Australian Red Cross

Our Financials

the power of humanity

ABN 50 169 561 394

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Cover:
Chazz had been battling a sense of social isolation for months. Then he crossed the road to our Jeays Street Community Centre and asked if he could help out. Now he’s a familiar and much-loved face at the centre – he maintains the garden, leaves inspirational notes everywhere and cooks his signature pesto toasties for people who need a feed.

Photo:
Australian Red Cross/Renae Droop

From the Chief Financial Officer

We are pleased to present audited financial statements for the year ended 30 June 2018.

The financial statements of the Australian Red Cross Society (the Society) incorporate both the Humanitarian Services and Blood Service operating divisions. The Blood Service division supplies the Australian community with safe, high-quality-blood and related products. Humanitarian Services supports and empowers people and communities.

Overview

I would like to thank all of the financial supporters, donors, volunteers, staff and members who have donated their blood, time or money to enable Red Cross to achieve amazing outcomes. Together we all bring the power of humanity to life.

This financial year we have continued to successfully deliver against our objectives to support Australian and global communities. The Society reported total revenue of $900.845 million, of which $628.577 million relates to funding provided to the operation of the Blood Service and $272.268 million was generated through Humanitarian Services.

The Society reported a net deficit of $4.647 million ($8.776 million surplus from Blood Service and $13.423 million deficit from Humanitarian Services).

Humanitarian Services

We achieved most of our financial objectives for 2018, supported by continued community giving. This has enabled us to focus on positive social impact and investing into new technologies that will enable us to continue supporting people who need us in a rapidly changing world.

The Australian public donated more than $101.889 million to help us deliver programs and strengthen communities. Our Humanitarian Services revenue also included $102.863 million from Commonwealth government grants and $16.229 million from State government grants. Together this enabled us to build capacity within our communities, help people to live safely and provide relief in times of crisis.

Also in our result are $5.932 million of expenses and distributions we have made from domestic and international disaster appeals, and donations received in previous periods.

Our income can vary significantly year on year depending on the level of government funding and the community's response to large-scale domestic and international emergencies. Compared to previous years, there has been lower levels of such emergencies.

Our overall result for Humanitarian Services was a deficit of $13.423 million. This includes an expense of $16.623 million for estimated back payments set aside to correct remuneration for our staff, after an extensive review of current and historical awards, bringing our total provision for this to $21.823 million. We have accumulated reserves available so that the current operating budget for much-needed humanitarian services is not impacted.

We continue to strive towards our Strategy 2020 outcomes and demonstrate our humanity in action. We are extremely grateful for the legacy of significant community support we have received during the year. We have also invested in the future of Red Cross by developing new technology and platforms to connect millions of Australians.

During 2018 we transitioned out as a provider of the Australian Government's Status Resolution Support Services program. This contract, which commenced in 2015, was significant for Red Cross, contributing $31.585 million in revenue in 2018 and employing 266 people across Australia. In the finalisation of the contract, our focus was our clients and employees, finding them new service providers and opportunities. Looking ahead, we remain focused on supporting migrants in transition and creating new ways to meet their needs.

We have responsibility to ensure we protect those who are most vulnerable, including any sensitive data we have and manage funding appropriately. To ensure this, we are continuing to invest into our processes to transform our organisation. In 2018 we invested $2 million into protecting our data and $2.6 million into child safety. Throughout this, we are keeping people at the centre of all our changes.

Blood Service

Our Blood Service division finished the year with a surplus of $8.776 million. This represents another successful year and the ninth consecutive operating surplus recorded. Under our Deed of Agreement, the Blood Service is able to retain up to $5.000 million from National Blood Authority funded main operating program surplus which, prior to providing for the return of funds to Government was $45.178 million. An additional amount of $0.521 million will also be carried over in the Research and Development reserve to be spent on research activities in future years.

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 675 tonnes of plasma for fractionation. Red Cell products were supplied at 1% over our estimate reflecting consistency in demand.

Maintaining a stable and secure blood supply requires continual investment. This year, we invested $56.300 million of funding from the National Blood Authority into the upgrade of our donor and processing centres, testing and laboratory equipment and our technology infrastructure.

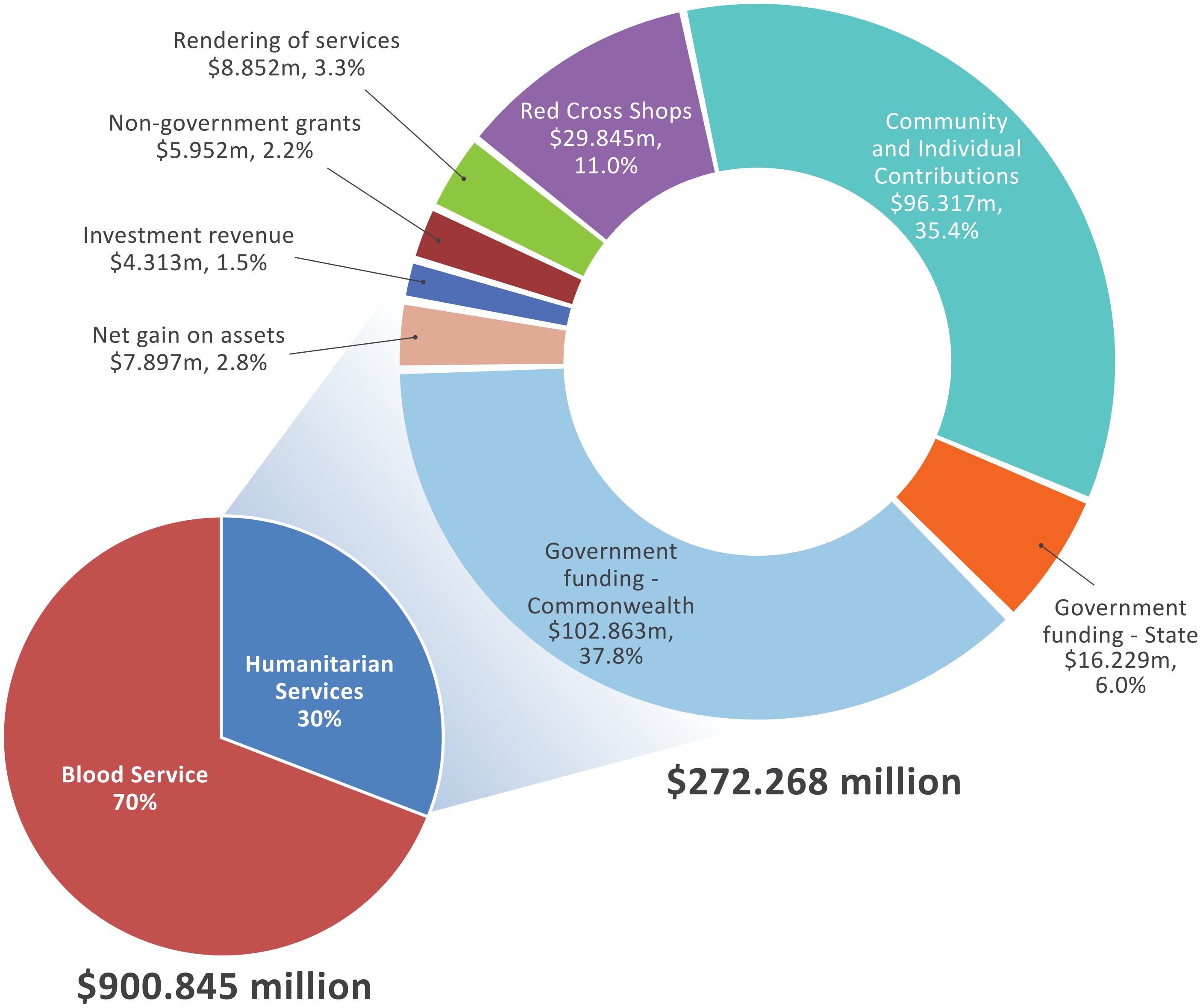
Outside of our output-funding arrangement with the National Blood Authority, we continue to provide a range of related services such as transplant and immunogenetic services across New South Wales, Victoria and South Australia.

Our Blood Service cash and investment position remains strong at $172.910 million, inclusive of repayment of borrowings of $14.648 million.

Cameron Power
Chief Financial Officer

Melbourne, 27 October 2018

Humanitarian Services - Where the money came from



Gross revenue for the entire Society was $900.845 million. This figure includes $628.577 million for the Blood Service which includes $609.189 million government funding, $7.449 million investment income and $11.939 million other income. Revenue for Humanitarian Services was $272.268 million, a $6.088 million increase from the previous year. We had a $15.285 million decline in government funding but this was offset by increases in several areas including, a $8.986 million increase in revenue from donations, including bequests, a $1.933 million increase in sales of goods, a $1.060 million increase in investment revenue, and a $7.898 million gain from the sale of property related assets.

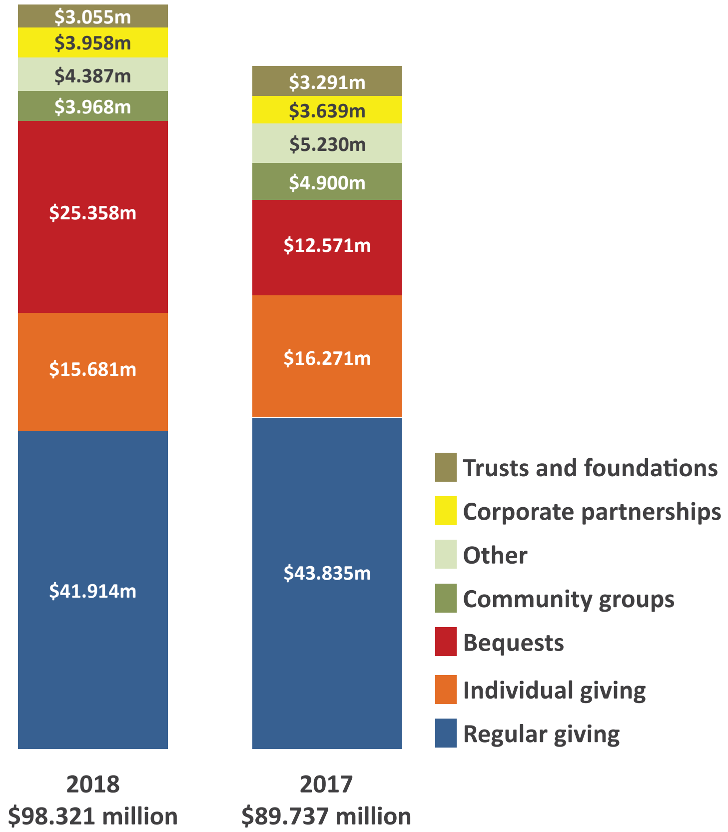
Overall, 46.4% of the funding for our Humanitarian Services came through the Australian community and goods purchased.

