
Balance as at 1 July 2017	102,245	36,530	2,771	223,699	72,950	58,261	1,870	**498,326**
Net surplus/ (deficit) for the year	(13,423)	-	-	8,776	-	-	-	**(4,647)**
Other comprehensive surplus	-	-	1,437	1,576	-	-	1,580	**4,593**
Transfers to/ (from) specific purpose funds	5,932	(5,932)	-	-	-	-	-	**-**
Transfers to/ (from) other reserves	-	-	-	(1,521)	1,906	(385)	-	**-**
Balance as at 30 June 2018	**94,754**	**30,598**	**4,208**	**232,530**	**74,856**	**57,876**	**3,450**	**498,272**
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 year 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)	-	-	-	-	-	-
Acturial gain / (loss) on retirement benefit obligations	-	-	-	(1,252)	-	-	-	(1,252)
Transitional Impact of AASB 15/1058 first year adoption	-	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**

Note 3. DIVISIONAL REPORTING (Continued)

Divisional statement of cash flows

		2019			2018		
		Humanitarian Services	Blood Service	Society	Humanitarian Services	Blood Service	Society
	Notes	$’000	$’000	$’000	$’000	$’000	$'000
Cash flows from operating activities							
Receipts from donors, government and other sources		226,879	696,459	923,338	264,049	683,242	947,291
Payments to suppliers and employees		(247,550)	(602,086)	(849,636)	(266,557)	(607,766)	(874,323)
Interest and other costs of finance paid		(567)	-	(567)	(929)	-	(929)
Net cash provided by/(used in) operating activities	**21(b)**	**(21,238)**	**94,373**	**73,135**	**(3,437)**	**75,476**	**72,039**
Cash flows from investing activities							
Payments for property, plant and equipment and intangibles		(3,642)	(41,575)	(45,217)	(5,396)	(46,920)	(52,316)
Proceeds from disposal of property, plant and equipment		217	238	455	13,367	221	13,588
Payments for purchase of investment securities		(32,323)	(49,413)	(81,736)	(33,476)	(23,831)	(57,307)
Dividends received		954	1,871	2,825	902	749	1,651
Interest recieved		1,682	7,917	9,599	2,185	6,702	8,887
Proceeds from sale of investment securities		47,043	29,209	76,252	29,209	18,661	47,870
Net cash provided by/(used in) investing activities		**13,931**	**(51,753)**	**(37,822)**	**6,791**	**(44,418)**	**(37,627)**
Cash flows from financing activities							
Repayment of borrowings		-	(13,401)	(13,401)	-	(14,648)	(14,648)
Interest paid		-	(2,306)	(2,306)	-	(3,562)	(3,562)
Net cash used in financing activities		**-**	**(15,707)**	**(15,707)**	**-**	**(18,210)**	**(18,210)**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**(7,307)**	**26,913**	**19,606**	**3,354**	**12,848**	**16,202**
Cash and cash equivalents at the beginning of the financial year		42,816	172,910	215,726	39,501	160,083	199,584
Effects of exchange rate changes on the balance of cash held in foreign currencies		-	-	-	(39)	(21)	(60)
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	**21(a)**	**35,509**	**199,823**	**235,332**	**42,816**	**172,910**	**215,726**

Note 4. DONATIONS, BEQUESTS AND SPONSORSHIPS	2019	2018
	$'000	$'000
Donations and sponsorships	59,586	60,558
Bequests	15,156	25,314
Membership fundraising	1,254	2,938
Raffle tickets	1,212	3,899
Appeals - Domestic		-
Drought Appeal	11,500	
Appeals - International		
Indonesia Earthquake & Tsunami Appeal	1,085	-
Syria Crisis Appeal	277	289
Indonesia Earthquake Appeal	150	-
Myanmar Appeal	136	718
Greek Fires Appeal	31	-
Nepal Earthquake Appeal	13	40
East Africa Food Crisis Appeal	10	612
Tropical Cyclone Winston (Fiji) Appeal	2	12
Myanmar Bangladesh Joint Emergency Appeal	-	1,889
Tropical Cyclone Gita (Tonga) Appeal	-	38
Typhoon Haiyan (Philippines) Appeal	-	6
Cyclone Pam (Vanuatu) Appeal	-	4
Total donations, bequests and sponsorships	**90,412**	**96,317**

Note 5. INVESTMENT REVENUE

Interest revenue - bank deposits	8,322	6,985
Interest revenue - Investments FVOCI & FVPL	1,275	1,901
Dividends from other entities and imputation credit	3,200	1,948
Other income	798	928
Total investment revenue	**13,595**	**11,762**

Note 6. GAINS AND (LOSSES)

Net (loss)/gain on disposal of property, plant and equipment	(189)	7,616
Write off of intangible projects	-	(1,040)
Loss on disposal of investments	(302)	(382)
Impairment on Financial assets FVOCI[1]	(8)	(418)
Foreign exchanges gain/(loss)	64	(1)
Unrealised loss in investments	(86)	-
Total (losses) and gains	**(521)**	**5,775**

