Australian Red Cross Blood Service

ABN 50 169 561 394 003

Annual Financial Statements

FOR THE YEAR ENDED 30 JUNE 2019

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2019

	Notes	2019 $'000	2018 $'000
REVENUE			
Government funding:			
- Operating - Commonwealth funded		537,689	531,598
- Operating - State funded		26,550	23,733
Capital - Commonwealth and State funded		55,453	53,857
Total government funding		**619,692**	**609,188**
Investment income		9,783	7,451
Other income		13,453	11,939
Total revenue	5.2	**642,928**	**628,578**
EXPENDITURE			
Staff expenses	4	312,764	302,152
Consumables		114,621	106,532
Overheads		165,847	156,958
Depreciation and amortisation expense		52,122	50,512
Loss on disposal of non-current asset		116	1,128
Loss on disposal of other financial assets		36	665
Impairment losses of other financial assets		-	310
(Gain)/Loss on foreign exchange		(2)	21
(Increase)/Decrease in blood and blood products	7	(3,994)	1,525
Total expenditure	4	**641,510**	**619,803**
SURPLUS FOR THE YEAR	**5.3**	**1,418**	**8,775**
Items that will not be reclassified subsequently to profit or loss:			
Components of defined benefit (loss)/gain recognised in other comprehensive income	17.5	(1,252)	1,576
Items that may be reclassified subsequently to profit or loss:			
Net fair value (loss)/gain on financial instruments classified as at FVTOCI	18.4, 18.5	(429)	1,580
Other comprehensive (loss)/income for the year		**(1,681)**	**3,156**
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR*		**(263)**	**11,931**

	2019 $'000	2018 $'000
*** ANALYSIS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**		
Surplus of Main Operating Program	5,000	5,521
(Deficit)/Surplus of Capital Programs and Processing Centre Programs (net of depreciation and amortisation)	(7,386)	4,465
Surplus on External and Hosted Services	4,340	4,533
Movement in blood inventories, employee provisions and retirement benefit obligations	(1,389)	(2,612)
Loss on disposal of non-current assets	(116)	(1,128)
Loss on disposal of other financial assets (excluding Main Operating Program portion)	(285)	(97)
Impairment losses of other financial assets	-	(310)
Gain/(Loss) on foreign exchange	2	(21)
Net fair value (loss)/gain on financial instruments classified as at FVTOCI	(429)	1,580
TOTAL PROFIT AND OTHER COMPREHENSIVE INCOME FOR THE YEAR	**(263)**	**11,931**

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

STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

	Notes	2019 $'000	2018 $'000
ASSETS			
Current assets			
Cash and cash equivalents	20.2	199,823	172,913
Trade and other receivables	6	18,711	14,118
Inventories	7	22,902	18,046
Other financial assets	8	115,886	96,146
Total current assets		**357,322**	**301,223**
Non-current assets			
Property, plant and equipment	9	289,173	292,009
Intangible assets	10	27,530	35,595
Retirement benefit asset	17.2	-	768
Total non-current assets		**316,703**	**328,372**
TOTAL ASSETS		**674,025**	**629,595**
LIABILITIES			
Current liabilities			
Trade and other payables	11	53,028	39,078
Deferred Income	12	1,796	5,648
Borrowings	13	10,582	13,401
Provisions	14	67,555	62,891
Prepaid government funds	15	143,540	100,789
Other liabilities	16	984	938
Total current liabilities		**277,485**	**222,745**
Non-current liabilities			
Borrowings	13	11,110	21,692
Provisions	14	12,267	11,797
Retirement benefit plan obligations	17.2	514	-
Other liabilities	16	4,198	4,647
Total non-current liabilities		**28,089**	**38,136**
TOTAL LIABILITIES		**305,574**	**260,881**
NET ASSETS		**368,451**	**368,714**
EQUITY			
General reserve	18.1	229,624	232,531
Special reserve	18.2	72,152	74,856
Capital reserve	18.3	63,654	57,877
Investment revaluation reserve	18.4	837	770
Equity reserve	18.5	2,184	2,680
TOTAL EQUITY		**368,451**	**368,714**

The above statement of financial position should be read in conjunction with the accompanying notes.

STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2019

	Notes	General Reserve $'000	Special Reserve $'000	Capital Reserve $'000	Investment Revaluation Reserve $'000	Equity Reserve $`000	Total $'000
Balance at 1 July 2017		223,702	72,950	58,261	786	1,084	356,783
Surplus for the year		8,775	-	-	-	-	8,775
Components of defined benefit gain recognised in other comprehensive income	17.5	1,576	-	-	-	-	1,576
Net (loss)/gain arising on revaluation of other financial assets	18.4	-	-	-	(16)	1,596	1,580
Total comprehensive gain for the year		**234,053**	**72,950**	**58,261**	**770**	**2,680**	**368,714**
Transfer between reserves		(1,522)	1,906	(384)	-	-	-
Balance at 30 June 2018	**18, 19**	**232,531**	**74,856**	**57,877**	**770**	**2,680**	**368,714**
Balance at 1 July 2018		232,531	74,856	57,877	770	2,680	368,714
Surplus for the year		1,418	-	-	-	-	1,418
Components of defined benefit loss recognised in other comprehensive income	17.5	(1,252)	-	-	-	-	(1,252)
Net gain/(loss) arising on revaluation of other financial assets	18.4	-	-	-	67	(496)	(429)
Total comprehensive gain for the year		**232,697**	**74,856**	**57,877**	**837**	**2,184**	**368,451**
Transfer between reserves		(3,073)	(2,704)	5,777	-	-	-
Balance at 30 June 2019	**18, 19**	**229,624**	**72,152**	**63,654**	**837**	**2,184**	**368,451**

The above statement of changes in equity should be read in conjunction with the accompanying notes.

STATEMENT OF CASH FLOWS

For the year ended 30 June 2019

	Notes	2019 $'000	2018 $'000
Cash flows from operating activities			
Receipts from government and other sources (inclusive of goods and services tax) for:			
- Main Operating Program		635,461	623,997
- Capital Program		60,998	59,243
Payments to suppliers and employees (inclusive of goods and services tax)		(602,086)	(607,766)
Net cash inflows from operating activities	**20.1**	**94,373**	**75,474**
Cash flows from investing activities			
Payments for property, plant and equipment	9	(38,467)	(28,164)
Payments for intangibles	10	(3,108)	(18,756)
Payments to acquire financial assets		(49,413)	(32,846)
Proceeds from sale of financial assets		29,209	27,676
Proceeds from sale of property, plant and equipment		238	221
Dividends received		1,867	749
Interest received		7,916	6,702
Net cash outflows from investing activities		**(51,758)**	**(44,418)**
Cash flows from financing activities			
Interest paid		(2,306)	(3,562)
Repayment of borrowings		(13,401)	(14,648)
Net cash outflows from financing activities		**(15,707)**	**(18,210)**
Net increase in cash and cash equivalents		**26,908**	**12,846**
Cash and cash equivalents at the beginning of the financial year		172,913	160,088
Effect of exchange rate changes on cash and cash equivalents		2	(21)
Cash and cash equivalents at the end of the financial year	**20.2**	**199,823**	**172,913**

The above statement of cash flows should be read in conjunction with the accompanying notes.

1 GENERAL INFORMATION

The Australian Red Cross Blood Service (the Blood Service) is a division of the Australian Red Cross Society (the Society) which is a not-for-profit entity. The Society is an entity incorporated in Australia by Royal Charter and is a member of the International Federation of Red Cross and Red Crescent Societies.

The Blood Service is entrusted with the supply of Australia's blood and collects, processes and distributes life-saving blood and blood products as well as delivering world-class research and providing expertise in diagnostic, transplantation and other clinical services.

The Blood Service is domiciled in Australia, with its corporate office at 417 St Kilda Road, Melbourne, Victoria and operates in all States and Territories. The organisation operates four main processing and testing facilities plus a network of collection centres in metropolitan and regional areas across Australia, funded for this activity by the Commonwealth, State and Territory governments under a Deed of Agreement (the Deed) 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 National Blood Authority for no consideration.

2 APPLICATION OF NEW AND REVISED ACCOUNTING STANDARDS

2.1 Standards/Interpretations affecting amounts reported/disclosures in the financial statements of the current/prior period

The following new and revised Standards and Interpretations have been applied in the current period.