The Australian public donated more than $101.889 million this year ($98.321 million for our everyday work and $3.568 million for emergency appeals), a strong result driven by the generosity of people who give ongoing monthly donations and people who leave bequests to Red Cross. This year we recorded $29.845 million from the people buying at our Red Cross shops, with retail revenue growing by 7.0% on FY2017 and continuing a strong trend of multi-year growth (FY2017: 10.0% growth).

This revenue is supplemented by substantial non-financial support with Red Cross volunteers and members providing millions of hours of support through the year. There are also gifts in-kind and pro bono services. While we do not place a dollar value on these priceless forms of support, without them our everyday work would not be possible.

Government funding, which includes Commonwealth government and State government funding remains a significant source of income. Commonwealth government funding was $102.863 million, 37.8% of income and State government funding was $16.229 million, 6.0%, of the funding for our humanitarian programs (It was 39.4% and 8.1% respectively in FY2017). We are working to reduce our reliance on the proportion of government funding in the long term and diversify and grow other sources of income. To counter this reduction in government funding, we rely more than ever on the Australian community to support our work.

We assess all funding opportunities through internal review processes to ensure services we fund are aligned with community need and our strategic direction. Thorough risk assessments are conducted to ensure our services remain viable and effective.



Community support for our humanitarian services

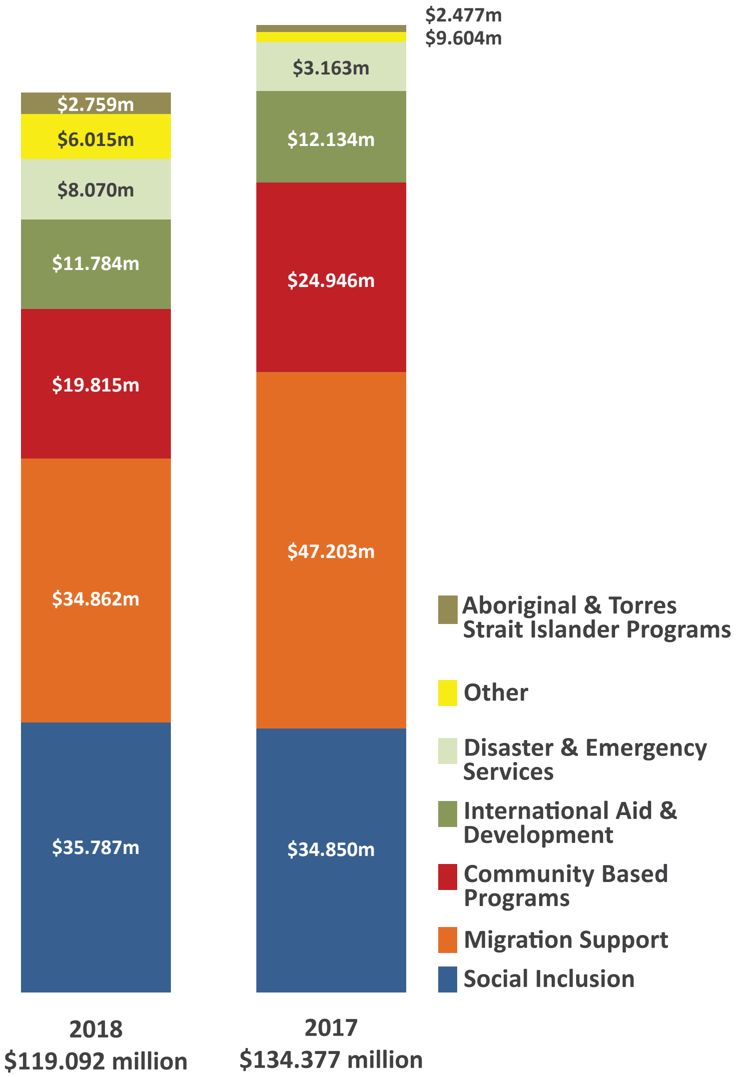
Financial support provided by individuals and the community for our everyday, non-disaster services totaled $98.321 million, reflecting the generosity of the Australian public.

The largest source of community support for our everyday work continues to be regular, ongoing monthly contributions. These regular givers donated $41.914 million, a small decline from last year. The overall proportion of our everyday work funded by regular giving reduced to 42.6% (note that this does not include disaster appeals).

Another key group of supporters are people who thoughtfully leave a gift to Red Cross in their Will. Bequests increased to 25.8% of our income and this year provided $25.358 million, a $12.787 million increase on last year.

Almost two in every three dollars given by the community come from regular givers and bequestors, highlighting the huge positive impact made by these groups of ordinary Australians.

We also received income from valued corporate partners, trusts and foundations, individuals making one-off donations, Red Cross members and community groups.



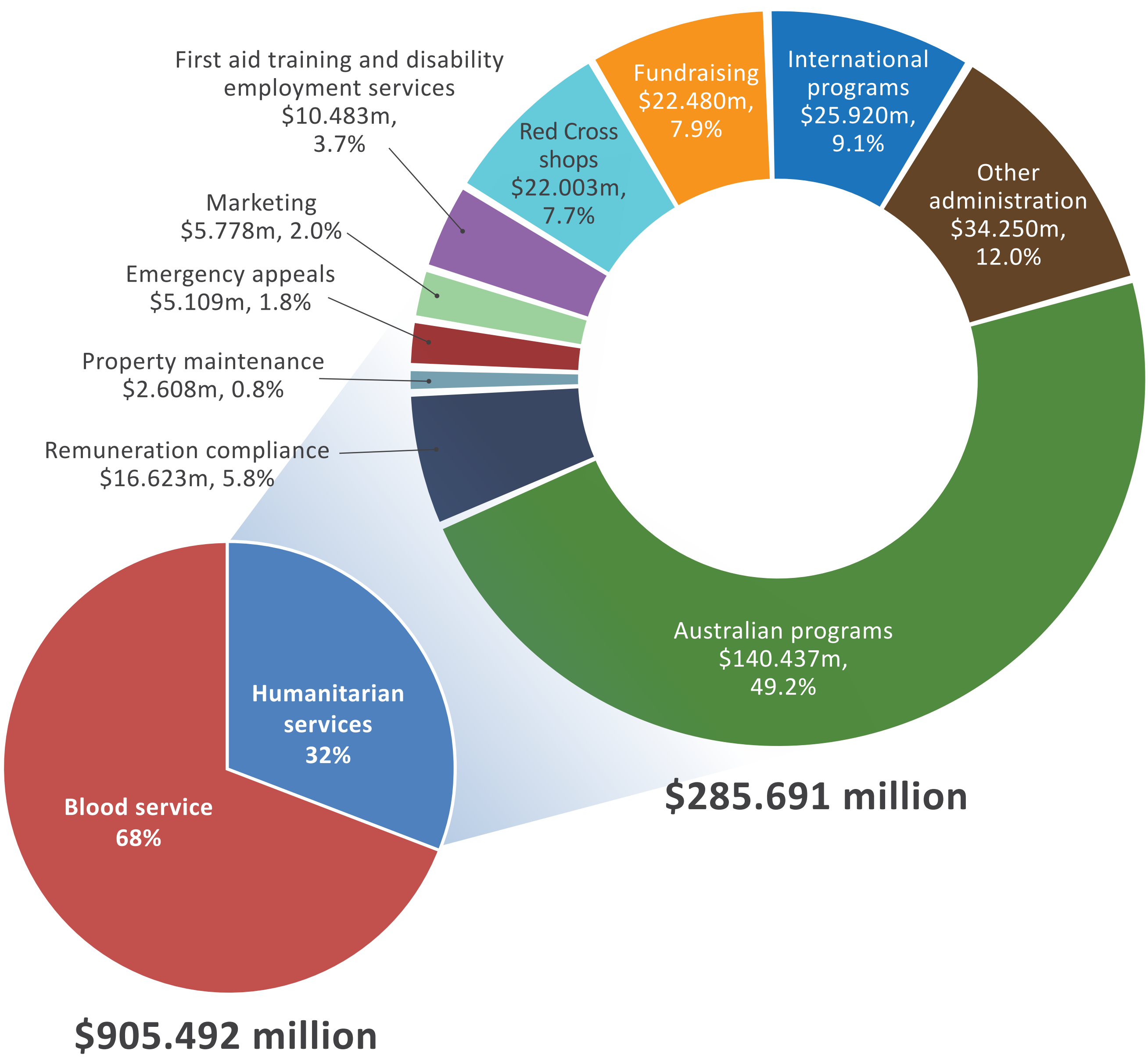
Changes in government funding for our humanitarian services work

Government funding totaled to $119.092 million in FY2018, which included $102.863 million from Commonwealth government funding, and $16.229 million from State government funding, altogether accounted for 43.7% of total revenue in our humanitarian services and decreased this year by $15.285 million (11.4%).

This was largely due to the $12.341 million reduction in funding for our Migration Support Programs. Funds for the Status Resolution Support Service program declined to $34.862 million this year, from $47.203 million in FY2017 with a corresponding progressive decrease in client numbers.

In line with Strategy 2020, our International Programs focused on providing efficient and effective support to 14 key partner countries in the Asia-Pacific region. With some significant disaster appeals in the region during 2017-2018, we received $2.500 million for appeals and $7.789 million in International Aid & Development funding from DFAT (Department of Foreign Affairs and Trade). Our government-funded services must meet stipulated conditions over the term of each agreement and are subject to regular review.