[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 7. EXPENDITURE

	2019	2018
	$'000	$'000
Employee expenditure		
Wages and salaries	402,605	409,373
Remuneration review	-	15,140
Post employment benefits		
Defined benefit plans	30	59
Defined contribution plans	36,396	36,874
Defined contribution plans - remuneration review	-	1,483
Termination benefits	3,654	5,098
Total employee expenditure	**442,685**	**468,027**
Operating expenditure		
Operating lease rental expenditure - minimum lease payments	39,828	41,578
(Decrease) / increase in inventory	(3,933)	1,529
Impairment of trade receivables / (reversal impairment)	6	(2)
Other expenditure		
Other operational costs	117,400	113,891
Buildings and facilities expense	32,178	31,178
Client support costs	19,111	9,161
Contribution to other partner societies	18,668	16,032
Telemarketing and advertising	13,583	17,485
Partner and call centre expense	11,539	15,507
Travel and accommodation	10,170	11,191
Worker compensation costs	4,279	3,554
Total operating expenditure	**262,829**	**261,104**
Cost of services, sale of goods and consumables		
Cost of sales	3,618	3,749
Cost of rendering training services	1,324	1,552
Consumables	114,621	106,532
Total cost of services, sale of goods and consumables	**119,563**	**111,833**
Depreciation of property, plant and equipment and amortisation of intangibles		
Depreciation of property, plant and equipment	45,059	44,280
Amortisation of intangibles	13,422	13,635
Total depreciation of property, plant and equipment and amortisation of intangibles	**58,481**	**57,915**
Interest and debt servicing costs	2,873	4,491
Total interest and debt servicing costs	**2,873**	**4,491**

Note 8. TRADE AND OTHER RECEIVABLES

Trade receivables	5,382	6,799
Allowance for doubtful debts	(89)	(102)
Total trade receivables	**5,293**	**6,697**
Other receivables	7,200	11,178
Goods and services tax receivable	1,146	966
Total trade and other receivables	**13,639**	**18,841**

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.

Note 8. TRADE AND OTHER RECEIVABLES (Continued)

	2019	2018
	$'000	$'000
Ageing of past due but not impaired trade receivables		
0-30 days	578	682
30-60 days	240	474
60-90 days	39	96
90-120 days	68	108
120+ days	223	114
Total past due but not impaired trade receivables	**1,148**	**1474**

Movement in the allowance for doubtful debts		
Opening balance 1 July	102	154
Impairment (losses recognised)/written back on receivables	5	(2)
Amounts written off as uncollectible	(18)	(50)
Closing balance 30 June	**89**	**102**

Ageing of impaired trade receivables		
0-30 days	44	19
30-60 days	23	17
60-90 days	-	15
90-120 days	4	33
120+ days	18	18
Total impaired trade receivables	**89**	**102**

Note 9. INVENTORIES

Consumables inventory	9,198	8,336
Finished goods	13,587	9,841
Work in progress	1,108	1,063
Total inventories	**23,893**	**19,240**

Note 10. OTHER FINANCIAL ASSETS

	2019	2018
	$'000	$'000
Fair Value through Other Comprehensive Income (FVOCI)		
Shares	38,678	45,475
Bonds		
Listed bonds	3,657	11,884
Unlisted bonds	93,137	67,742
Total Fair value through Other Comprehensive Income (FVOCI) assets	**135,472**	**125,101**
Fair Value through Profit & Loss (FVPL)		
Managed Funds		
Listed managed funds	3,012	1,400
Unlisted managed funds	7,560	10,400
Hybrid Bonds[1]	1,570	2,076
Total Fair value through Profit or Loss (FVPL) assets	**12,142**	**13,876**
Total Fair value through Profit & Loss (FVPL) and Fair Value through Other Comprehensive Income (FVOCI) assets	147,614	138,977
Financial assets at amortised costs		
Term deposits	5,000	8,500
Total Financial assets at amortised costs	**5,000**	**8,500**
Total current other financial assets	**152,614**	**147,477**

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).

We have reclassified bonds from 2018 as hybrid bonds due to AASB 9 requirement.

	Level 1	Level 2	Level 3	Total
	$'000	$'000	$'000	$'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**
YEAR ENDED 30 JUNE 2018				
Available-for-sale financial assets				
Bonds	13,959	67,743	-	81,702
Shares	45,475	-	-	45,475
Managed funds	1,400	10,400	-	11,800
Held-to-maturity investment				
Term deposits	8,500	-	-	8,500
Total current other financial assets	**69,334**	**78,143**	**-**	**147,477**

There were no transfers between levels during the period.