AASB 9 Financial Instruments	AASB 9 includes revised guidance on the classification and measurement of financial assets, including a new model for calculating impairment. Extensive new disclosure requirements apply.
AASB 15 Revenue from Contracts with Customers and AASB 2016-8 Amendments	The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract based five-step analysis of transactions to determine whether, how much and when revenue is recognised. The application of AASB 15 has been early adopted by the Blood Service and is effective for the reporting period commencing 1 July 2018.
AASB 1058 Income of Not-for-Profit Entities	AASB 1058 replaces the income recognition requirements relating to private sector not-for-profit entities, as well as the majority of income recognition requirements relating to public sector not-for-profit entities previously reflected in AASB 1004 Contributions. The application of AASB 1058 has been early adopted by the Blood Service and is effective for the reporting period commencing 1 July 2018.

The application of the above amendments has had an impact on the disclosures or amounts recognised in the financial statements.

AASB 15 Revenue from Contracts with Customers, AASB 1058 Income of Not-for-Profit Entities and AASB 2016-8 Amendments to Australian Accounting Standards - Australian Implementation Guidance for Not-for-Profit Entities

The Blood Service has opted to early adopt these standards effective 1 July 2018 and has applied the standard for the reporting period ended 30 June 2019.

AASB 15, AASB 1058 and AASB 2016-8 supersede the not-for-profit income recognition requirements previously in AASB 1004 Contributions and AASB 118 Revenue. The timing of income recognition depends on whether a transaction gives rise to a liability, a performance obligation or a contribution by owners related to an asset received by the Blood Service.

The Blood Service has adopted the modified retrospective approach whereby the new Standards will not be applied to contracts that are completed by the date of initial application of 1 July 2018. For the purposes of revenue recognition, completed contracts include contracts where revenue has previously been recognised in accordance with AASB 1004.

2 APPLICATION OF NEW AND REVISED ACCOUNTING STANDARDS (CONTINUED)

2.1 Standards/Interpretations affecting amounts reported/disclosures in the financial statements of the current/prior period (continued)

Key requirements of AASB 15:
The core principle is that revenue recognition is based on the transfer of promised goods or services (performance obligation) to the customers. Income recognition occurs when (or as) the performance obligations are satisfied. For each transaction, the following conditions must be assessed:
- Identify the contract(s) with a customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contract
- Recognise revenue when (or as) the entity satisfies a performance obligation

Key requirements of AASB 1058:
This Standard applies when a not-for-profit entity enters into transactions where the consideration to acquire an asset is significantly less than the fair value of the asset, principally to enable the entity to further its objectives. The entity will recognise and measure the asset at fair value in accordance with other applicable Australian Accounting Standards.

Significant judgements and estimates
The Blood Service has made a decision that in most customer contracts cases, expense is a good indicator of performance obligations being met and therefore revenue for contracts with sufficiently specific and enforceable performance obligations is recognised to match expenses. On exception, if it is determined that expenses are not materially representative of meeting performance obligations, an alternate measure would be considered.

All contracts with customers have been considered enforceable for the purpose of AASB 15 as the funder may have a remedy through common law, various state statutes and various state based laws.

The Blood Service has determined that there are no significant contract costs, refund assets or refund liabilities to be recognised under AASB 15.

The implementation of AASB 15 and AASB 1058 has resulted in no restatement to the financial statements as disclosed in note 5.2.

AASB 9 Financial Instruments

AASB 9 Financial Instruments is replacing AASB 139 Financial Instruments: Recognition and Measurement. The Blood Service has applied the new standard for the reporting period ended 30 June 2019.

Key requirements of AASB 9:
All recognised financial assets that are within the scope of AASB 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at Fair Value Through Other Comprehensive Income (FVTOCI).

All other debt and equity financial instruments are measured at their fair value at the end of subsequent accounting periods. In addition, under AASB 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading nor contingent consideration recognised by an acquirer in a business combination) in Other Comprehensive Income, with only dividend income generally recognised in profit or loss.

The Blood Service has elected to measure all debt and equity financial instruments as financial assets at fair value through other comprehensive income (FVTOCI) with changes in net fair value also being recognised in other comprehensive income. Interest and dividend income earned is recorded as investment income in the Statement of Profit or Loss and Other Comprehensive Income. When debt instruments are derecognised, the cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss. However, the cumulative gains or losses on disposal of equity investments are not be reclassified to profit or loss, instead, it is transferred to retained earnings.

As at the reporting date, the directors of the Blood Service have assessed as follows:

- Listed equities and corporate bonds previously classified as available-for-sale investments and carried at fair value, are classified as equity instruments designated and debt instruments classified as at FVTOCI (respectively) under AASB 9 (see note 8). The Blood Service has made an irrevocable election to present subsequent changes in the fair value of equity investment (that is not held for trading) in other comprehensive income, with only dividend income recognised in profit or loss.

2 APPLICATION OF NEW AND REVISED ACCOUNTING STANDARDS (CONTINUED)

2.1 Standards/Interpretations affecting amounts reported/disclosures in the financial statements of the current/prior period (continued)

• All other financial assets and financial liabilities are continued to be measured on the same bases as is currently adopted under AASB 139.

The transition provisions within AASB 9 require the standard to be applied retrospectively but do not require restatement of opening balances. Rather, the standard requires all changes in fair value on adoption of the standard to be recognised in opening retained earnings. The Blood Service has elected to retrospectively apply this standard with the exception of applying it to items that are derecognised at the date of initial application, and to restate the comparatives without the use of hindsight.

2.2 Standards and Interpretations in issue but not yet effective

At the date of authorisation of the financial statements, the Standards and Interpretations listed below were in issue but not yet effective. The adoption of these Standards and Interpretations may have an impact on future financial reports.

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 16 Leases	1 January 2019	30 June 2020

AASB 16 - Leases
The Blood Service has commenced assessment of the new and revised Standards and Interpretations issued but not effective. The Blood Service will adopt this standard effective 1 July 2019, for the reporting period ending 30 June 2020.

AASB 16 defines a lease as “a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration”. Subject to the exemptions, a lessee is required to recognise its leases on the balance sheet. This involves recognising:
• A ‘right-of-use’ asset; and
• A lease liability.

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

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

The Blood Service has the following types of leases:
• Property including 8 leases classified as 'peppercorn leases'
• Vehicle; and
• Office equipment

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

3.1 Statement of compliance

For the purposes of these financial statements, the Blood Service is a not-for-profit private sector entity. These financial statements are general purpose financial statements, which have been prepared in accordance with the Australian Accounting Standards and Interpretations, and comply with other requirements of the law. Due to the application of Australian specific provisions for not-for-profit entities, the financial statements and notes to the financial statements are not necessarily compliant with International Financial Reporting Standards (IFRS).

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Statement of compliance (continued)

The financial statements were authorised for issue by the Board of the Blood Service on 24 September 2019.

3.2 Basis of preparation

The financial statements have been prepared on an accruals basis and are based on historical cost, except for the revaluation of financial instruments on 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. All amounts are presented in Australian dollars, unless otherwise noted. The financial statements have been prepared on a going concern basis.

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

For disclosure purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurement are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for the identical asset or liability that the entity can access at measurement date;
- Level 2 inputs are inputs other than quoted prices (i.e. 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.

3.3 Critical accounting estimates and judgements

In the application of the Australian Accounting Standards and the Blood Service's accounting policies, management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and judgements are based on historical experience and various other factors that are considered reasonable and relevant under the circumstances. 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.

Judgements made by management in the application of Australian Accounting Standards that have significant effects on the financial statements and estimates with a significant risk of material adjustment to the carrying amounts of assets and liabilities within the next financial year are disclosed. Where applicable, estimates and judgements relating to specific accounting policies are disclosed in the relevant notes to the financial statements.

The Blood Service defined benefit obligation and other long-term employee benefits are discounted using the high quality corporate bond rate, published by the actuarial firm Milliman, to calculate employee liability obligations.

3.4 Foreign currency translation

3.4.1 Functional and presentation currency

Items included in the financial statements of the Blood Service are measured using the currency of the primary economic environment in which the Blood Service operates (the functional currency). The financial statements are presented in Australian dollars, which is the Blood Service's functional and presentation currency.

3.4.2 Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end of exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the surplus or deficit, except when they are deferred in equity as qualifying cash flow hedges.

3.5 Rounding of amounts

Amounts in the financial statements have been rounded off to the nearest thousand dollars ($'000) unless otherwise stated.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 Property, plant and equipment

Property, plant and equipment is stated at historical cost less depreciation and any impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Blood Service and the cost of the item can be measured reliably. The carrying amount of any replaced parts is derecognised. All other repairs and maintenance cost are recognised in the surplus or deficit during the reporting period in which they are incurred.