Humanitarian Services - Where the money was spent



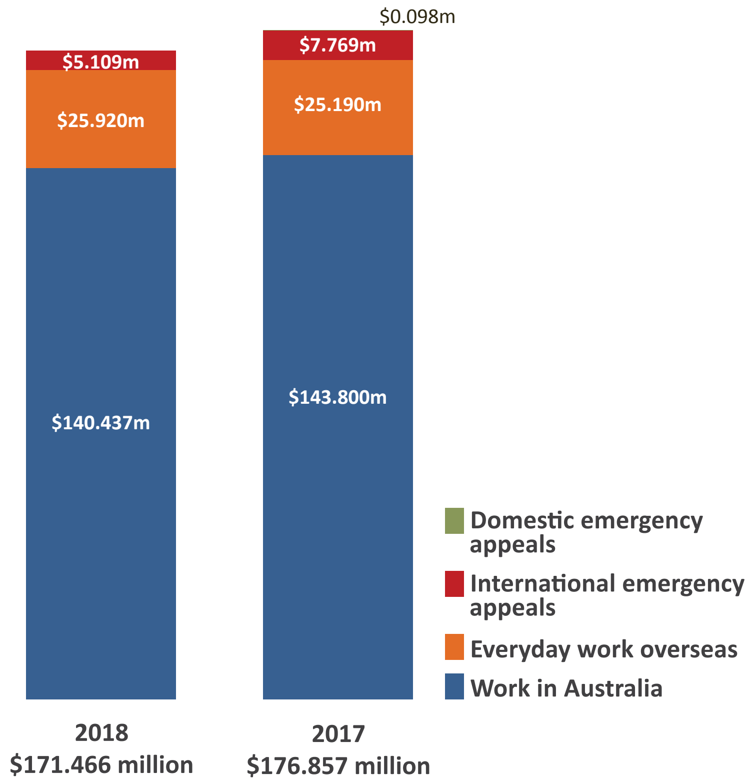
Expenditure for the Society was $905.492 million, including $619.801 million (68.4%) expended by the Blood Service. Expenditure within Humanitarian Services increased by 3.6% to $285.691 million this financial year. The percentage of Humanitarian Services expenditure for Australian programs was 49.2%, while expenditure on International programs was 9.1%.

Fundraising costs for Humanitarian Services comprise 7.9% of total expenditure. This includes all expenditure associated with fundraising for our services, administration of emergency appeals and managing pro bono work and non-cash gifts (which are not recognised in the financial accounts).

Administration costs for Humanitarian Services accounted for 12.0% of total expenditure. These costs include information technology, finance, human resources and occupancy expenses, and are critical to delivering our services effectively.

This year considerable effort has been invested in aligning remuneration with industry awards and there is a $16.623 million remuneration review provision for estimates to retrospectively correct several years of potential underpayments to current and former staff. $5.200 million was provided in the previous year, bringing the total remuneration review provision estimate to $21.823 million. The comprehensive remuneration review commenced 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 the allocation of specific roles to awards.

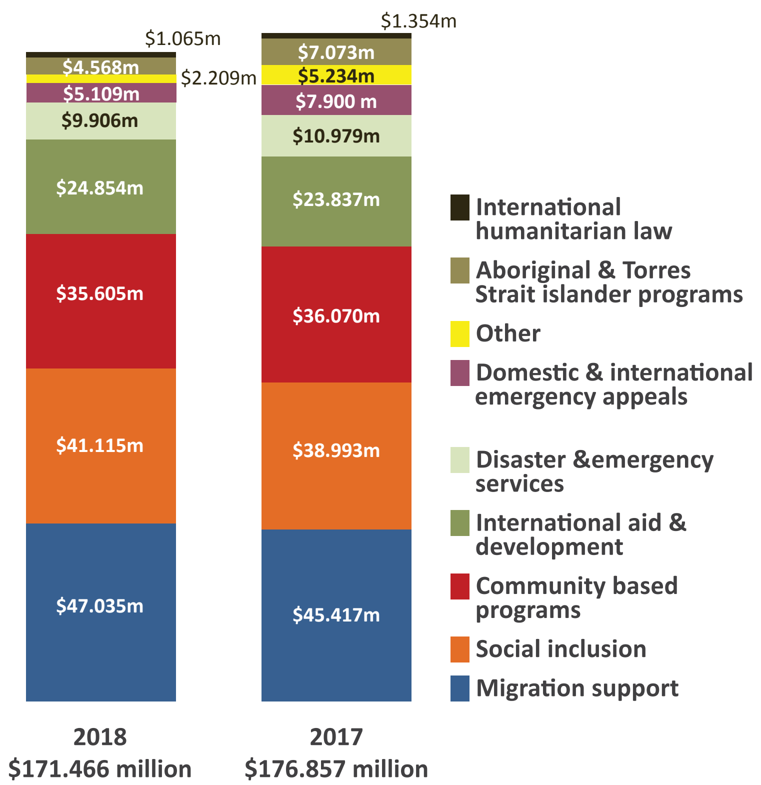
Our humanitarian work in Australia and overseas (including emergency appeals)



$171.466 million was incurred in providing humanitarian services in Australia and overseas. Over 97.0% of expenditure was on everyday work with individuals and communities including supporting communities to prepare for emergencies. The remaining expenditure was spent on emergency response in Australia and overseas.

The majority of non-emergency response spending ($140.437 million) was for domestic services in Australia, while $25.920 million was spent on everyday work overseas in the Asia– Pacific region. In our emergency appeal work $5.109 million was spent helping people impacted by disasters overseas such as the food crisis in East Africa and the humanitarian challenges in Myanmar. The proportion of funds spent in emergencies locally versus internationally varies from year to year, depending on the location, need and severity of disasters.

Humanitarian program spend



$171.466 million was incurred in providing programs, a 3.0% reduction from 2017. This reduced program expenditure was largely attributable to a $3.135 million decrease in our Aboriginal & Torres Strait Islander programs and a $0.465 million decreased in Community based programs. Despite reduced funding received, our work supporting migrants in transition is still our greatest program expenditure, accounting for 27.4% of total expenditure (25.7% in 2017), and we remain dedicated to delivering much needed services in this area.

Social inclusion services account for the second-largest share of expenditure ($41.115 million), representing our work with people experiencing exclusion from mainstream society due to age, disability, mental ill health, involvement with the justice system, or other factors. Community based programs rank No.3 with $35.605 million expenditure, comprising our work with specific communities experiencing entrenched disadvantage.

Statement of profit or loss and other comprehensive income

for the financial year ended 30 June 2018

	Notes	2018 $'000	2017 $'000
REVENUE			
Government funding			
Operating - Commonwealth funded		634,463	622,937
Operating - State funded		39,961	44,238
Capital - Commonwealth and state funded		53,857	52,376
Total government funding		**728,281**	**719,551**
Donations, bequests and sponsorships	4	96,317	87,331
Rendering of services		8,852	8,077
Sale of goods		29,845	27,912
Non-Government Grants		5,952	5,230
Investment Revenue	5	11,762	11,285
Other revenue		11,939	12,168
Net gain on assets	6	7,897	-
Total revenue		**900,845**	**871,554**
EXPENDITURE			
Employee expenditure	7	(468,027)	(453,459)
Operating expenditure	7	(261,104)	(245,450)
Cost of services, sale of goods and consumables	7	(111,833)	(108,162)
Depreciation and amortisation	7	(57,915)	(53,416)
Interest and debt servicing costs	7	(4,491)	(5,341)
Net loss on assets	6	(2,122)	(5,323)
Total expenditure		**(905,492)**	**(871,151)**
NET (DEFICIT)/SURPLUS FOR THE YEAR		**(4,647)**	**403**
OTHER COMPREHENSIVE INCOME			
Items that will not be reclassified subsequently to profit or loss			
Actuarial gain on retirement benefit obligations	17	1,576	2,701
Items that may be reclassified subsequently to profit or loss			
Net gain arising on investment revaluation	18	3,017	4,904
Other comprehensive income for the year		**4,593**	**7,605**
TOTAL COMPREHENSIVE (DEFICIT)/SURPLUS FOR THE YEAR		**(54)**	**8,008**

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes on pages 10 to 45.

For divisional reporting refer to Note 3.

Statement of financial position

as at 30 June 2018

	Notes	2018 $'000	2017 $'000
ASSETS			
Current assets			
Cash and cash equivalents	21(a)	215,726	199,584
Trade and other receivables	8	18,841	21,527
Inventories	9	19,240	19,659
Other financial assets	10	147,477	135,931
Prepayments		12,752	11,442
Assets classified as held for sale	11(b)	-	3,028
Total current assets		**414,036**	**391,171**
Non-current assets			
Property, plant and equipment	11	351,337	365,950
Intangible assets	12	49,798	44,298
Defined benefit superannuation plans	17	768	-
Total non-current assets		**401,903**	**410,248**
TOTAL ASSETS		**815,939**	**801,419**
LIABILITIES			
Current liabilities			
Trade and other payables	13	52,688	52,393
Borrowings	14	13,401	14,648
Provisions	15	100,740	81,157
Other Liabilities	16	109,511	98,414
Total current liabilities		**276,340**	**246,612**
Non-current liabilities			
Borrowings	14	21,692	35,094
Provisions	15	14,458	16,105
Defined benefit superannuation plans	17	-	748
Other liabilities	16	5,177	4,534
Total non-current liabilities		**41,327**	**56,481**
TOTAL LIABILITIES		**317,667**	**303,093**
NET ASSETS		**498,272**	**498,326**
EQUITY			
Reserves	18	140,390	135,852
Specific purpose funds	19	30,598	36,530
Accumulated funds	20	327,284	325,944
TOTAL EQUITY		**498,272**	**498,326**

The above statement of financial position should be read in conjunction with the accompanying notes on pages 10 to 45.

For divisional reporting refer to Note 3.

Statement of changes in equity

for the financial year ended 30 June 2018

		Accumulated funds	Specific purpose funds	Investment revaluation reserve	Special reserve	Capital reserve	Total
YEAR ENDED 30 JUNE 2017	**Notes**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Balance as at 1 July 2016		329,426	40,056	(263)	65,512	55,587	490,318
Net surplus for the year	20	403	-	-	-	-	403
Other comprehensive surplus for the year	18, 20	2,701	-	4,904	-	-	7,605
Transfers to/(from) specific purpose funds	19	3,526	(3,526)	-	-	-	-
Transfer to/(from) other reserves	18	(10,112)	-	-	7,438	2,674	-
Balance at 30 June 2017		**325,944**	**36,530**	**4,641**	**72,950**	**58,261**	**498,326**
YEAR ENDED 30 JUNE 2018							
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 as at 30 June 2018		**327,284**	**30,598**	**7,658**	**74,856**	**57,876**	**498,272**

The above statement of changes in equity should be read in conjunction with the accompanying notes on pages 10 to 45.