Note 11(a). PROPERTY, PLANT AND EQUIPMENT	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 30 June 2018	396,811	4,478	273,294	15,221	689,804
- Balance as at 30 June 2019	387,742	5,065	288,267	26,598	707,672
Accumulated depreciation					
- Balance as at 30 June 2018	(142,448)	(3,936)	(192,083)	-	(338,467)
- Balance as at 30 June 2019	(159,657)	(4,257)	(208,110)	-	(372,024)
Net book value as at 30 June 2018	**254,363**	**542**	**81,211**	**15,221**	**351,337**
Net book value as at 30 June 2019	**228,085**	**808**	**80,157**	**26,598**	**335,648**

Note 11(b). PROPERTY, PLANT AND EQUIPMENT					
YEAR ENDED 30 JUNE 2018					
Gross carrying amount					
Balance as at 1 July 2017	347,077	4,501	271,832	54,899	678,309
Classification transfer	(21)	(138)	159	-	-
Additions	108	-	-	32,749	32,857
Disposals	(5,088)	(231)	(16,043)	-	(21,362)
Transfers to / (from) work in progress	54,735	346	17,346	(72,427)	-
Balance as at 30 June 2018	**396,811**	**4,478**	**273,294**	**15,221**	**689,804**
Accumulated depreciation					
Balance as at 1 July 2017	(126,718)	(3,995)	(181,646)	-	(312,359)
Classification transfer	1	84	(85)	-	-
Depreciation expense	(18,714)	(257)	(25,309)	-	(44,280)
Disposals	2,983	232	14,957	-	18,172
Balance as at 30 June 2018	**(142,448)**	**(3,936)**	**(192,083)**	**-**	**(338,467)**
Net book value as at 30 June 2018	**254,363**	**542**	**81,211**	**15,221**	**351,337**
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	6,606	663	22,905	(30,144)	-
Additions	540	-	-	41,081	41,621
Disposals	(1,079)	(42)	(8,293)	(40)	(9,454)
Classification transfer	-	(4)	4	-	-
Balance as at 30 June 2019	**387,742**	**5,065**	**288,267**	**26,598**	**707,672**

Note 11(b). PROPERTY, PLANT AND EQUIPMENT(Continued)	Land, buildings and renovations	Shop fit-outs	Plant and equipment	Work in progress	Total
	$'000	$'000	$'000	$'000	$'000
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 ($12.3million) include properties in Carlton (Victoria) and Adelaide (South Australia).

Note 12. INTANGIBLE ASSETS	2019	2018
	$'000	$'000
Carrying amounts of:		
Software	35,078	34,755
Work in progress	4,136	15,043
Total intangible assets	**39,214**	**49,798**

Note 12. INTANGIBLE ASSETS (Continued)

	Software	Work in progress	Total
	$'000	$'000	$'000
YEAR ENDED 30 JUNE 2018			
Gross carrying amount			
Balance as at 1 July 2017	83,078	11,043	94,121
Additions to work in progress	-	20,175	20,175
Disposals / write off	(1,198)	(236)	(1,434)
Transfers to / (from) work in progress	15,939	(15,939)	-
Balance as at 30 June 2018	**97,819**	**15,043**	**112,862**
Accumulated amortisation			
Balance as at 1 July 2017	(49,823)	-	(49,823)
Amortisation expense	(13,635)	-	(13,635)
Disposals	394	-	394
Balance as at 30 June 2018	**(63,064)**	**-**	**(63,064)**
Net book value as at 30 June 2018	**34,755**	**15,043**	**49,798**
YEAR ENDED 30 JUNE 2019			
Gross carrying amount			
Balance as 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 as 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**

Note 13. TRADE AND OTHER PAYABLES

	Notes	2019 $'000	2018 $'000
Current			
Trade payables		45,830	35,575
Accruals and other payables		18,134	17,113
Total trade and other payables		**63,964**	**52,688**

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 14. BORROWINGS

Current - secured			
Bank loans		6,401	5,877
Finance lease liabilities	23	4,182	7,524
Non-current - secured			
Bank loans		4,583	10,983
Finance lease liabilities	23	6,527	10,709
Total borrowings		**21,693**	**35,093**
Disclosed in the financial statements as:			
Current borrowings		10,583	13,401
Non-current borrowings		11,110	21,692
Total borrowings		**21,693**	**35,093**

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.

Financing facilities			
Unsecured bank overdraft facility:			
amount used		-	-
amount unused		8,000	8,000
Total		**8,000**	**8,000**
Secured bank loan facility:			
amount used		10,983	16,860
Total		**10,983**	**16,860**
Secured leasing facility:			
amount used	23	10,709	18,233
Total		**10,709**	**18,233**
Credit card facility:			
amount used		945	995
amount unused		1,705	1,655
Total credit card facility		**2,650**	**2,650**

The Society is not in default of the financing facilities.

Note 14. BORROWINGS (Continued)

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. The Blood Service receives special grant funding to cover the loan repayments under this arrangement. The weighted average effective interest rate was 8.63%.

Note 15. PROVISIONS

Current		
Employee benefits[1]	78,314	75,160
Remuneration review[2]	19,313	21,823
Site restoration	3,183	3,489
Other[3]	150	268
Non-current		
Employee benefits	8,723	8,871
Site restoration	5,807	5,587
Total provisions	**115,490**	**115,198**
Disclosed in the financial statements as:		
Current provisions	100,960	100,740
Non-current provisions	14,530	14,458
Total provisions	**115,490**	**115,198**

Movements in employee benefits provisions		
Opening balance 1 July	84,031	82,434
Provision recognised during the year	3,006	1,597
Closing balance 30 June	**87,037**	**84,031**

Movements in remuneration review		
Opening balance 1 July	21,823	5,200
Payment made during the year	(1,714)	-
Provision released during the year	(796)	16,623
Closing balance 30 June	**19,313**	**21,823**

Movements in site restoration		
Opening balance 1 July	9,076	9,628
Provision utilised during the year	(86)	(552)
Closing balance 30 June	**8,990**	**9,076**

Movements in other provision		
Opening balance 1 July	268	-
Provision recognised during the year	(118)	268
Closing balance 30 June	**150**	**268**

[1] The employee benefits provision contains provisions for annual leave, long service leave and rostered days off and other employee entitlements.