Depreciation is provided on property, plant and equipment, including leasehold buildings but excluding freehold land. Depreciation is calculated using the straight-line method to allocate cost or revalued amounts, net of their residual values, over their estimated useful lives. Depreciation rates applied in 2019 were:

	Period	**Rate**
Freehold buildings	40 years	2.5%
Leasehold improvements	Shorter of lease period or useful life	
Computer equipment	4 years	25.0%
Plant and equipment	8 - 10 years	10.0% - 12.5%
Leased furniture, fittings and equipment	5 - 10 years	10.0% - 20.0%
Motor vehicles	4 - 10 years	10.0% - 25.0%

All asset residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing the net proceeds with the carrying amount. These are included in the surplus or deficit. Both freehold buildings and leasehold improvements are presented as part of the land & buildings category - see note 9.

3.7 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 included in the surplus or deficit. 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:

	Period	**Rate**
Intangibles (Software)	4 years	25.0%

3.8 Impairment of assets

At each reporting date, the Blood Service management reviews the carrying values of assets to determine whether there is any indication that these assets have suffered an impairment loss. If any such indicators exist, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and 'value in use'. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows, which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Assets that suffered an impairment are reviewed for possible part or full reversal of the impairment at each reporting date.

Future economic benefits of the Blood Service’s assets are not primarily dependent on their ability to generate net cash inflows and if deprived of a particular asset, the Blood Service would replace the asset’s remaining future economic benefits. ‘Value in use’ calculations are therefore determined as the depreciated replacement cost of each 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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.9 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are recognised in the surplus or deficit in the period in which they are incurred. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

3.10 Leases

3.10.1 Finance leases

Leases of property, plant and equipment where the Blood Service has substantially assumed all the risks and rewards incidental to ownership are classified as finance leases - see note 9.2. Finance leases are capitalised at the lease's inception at either the lower of the fair value of the leased property or at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding rental obligations to the lessor, net of finance charges, are included on the statement of financial position as a finance lease obligation. Each lease payment is allocated between the liability and the finance cost. The finance cost is recognised in the surplus or deficit over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The property, plant and equipment acquired under finance leases are depreciated over the shorter of the estimated useful life of the asset and the lease term.

3.10.2 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 expense. Payments made under operating leases are recognised as an expense in the surplus or deficit on a straight-line basis over the lease term unless another systematic basis is more representative of the time pattern of the benefit gained from the lease.

3.10.3 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. The current amount refers to amounts to be recognised in the surplus or deficit within the 12 months after the reporting date. The non-current amount will be recognised in the surplus or deficit in subsequent financial years. Refer to note 16.

3.11 Inventories

Australian Accounting Standards require inventories of a not-for-profit entity to be measured at the lower of cost and current replacement cost, where current replacement cost is defined as the cost the entity would incur to acquire the asset on the reporting date. The Blood Service has the following categories of inventories.

3.11.1 Consumables

Consumables are used by the Blood Service in providing products and services, and are measured at the lower of cost and current replacement cost. Consumables inventory has been valued at weighted average cost.

3.11.2 Blood and blood products (inventories held for distribution)

Australian Accounting Standards define inventories held for distribution by a not-for-profit entity as assets where they display three essential characteristics as follows: (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. 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 operating divisions incurred in the collection, processing and testing of blood.

3.11 Inventories (continued)

3.11.2 Blood and blood products (inventories held for distribution) (continued)

The Blood Service collects domestic raw plasma, which is issued to CSL Limited ('CSL') for fractionation into manufactured products. CSL manufacture and import fractionated plasma products, which are distributed by the Blood Service in Australia. 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.

The inventory valuation at the end of the reporting period includes:

- 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
- All products held in 'work in progress' at the Blood Service.

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.

3.12 Trade and other receivables

Trade receivables are recognised and carried at original invoice amount less provision for impairment. The carrying value less impairment of trade receivables are assumed to approximate their fair values due to their short-term nature. Trade receivables are generally due for settlement within 30 days. No interest is charged on outstanding trade receivables.

Collectability of trade receivables is reviewed on an ongoing basis. A provision for impairment of trade receivables is established when there is objective evidence that the Blood Service will not be able to collect all the amounts due according to the original terms of the trade receivables. The Blood Service writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery such as when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the trade receivables are over two years past due, whichever occurs earlier. The amount of the provision is the difference between the receivables carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial. The amount of the provision is recognised in the surplus or deficit.

Other receivables predominantly consist of prepayments of trade invoices, which are recognised and carried at the original invoice amount and expensed during the period.

3.13 Cash and cash equivalents

For the statement of cash flows presentation purposes, cash and cash equivalents include cash on hand, deposits held at call with financial institutions, 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, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

3.14 Non-derivative financial instruments

Financial instruments are recognised in the statement of financial position when the Blood Service becomes a party to the contractual provisions of the instrument. Financial instruments are initially measured at fair value. Transaction costs that are directly attributable to the acquisition are added to the fair value of the financial instrument on initial recognition. Subsequent to initial recognition, these financial instruments are measured at fair value through other comprehensive income (FVTOCI).

3.14.1 Financial assets

Financial assets are recognised and derecognised on trade date basis. All recognised financial assets are measured subsequently in their entirety at fair value at reporting date.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.14 Non-derivative financial instruments (continued)

3.14.1 Financial assets (continued)

3.14.1.1 Equity instruments designated as at FVTOCI

Investments in equity instruments designated as at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the equity reserve (see note 18.5). The cumulative gain or loss is not be reclassified to the surplus or deficit on disposal of the equity investments, instead, it is transferred to retained earnings.

Dividends received from investments in equity instruments are recognised in the surplus or deficit, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in investment income on the statement of profit or loss and other comprehensive income.

The Blood Service has designated all investments in equity instruments that are not held for trading as at FVTOCI on initial application of AASB 9.

3.14.1.2 Debt instruments classified as at FVTOCI

Bonds held by the Blood Service are classified as at FVTOCI. These listed and unlisted bonds are initially measured at fair value plus transaction costs (see note 8). Subsequently, changes in the carrying amount of these bonds as a result of foreign exchange gains and losses, impairment gains or losses, and interest income calculated using the effective interest method are recognised in the surplus or deficit. All other changes in the carrying amount of these corporate bonds are recognised in other comprehensive income and accumulated in the investments revaluation reserve (see note 18.4). When these bonds are derecognised, the cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

3.14.2 Fair value estimation

The fair value of financial assets 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 arm's length transactions and reference to similar instruments.

3.14.3 Impairment of financial assets

At each reporting date, the Blood Service assesses whether there is objective evidence that a financial asset may be impaired. A prolonged or significant decline in the value of the instrument is considered when determining whether an impairment has arisen.

The Blood Service recognises an impairment gain or loss for all financial instruments in the surplus or deficit, with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the impairment loss is recognised in other comprehensive income and accumulated in the investment revaluation reserve (see note18.4), and does not reduce the carrying amount of the financial asset in the statement of financial position.

3.14.4 Derecognition of financial assets

The Blood Service derecognises a financial asset 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.

On derecognition of a financial asset measured at amortised cost, the difference between the asset’s carrying amount and the sum of the consideration received and receivable is recognised in the surplus or deficit. On derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve (see note 18.4) is reclassified to the surplus or deficit. In contrast, on derecognition of an investment in equity instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the equity reserve (see note 18.5 is not reclassified to the surplus or deficit, but is transferred to retained earnings.

3.14.5 Financial liabilities

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

The Blood Service derecognises financial liabilities when, and only when, the obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in surplus or deficit.

3.15 Borrowings

All borrowings are initially recognised 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 the effective interest rate method. Amortised cost is calculated by taking into account any issue costs and any discount of premium on settlement.

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

Borrowings payable within 12 months are classified as current liabilities. Borrowings are classified as non-current where the Blood Service has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

3.16 Trade and other payables

These amounts represent liabilities for goods and services provided to the Blood Service 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 less impairment of trade payables are assumed to approximate their fair values due to their short-term nature.

3.17 Provisions

Provisions are recognised when the Blood Service has a present obligation (legal or constructive) as a result of past events, 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 provisions for make good of property leases and employee benefits - see note14. Employee benefits provisions are discounted using high quality corporate bond yields as set out in AASB 119 Employee Benefits. All other provisions are discounted using the government bond yields.

3.17.1 Employee benefits

3.17.1.1 Short-term and long-term 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 - see note 14.1. All other short-term employee benefit obligations are presented as payables - see note 11.