For divisional reporting refer to Note 3.

Statement of cash flows

for the financial year ended 30 June 2018

	Notes	2018 $'000	2017 $'000
Cash flows from operating activities			
Receipts from donors, government and other sources		947,291	924,317
Payments to suppliers and employees		(874,323)	(881,054)
Interest and other costs of finance paid		(929)	(888)
Net cash provided by operating activities	**21(b)**	**72,039**	**42,375**
Cash flows from investing activities			
Payments for property, plant and equipment and intangibles		(52,316)	(48,582)
Proceeds from disposal of property, plant and equipment		13,588	844
Net payments for purchase of investment securities		(9,437)	(20,946)
Dividends received		1,651	2,069
Interest received		8,887	8,405
Net cash used in investing activities		**(37,627)**	**(58,210)**
Cash flows from financing activities			
Repayment of borrowings		(14,648)	(10,786)
Interest paid		(3,562)	(4,453)
Net cash used in financing activities		**(18,210)**	**(15,239)**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**16,202**	**(31,074)**
Cash and cash equivalents at the beginning of the financial year		199,584	230,693
Effects of exchange rate changes on the balance of cash held in foreign currencies		(60)	(35)
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	**21(a)**	**215,726**	**199,584**

The above statement of cash flows should be read in conjunction with the accompanying notes on pages 10 to 45.

For divisional reporting refer to Note 3.

Notes to the financial statements

for the financial year ended 30 June 2018

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 (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 more than 390 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 14,081 members support fundraising and advocacy efforts, while 17,156 volunteers assist us to deliver services to those most in need.

The Blood Service'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 2018 was authorised for issue in accordance with a resolution of the Board on 27 October 2018.

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

2.1 Application of new and revised Accounting Standards

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

In the current year, the Society has applied the following amendments to the AASBs issued by the Australian Accounting Standards Board (AASB) that are mandatorily effective for an accounting period that begins on or after 1 July 2017, and therefore relevant for the current year end.

- AASB 2016-2 'Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 107'
- AASB 2017-2 'Amendments to Australian Accounting Standards - Further Annual Improvements 2014-2016 Cycle'

The application of the above amendments has not had a material impact on the disclosures or amounts recognised in the financial statements.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 9 'Financial Instruments' and the relevant amending standards	1 January 18	30 June 19
AASB 15 'Revenue from Contracts with Customers', AASB 2014-5 'Amendments to Australian Accounting Standards arising from AASB 15', AASB 2015-8 'Amendments to Australian Accounting Standards – Effective date of AASB 15', and AASB 2016-3 'Amendments to Australian Accounting Standards – Clarifications to AASB 15',	1 January 19	30 June 19
AASB 2016-7 'Amendments to Australian Accounting Standards – Deferral of AASB 15 for Not-for-Profit Entities' and AASB 2016-8 'Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities'	1 January 19	30 June 19
AASB 16 'Leases'	1 January 19	30 June 20
AASB 1058 'Income of Not-for-Profit Entities', AASB 2016-7 'Amendments to Australian Accounting Standards – Deferral of AASB 15 for Not-for-Profit Entities' and AASB 2016-8 'Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities'	1 January 19	30 June 19

The Directors have considered the above pending standards and anticipate that the adoption of the new revenue and leasing standards may have a material impact on measurements and disclosure within the financial statements. Other pending standards are being considered, and while some further impacts are expected, they are unlikely to be material.

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

The new standards will be 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 Directors have determined to adopt a modified retrospective approach. 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.

Key requirements of AASB 1058:

This Standard applies when a NFP entity receives volunteer services or enters into other 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. In the latter case, the entity recognises and measures the asset at fair value in accordance with the applicable Australian Accounting Standard (e.g. AASB 116 Property, Plant and Equipment).

Upon initial recognition of the asset, this Standard requires the entity to consider whether any other financial statement elements (called 'related amounts') should be recognised, such as:

(a) contributions by owners;

(b) revenue, or a contract liability arising from a contract with a customer;

(c) a lease liability;

(d) a financial instrument; or

(e) a provision.

These related amounts are accounted for in accordance with the applicable Australian Accounting Standard.

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 Society does not anticipate recognising 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, not reliably measured in financial terms.

Key requirements of AASB 15:

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:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

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

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Basis of preparation (Continued)

or services underlying the particular performance obligation is transferred to the customer.

Upon initial evaluation, the key changes in the standards that impact revenue recognition relate to the allocation of contracted grant revenue. Grant income is currently recognised in accordance with AASB 1004 'Contributions'.

AASB 16 Leases

The Society will not adopt AASB 16 Leases until its effective date for the year 30 June 2020. The Society will then be required to measure the lease asset, including right of use assets under AASB 16, at the fair value of the leased property at inception of the lease. The Society has a number of operating 'peppercorn leases' whereby property is leased at below fair value. These will be recognised under AASB 1058 at the time the new lease standard AASB 16 is implemented, in financial year ending 30 June 2020.

AASB 9 Financial Instruments

AASB 9 is a new Standard which will replace AASB 139 Financial Instruments: Recognition and Measurement. It applies to annual reporting periods beginning on or after 1 January 2018 (i.e. from July 2018 for Australian Red Cross Society).

AASB 9 includes revised guidance on the classification and measurement of financial instruments. These requirements change the approach for the classification and measurement of financial assets compared with the requirements of AASB 139 Financial Instruments: Recognition and Measurement, however it carries over the existing derecognition requirements from AASB 139. AASB 9 also includes new requirements for hedge accounting and impairment of financial assets which will have no material impact on the consolidated financial statements.

Currently, all investments are classified as financial assets at fair value through other comprehensive income with changes in value also being recognised in the other comprehensive income. Any income on the instruments such as interest or dividends is recorded in the profit and loss statement and the impairment is assessed and charged to the profit and loss statement.

Next year, under the new AASB 9, the Society has decided to classify and measure financial instruments either under fair value through other comprehensive income or fair value through profit or loss, depending on the underlying financial asset and associated business model.

The adoption of AASB 9 will not result in any change in the carrying value of the investment as these are currently recognised at fair value. However, there will be separate measurement requirements for financial assets of equity and debt nature.

The Society has opted for the transition provisions within AASB 9 that allow the retrospective approach. As such, comparatives will not be restated. Rather, the standard requires all changes on adoption of the standard to be recognised in opening retained earnings for next year.

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 the 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 Australian Red Cross Society is Australian dollars ($AUD).

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

Derivative financial instruments

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

The Society generally does not hedge unless the known exposure to a receipt or payment is in excess of $AUD1m equivalent in foreign currency. At the end of the year, the Society has a forward exchange contract for $1.2m Swiss Francs with a settlement date of 28 March 2019. The Society does not follow hedge accounting. At the end of the year, the forward exchange contract is valued mark to market and any movement is recorded into profit or loss.

(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.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Basis of preparation (Continued)

(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

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Society and the revenue can be reliably measured.

Training services

Revenue is recognised when the 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 1004 'Contributions' when:

(i) the entity obtains control or the right to receive the contribution;

(ii) the amount of the contribution can be measured reliably; and

(iii) it is probable that the future economic benefits comprising the contribution will flow to the entity.

The expenditure to which the grant relates is expensed as incurred and 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 prepaid government funds.

Capital funding

The arrangement with the Blood Service and the NBA provides for capital funding comprising 10% of the funding for the Main Operating Programme for the financial year. Capital funding from government grants are recognised as revenue when the Blood Service obtains control of the contribution, or the right to receive the contribution, and it is probable that the economic benefits of the contribution will flow to the Blood Service. Capital funding received in one year may be carried forward and expended in future years.

Sale of goods

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and it can be measured reliably. Risks and rewards are considered passed to the buyer at the time of delivery of the goods 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 Special 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. 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.

Sponsorship agreements entitle the sponsor to something of value in return for their support. Revenue is recognised when the society gains control, economic benefits are probable and the amounts can be reliably measured.

(e) Cash and cash equivalents

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

(f) Non-derivative financial instruments

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

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)
2.3 Basis of preparation (Continued)

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) Held-to-maturity investments

These investments have fixed maturities, and it is the Society's intention to hold these investments to maturity. This category includes fixed-interest securities. Any held-to-maturity 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.

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) Available-for-sale financial assets

Available-for-sale financial assets are reflected at fair value. Unrealised gains and losses arising from the changes in fair value are recognised in other comprehensive income and accumulated in the investment revaluation reserve, except for impairment losses which are recognised in profit or loss.

Loans and other receivables

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

Fair value

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

Impairment

At each reporting date, the Society assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial assets, a prolonged or significant decline in the value of the instrument is considered to determine whether impairment has arisen. Impairment losses are recognised in profit or loss. For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of financial assets including uncollectible trade receivables is reduced by the impairment loss through the use of an allowance account. Subsequent recoveries of amounts previously written-off are credited against the allowance account. Changes in the allowance account are recognised in profit or loss. When an available-for-sale financial asset 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.

With the exception of available-for-sale equity instruments, if in a subsequent period the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of available-for-sale equity instruments, any subsequent increase in fair value after an impairment loss is recognised directly in other comprehensive income and accumulated under the heading of investments revaluation reserve.

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.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)
2.3 Basis of preparation (Continued)

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 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 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:

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

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Basis of preparation (Continued)

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:

	Humanitarian Services		Blood Service	
	Years	%	Years	%
Intangibles	4	25	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. 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

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.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Basis of preparation (Continued)

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

Superannuation

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

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

For defined benefit retirement plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss. Past service cost is recognised in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset.

Defined benefit costs are categorised as follows:

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

(ii) Net interest expense or income; and

(iii) Remeasurement.

Termination benefits

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

(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

Management's judgement is applied in determining the allowance for doubtful debts. If the estimated recoverable amount of the debt is less than the amount of revenue recognised, the difference is recognised in the allowance for doubtful debts.