[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 current employees were back paid a proportion (approximately 80%) of their back pay.

[3] This relates to onerous contract provision for Dandenong Vic office exit due to Status Resolution Supporter Services contract finalisation.

	2019	2018
	$'000	$'000

Note 16. OTHER LIABILITIES

	2019 $'000	2018 $'000
Current		
Lease incentive	1,088	1,027
Government grants refundable[1]	69,814	39,657
Revenue in advance[2]	76,397	68,827
Non-current		
Lease incentive	4,764	5,177
Total other liabilities	**152,063**	**114,688**
Disclosed in the financial statements as:		
Current other liabilities	147,299	109,511
Non-current other liabilities	4,764	5,177
Total other liabilities	**152,063**	**114,688**

[1] Government grants refundable relates to the expected return of funds to the NBA for surpluses in the reported period.

[2]Revenue in advance includes:
(i) $75.522 million output funding net cash advance relates to the working capital advance received by the Blood Service operating division from the NBA upon commencement of the Output Based Funding Model from 1 July 2011, less June 2019 revenue not received until July 2019.

(ii) $875k deferred income in Humanitarian services.

Note 17. DEFINED BENEFIT SUPERANNUATION PLANS

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 a defined contribution plans, is a final average (3 years) lump sum benefit arrangement providing benefits on death, disability, resignation and retirement. The defined contribution section receives contributions in accordance with Superannuation Guarantee legislation and 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:

Note 17. DEFINED BENEFIT SUPERANNUATION PLANS (Continued)

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 asset is below this rate, it will create a plan deficit. Currently the plan has a relatively balanced investment in equity securities, debt instruments and real estate. Due to the long-term nature of the plan liabilities, the board of the pension fund considers it appropriate that a reasonable portion of the plan assets should be invested in equity securities and in real estate to leverage the return generated by the fund.
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 2019 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.

		2019	2018
	Notes	**%**	**%**
Principal actuarial assumptions:			
Discount rate		2.73	3.94
Expected rate of salary increases		2.50	2.46
Anticipated rate of return on plan assets		6.00	6.00

	2019	2018
	$'000	**$'000**
Amounts recognised in the statement of profit or loss and other comprehensive income:		
Current service cost	67	34
Net interest cost	(37)	25
Components of defined benefit costs recognised in profit or loss	**30**	**59**
Remeasurement on the net defined benefit liability:		
Return on plan assets (excluding amounts included in net interest expense)	(417)	(839)
Actuarial gains arising from changes in demographic assumption	3	
Actuarial loss / (gains) arising from changes in financial assumptions	2087	(122)
Actuarial gains arising from experience adjustments	(421)	(615)
Components of defined benefit loss / (gain) recognised in other comprehensive income	**1,252**	**(1,576)**
Total defined benefits loss / (gain)	**1,282**	**(1,517)**

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.

Note 17. DEFINED BENEFIT SUPERANNUATION PLANS (Continued)

	Notes	2019 $'000	2018 $'000
Amounts recognised in the statement of financial position:			
Present value of funded obligations (a)	17 (a)	20,151	18,245
Fair value of plan assets (b)	17 (b)	(19,637)	(19,013)
Net liability / (asset) arising from defined benefit plan obligation		**514**	**(768)**
(a) Reconciliation of movement in the present value of the defined benefit obligations in the current year were as follows:			
Balance at beginning of the year		18,245	19,753
Current service cost		601	694
Interest on obligation		680	702
Remeasurement (gains) / losses			
Actuarial loss arising from changes in demographic assumptions		3	
Actuarial loss/(gains) arising from changes in financial assumptions		2088	(122)
Actuarial gains arising from experience adjustments		(421)	(615)
Benefits paid (including expenses and taxes)		(954)	(2,066)
Other		(91)	(101)
Balance at end of the year		**20,151**	**18,245**

(b) Reconciliation of movements in the fair value of the plan assets in the current year were as follows:		
Balance at beginning of the year	19,013	19,005
Interest income	717	677
Remeasurement (gains) / losses		
Return on plan asset (excluding amounts included in net interest expense)	417	839
Contributions by the employer	496	613
Contributions from plan participants	38	47
Benefits paid (including expenses and taxes)	(954)	(2,066)
Other	(90)	(102)
Balance at end of the year	**19,637**	**19,013**

The fair value of the plan assets at the end of the reporting period for each category, are as follows:		
Australian equities	4,595	4,468
International equities	5,027	4,696
Property	2,140	1,920
Australian fixed interest	3,299	3,518
International fixed interest	432	437
Cash	1,846	1,939
Other	2,298	2,035
Balance at end of the year	**19,637**	**19,013**

Note 17. DEFINED BENEFIT SUPERANNUATION PLANS (Continued)

	2019	2018
	%	%
Other disclosures:		
The percentage contribution of each majority category of total plan assets comprises:		
Australian equities	23.40	23.50
International equities	25.60	24.70
Property	10.90	10.10
Australian fixed interest	16.80	18.50
International fixed interest	2.20	2.30
Cash	9.40	10.20
Other	11.70	10.70
	100.0%	**100.0%**

The sensitivity analysis below 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 below 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.