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 Blood Service in respect of services provided by employees up to the reporting date - see note14.1. Expected future payments are discounted using high quality corporate bond yields at the reporting date with terms to maturity and currency that match, as closely as possible, to the estimated future cash outflows. Consideration is given to future wage and salary levels, experience of employee departures and periods of service.

3.17.1.2 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. A liability for a termination benefit is recognised at the earlier of when the entity can no longer withdraw the offer of the termination benefit and when the entity recognises any related restructuring costs. Benefits falling due more than 12 months after statement of financial position date are discounted to present value and classified as non-current.

3.18 Retirement benefit obligations

The Blood Service contributes to various staff retirement plans to provide employees with benefits on death or retirement. The defined benefit plans provide lump sum benefits based on years of service and final average salary.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.18 Retirement benefit obligations (continued)

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 - see note 17.

Defined benefit costs are categorised as follows:
- Service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);
- Net interest expense or income; and
- Remeasurement.

3.19 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as income are net of returns and rebates.

Details of the activity specific recognition criteria are described below:

3.19.1 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 surplus for the purposes outlined in the principles. If the annual surplus is more than $5 million in any year then the surplus 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 (2019: $69.814 million, 2018: $39.657 million) are recorded as a liability within contract liabilities prepaid government funds (see note 15). In this reporting period, the Blood Service retained a nil balance (2018: $0.520 million) from the Research and Development (R&D) grant.

3.19.2 Government grants

The concept of reciprocal and non-reciprocal transactions governed by AASB 1004 Contributions and AASB 118 Revenue has been replaced by an assessment of each funding stream in terms of the existence and enforceability of a contract and specificity of the performance obligations.

A number of the Blood Service programs are supported by grants received from Commonwealth and State governments.

The Blood Service reviews the terms and conditions of each grant to determine if the requirements of AASB 15 Revenue from Contracts with Customers are met. If AASB 15 applies to a transaction or part of a transaction, the Blood Service applies the general principles of this standard to determine the appropriate revenue recognition. Under AASB 15, the Blood Service recognises revenue when (or as) the performance obligation is satisfied. Any income received where the performance obligation is not yet satisfied as at reporting date, is recorded as deferred income (see note 12).

Where a grant or other income does not meet the requirements of AASB 15, the Blood Service considers the application of AASB 1058 Income of Not-for-Profit Entities.

Under AASB 1058, the Blood Service will recognise and measure the asset received, at fair value in accordance with other applicable Australian Accounting Standards. Upon initial recognition of the asset, this Standard requires the Blood Service 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. Under AASB 1058, the Blood Service recognises revenue immediately, upon receipt.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.19 Revenue recognition (continued)

3.19.2 Government grants (continued)

AASB 1058 also prescribes specific accounting requirements for capital grants. The following criteria must be met for a capital grant to be recorded:
• The Blood Service must use that financial asset to acquire or construct a non-financial asset of identified specifications
• The Blood Service will control the asset post acquisition or construction (i.e. no requirement to transfer asset back to transferor or other parties)
• Arrangement must occur under an enforceable agreement (but not a contract with a customer)

Income is recognised as and when the performance obligation is satisfied. As at reporting date, the Blood Service does not have any capital grants.

The Blood Service has elected not to recognise the receipt of volunteer services as income, asset or expense as the fair value of the services received cannot be measured reliably.

As part of the revised standard, the AASB has approved a decision to provide a temporary option for not-for-profit entities to initially measure the right-of-use assets arising from peppercorn leases, at cost, instead of fair value. The Blood Service currently has 8 peppercorn leases for consideration at the relevant time.

3.19.3 Investment income

3.19.3.1 Interest

Interest income is recognised as it accrues using the effective interest rate method, which is the rate that discounts estimated future cash receipts through the expected life of the financial instrument to the carrying amount of the financial asset.

3.19.3.2 Dividends

Dividend income is recognised when the Blood Service's right to receive payment has been established, it is probable that the economic benefit will flow to the Blood Service and the amount can be measured reliably.

3.19.4 Other income

The Blood Service receives other income, which is generated from the provision of some testing services and products and services on a fee-for-service basis. Income is recognised on an accruals basis.

3.20 Income tax

The Blood Service, being a division of the Society and a charitable organisation, is exempt from income tax under subsection 50.5 of the Income Tax Assessment Act 1997.

3.21 Goods and Services Tax (GST)

Revenues and expenses are recognised net of the amount of GST except where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable.

Receivables and payables are stated with the amount of GST included. 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 and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority, is classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

3.22 Economic dependency

A significant portion of revenue is received by way of recurrent and capital grants from the 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.

4 EXPENDITURE

The following expenses are included in the surplus for the year:

	Notes	2019 $'000	2018 $'000
Salaries & wages		284,040	276,335
Superannuation guarantee		26,017	24,943
Components of defined benefits recognised in surplus	17.5	30	59
Termination benefits		2,677	815
Total staff expenses		**312,764**	**302,152**
Consumables		114,621	106,532
Other overheads		134,234	124,907
Workers compensation costs		2,543	2,248
Minimum operating lease payments		26,764	26,241
Interest & finance charges - finance leases		2,306	3,562
Depreciation	9	41,306	39,604
Amortisation	10	10,816	10,908
Loss on disposal of non-current assets		116	1,128
Loss on disposal of other financial assets		36	665
Impairment losses of other financial assets		-	310
(Gain)/Loss on foreign exchange		(2)	21
(Increase)/Decrease in blood and blood product inventory	7	(3,994)	1,525
Total other expenses		**328,746**	**317,651**
Total expenditure		**641,510**	**619,803**

5 REVENUE AND RESULTS FROM FUNDED PROGRAM

5.1 Funded programs

5.1.1 Main operating program

The NBA co-ordinates and funds, on behalf of the Commonwealth, State and Territory governments, national arrangements between the Blood Service and governments for the supply of blood and blood related products and services. These arrangements were first formalised in August 2006 under a Deed between the NBA and the Australian Red Cross Society, which was replaced by a new Deed for the period 1 July 2016 to 30 June 2025. A Funding and Service Agreement, which sits under the Deed, reflects day-to-day operations and includes an Output Based Funding Model which applies to three-year funding cycles. The current three- year cycle ends on 30 June 2019. The next cycle commences on 1 July 2019.

5.1.2 Capital programs

The arrangement with the NBA provides for capital funding up to 10% of the Main Operating Program funding for the financial year. Capital funding is from State, Territory and Commonwealth governments and is recognised as revenue when the Blood Service obtains control of the grant funds.

Activities during the reporting period include Infrastructure and Application Hosting Upgrades, End User Technologies Refresh, Data Centre Relocation, Testing Future State, LabNet, Plasma Machine Replacement, Human Capital Management and ISBT - 128 Labelling Standards. In addition, the remainder of the finance lease for the Brisbane Processing Centre Refurbishment was paid out in December 2018.

5.1.3 External and hosted services

The Blood Service also receives grants from the Commonwealth, State and Territory governments for the provision of transplantation services, tissue typing, organ donor program and the Australian Bone Marrow Registry.

5.1.4 Other operating activities

Other operating activities predominantly consist of special grant funding for repayments of borrowings on the Sydney and Melbourne Processing Centres. Interest revenue includes interest earned on special and capital reserves and unallocated prior year surplus funds. Other external revenue was received from third parties and donations.

5 REVENUE AND RESULTS FROM FUNDED PROGRAM (CONTINUED)

5.2 Revenues by programs

The new accounting policies for revenue and income for not-for-profit in accordance with AASB 15 and AASB 1058 respectively, are provided in the note 3.19.

Set out below, are the amounts by which each financial statement line item is affected as at and for the year ended 30 June 2019 as a result of the adoption of AASB 15 and AASB 1058. The adoption of AASB 15 and AASB 1058 did not have a material impact on Other Comprehensive Income or the Blood Service's operating, investing and financing cash flows.