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 include rent paid by Blood Service operating division to Humanitarian Services operating division. Accumulated funds balances for both Humanitarian Services and Blood Service includes eliminations of interdivision transactions amounting to $6.712 million (2017: $5.835 million).

Divisional statement of profit or loss and other comprehensive income

	2018			2017		
	Humanitarian Services	Blood Service	Society	Humanitarian Services	Blood Service	Society
	$'000	$'000	$'000	$'000	$'000	$'000
Revenue						
Government funding						
Operating - Commonwealth funded	102,863	531,600	634,463	112,910	510,027	622,937
Operating - State funded	16,229	23,732	39,961	21,467	22,771	44,238
Capital - Commonwealth and state funded	-	53,857	53,857	-	52,376	52,376
Total government funding	**119,092**	**609,189**	**728,281**	**134,377**	**585,174**	**719,551**
Donations, bequests and sponsorships	96,317	-	96,317	87,331	-	87,331
Rendering of services	8,852	-	8,852	8,077	-	8,077
Sale of goods	29,845	-	29,845	27,912	-	27,912
Non-government grant	5,952	-	5,952	5,230	-	5,230
Investment revenue	4,313	7,449	11,762	3,253	8,032	11,285
Other revenue	-	11,939	11,939	-	12,168	12,168
Net gain on assets	7,897	-	7,897	-	-	-
Total revenue	**272,268**	**628,577**	**900,845**	**266,180**	**605,374**	**871,554**
Expenditure						
Employee expenditure	(165,875)	(302,152)	(468,027)	(153,988)	(299,471)	(453,459)
Operating expenditure	(106,183)	(154,921)	(261,104)	(106,968)	(138,482)	(245,450)
Cost of services, sale of goods and consumables	(5,301)	(106,532)	(111,833)	(5,911)	(102,251)	(108,162)
Depreciation and amortisation	(7,403)	(50,512)	(57,915)	(8,010)	(45,406)	(53,416)
Interest and debt servicing costs	(929)	(3,562)	(4,491)	(888)	(4,453)	(5,341)
Net loss on assets	-	(2,122)	(2,122)	(33)	(5,290)	(5,323)
Total expenditure	**(285,691)**	**(619,801)**	**(905,492)**	**(275,798)**	**(595,353)**	**(871,151)**
NET (DEFICIT)/SURPLUS FOR THE YEAR	**(13,423)**	**8,776**	**(4,647)**	**(9,618)**	**10,021**	**403**
OTHER COMPREHENSIVE INCOME						
Items that will not be reclassified subsequently to profit or loss						
Actuarial gain on retirement benefit obligations	-	1,576	1,576	-	2,701	2,701
Items that may be reclassified subsequently to profit or loss						
Net gain arising on investment revaluation	1,437	1,580	3,017	1,458	3,446	4,904
Other comprehensive income for the year	**1,437**	**3,156**	**4,593**	**1,458**	**6,147**	**7,605**
TOTAL COMPREHENSIVE (DEFICIT)/SURPLUS) FOR THE YEAR	**(11,986)**	**11,932**	**(54)**	**(8,160)**	**16,168**	**8,008**

Divisional statement of financial position

	2018			2017		
	Humanitarian Services	Blood Service	Society	Humanitarian Services	Blood Service	Society
	$'000	$'000	$'000	$'000	$'000	$'000
ASSETS						
Current assets						
Cash and cash equivalents	42,816	172,910	215,726	39,501	160,083	199,584
Trade and other receivables	13,464	5,377	18,841	17,160	4,367	21,527
Inventories	1,194	18,046	19,240	1,198	18,461	19,659
Other financial assets	51,331	96,146	147,477	45,561	90,370	135,931
Prepayments	4,006	8,746	12,752	2,560	8,882	11,442
Assets classified as held for sale	-	-	-	3,028	-	3,028
Total current assets	**112,811**	**301,225**	**414,036**	**109,008**	**282,163**	**391,171**
Non-current assets						
Property, plant and equipment	59,327	292,010	351,337	61,152	304,798	365,950
Intangible assets	14,203	35,595	49,798	16,551	27,747	44,298
Defined benefit superannuation plans	-	768	768	-	-	-
Total non-current assets	**73,530**	**328,373**	**401,903**	**77,703**	**332,545**	**410,248**
TOTAL ASSETS	**186,341**	**629,598**	**815,939**	**186,711**	**614,708**	**801,419**
LIABILITIES						
Current liabilities						
Trade and other payables	13,604	39,084	52,688	17,584	34,809	52,393
Borrowings	-	13,401	13,401	-	14,648	14,648
Provisions	37,849	62,891	100,740	21,124	60,033	81,157
Other liabilities	2,135	107,376	109,511	2,718	95,696	98,414
Total current liabilities	**53,588**	**222,752**	**276,340**	**41,426**	**205,186**	**246,612**
Non-current liabilities						
Borrowings	-	21,692	21,692	-	35,094	35,094
Provisions	2,662	11,796	14,458	3,739	12,366	16,105
Defined benefit superannuation plans	-	-	-	-	748	748
Other liabilities	530	4,647	5,177	-	4,534	4,534
Total non-current liabilities	**3,192**	**38,135**	**41,327**	**3,739**	**52,742**	**56,481**
TOTAL LIABILITIES	**56,780**	**260,887**	**317,667**	**45,165**	**257,928**	**303,093**
NET ASSETS	**129,561**	**368,711**	**498,272**	**141,546**	**356,780**	**498,326**
EQUITY						
Reserves	4,208	136,182	140,390	2,771	133,081	135,852
Specific purpose funds	30,598	-	30,598	36,530	-	36,530
Accumulated funds	94,755	232,529	327,284	102,245	223,699	325,944
TOTAL EQUITY	**129,561**	**368,711**	**498,272**	**141,546**	**356,780**	**498,326**

Note 3. DIVISIONAL REPORTING (Continued)

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 2017								
Balance as at 1 July 2016	102,502	40,056	1,313	226,924	65,512	55,587	(1,576)	**490,318**
Net surplus/ (deficit) for the year	(9,618)	-	-	10,021	-	-	-	**403**
Other comprehensive surplus	-	-	1,458	2,701	-	-	3,446	**7,605**
Transfers to/ (from) specific purpose funds	3,526	(3,526)	-	-	-	-	-	**-**
Transfers to/ (from) other reserves	-	-	-	(10,112)	7,438	2,674	-	**-**
Elimination of interdivision transactions	5,835	-	-	(5,835)	-	-	-	-
Balance as at 30 June 2017	**102,245**	**36,530**	**2,771**	**223,699**	**72,950**	**58,261**	**1,870**	**498,326**
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**

Divisional statement of cash flows

		2018			2017		
		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		264,049	683,242	947,291	267,240	657,077	924,317
Payments to suppliers and employees		(266,557)	(607,766)	(874,323)	(258,529)	(622,525)	(881,054)
Interest and other costs of finance paid		(929)	-	(929)	(888)	-	(888)
Net cash provided by/(used in) operating activities	**21(b)**	**(3,437)**	**75,476**	**72,039**	**7,823**	**34,552**	**42,375**
Cash flows from investing activities							
Payments for property, plant and equipment and intangibles		(5,396)	(46,920)	(52,316)	(4,446)	(44,136)	(48,582)
Proceeds from disposal of property, plant and equipment		13,367	221	13,588	636	208	844
Net payments for purchase of investment securities		(4,267)	(5,170)	(9,437)	(3,909)	(17,037)	(20,946)
Dividends received		902	749	1,651	1,195	874	2,069
Interest received		2,185	6,702	8,887	1,247	7,158	8,405
Net cash provided by/(used in) investing activities		**6,791**	**(44,418)**	**(37,627)**	**(5,277)**	**(52,933)**	**(58,210)**
Cash flows from financing activities							
Repayment of borrowings		-	(14,648)	(14,648)	-	(10,786)	(10,786)
Interest paid		-	(3,562)	(3,562)	-	(4,453)	(4,453)
Net cash used in financing activities		**-**	**(18,210)**	**(18,210)**	**-**	**(15,239)**	**(15,239)**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**3,354**	**12,848**	**16,202**	**2,546**	**(33,620)**	**(31,074)**
Cash and cash equivalents at the beginning of the financial year		39,501	160,083	199,584	36,955	193,738	230,693
Effects of exchange rate changes on the balance of cash held in foreign currencies		(39)	(21)	(60)	-	(35)	(35)
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	**21(a)**	**42,816**	**172,910**	**215,726**	**39,501**	**160,083**	**199,584**

Note 4. DONATIONS, BEQUESTS AND SPONSORSHIPS

	2018 $'000	2017 $'000
Donations and sponsorships	60,558	66,199
Appeals - International		
Myanmar Bangladesh Joint Emergency Appeal	1,889	-
Myanmar Appeal	718	-
East Africa Food Crisis Appeal	612	1,261
Syria Crisis Appeal	289	1,083
Nepal Earthquake Appeal	40	80
Tropical Cyclone Gita (Tonga) Appeal	38	-
Tropical Cyclone Winston (Fiji) Appeal	12	44
Typhoon Haiyan (Philippines) Appeal	6	14
Cyclone Pam (Vanuatu) Appeal	4	38
Ebola Outbreak Appeal	-	1
Bequests	25,314	12,571
Membership fundraising	2,938	2,208
Raffle tickets	3,899	3,832
Total donations, bequests and sponsorships	**96,317**	**87,331**

Note 5. INVESTMENT REVENUE

Interest revenue - bank deposits	6,985	7,654
Interest revenue - Available-for-sale investments	1,901	751
Dividends from other entities and imputation credits	1,948	2,487
Other income	928	393
Total investment revenue	**11,762**	**11,285**

Note 6. GAINS AND (LOSSES)

Net gain/(loss) on disposal of property, plant and equipment	7,616	(1,132)
Write off of intangible projects	(1,040)	(618)
Impairment of property, plant and equipment	-	(2,741)
Impairment of intangibles	-	(667)
(Loss)/gain on disposal of investments	(382)	464
Impairment of available-for-sale financial assets[1]	(418)	(574)
Foreign exchanges losses	(1)	(55)
Total gains and (losses)	**5,775**	**(5,323)**