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 $0.767 million (2018: $0.659 million).

- If the expected salary growth increases/(decreases) by 50 basis points, the defined benefit obligation would increase/(decrease) by $0.369 million (2018: $0.322 million).

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.

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 2015, the Blood Service operating division had sufficient assets to cover its liabilities, and no adjustments to funding have occurred. 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 2019 is 9.66 years (2018: 9.64 years). This number can be analysed as follows:

• active members: 9.24 years (2018: 9.06 years);
• retired members: 8.87 years (2018: 8.51 years).

The Society expects to make a contribution of $0.386 million (2018: $0.604 million) to the defined benefit plans during the next financial year.

Note 17. DEFINED BENEFIT SUPERANNUATION PLANS (Continued)

	2019	2018
	$'000	$'000
Historic summary		
Defined benefit plan obligations	20,151	18,245
Less plan assets	(19,637)	(19,013)
Deficit / (gain)	**514**	**(768)**
Actual return on assets	**417**	**839**
Cumulative amount recognised in other comprehensive income		
Cumulative amount of actuarial losses	**2196**	**943**
Expected contributions and funding arrangements		
Expected employer contributions at 30 June	**386**	**551**

Note 18. RESERVES

	Investment revaluation reserve (i)	Special reserve (ii)	Capital reserve (iii)	Total
	$'000	$'000	$'000	$'000
Year ended 30 June 2018				
Balance as at 1 July 2017	4,641	72,950	58,261	135,852
Net gain arising on revaluation	3,017	-	-	3,017
Transfers to reserves from accumulated funds	-	1,906	(385)	1,521
Balance as at 30 June 2018	**7,658**	**74,856**	**57,876**	**140,390**
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 year adoption	(931)	-	-	(931)
Transfers to reserves from accumulated funds	-	(2,704)	5,777	3,073
Net unrealised (loss) arising on revaluation of equity	(40)	-	-	(40)
Net gain on debt classified as FVOCI	95	-	-	95
Balance as at 30 June 2019	**6,782**	**72,152**	**63,653**	**142,587**

(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.

(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.

Note 19. SPECIFIC PURPOSE FUNDS

	International projects	Domestic programs	Total
	$'000	$'000	$'000
Year ended 30 June 2018			
Balance as at 1 July 2017	23,205	13,325	36,530
Transfers (to) / from accumulated funds	(10,510)	4,578	(5,932)
Balance as at 30 June 2018	**12,695**	**17,903**	**30,598**
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**

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

For 2019, the balance of Specific purpose funds has reduced by $11.142 million. This is due to a reduction in Specific purpose funds of $22.079 million for contracts that have been fulfilled in 2019. This is offset by $10.742 million increase in Specific purpose funds for contracts that have activities to be performed in 2020.

Note 20. ACCUMULATED FUNDS

	Notes	2019 $'000	2018 $'000
Balance at beginning of financial year		327,284	325,944
(Deficit) for the financial year		(19,551)	(4,647)
Actuarial (loss) / gain on defined benefit superannuation plans	17	(1,252)	1,576
Transitional impact of AASB 9 first year adoption		931	-
Transfers from specific purpose funds other adjustments		539	-
Transfer from specific purpose funds	19	11,338	5,932
Transfers to other reserves	18	(3,073)	(1,521)
Balance at end of financial year		**316,216**	**327,284**

Note 21. CASH AND CASH EQUIVALENTS

21(a) Reconciliation of cash and cash equivalents			
Cash		25,725	39,034
Term deposits		209,607	176,692
Net cash and cash equivalents		**235,332**	**215,726**

21(b) Reconciliation of surplus / (deficit) for the year to cash flows from operating activities			
Net deficit		(19,551)	(4,647)
Depreciation and amortisation of non-current assets	7	58,481	57,915
Impairment of financial assets	6	8	418
Net foreign currency (gains)	6	(64)	1
(Gain) / loss on disposal of investments	6	388	382
(Gain) / loss on disposal of property, plant and equipment and intangibles	6	189	(6,576)
Investment interest recognised in profit or loss	5	(9,597)	(8,886)
Dividends recognised in profit or loss	5	(3,200)	(1,948)
Interest paid on finance leases		2,306	3,562
Changes in assets and liabilities :			
Decrease in trade and other receivables		5,202	2,686
Decrease / (increase) in inventory		(4,653)	419
Decrease / (increase) in prepayments		(6,583)	(1,310)
Increase / (decrease) in trade, other payables and other liabilities		7,076	(1,058)
Increase in prepaid government funds		42,751	14,752
Increase in provisions		292	17,936
Components of defined benefit recognised in profit or loss		30	59
Increase / (decrease) in revenue in advance		60	(1,666)
Net cash inflow (outflow) from operating activities		**73,135**	**72,039**

Note 22. COMMITMENTS

Capital commitments		
Capital commitments contracted for at reporting balance date but not provided for in the financial statements are payable as follows:		
Not longer than 1 year	7,961	8,194
TOTAL COMMITMENTS	**7,961**	**8,194**

The majority of the Society's commitments include premises related activities with the balance committed to other business initiatives.