Statement of financial position	**2019 $'000**	**2018 $'000**
Trade and other payables	-	(5,648)
Deferred income	1,796	5,648
	1,796	**-**

Statement of profit or loss and other comprehensive income	**AASB 15 $'000**	**AASB 1058 $'000**	**Total $'000**	**Previous (AASB 1004 & AASB 118) $'000**	**Increase/ (Decrease)**
2019					
Government funding:					
- Operating - Commonwealth funded	510,348	27,341	537,689	537,689	-
- Operating - State funded	26,210	340	26,550	26,550	-
- Capital - Commonwealth and State funded	-	55,453	55,453	55,453	-
Investment income	4,917	4,866	9,783	9,783	-
Other income	8,654	4,799	13,453	13,453	-
Total revenue	**550,129**	**92,799**	**642,928**	**642,928**	**-**
2018					
Government funding:					
- Operating - Commonwealth funded	504,872	26,726	531,598	531,598	-
- Operating - State funded	23,403	330	23,733	23,733	-
- Capital - Commonwealth and State funded	-	53,857	53,857	53,857	-
Investment income	3,595	3,856	7,451	7,451	-
Other income	9,230	2,709	11,939	11,939	-
Total revenue	**541,100**	**87,478**	**628,578**	**628,578**	**-**

There were no adjustments as at 1 July 2018 and therefore no reasons for any significant changes in the statement of financial position and statement of profit or loss and other comprehensive income for the reporting period.

5 REVENUE AND RESULTS FROM FUNDED PROGRAM (CONTINUED)

5.2 Revenues by programs (continued)

5.2.1 Disaggregation

The Blood Service derives revenue and income from:

	Government	Investment Income	Other	Total
2019				
Main Operating Program	520,552	4,780	2,977	528,309
Capital programs	55,453	2,220	2,141	59,814
External and hosted services	30,989	213	8,301	39,503
Other operating activities	12,698	2,570	34	15,302
Total revenues by programs	**619,692**	**9,783**	**13,453**	**642,928**

	Government	Investment Income	Other	Total
2018				
AASB 15				
Main Operating Program	514,853	3,390	3,659	521,902
Capital programs	53,857	1,720	574	56,151
External and hosted services	27,880	267	7,552	35,699
Other operating activities	12,598	2,074	154	14,826
Total revenues by programs	**609,188**	**7,451**	**11,939**	**628,578**

5.2.2 Accounting policies and significant judgements - Revenue from Contracts with Customers (AASB 15)

Output Based Funding - Operating
The Output Based Funding Model principles contract obligates the Blood Service to collect, test, manufacture and distribute fresh blood and plasma products in accordance with the guidance, goals and objectives provided in the Deed.

Based on the terms and conditions of the Output Based Funding Model Principles there is a single performance obligation; the promise to supply blood products over the period of the Output Based Funding Model contract. Revenue is recognised as the Blood Service transfers the blood products to CSL and Approved Health Providers, therefore, as and when the performance obligation is satisfied.

There is no significant financing component, as the period from when the funds are received and the service is provided is less than 12 months.

External and Hosted Services
Other revenue within the scope of AASB 15 is related to the following projects classified under the External and Hosted Services program:
- Cytokine Profiles Research
- International Programs
- OrganMatch
- Tissue Typing and Bone Marrow Donor Centre

The Blood Service responds to the demands and work required by the funder. The activity levels are primarily a result of patient or product demand and therefore the contract merely specifies 'expected' activity levels instead of specific key performance indicators linked to funding. The revenue is recognised over time where the specified customer or beneficiary receives and consumes the benefits as Blood Service performs these services throughout the reporting period.

For revenue recognition, these activities create a single performance obligation and revenue is recognised at a point in time when the service is performed. Any unused funds are to be returned to the funders unless otherwise specified/agreed. An annual acquittal is submitted to the funder in addition to periodic reports detailing the throughput and activities, types of tests and number of donors.

5.2.2.1 Unsatisfied performance obligations

Remaining performance obligations represent services the Blood Service has promised to provide to customers, which are satisfied as services are provided over the contract term.

5 REVENUE AND RESULTS FROM FUNDED PROGRAM (CONTINUED)

5.2 Revenues by programs (continued)

5.2.2 Accounting policies and significant judgements - Revenue from Contracts with Customers (AASB 15) (continued)

5.2.2.1 Unsatisfied performance obligations (continued)

The remaining performance obligations consists of revenue which is recognised based on the 'right to invoice', and as permitted under the practical expedient of AASB 15.121, the transaction price allocated to these unsatisfied performance obligations, is not disclosed in the below amounts.

As permitted under the transitional provisions in AASB 15, the transaction price allocated to partially unsatisfied performance obligations as of 30 June 2019 is not disclosed.

5.2.2.2 Assets and liabilities related to contracts with customers

The Blood Service has recognised the following assets and liabilities related to contracts with customers:

	2019 Closing balance $'000	2019 Opening balance $'000	2018 Closing balance $'000	2018 Opening balance $'000
Deferred Income	1,796	5,648	5,648	8,822
Total	**1,796**	**5,648**	**5,648**	**8,822**

The revenue recognised in the reporting period that was included in deferred revenue (or contract liability) at the beginning of the period was $3.852 million. There is no revenue recognised in the reporting period from performance obligations satisfied (or partially satisfied) in previous periods.

5.2.2.3 Right of refund liabilities

The Blood Service has not recognised any right of return assets and refund liabilities related to contracts with customers.

5.2.3 Accounting policies and significant judgements - Income of Not- for-Profit Entities (AASB 1058)

Output Based Funding - Capital

The arrangement with the Blood Service and the NBA provides for capital funding comprising 10% of the funding for the Main Operating Program for the financial year. Capital funding received in one year may be carried forward and expended in future years. Output Based Funding Model capital grants are made up of property refurbishments (including donor centres and processing centres), purchasing or constructing equipment that is to be retained by the Blood Service. This equipment may consist of laboratory equipment, testing facilities, tools and machinery used to process blood products as well as replacement or purchase of equipment used for administration purposes.

Output Based Funding Model capital expenditure is based on a list of broader activities, which are outlined in the Annual Capital Plan and the Strategic Capital Investment Plan. These plans address the strategic, regulatory and general business needs of the organisation. Prepared annually by the Blood Service and approved by the Board and National Blood Authority, it is ultimately viewed as funds provided principally to enable the Blood Service to further its objectives. Whilst it is related to the Deed of Agreement, it not directly correlated to the Annual Supply Estimate.

Though an enforceable agreement, it does not contain sufficiently specific performance obligations to transfer a good or service. Output Based Funding Model capital funding does not meet the definition of a capital grant (AASB 1058-para 15a-c) specifically due to failing to meet the requirement of 'construct/acquire a recognisable non-financial asset to identified specification'. The income is therefore recognised at a point in time as the capital funding is received.

Research and development grants

At the Blood Service, 70 researchers, located in three states, collaborate with colleagues across the organisation, throughout Australia and internationally, to deliver practical outcomes grounded in scientific rigour.

The research and development operating grant funding primarily funds the day-to-day operational expenditure of research and development activities. These funds do not result in the acquisition or construction of any recognisable non-financial assets nor do they give rise to specific performance obligations. Though an enforceable agreement, it does not contain sufficiently specific performance obligations to transfer a good or service.

5 REVENUE AND RESULTS FROM FUNDED PROGRAM (CONTINUED)

5.2 Revenues by programs (continued)

5.2.3 Accounting policies and significant judgements - Income of Not- for-Profit Entities (AASB 1058) (continued)

The research and development capital grant is used on capital expenditure that falls within one of five strategic themes outlined in the research and development framework. The objectives and purpose that underpin the capital portion of this framework are similar in nature to the Output Based Funding Model capital agreement. Additionally, it is considered that any intellectual property rights that may arise from research and development activity will not result in intangible assets that the Blood Service would control. Income on these funds is recognised as the Blood Service obtains or establishes the right to receive these funds from the NBA, which is at a point in time when capital funding is received.

Others

The Blood Service receives income for various other programs including:

• Milk Bank - funding received from the Ministry for Health SA and NSW Health for the provision of a safe, secure and reliable source of donated breast milk. Revenue is received based on supply and recognised immediately.

• International programs - funding received for Secretariat services from the Global Advisory Panel and Asia Pacific Blood Network. The income is recognised immediately when the funds are received.

• Donations - income is recognised immediately when the monies are received.

5.2.3.1 Volunteer services

At the Blood Service, there are approximately 1,500 volunteers who provide a valuable voluntary contribution. The Blood Service has elected not to recognise the receipt of volunteer services as income, asset or expense as the fair value of the services received cannot be measured reliably.

5.2.3.2 Transfers of financial asset to acquire or construct a non-financial asset

The Blood Service has had no transfer of financial assets to acquire or construct a non-financial asset.

5.2.3.3 Restrictions

There are no externally imposed restrictions that limit or direct the purpose for which resources controlled by the Blood Service may be used.