[1] Where an available-for-sale financial asset 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

	2018	2017
	$'000	$'000
Employee expenditure		
Wages and salaries	409,373	405,422
Remuneration review	15,140	5,145
Post employment benefits		
Defined benefit plans	59	168
Defined contribution plans	36,874	36,901
Defined contribution plans - remuneration review	1,483	55
Termination benefits	5,098	5,768
Total employee expenditure	**468,027**	**453,459**
Operating expenditure		
Operating lease rental expenditure - minimum lease payments	41,578	39,919
Increase in inventory	1,529	5,129
(Reversal impairment)/impairment of trade receivables	(2)	23
Other expenditure		
Other operational costs	113,891	99,521
Buildings and facilities expense	31,178	29,521
Telemarketing and advertising	17,485	16,816
Contribution to other partner societies	16,032	12,129
Partner and call centre expense	15,507	15,752
Travel and accommodation	11,191	11,010
Client support costs	9,161	11,791
Worker compensation costs	3,554	3,839
Total operating expenditure	**261,104**	**245,450**
Cost of services, sale of goods and consumables		
Cost of sales	3,749	3,819
Cost of rendering training services	1,552	2,092
Consumables	106,532	102,251
Total cost of services, sale of goods and consumables	**111,833**	**108,162**
Depreciation of property, plant and equipment and amortisation of intangibles		
Depreciation of property, plant and equipment	44,280	41,827
Amortisation of intangibles	13,635	11,589
Total depreciation of property, plant and equipment and amortisation of intangibles	**57,915**	**53,416**
Interest and debt servicing costs	4,491	5,341
Total interest and debt servicing costs	**4,491**	**5,341**

Note 8. TRADE AND OTHER RECEIVABLES

Trade receivables	6,799	9,457
Allowance for doubtful debts	(102)	(154)
Total trade receivables	**6,697**	**9,303**
Other receivables	11,178	11,243
Goods and services tax receivable	966	981
Total trade and other receivables	**18,841**	**21,527**

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)

	2018	2017
	$'000	**$'000**
Ageing of past due but not impaired trade receivables		
0-30 days	682	528
30-60 days	474	310
60-90 days	96	172
90-120 days	108	96
120+ days	114	106
Total past due but not impaired trade receivables	**1474**	**1212**

Movement in the allowance for doubtful debts		
Opening balance 1 July	154	213
Impairment (losses recognised)/written back on receivables	(2)	23
Amounts written off as uncollectible	(50)	(82)
Closing balance 30 June	**102**	**154**

Ageing of impaired trade receivables		
0-30 days	19	28
30-60 days	17	8
60-90 days	15	30
90-120 days	33	16
120+ days	18	51
Total impaired trade receivables	**102**	**133**

Note 9. INVENTORIES

Consumables inventory	8,336	7,226
Finished goods	9,841	11,453
Work in progress	1,063	980
Total inventories	**19,240**	**19,659**

Note 10. OTHER FINANCIAL ASSETS

	2018	2017
	$'000	$'000
Current		
Available-for-sale financial assets		
Shares	45,475	43,429
Managed funds		
Listed managed funds	1,400	1,342
Unlisted managed funds	10,400	9,989
Bonds		
Listed bonds	13,960	11,787
Unlisted bonds	67,742	60,324
Total available-for-sale financial assets	**138,977**	**126,871**
Held-to-maturity investment		
Term deposits	8,500	9,060
Total current other financial assets	**147,477**	**135,931**

Fair value measurements recognised in the statement of financial position

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

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

	Level 1	Level 2	Level 3	Total
	$’000	$’000	$’000	$'000
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**
YEAR ENDED 30 JUNE 2017				
Available-for-sale financial assets				
Bonds	11,787	60,324	-	72,111
Shares	43,429	-	-	43,429
Managed funds	1,342	9,989	-	11,331
Held-to-maturity investment				
Term deposits	9,060	-	-	9,060
Total current other financial assets	**65,618**	**70,313**	**-**	**135,931**

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 2018					
Gross carrying amount					
- Balance as at 30 June 2017	347,077	4,501	271,832	54,899	678,309
- Balance as at 30 June 2018	396,811	4,478	273,294	15,221	689,804
Accumulated depreciation					
- Balance as at 30 June 2017	(126,718)	(3,995)	(181,646)	-	(312,359)
- Balance as at 30 June 2018	(142,448)	(3,936)	(192,083)	-	(338,467)
Net book value as at 30 June 2017	**220,359**	**506**	**90,186**	**54,899**	**365,950**
Net book value as at 30 June 2018	**254,363**	**542**	**81,211**	**15,221**	**351,337**

Note 11(b). PROPERTY, PLANT AND EQUIPMENT

	Land, buildings and renovations	Shop fit-outs	Plant and equipment	Work in progress	Total
YEAR ENDED 30 JUNE 2017					
Gross carrying amount					
Balance as at 1 July 2016	349,984	5,420	276,196	36,519	668,119
Transfer to asset held for sale[1]	(5,010)	-	-	-	(5,010)
Classification transfer[2]	-	-	460	76	536
Additions	740	-	-	38,496	39,236
Disposals	(3,844)	(1,350)	(16,637)	-	(21,831)
Transfers to / (from) work in progress	5,207	431	12,187	(17,825)	-
Impairment loss of property, plant and equipment	-	-	(374)	(2,367)	(2,741)
Balance as at 30 June 2017	**347,077**	**4,501**	**271,832**	**54,899**	**678,309**
Accumulated depreciation					
Balance as at 1 July 2016	(114,953)	(4,837)	(172,519)	-	(292,309)
Transfer to asset held for sale[1]	1,982	-	-	-	1,982
Depreciation expense	(17,034)	(313)	(24,480)	-	(41,827)
Disposals	3,287	1,155	15,353	-	19,795
Balance as at 30 June 2017	**(126,718)**	**(3,995)**	**(181,646)**	**-**	**(312,359)**
Net book value as at 30 June 2017	**220,359**	**506**	**90,186**	**54,899**	**365,950**

[1] In 2017, assets classified as held for sale ($3.028 million) included properties in Larrakeyah (Northern Territory) and Hobart (Tasmania).
[2] In 2017, $0.536 million in assets were reclassified to computer equipment from software (intangibles). Refer to note 12.

	Land, buildings and renovations	Shop fit-outs	Plant and equipment	Work in progress	Total
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**

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 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**

Note 12. INTANGIBLE ASSETS	2018	2017
	$'000	$'000
Carrying amounts of:		
Software	34,755	33,255
Work in progress	15,043	11,043
Total intangible assets	**49,798**	**44,298**

Note 12. INTANGIBLE ASSETS (Continued)

	Software	Work in progress	Total
	$'000	**$'000**	**$'000**
YEAR ENDED 30 JUNE 2017			
Gross carrying amount			
Balance as at 1 July 2016	73,696	12,296	85,992
Transfer to property, plant and equipment	(460)	(76)	(536)
Additions to work in progress	-	9,950	9,950
Disposals / write off	-	(618)	(618)
Transfers to / (from) work in progress	9,842	(9,842)	-
Impairment losses recognised in profit and loss	-	(667)	(667)
Balance as at 30 June 2017	**83,078**	**11,043**	**94,121**
Accumulated amortisation			
Balance as at 1 July 2016	(38,234)	-	(38,234)
Amortisation expense	(11,589)	-	(11,589)
Balance as at 30 June 2017	**(49,823)**	**-**	**(49,823)**
Net book value as at 30 June 2017	**33,255**	**11,043**	**44,298**
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**

Note 13. TRADE AND OTHER PAYABLES

	Notes	2018 $'000	2017 $'000
Current			
Trade payables		35,575	35,420
Accruals and other payables		17,113	16,973
Total trade and other payables		**52,688**	**52,393**

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 timeframe.

Note 14. BORROWINGS

	Notes	2018 $'000	2017 $'000
Current - secured			
Bank loans		5,877	5,380
Finance lease liabilities	23	7,524	9,268
Non-current - secured			
Bank loans		10,983	16,860
Finance lease liabilities	23	10,709	18,234
Total borrowings		**35,093**	**49,742**
Disclosed in the financial statements as:			
Current borrowings		13,401	14,648
Non-current borrowings		21,692	35,094
Total borrowings		**35,093**	**49,742**

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

	Notes	2018 $'000	2017 $'000
Financing facilities			
Unsecured bank overdraft facility:			
amount used		-	-
amount unused		8,000	16,000
Total		**8,000**	**16,000**
Secured bank loan facility:			
amount used		16,860	22,240
Total		**16,860**	**22,240**
Unsecured cash advance facility:			
amount used		-	-
amount unused		-	4,000
Total		**-**	**4,000**
Secured leasing facility:			
amount used	23	18,233	27,502
Total		**18,233**	**27,502**

Note 14. BORROWINGS (Continued)

	2018	2017
	$'000	$'000
Credit card facility:		
amount used	995	938
amount unused	1,655	1,712
Total credit card facility	**2,650**	**2,650**

The Society is not in default of the financing facilities.

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]	75,160	72,072
Remuneration review[2]	21,823	5,200
Site restoration	3,489	3,885
Other[3]	268	-
Non-current		
Employee benefits	8,871	10,362
Site restoration	5,587	5,743
Total provisions	**115,198**	**97,262**
Disclosed in the financial statements as:		
Current provisions	100,740	81,157
Non-current provisions	14,458	16,105
Total provisions	**115,198**	**97,262**

Movements in employee benefits provisions		
Opening balance 1 July	82,434	80,052
Provision recognised during the year	1,597	2,382
Closing balance 30 June	**84,031**	**82,434**

Movements in remuneration review		
Opening balance 1 July	5,200	-
Provision recognised during the year	16,623	5,200
Closing balance 30 June	**21,823**	**5,200**

Movements in site restoration		
Opening balance 1 July	9,628	10,076
Provision utilised during the year	(552)	(448)
Closing balance 30 June	**9,076**	**9,628**

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

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

Note 15. PROVISIONS (Continued)

[2] The provision for remuneration review is a provision for the Humanitarian division's estimated underpayment for some staff. 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 the allocation of specific roles to awards. This issue affects current and former staff and the provision considers the retrospective correction to several years of potential underpayments.
[3] This relates to onerous contract provision for Dandenong Vic office exit due to Status Resolution Supporter Services contract finalisation.