Note 23. LEASES

	Minimum future lease payments		Present value of minimum future lease payments	
	2019	2018	2019	2018
	$’000	$'000	$’000	$'000
Finance lease liabilities				
Not later than 1 year	4,881	8,634	4,182	7,524
Later than 1 year and not later than 5 years	6,914	11,795	6,527	10,709
Minimum future lease payments	**11,795**	**20,429**	**10,709**	**18,233**
Less future finance charges	(1,086)	(2,196)	-	-
Total lease liabilities	**10,709**	**18,233**	**10,709**	**18,233**
Included in financial statements as:				
Current borrowings	-	-	4,182	7,524
Non-current borrowings	-	-	6,527	10,709
Present value of minimum future lease payments	**-**	**-**	**10,709**	**18,233**

The Society leases various equipment and fit-outs with a carrying value of $10.709 million (2018: $18.233 million) under finance leases expiring within 1 to 10 years. Under the terms of the leases, the Society has the option to acquire the leased assets on expiry of the leases. The Society's obligations under finance leases are secured by the lessor's title to the leased assets.

	2019	2018
	$'000	$'000
Non-cancellable operating lease commitments		
Not longer than 1 year	33,991	32,644
Longer than 1 year and not longer than 5 years	80,810	79,284
Longer than 5 years	60,276	71,377
Total	**175,077**	**183,305**

The Society leases various premises used as offices, retail stores, blood collection centres, processing and testing centres, and warehouses under non-cancellable leases expiring within 2 to 20 years.

Note 24. CONTINGENT ASSETS AND LIABILITIES

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.

The Blood Service 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. The Society has estimated the magnitude of the underpayment (calculated from July 2012) and recorded a liability of $21.823 million in the statement of financial position. The estimate is considered to be conservative, however as this estimate is based on number of assumptions, there is 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.

The Society has bank guarantees in place in relation to certain property leases. The value of these guarantees at 30 June 2019 was $0.077 million (2018: $0.306 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.

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 25. FINANCIAL INSTRUMENTS

	2019	2018
	$'000	$'000
(a) Categories of financial instruments		
Financial assets		
Cash and cash equivalents	235,332	215,726
Trade and other receivables	13,639	18,841
Prepayments	19,335	12,752
Bonds	96,795	79,626
Shares	38,678	45,475
Managed Funds	10,572	11,800
Hybrid Bonds[1]	1,570	2,076
Term deposits	5,000	8,500
Financial liabilities		
Trade and other payables	63,964	52,688
Lease incentives	5,852	6,204
Interest bearing loans and borrowings	21,693	35,093
Government grants refundable	69,814	39,657
Revenue in advance	76,397	68,827

[1]We have reclassified few bonds as hybrid bonds due to AASB 9 requirement.

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 'available-for-sale' or 'held-to-maturity'. Sales do occur however with selected investments which are described in the financial statements as 'available-for-sale', 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).

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

	2019		2018	
	Foreign currency	AUD equivalent	Foreign currency	AUD equivalent
	$'000	$'000	$'000	$'000
Assets				
Cash				
USD	1	1	370	492
Euro	14	23	404	637
Total	**-**	**24**	**-**	**1,129**

Note 25. FINANCIAL INSTRUMENTS (Continued)

Foreign currency sensitivity analysis

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

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.

	2019	2018
	$'000	$'000
Profit or loss		
USD	0	49
Euro	2	64

(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 Surplus / (deficit)	- 50 basis points Equity	+ 100 basis points Surplus / (deficit)	+ 100 basis points Equity
	$'000	$'000	$'000	$'000	$'000
Financial assets					
Cash and cash equivalents	235,332	(1,177)	(1,177)	2,353	2,353
Financial assets at FVOCI and FVPL	147,614	(738)	(738)	1,476	1,476
Term deposits	5,000	(25)	(25)	50	50
Financial liabilities					
Bank loans - fixed interest rate	10,983	-	-	-	-
Finance leases	10,709	-	-	-	-
Total increase / (decrease)	**-**	**1,940**	**(1,940)**	**3,879**	**3,879**

Sensitivity analysis does not apply to Bank loans with fixed interest rate.

(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.

(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 2019 would have been unaffected as the equity investments are classified as FVOCI 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 2019 would have increased/decreased by $1.934 million (2018 : $2.274 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.

Note 25. FINANCIAL INSTRUMENTS (Continued)

(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.

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 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**
Year ended 30 June 2018							
Non-interest bearing		119,328	40,747	2,121	4,019	1,161	167,376
Finance lease liability	7.51%	438	884	6,202	10,709	-	18,233
Bank loan liability	8.63%	476	947	4,454	10,983	-	16,860
		120,242	**42,578**	**12,777**	**25,711**	**1,161**	**202,469**

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 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**
Year ended 30 June 2018							
Non-interest bearing		131,681	-	-	-	-	131,681
Fixed interest rate instruments	2.92%	-	161,620	11,234	57,479	21,490	251,823
Variable interest rate instruments	1.58%	11,292	-	-	-	-	11,292
		142,973	**161,620**	**11,234**	**57,479**	**21,490**	**394,796**

Note 26. EVENTS AFTER THE REPORTING PERIOD

There have been no material events after the reporting period.