5.3 Reconciliation of surplus for the year

	Notes	2019 $'000	2018 $'000
Surplus of Main Operating Program		5,000	5,521
(Deficit)/Surplus of Capital Programs and Processing Centre Programs (net of depreciation and amortisation)		(7,386)	4,465
Surplus on External and Hosted Services		4,340	4,533
Provision for employee entitlements		(4,101)	(2,604)
Loss on disposal of non-current assets		(116)	(1,128)
Loss on disposal of other financial assets (excluding MOP portion)		(285)	(97)
Impairment losses of other financial assets	18.4	-	(310)
Gain/(Loss) on foreign exchange		2	(21)
Components of defined benefit costs recognised in surplus	17.5	(30)	(59)
Increase/(Decrease) in blood and blood product inventory	7	3,994	(1,525)
Surplus for the year		**1,418**	**8,775**

6 TRADE AND OTHER RECEIVABLES

	2019 $'000	2018 $'000
Trade receivables	1,493	1,911
Total trade receivables	**1,493**	**1,911**
Accrued income	1,947	2,655
Prepayments	14,587	8,745
Good and services tax receivables	684	807
Total other receivables	**17,218**	**12,207**
Total trade and other receivables	**18,711**	**14,118**

Trade receivables are non-interest bearing and are generally on 30-day terms for products and services provided to customers on a fee-paying basis funded primarily by governments and hospitals, and to a smaller extent, by private patients.

	2019 $'000	2018 $'000
Ageing of past due but not impaired trade receivables		
1 to 30 days	227	456
31 to 60 days	55	226
61 to 90 days	38	60
91 to 120 days	40	11
Over 120 days	83	23
Total amount of past due but not impaired trade receivables	**443**	**776**

Trade receivables are reviewed regularly for recoverability. Government and hospital debts are considered recoverable. Where debts are assessed to be non-recoverable from private patients, these are written off in certain circumstances.

7 INVENTORIES

	2019 $'000	2018 $'000
7.1 Inventory of blood and blood products		
Blood and blood products	12,596	8,647
Work in progress	1,108	1,063
Total inventory of blood and blood products	**13,704**	**9,710**
7.2 Consumables inventory		
Consumables	9,198	8,336
Total consumables inventory	**9,198**	**8,336**
Total inventories	**22,902**	**18,046**

8 OTHER FINANCIAL ASSETS

8.1 Debt and equity instruments classified as at FVTOCI

	2019 $'000	2018 $'000
Current		
Australian equities	25,414	26,849
Bonds - listed	3,408	11,634
Bonds - unlisted	87,064	57,663
Total current other financial assets	**115,886**	**96,146**

8.2 Fair value measurements recognised in the statement of financial position

Level 2 investments are independently priced by a third party who perform valuations of financial assets for reporting purposes. The valuation model uses an adapted version of the Australian Government Treasury Adjustable Rate Bond formula to derive evaluations of floating rate securities. Traded margins are set using one of three possible methods:
1) average of traded margin information received from market participants on a daily basis;
2) with reference to new issues for more illiquid issues; or
3) with reference to asset swap margins of fixed rate bonds plus a spread of 2-5 basis points to reflect illiquidity.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, categorised into levels 1 to 3 based on the degree to which the fair value is observable, as described in note 3.2.

Debt and equity instruments classified as at FVTOCI

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
2019				
Australian equities	25,414	-	-	25,414
Bonds - listed	3,408	-	-	3,408
Bonds - unlisted	-	87,064	-	87,064
Total	**28,822**	**87,064**	**-**	**115,886**

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
2018				
Australian equities	26,849	-	-	26,849
Bonds - listed	11,634	-	-	11,634
Bonds - unlisted	-	57,663	-	57,663
Total	**38,483**	**57,663**	**-**	**96,146**

There were no transfers between levels in the reporting period.

9 PROPERTY, PLANT AND EQUIPMENT

	Notes	Land & buildings $'000	Computer equipment $'000	Plant & equipment $'000	Leased furniture, fittings & equipment $'000	Motor vehicles $'000	Work in progress (WIP) $'000	Total $'000
At 1 July 2017								
Cost		265,686	17,429	141,080	63,925	18,552	53,769	560,441
Accumulated depreciation		(101,630)	(14,109)	(94,654)	(33,148)	(12,102)	-	(255,643)
Net book amount		**164,056**	**3,320**	**46,426**	**30,777**	**6,450**	**53,769**	**304,798**
Year ended 30 June 2018								
Opening net book amount		164,056	3,320	46,426	30,777	6,450	53,769	304,798
Additions	9.4	-	-	-	-	-	28,164	28,164
Disposals	9.3	(483)	(44)	(695)	-	(127)	-	(1,349)
Transfer to/(from) WIP	9.1	52,506	5,720	8,527	-	773	(67,526)	-
Assets reclassification		(4)	-	-	-	4	-	-
Depreciation charge		(16,695)	(3,517)	(13,060)	(4,781)	(1,551)	-	(39,604)
Closing net book amount		**199,380**	**5,479**	**41,198**	**25,996**	**5,549**	**14,407**	**292,009**
At 30 June 2018								
Cost		316,320	19,685	144,338	63,919	19,036	14,407	577,705
Accumulated depreciation		(116,940)	(14,206)	(103,140)	(37,923)	(13,487)	-	(285,696)
Net book amount		**199,380**	**5,479**	**41,198**	**25,996**	**5,549**	**14,407**	**292,009**
Year ended 30 June 2019								
Opening net book amount		199,380	5,479	41,198	25,996	5,549	14,407	292,009
Additions	9.4	460	-	-	-	-	38,007	38,467
Disposals	9.3	-	(52)	(232)	-	(70)	-	(354)
Transfer to/(from) WIP	9.1	6,425	10,274	9,843	-	216	(26,758)	-
Transfer from intangibles		-	357	-	-	-	-	357
Depreciation charge		(18,854)	(4,955)	(11,447)	(4,781)	(1,269)	-	(41,306)
Closing net book amount		**187,411**	**11,103**	**39,362**	**21,215**	**4,426**	**25,656**	**289,173**
At 30 June 2019								
Cost		323,196	26,987	150,935	63,888	18,514	25,656	609,176
Accumulated depreciation		(135,785)	(15,884)	(111,573)	(42,673)	(14,088)	-	(320,003)
Net book amount		**187,411**	**11,103**	**39,362**	**21,215**	**4,426**	**25,656**	**289,173**

9.1 Work in progress (WIP)

The carrying amounts of the assets disclosed above include the following expenditure recognised in relation to property, plant and equipment, which are in the course of construction:

	2019 $'000	2018 $'000
Freehold land and buildings and leasehold improvements	44	4,164
Computer equipment	3,906	6,924
Plant and equipment	21,659	3,155
Donor mobile units	47	164
	25,656	**14,407**

9 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

9.1 Work in progress (WIP) (continued)

At reporting date, WIP relating to plant and equipment totalled $21.659 million. $6.002 million was attributed to the Automated Infectious Disease Screening System, $4.610 million to LabNet implementation and $2.167 million towards Testing Future State Program. The computer equipment balance includes the Data Centre Relocation ($1.054 million) and hardware upgrades to several operating systems under various Annual Replacement Program (ARP) activities including Network and Perimeter Security Infrastructure (0.813million), End User Technologies Refresh ($0.421 million) and Donor Centre Wi-Fi ($0.382 million).

9.2 Leased furniture, fittings & equipment

The net book value for leased furniture, fittings & equipment of $21.215 million (2018: $25.996 million), includes amounts relating to the leasehold improvements for the processing centres in Brisbane (2019: $12.282 million, 2018: $13.713 million) and Melbourne (2019: $8.933 million, 2018: $12.283 million) which are funded through finance leases.

9.3 Asset disposals

During the reporting period, the Blood Service disposed of assets with a total written down value of $0.354 million (2018: $1.349 million), excluding proceeds.

9.4 Asset additions

All additions have been reported through WIP and subsequently recognised via ‘transfer to/(from) WIP' directly to cost within each asset category.

9.5 Impairment losses recognised in the year

No impairment losses were recognised in the reporting period.