	2018	2017
	$'000	**$'000**
Note 16. OTHER LIABILITIES		
Current		
Lease incentive	1,027	1,523
Government grants refundable[1]	39,657	22,277
Revenue in advance[2]	68,827	74,614
Non-current		
Lease incentive	5,177	4,534
Total other liabilities	**114,688**	**102,948**
Disclosed in the financial statements as:		
Current other liabilities	109,511	98,414
Non-current other liabilities	5,177	4,534
Total other liabilities	**114,688**	**102,948**

[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) 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 2018 revenue not received until July 2018.
(ii) Funds received relating to reciprocal grants of $7.695 million (2017:$10.854 million).

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 2018 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.

		2018	**2017**
	Notes	**%**	**%**
Principal actuarial assumptions:			
Discount rate		3.94	4.00
Expected rate of salary increases		2.46	3.00
Anticipated rate of return on plan assets		6.00	6.38

	2018	**2017**
	$'000	**$'000**
Amounts recognised in the statement of profit or loss and other comprehensive income:		
Current service cost	34	68
Net interest cost	25	100
Components of defined benefit costs recognised in profit or loss	**59**	**168**
Remeasurement on the net defined benefit liability:		
Return on plan assets (excluding amounts included in net interest expense)	(839)	(1,093)
Actuarial gains arising from changes in financial assumption	(122)	(1,253)
Actuarial gains arising from experience adjustments	(615)	(355)
Components of defined benefit gain recognised in other comprehensive income	**(1,576)**	**(2,701)**
Total defined benefit gain	**(1,517)**	**(2,533)**

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	2018 $'000	2017 $'000
Amounts recognised in the statement of financial position:			
Present value of funded obligations (a)	17 (a)	18,245	19,753
Fair value of plan assets (b)	17 (b)	(19,013)	(19,005)
Net (asset)/liability arising from defined benefit plan obligation		**(768)**	**748**
(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		19,753	21,820
Current service cost		694	848
Interest on obligation		702	677
Remeasurement (gains) / losses			
Actuarial gains arising from changes in financial assumptions		(122)	(1,253)
Actuarial gains arising from experience adjustments		(615)	(355)
Benefits paid (including expenses and taxes)		(2,066)	(1,863)
Other		(101)	(121)
Balance at end of the year		**18,245**	**19,753**
(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		19,005	18,474
Interest income		677	577
Remeasurement (gains) / losses			
Return on plan asset (excluding amounts included in net interest expense)		839	1,158
Contributions by the employer		613	726
Contributions from plan participants		47	54
Benefits paid (including expenses and taxes)		(2,066)	(1,863)
Other		(102)	(121)
Balance at end of the year		**19,013**	**19,005**

The fair value of the plan assets at the end of the reporting period for each category, are as follows:		
Australian equities	4,468	4,637
International equities	4,696	4,827
Property	1,920	1,996
Australian fixed interest	3,518	1,501
International fixed interest	437	342
Cash	1,939	1,805
Other	2,035	3,897
Balance at end of the year	**19,013**	**19,005**

Note 17. DEFINED BENEFIT SUPERANNUATION PLANS (Continued)

	2018	2017
	%	%
Other disclosures:		
The percentage contribution of each majority category of total plan assets comprises:		
Australian equities	23.5	24.4
International equities	24.7	25.4
Property	10.1	10.5
Australian fixed interest	18.5	7.9
International fixed interest	2.3	1.8
Cash	10.2	9.5
Other	10.7	20.5
	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 $0.659 million (2017: $0.653 million).

- If the expected salary growth increases/(decreases) by 50 basis points, the defined benefit obligation would increase/(decrease) by $0.322 million (2017: $0.259 million).

There was no change in the methods and assumptions used in preparing the sensitivity analysis from prior years other then 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 Society had sufficient assets to cover its liabilities, and no adjustments to funding have occurred. The next triennial valuation as at 30 June 2018 will be occurring over the next 6 months with final reports to be issued in December 2018.

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 2018 is 9.64 years (2017: 8.92 years). This number can be analysed as follows:

• active members: 9.06 years (2017: 9.53 years);
• retired members: 8.51 years (2017: 8.78 years).

The Society expects to make a contribution of $0.604 million (2017: $0.551 million) to the defined benefit plans during the next financial year.

Note 17. DEFINED BENEFIT SUPERANNUATION PLANS (Continued)

	2017	2017
	$'000	$'000
Historic summary		
Defined benefit plan obligations	18,245	19,753
Less plan assets	(19,013)	(19,005)
(Gain)/deficit	**(768)**	**748**
Actual return on assets	**839**	**1,158**
Cumulative amount recognised in other comprehensive income		
Cumulative amount of actuarial losses	**943**	**2,519**
Expected contributions and funding arrangements		
Expected employer contributions at 30 June	**551**	**551**

Note 18. RESERVES

	Investment revaluation reserve (i)	Special reserve (ii)	Capital reserve (iii)	Total
	$'000	$'000	$'000	$'000
Year ended 30 June 2017				
Balance as at 1 July 2016	(263)	65,512	55,587	120,836
Net gain arising on revaluation	4,904	-	-	4,904
Transfers to reserves from accumulated funds	-	7,438	2,674	10,112
Balance as at 30 June 2017	**4,641**	**72,950**	**58,261**	**135,852**
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**

(i) Investment revaluation reserve comprises the cumulative net change in the fair value of available-for-sale investments until the investment is derecognised net of any permanent impairment identified and reserved to the profit or loss.

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

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

Note 19. SPECIFIC PURPOSE FUNDS

	International projects	Domestic programs	Total
	$'000	$'000	$'000
Year ended 30 June 2017			
Balance as at 1 July 2016	29,219	10,837	40,056
Transfers from/(to) accumulated funds	(6,014)	2,488	(3,526)
Balance as at 30 June 2017	**23,205**	**13,325**	**36,530**
Year ended 30 June 2018			
Balance as at 1 July 2017	23,205	13,325	36,530
Transfers from/(to) accumulated funds	(10,510)	4,578	(5,932)
Balance as at 30 June 2018	**12,695**	**17,903**	**30,598**

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

Note 20. ACCUMULATED FUNDS

	Notes	2018 $'000	2017 $'000
Balance at beginning of financial year		325,944	329,426
(Deficit)/surplus for the financial year		(4,647)	403
Actuarial gain on defined benefit superannuation plans	17	1,576	2,701
Transfer from specific purpose funds	19	5,932	3,526
Transfers to other reserves	18	(1,521)	(10,112)
Balance at end of financial year		**327,284**	**325,944**

Note 21. CASH AND CASH EQUIVALENTS

21(a) Reconciliation of cash and cash equivalents		
Cash	39,034	32,125
Term deposits	176,692	167,459
Net cash and cash equivalents	**215,726**	**199,584**

21(b) Reconciliation of surplus / (deficit) for the year to cash flows from operating activities			
Net (deficit) /surplus		(4,647)	403
Depreciation and amortisation of non-current assets	7	57,915	53,416
Impairment losses of property, plant and equipment & intangibles	6	-	3,408
Impairment of available-for-sale financial assets	6	418	574
Net foreign currency (gains)	6	1	55
(Gain) / loss on disposal of investments	6	382	(464)
(Gain) / loss on disposal of property, plant and equipment and intangibles	6	(6,576)	1,750
Investment interest recognised in profit or loss	5	(8,886)	(8,405)
Dividends recognised in profit or loss	5	(1,948)	(2,487)
Interest paid on finance leases		3,562	4,453
Changes in assets and liabilities :			
Decrease in trade and other receivables		2,686	2,254
Decrease in inventory		419	4,612
Increase in prepayments		(1,310)	(3,870)
Increase / (decrease) in trade, other payables and other liabilities		(1,058)	5,017
Increase / (decrease) in prepaid government funds		14,752	(24,424)
Decrease in revenue in advance		(1,666)	(1,153)
Increase in provisions		17,936	7,133
Components of defined benefit recognised in profit or loss		59	103
Net cash inflow (outflow) from operating activities		**72,039**	**42,375**

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	8,194	14,729
TOTAL COMMITMENTS	**8,194**	**14,729**

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	
	2018	2017	2018	2017
	$’000	$'000	$’000	$'000
Finance lease liabilities				
Not later than 1 year	8,634	11,139	7,524	9,268
Later than 1 year and not later than 5 years	11,795	20,430	10,709	18,234
Later than 5 years	-	-	-	-
Minimum future lease payments	**20,429**	**31,569**	**18,233**	**27,502**
Less future finance charges	(2,196)	(4,067)	-	-
Total lease liabilities	**18,233**	**27,502**	**18,233**	**27,502**
Included in financial statements as :				
Current borrowings	-	-	7,524	9,268
Non-current borrowings	-	-	10,709	18,234
Present value of minimum lease payments	**-**	**-**	**18,233**	**27,502**

The Society leases various equipment and fit-outs with a carrying value of $18.233 million (2017: $27.502 million) under finance leases expiring within 3 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.

	2018	2017
	$'000	$'000
Non-cancellable operating lease commitments		
Not longer than 1 year	32,644	32,091
Longer than 1 year and not longer than 5 years	79,284	84,250
Longer than 5 years	71,377	79,716
Total	**183,305**	**196,057**

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 operations section 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 the application of some award and enterprise agreements, and their provisions, and therefore underpaid some staff in humanitarian operations 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. The final payment amounts will be known and paid during the year ending 30 June 2019.

The Society has bank guarantees in place in relation to certain property leases. The value of these guarantees at 30 June 2018 was $0.306 million (2017: $0.226 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

	2018	2017
	$'000	$'000
(a) Categories of financial instruments		
Financial assets		
Cash and cash equivalents	215,726	199,584
Trade and other receivables	18,841	21,527
Prepayments	12,752	11,442
Available-for-sale financial assets	138,977	126,871
Held-to-maturity investment	8,500	9,060
Financial liabilities		
Trade and other payables	52,688	52,393
Deferred revenue	108,484	96,891
Lease incentives	6,204	6,057
Interest bearing loans and borrowings	35,093	49,742

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:

	2018		2017	
	Foreign currency	AUD equivalent	Foreign currency	AUD equivalent
	$’000	$’000	$’000	$’000
Assets				
Cash				
USD	370	492	1,413	1,803
Euro	404	637	239	357
Total	**-**	**1,129**	**-**	**2,160**

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.