Note 27. 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 28. 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 Blood Service Board comprises executive and non-executive members who are remunerated. Members of the Society Board who also serve as a member of the Blood Service Board or a Blood Service committee are remunerated by the Blood Service.

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:

	Short-term employee benefits	Post employment benefits	Long-term employee benefits	Termination benefits	Total
	Salaries and fees	Superannuation contributions	Long service leave		
	$	$	$	$	$
SOCIETY					
Year ended 30 June 2019					
Humanitarian Services	2,209,291	164,251	35,477	-	2,409,019
Blood Service	4,528,778	322,045	62,000	20,102	4,932,925
Total compensation	**6,738,069**	**486,296**	**97,477**	**20,102**	**7,341,944**
Year ended 30 June 2018					
Humanitarian Services	2,302,583	176,424	35,698	81,597	2,596,302
Blood Service	4,388,000	325,000	115,000	-	4,828,000
Total compensation	**6,690,583**	**501,424**	**150,698**	**81,597**	**7,424,302**

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 been accrued, but not paid, to the employees during the period such as long-service leave.

Note 28. KEY MANAGEMENT PERSONNEL (Continued)

Board members

SOCIETY BOARD	BLOOD SERVICE BOARD
Mr Ross Pinney (President)	Mr James Birch AM (Chair)
Ms Lyndal Moore (Deputy President)	Ms Shelly Park (Chief Executive)
Ms Jan West AM (Chair of Audit and Risk Committee) (to December 2018)	Mr Nigel Ampherlaw
Mr Peter Lewinsky (Chair of Audit and Risk Committee) (from December 2018)	Dr Lance Emerson (from February 2019)
Mr James Birch AM	Professor Christopher Baggoley AO
Ms Dianne Buckles	Ms Hannah Crawford
Mr Charles Burkitt	Ms Jenni Mack
Mr John D Dorrian (to August 2018)	*Associate Professor Larry McNicol AM (to June 2019)
Mr Colin Taylor (to November 2018)	Ms Julie Fahey (from March 2019)
Mr Ian Hamm	*Professor John Zalcberg OAM (to January 2019)
Ms Anne Macarthur OAM	Ms Fiona Balfour (to August 2018)
Mr John Pinney AM (to October 2018)	Ms Lyndal Moore
Ms Margaret Piper AM (to August 2018)	
Ms Rose Rhodes	
Ms Wendy Prowse	
Mr Sam Hardjono	
Ms Eveline Kuang (from December 2018)	
Dr Melissa Phillips (from August 2018)	
Ms Cris Topfner-Rigby (from August 2018)	
Ms Winifred Smith AM (from October 2018)	
Dr Akin Falaki (from November 2018)	

** Designated term completed*

HUMANITARIAN SERVICES OPERATING DIVISION	BLOOD SERVICE OPERATING DIVISION
Executive Team	**Executive Directors**
Ms Judy Slatyer - Chief Executive Officer	Ms Shelly Park - Chief Executive
Mr Cameron Power - Chief Financial Officer	Mr John Brown - Executive Director, Finance
Ms Belinda Dimovski - Director, Engagement & Support	Ms Stuart Chesneau - Executive Director, Business Growth and Innovation
Ms Kerry McGrath - Director, Community Programs	Mr Greg Wilkie - Executive Director, Manufacturing and Quality
Mr Noel Clement - Director, Migration, Emergencies & Movement Relations	Mr Philip Nesci - Executive Director, Information and Communications Technology (to December 2018)
Mr Chris Wheatley - Director, Strategy, People & Performance	Ms Ann Larkin - Executive Director, Information and Communications Technology (from March 2019)
Ms Penny Harrison - Director, Volunteering	Mr Peter McDonald - Executive Director, Corporate Strategy and Transformation
Mr Peter Walton - Director, International Programs	Dr Joanne Pink - Executive Director, Clinical Services and Research
	Ms Cath Stone - Executive Director, Donor Services
	Ms Cath Gillard - Executive Director, People and Culture
	Ms Marion Hemphill - General Counsel

Note 29. AUDITORS' REMUNERATION

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

	2019	2018
	$	$
Auditors of Australian Red Cross		
Deloitte Touche Tohmatsu		
Audit of financial report	450,682	434,000
Audit of acquittals in relation to specific purpose grants	92,148	88,880
Other non-audit services	-	257,000
Ernst & Young		
Internal audit services	255,034	237,634
Other non-audit services	239,928	357,247
Total Auditor's remuneration	**1,037,792**	**1,374,761**

[1]Other Deloitte non-audit services relate to consulting fees for various technology projects including the 'Technology Architecture & Roadmap Service' and 'National Contact Centre Network Review'.
Other Ernst and Young non-audit services relate to consulting fees for projects on adoption of new accounting standards, remuneration compliance and single touch payroll.

Note 30. 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.