10 INTANGIBLE ASSETS

	2019 $'000	2018 $'000
Carrying amounts of:		
Software	24,425	21,899
Work in progress	3,105	13,696
Total intangible assets	**27,530**	**35,595**

	Software $'000	Work in Progress (WIP) $'000	Total $'000
At 1 July 2017			
Cost	71,009	8,946	79,955
Accumulated amortisation	(52,208)	-	(52,208)
Net book amount	**18,801**	**8,946**	**27,747**
Year ended 30 June 2018			
Opening net book amount	18,801	8,946	27,747
Additions	-	18,756	18,756
Transfer to/(from) WIP	14,006	(14,006)	-
Amortisation charge	(10,908)	-	(10,908)
Closing net book amount	**21,899**	**13,696**	**35,595**
At 30 June 2018			
Cost	85,015	13,696	98,711
Accumulated amortisation	(63,116)	-	(63,116)
Net book amount	**21,899**	**13,696**	**35,595**
Year ended 30 June 2019			
Opening net book amount	21,899	13,696	35,595
Additions	-	3,108	3,108
Transfer to/(from) WIP	13,699	(13,699)	-
Transfer to property, plant and equipment	(357)	-	(357)
Amortisation charge	(10,816)	-	(10,816)
Closing net book amount	**24,425**	**3,105**	**27,530**
At 30 June 2019			
Cost	98,357	3,105	101,462
Accumulated amortisation	(73,932)	-	(73,932)
Net book amount	**24,425**	**3,105**	**27,530**

The net book value for software includes $3.359 million from DonorConnect, $4.104 million from the National Blood Management System (NBMS) Infrastructure upgrade, and $7.388 million from OrganMatch.

In 2019, the WIP balance includes $0.861 million for the Cyber Security Project, $0.557 million for the Human Capital Management Program and various other software related initiatives.

11 TRADE AND OTHER PAYABLES

	2019 $'000	2018 $'000
Trade payables	37,972	25,014
Accrued wages and salaries	15,056	14,064
Total trade and other payables	**53,028**	**39,078**

Trade payables also include payments due to suppliers for key capital projects. The average credit period on purchases of goods and services is 30 days. No interest is charged on the trade payables for the first 30 days from the date of the invoice. Specific suppliers may choose to charge interest after that period. The continuous monitoring of cash flow ensures that the majority of payables are paid within the credit period and no material interest is incurred on overdue balances.

Accrued wages and salaries comprise of liabilities related to staff expenses payables including salaries and wages payable, superannuation and group tax.

12 DEFERRED INCOME

	2019 $'000	2018 $'000
Deferred Income	1,796	5,648
Total deferred income	**1,796**	**5,648**

Deferred income includes funds received from customers as at reporting date but the Blood Service has not yet satisfied the performance obligation by transferring a promised good or service. In accordance with the Blood Service revenue recognition policy and the requirements outlined in AASB 15, income is deferred until the performance obligations are fulfilled in future periods.

There were no significant changes in the deferred income balances during the reporting period. There was no revenue recognised in the current reporting period that related to performance obligations that were satisfied in a prior year.

13 BORROWINGS

	Notes	2019 $'000	2018 $'000
Current			
Processing centre fit-out loans	21.3	6,400	5,877
Processing centre fit-out lease liabilities	21.2.2	4,182	7,524
Total current borrowings		**10,582**	**13,401**
Non-current			
Processing centre fit-out loans	21.3	4,583	10,983
Processing centre fit-out lease liabilities	21.2.2	6,527	10,709
Total non-current borrowings		**11,110**	**21,692**
Total borrowings		**21,692**	**35,093**

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

14 PROVISIONS

	Notes	2019 $'000	2018 $'000
Current			
Employee benefits		66,358	61,945
Make good for property leases	14.2	1,197	946
Total current provisions		**67,555**	**62,891**
Non-current			
Employee benefits		7,318	7,057
Make good for property leases	14.2	4,949	4,740
Total non-current provisions		**12,267**	**11,797**
Total provisions		**79,822**	**74,688**

14.1 Provisions for employee benefits

14.1.1 Current provision

The current provision for employee benefits includes accrued annual leave, long service leave and termination benefits. For long service leave, it comprises all unconditional entitlements where employees have completed the required period of service, in addition to those where employees are entitled to pro-rata payments in certain circumstances. In 2019, the Blood Service financial statements have reflected the standard entitlement period of long service leave at seven years of continuous service. This obligation is presented as current since the organisation does not have an unconditional right to defer settlement. Based on past experience however, the Blood Service does not expect all employees to take the full amount of accrued leave within the next 12 months.

The following amounts reflect annual leave and long service leave, presented as a current obligation, that are not expected to be taken in the next 12 months:

	2019 $'000	2018 $'000
Annual leave obligation expected to be settled after 12 months	-	-
Long service leave obligation expected to be settled after 12 months	38,785	32,583
Total current obligations not expected to be taken in the next 12 months	**38,785**	**32,583**

14.1.2 Non-current provision

Employee benefits refer to provisions for long service leave for employees who have not completed the required years of service, calculated on the basis described in note 3.17.1.1.

14.2 Provision for make good for property leases

Make good provisions represent the present value of management's best estimate of the future sacrifice of economic benefits that will be required to remove leasehold improvements from leasehold property at the end of the particular lease. The estimate has been made based on historical make good costs, a review of leases and future rentals. The unexpired term of the leases range from 2 to 20 years.

	2019 $'000	2018 $'000
Movements in make good provisions are as follows:		
Carrying amount of make good provisions at beginning of the year	5,686	5,796
Provision movement	460	(110)
Carrying amount of make good provisions at end of the year	**6,146**	**5,686**

15 PREPAID GOVERNMENT FUNDS

	2019 $'000	2018 $'000
Output funding net cash advance	73,726	61,132
Government grants refundable	69,814	39,657
Total prepaid government funds	**143,540**	**100,789**

Output funding net cash advance relates to the working capital advance received from the NBA upon commencement of the Output Based Funding Model from 1 July 2011, less June 2019 revenue not received until July 2019.

Government grants refundable relate to the expected return of funds to the NBA for surpluses in the reported period as disclosed in note 3.19.1.

16 OTHER LIABILITIES

	2019 $'000	2018 $'000
Current		
Lease incentive	984	938
Total current other liabilities	**984**	**938**
Non-current		
Lease incentive	4,198	4,647
Total non-current other liabilities	**4,198**	**4,647**
Total other liabilities	**5,182**	**5,585**

17 RETIREMENT BENEFIT PLAN OBLIGATION

The Blood Service has recognised a liability in the statement of financial position in respect of its defined benefit superannuation arrangements. Currently, contributions are made to the following defined benefit plans:
1) Local Government Super (NSW); and
2) Australian Red Cross Queensland Staff Retirement Fund (QLD).

All contributions are expensed when incurred.

Local Government Super (NSW): Local Government Super provides defined benefits whereby components of the final benefit are derived from a multiple of member salary and years of membership. Members receive lump sum or pension benefits on retirement, death, disablement and withdrawal. The defined benefits scheme was closed to new members effective from 15 December 1992. The Local Government Superannuation Scheme was established on 1 July 1997 to specifically cater for the superannuation requirements of Local Government employees. LGSS Pty Limited (ABN 68 078 003 497) (AFSL 383558) is the Trustee of the Local Government Superannuation Scheme (known as Local Government Super). Local Government Super is a resident regulated superannuation scheme within the meaning of the Superannuation Industry (Supervision) Act 1993.

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

17 RETIREMENT BENEFIT PLAN OBLIGATION (CONTINUED)

The plans expose the Blood Service to actuarial risks such as investment risk, interest rate risk, longevity risk and salary risk:

Investment risk	The present value of the defined benefit plan liability is calculated using a discount rate determined by reference to high quality corporate bond yields; if the return on plan assets is below this rate, it will create a plan deficit.
Interest rate 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 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 dependents of plan members (widow and orphan benefits) is re-insured by an external insurance company. No other post-retirement benefits are provided to these employees.

The most recent actuarial valuation of the plan assets and the present value of the defined benefit obligation was carried out at 30 June 2019 by:

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

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.