	2018	2017
	$'000	$'000
Profit or loss		
USD	49	180
Euro	64	36

(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	215,726	(1,079)	(1,079)	2,157	2,157
Available-for-sale financial assets	138,977	(695)	(695)	1,390	1,390
Held-to-maturity investment	8,500	(43)	(43)	85	85
Financial liabilities					
Bank loans - fixed interest rate	16,860	-	-	-	-
Finance leases	18,233	-	-	-	-
Total increase / (decrease)	**-**	**(1,817)**	**(1,817)**	**3,632**	**3,632**

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 2018 would have been unaffected as the equity investments are classified as available for sale and any increment or decrement in the fair value, with the exception of impairment, is an adjustment to other comprehensive income.

· other comprehensive income for the year ended 30 June 2018 would have increased/decreased by $2.274 million (2017 : $2.171 million) as a result of the change in the fair value of available for sale Australian 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.

The Society does not have any material credit risk exposures to any single receivable or group of receivables under financial instruments. The Society's largest receivable is from the Federal Department of Immigration and Border Protection (DIBP) which constitutes receipts in accordance with agreed terms. The Society also closed the overdraft facility on the DIBP during the year.

(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 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**
Year ended 30 June 2017							
Non-interest bearing		124,978	22,568	1,547	3,869	2,380	155,342
Finance lease liability	7.62%	506	1,023	7,738	18,234	-	27,501
Bank loan liability	8.63%	429	862	4,089	16,860	-	22,240
		125,913	**24,453**	**13,374**	**38,963**	**2,380**	**205,083**

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							
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**
Year ended 30 June 2017							
Non-interest bearing		127,224	-	-	-	-	127,224
Fixed interest rate instruments	2.64%	-	150,000	10,693	41,765	27,713	230,171
Variable interest rate instruments	1.54%	11,088	-	-	-	-	11,088
		138,312	**150,000**	**10,693**	**41,765**	**27,713**	**368,483**

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 2018					
Humanitarian Services	2,302,583	176,424	35,698	81,597	2,596,302
Blood Service	4,388,000	325,000	228,000	-	4,941,000
Total compensation	**6,690,583**	**501,424**	**263,698**	**81,597**	**7,537,302**
Year ended 30 June 2017					
Humanitarian Services	2,071,110	160,585	112,518	418,387	2,762,600
Blood Service	3,896,000	357,000	110,000	175,000	4,538,000
Total compensation	**5,967,110**	**517,585**	**222,518**	**593,387**	**7,300,600**

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

Note 28. KEY MANAGEMENT PERSONNEL (Continued)

Board members	
HUMANITARIAN SERVICES OPERATING DIVISION	**BLOOD SERVICE OPERATING DIVISION**
Mr Ross Pinney (President) (From December 2017)	Mr James Birch AM (Chair)
Mr Michael Legge AM (President) (To December 2017)	Ms Shelly Park (Chief Executive)
Ms Lyndal Herbert (Deputy President) (From December 2017)	Mr Nigel Ampherlaw
Ms Jan West AM (Chair of Audit and Risk Committee)	Professor Christopher Baggoley AO
Ms Dianne Buckles	Ms Hannah Crawford
Mr Charles Burkitt	Ms Jenni Mack
Mr John D Dorrian	Associate Professor Larry McNicol AM
Mr Colin Taylor (From December 2017)	Mr Ross Pinney (To December 2017)
Mr Ian Hamm	Professor John Zalcberg OAM
Ms Anne Macarthur OAM	Ms Fiona Balfour
Mr John Pinney AM	Ms Lyndal Herbert (From December 2017)
Ms Margaret Piper AM	
Ms Pearl Li	
Ms Sue Vardon AO (To October 2017)	
Ms Rose Rhodes (From October 2017)	
Ms Wendy Prowse	
Mr Sam Hardjono	
Mr James Birch AM	

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 Joanne Pink - Executive Director, Clinical Services and Research
Ms Kerry McGrath - Director, Community Programs	Ms Cath Stone - Executive Director, Donor Services (From January 2018)
Mr Noel Clement - Director, Migration, Emergencies & Movement Relations	Ms Cath Gillard - Executive Director, People and Culture
Mr Chris Wheatley - Director, Strategy, People & Performance	Dr Philip Nesci - Executive Director, Information and Communications Technology
Ms Penny Harrison - Director, Volunteering	Mr Greg Wilkie - Executive Director, Manufacturing
Mr Peter Walton - Director, International Programs	Mr Peter McDonald - Executive Director, Business Improvement
Ms Elaine Montegriffo - Director, People & Organisational Effectiveness (To May 2018)	Ms Frances Guyett - Executive Director, Innovation and Commercial Strategy (To September 2017)
	Mr Stuart Chesneau - Executive Director, Innovation and Commercial Strategy (From February 2018)
	Ms Marion Hemphill - General Counsel and Head of Government Relations
	Ms Janine Wilson Executive Director, Donor Services (To October 2017)

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:

	2018	2017
	$	$
Auditors of Australian Red Cross		
Deloitte Touche Tohmatsu		
Audit of financial report	434,000	354,500
Audit of acquittals in relation to specific purpose grants	88,880	93,630
Other non-audit services	257,000	148,000
Ernst & Young		
Internal audit services	237,634	234,113
Total Auditor's remuneration	**1,017,514**	**830,243**

[1]Other non-audit services relate to consulting fees for various technology projects including the 'Technology Architecture & Roadmap Service' and 'National Contact Centre Network Review' (2017: Blood Management Framework).

Note 30. RELATED PARTY DISCLOSURES

(a) Board members

The Board Members are disclosed in note 28.

Lyndal Herbert is an employee of KPMG who provided consulting services to Humanitarian Services during the year. She was not involved with the provision of the services by KPMG.

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.

(b) Executive Team

Penny Harrison's partner is the director of Strategy and Partnerships at RedR Australia. Humanitarian Services is negotiating a memorandum of understanding with RedR Australia to supply training to Humanitarian Services. Humanitarian Services also procures meeting space from RedR Australia for off-site meetings/workshops.

(c) Wholly-owned group

In states and territories where the Blood 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 $0.876 million (2017: $1.044 million) transacted between the Blood Service 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 2018, an aggregate of $0.815 million (2017: $0.772 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 2018

	Humanitarian services	Society	Humanitarian services	Society
	2018	2018	2017	2017
	$'000	$'000	$'000	$'000
REVENUE				
Donations and gifts[1]	71,003	71,003	74,760	74,760
Legacies and bequests	25,314	25,314	12,571	12,571
Grants				
• Department of Foreign Affairs and Trade	6,970	6,970	11,883	11,883
• other Australian	114,478	723,667	123,297	708,471
• other overseas	3,594	3,594	4,427	4,427
Investment income	4,312	11,763	3,253	11,285
Other income	28,758	40,695	10,073	22,241
Retail and commercial activities	17,839	17,839	25,916	25,916
Total revenue	**272,268**	**900,845**	**266,180**	**871,554**
EXPENDITURE				
International aid and development programs expenditure				
• funds to international programs	(25,245)	(25,245)	(26,676)	(26,676)
• program support costs	(4,718)	(4,718)	(4,700)	(4,700)
• community education[2]	(1,065)	(1,065)	(1,604)	(1,604)
Total international aid and development programs expenditure	**(31,028)**	**(31,028)**	**(32,980)**	**(32,980)**
Domestic programs				
• Blood service	-	(619,801)	-	(595,353)
• Migration support	(47,035)	(47,035)	(45,417)	(45,417)
• Social inclusion	(41,115)	(41,115)	(38,993)	(38,993)
• Community based programs	(35,605)	(35,605)	(36,069)	(36,069)
• Disaster and emergency services (including emergency appeals)	(9,906)	(9,906)	(11,077)	(11,077)
• Aboriginal & Torres Strait Islander programs	(4,568)	(4,568)	(7,073)	(7,073)
• other	(2,208)	(2,208)	(5,214)	(5,214)
Total domestic programs expenditure	**(140,437)**	**(760,238)**	**(143,843)**	**(739,196)**
Fundraising costs[3]				
• public, government, multilateral and private	(22,480)	(22,480)	(23,882)	(23,882)
Retail and Commercial activities	(32,485)	(32,485)	(35,144)	(35,144)
Remuneration review	(16,623)	(16,623)	(5,200)	(5,200)
Accountability and Administration	(42,638)	(42,638)	(34,749)	(34,749)
Total expenditure	**(285,691)**	**(905,492)**	**(275,798)**	**(871,151)**
(Deficiency)/Excess of revenue over expenditure from continuing operations	**(13,423)**	**(4,647)**	**(9,618)**	**403**

Income Statement (continued)

for the financial year ended 30 June 2018

	Humanitarian services	Society	Humanitarian services	Society
	2018	2018	2017	2017
	$'000	$'000	$'000	$'000
OTHER COMPREHENSIVE INCOME				
Items that will not be reclassified subsequently to profit or loss				
Actuarial gain on retirement benefit obligations	-	1,576	-	2,701
Net gain arising on investment revaluation	1,437	3,017	1,458	4,904
Other comprehensive income for the year	**1,437**	**4,593**	**1,458**	**7,605**
TOTAL COMPREHENSIVE (DEFICIT)/SURPLUS FOR THE YEAR	**(11,986)**	**(54)**	**(8,160)**	**8,008**

[1]1During the financial year nil (2017: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 (2017:nil) in the International Political or Religious Adherence Promotion program category.

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
27 October 2018

Deloitte.

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

27 October 2018

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 2018, 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.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

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 "Entity") which comprises the statement of financial position as at 30 June 2018, 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 Entity 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 Entity's financial position as at 30 June 2018 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 Entity 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 Entity 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.

Responsibilities of Management and the Board Members for the Financial Report

Management of the Entity 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 Entity 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 Entity or to cease operations, or has no realistic alternative but to do so.

The Board Members are responsible for overseeing the Entity'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 Entity'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 Entity'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 Entity 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.

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

Isabelle Lefevre
Partner
Chartered Accountants

Melbourne, 27 October 2018

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