Margaret Piper AM is a member of Multicultural NSW Advisory Board (but is not on the committee that determines funding). Multicultural NSW is funding Humanitarian Services to deliver a project under its COMPACT grants scheme.

Jan West is a board member of Australia Post and Dairy Australia. Australia Post is the main postage and delivery service for Humanitarian Services. The Society trades with Australia Post on normal commercial terms. Dairy Australia has made a once-off donation to Humanitarian Services. Jan West stepped down from the Board in December 2018.

(b) Executive Team

Penny Harrison's partner is the director of Strategy and Partnerships 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 in any decision making role regarding RedRs 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 Blood Service Service is located on Humanitarian Services premises, there are contractual arrangements for the sub-lease of premises between the respective operating units of the Blood Service 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 $1.095 million (2018: $0.876 million) transacted between the Blood and Humanitarian Services. The transactions largely relate to the Blood Service's occupancy of premises owned by Humanitarian Services, whereby there are contractual arrangements for the sub-lease of these facilities by the Blood Service. As at 30 June 2019, an aggregate of $0.400 million (2018: $0.815 million) of commitments for minimum lease payments in relation to non-cancellable operating leases are payable to the Society over a 5-year period.

Note 31. FINANCIAL STATEMENT IN COMPLIANCE WITH ACFID CODE OF CONDUCT

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 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.

Income Statement

for the financial year ended 30 June 2019

	Humanitarian services	Society	Humanitarian services	Society
	2019	**2019**	**2018**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
REVENUE				
Donations and gifts[1]	75,256	75,256	71,003	71,003
Legacies and bequests	15,157	15,157	25,314	25,314
Grants				
• Department of Foreign Affairs and Trade	8,066	8,066	6,970	6,970
• other Australian	79,226	698,918	114,478	723,667
• other overseas	3,716	3,716	3,594	3,594
Investment income	3,812	13,595	4,312	11,763
Other income[4]	3,918	17,370	11,987	23,924
Retail and commercial activities[4]	35,323	35,323	34,610	34,610
Total revenue	**224,474**	**867,401**	**272,268**	**900,845**
EXPENDITURE				
International aid and development programs expenditure				
• funds to international programs	24,746	24,746	25,245	25,245
• program support costs	4,426	4,426	4,718	4,718
• community education[2]	1,025	1,025	1,065	1,065
Total international aid and development programs expenditure	**30,197**	**30,197**	**31,028**	**31,028**
Domestic programs				
• Blood Service	-	641,509	-	619,801
• Migration support	21,324	21,324	47,035	47,035
• Social inclusion	43,697	43,697	41,115	41,115
• Community based programs	30,295	30,295	35,605	35,605
• Disaster and emergency services (including emergency appeals)	22,713	22,713	9,906	9,906
• Aboriginal & Torres Strait Islander programs	5,506	5,506	4,568	4,568
• other	1,293	1,293	2,208	2,208
Total domestic programs expenditure	**124,828**	**766,337**	**140,437**	**760,238**
Fundraising costs[3]				
• public, government, multilateral and private	19,339	19,339	22,480	22,480
Retail and Commercial activities	31,556	31,556	32,485	32,485
Remuneration review	-	-	16,623	16,623
Accountability and Administration	39,523	39,523	42,638	42,638
Total expenditure	**245,443**	**886,952**	**285,691**	**905,492**
Deficiency of revenue over expenditure from continuing operations	**(20,969)**	**(19,551)**	**(13,423)**	**(4,647)**

Note 31. FINANCIAL STATEMENT IN COMPLIANCE WITH ACFID CODE OF CONDUCT (Continued)

Income Statement (continued)

for the financial year ended 30 June 2019

	Humanitarian services	Society	Humanitarian services	Society
	2019	2019	2018	2018
	$’000	$'000	$’000	$'000
OTHER COMPREHENSIVE INCOME				
Items that may be reclassified subsequently to profit or loss				
Net gain / (loss) on of debt instruments	28	95	370	354
Items that will not be reclassified subsequently to profit or loss				
Actuarial (loss) / gain on retirement benefit obligations	-	(1,252)	-	1,576
Net (loss) / gain on equity instruments	456	(40)	1,067	2,663
Other comprehensive (loss) / income for the year	**484**	**(1,197)**	**1,437**	**4,593**
TOTAL COMPREHENSIVE DEFICIT FOR THE YEAR	**(20,485)**	**(20,748)**	**(11,986)**	**(54)**

[1]1During the financial year nil (2018: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]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 (2018:nil) in the International Political or Religious Adherence Promotion program category.

[4] The 2018 Other income and Retail and commercial activities for Humanitarian services have been reclassified by $ 16.771 million respectively from $28.758 million to $11.987 million and from $17.839 million to $34.610 million.

Board Members' declaration

The 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 giving 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 Chief Executive Officer and the 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 Board.

On behalf of the Board

Ross Pinney
President of the Society

Melbourne, 26 October 2019

Deloitte Touche Tohmatsu
ABN 74 490 121 060

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

26 October 2019

Dear Board Members,

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 2019, 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

Deloitte.

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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 2019, 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) statement, 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 2019 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

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.

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, management is 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 management 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 management'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.

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, 26 October 2019

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