17.1 Principal actuarial assumptions

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

	2019	2018
Discount rate	2.7%	3.9%
Expected rate of salary increase	2.5%	2.5%
Anticipated rate of return on plan assets	6.0%	6.0%

17.2 Amounts recognised in the statement of financial position

	Notes	2019 $'000	2018 $'000
Present value of funded defined benefit plan obligation	17.3	19,607	17,702
Fair value of defined benefit plan assets	17.4	(19,093)	(18,470)
Net liability/(asset) arising from defined benefit plan obligation		**514**	**(768)**

17.3 Reconciliation of movement in the present value of the defined benefit plan obligation

	2019 $'000	2018 $'000
Balance at beginning of the year	17,702	19,209
Current service cost	601	694
Interest cost	680	702
Remeasurements:		
- Actuarial loss arising from changes in demographic assumptions	3	-
- Actuarial loss/(gain) arising from changes in financial assumptions	2,087	(122)
- Actuarial gain arising from experience adjustments	(421)	(615)
Benefits paid	(954)	(2,066)
Other	(91)	(101)
Balance at end of the year	**19,607**	**17,702**

17 RETIREMENT BENEFIT PLAN OBLIGATION (CONTINUED)

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

17.4 Reconciliation of movement in the fair value of plan assets

	2019 $'000	2018 $'000
Balance at beginning of the year	18,470	18,461
Interest income	717	677
Remeasurement:		
- Return on plan assets (excluding amounts included in net interest expense)	417	839
Contributions by the employer	496	613
Contributions by plan participants	38	47
Benefits paid	(954)	(2,066)
Other	(91)	(101)
Balance at the end of the year	**19,093**	**18,470**

The fair value of the plan assets at the end of the reporting period for each category, are as follows:

	2019 $'000	2018 $'000
Australian equities	4,582	4,341
International equities	4,850	4,562
Australian fixed interest	3,284	3,417
International fixed interest	573	425
Property	2,005	1,866
Cash	1,757	1,884
Other	2,042	1,975
Total fair value of the plan assets	**19,093**	**18,470**

The fair value of the above equity and debt instruments is determined as follows:

Local Government Super (NSW): Determined based on one of the following; quoted prices in active markets for identical assets, other inputs other than quoted prices observable for the asset directly or indirectly or inputs that are not based on observable market data. Derivatives can be used by investment managers, however the trustee requires that all derivatives positions are fully cash covered, are offset to existing assets, or are used to alter the exposures in underlying assets classes. It is the policy of the fund that no gearing or speculative trading is permitted.

Australian Red Cross Queensland Staff Retirement Fund (QLD): The issue price is determined by reference to the net asset value and transaction costs pertaining to the relevant class of units, and the number of units on issue in that unit class. The market value and net asset value of the fund are normally determined at least each business day, using the market prices and unit prices of the assets in which the fund is invested. The fund may use derivatives such as options, futures or swaps, which support the fund’s investment objectives. However, certain restrictions are imposed on the use of derivatives within the fund in accordance with the AMP Capital Derivative Risk Statement.

The actual return on plan assets was $0.760 million (2018 $0.979 million)

17.5 Amounts recognised in the statement of comprehensive income

	2019 $'000	2018 $'000
Service cost:		
- Current service cost	601	694
- Employer contributions	(496)	(613)
- Member contributions	(38)	(47)
- Net interest cost	(37)	25
Components of defined benefit costs recognised in surplus	**30**	**59**

17 RETIREMENT BENEFIT PLAN OBLIGATION (CONTINUED)

17.5 Amounts recognised in the statement of comprehensive income (continued)

	2019 $'000	2018 $'000
Remeasurement:		
- Return on plan assets (excluding amounts included in net interest expense)	(417)	(839)
- Actuarial loss arising from changes in demographic assumptions	3	-
- Actuarial loss/(gain) arising from changes in financial assumptions	2,087	(122)
- Actuarial gain arising from experience adjustment	(421)	(615)
Components of defined benefit loss/(gain) recognised in other comprehensive income	**1,252**	**(1,576)**
Total	**1,282**	**(1,517)**

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

17.6 Category of investments

	2019 %	2018 %
Australian equities	24.0%	23.5%
International equities	25.4%	24.7%
Australian fixed interest	17.2%	18.5%
International fixed interest	3.0%	2.3%
Property	10.5%	10.1%
Cash	9.2%	10.2%
Other	10.7%	10.7%
Total	**100.0%**	**100.0%**

17.7 Sensitivity analysis for actuarial assumptions

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

- If the discount rate is 50 basis points higher/(lower), the defined benefit obligation would (decrease)/increase by $0.767 million (2018: $0.659 million)
- If the expected salary growth increases/(decreases) by 50 basis points, the defined benefit obligation would increase/(decrease) by $0.369 million (2018: $0.350 million)

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

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

There was no change in the methods and assumptions used in preparing the sensitivity analysis from prior years.

17.8 Asset-liability matching study

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

17 RETIREMENT BENEFIT PLAN OBLIGATION (CONTINUED)

17.9 Effects on future cash flows

Local Government Super's funding arrangements are assessed at least every three years following the release of a triennial actuarial review. Following completion of the last review as at 30 June 2018, the Blood Service had sufficient assets to cover its liabilities, and no adjustments to funding have occurred. The next triennial valuation will be completed as at 30 June 2021. The Blood Service 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 Blood Service pays the residual contribution (including back service payments). 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 Blood Service carries the investment volatility risk and may be required to make additional contributions from time to time if assets do not cover members' vested benefits.

The average duration of the benefit obligation for the funds at 30 June 2019 is 9.66 years (2018: 9.64 years). This number can be analysed as follows:
- Active members: 9.24 years (2018: 9.06 years);
- Retired members: 8.87 years (2018: 8.51 years).

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

18 RESERVES

	Notes	2019 $'000	2018 $'000
General reserve	18.1	229,624	232,531
Special reserves	18.2	72,152	74,856
Capital reserve	18.3	63,654	57,877
Investment revaluation reserve	18.4	837	770
Equity reserve	18.5	2,184	2,680
Total reserves		**368,451**	**368,714**

18.1 General reserve

	Notes	2019 $'000	2018 $'000
Balance at beginning of year		**232,531**	**223,702**
Transfer from/(to) special reserves	18.2	2,704	(1,906)
Transfer (to)/from capital reserve	18.3	(5,777)	384
Subtotal transfer to general reserve		**(3,073)**	**(1,522)**
Net Surplus		1,418	8,775
Actuarial (loss)/gain on retirement benefit plan obligations		(1,252)	1,576
Balance at end of year		**229,624**	**232,531**

General reserves held are surplus funds not yet allocated for a specific purpose.

18 RESERVES (CONTINUED)

18.2 Special reserves

	Notes	2019 $'000	2018 $'000
Balance at beginning of the year		**74,856**	**72,950**
Income received and transferred to the reserve		47,009	43,374
Expenditure incurred and transferred from the reserve		(49,713)	(41,468)
Subtotal transfer from general reserve	**18.6**	**(2,704)**	**1,906**
Balance at end of year		**72,152**	**74,856**

The Blood Service's special reserves records retained surpluses over which the Blood Service has restricted use. The majority of the balance is comprised of Commonwealth government (NBA) funded reserves which include the Output Based Funding Model Risk Reserve (2019: $6.220 million, 2018: $6.016 million), Corporate Risk Reserve (2019: $25.000 million, 2018: $33.982 million) and unallocated prior year surpluses (2019: $5.217 million, 2018: $4.344 million). The remainder of the balance consists of State government and other externally funded reserves.

18.3 Capital reserve

	2019 $'000	2018 $'000
Balance at beginning of the year	**57,877**	**58,261**
Income received and transferred to the reserve	59,815	55,609
Expenditure incurred and transferred from the reserve	(54,038)	(55,993)
Subtotal transfer from/(to) general reserve	**5,777**	**(384)**
Balance at end of year	**63,654**	**57,877**

The Blood Service's capital reserve records retained surpluses less capital expenditure relating to various capital funded programs or funds received for the purpose of future capital expenditure.

18.4 Investment revaluation reserve

	2019 $'000	2018 $'000
Balance at beginning of year	**770**	**786**
Net unrealised gain/(loss) arising on revaluation of debt instruments classified as at FVTOCI	67	**(16)**
Balance at end of year	**837**	**770**

The Blood Service's investment revaluation reserve represents the cumulative unrealised gains and losses arising from the changes in the fair value of debt instruments classified as at FVTOCI that have been recognised in other comprehensive income, net of the realised gains and losses reclassified to profit or loss when these financial assets have been derecognised.

18 RESERVES (CONTINUED)

18.5 Equity reserve

	2019 $'000	2018 $'000
Balance at beginning of year	**2,680**	**1,084**
Net unrealised (loss)/gain arising on revaluation of equity instruments designated as at FVTOCI	(1,310)	1,596
Net realised gain on disposal of equity instruments	814	-
Net fair value (loss)/gain on other financial assets	**(496)**	**1,596**
Balance at end of year	**2,184**	**2,680**

The Blood Service's equity reserve represents the cumulative unrealised gains and losses arising from the changes in the fair value of equity instruments classified as at FVTOCI that have been recognised in other comprehensive income, On disposal of the equity investments, the cumulative gains or losses are not reclassified to profit or loss, instead, transferred to equity reserves.

18.6 Movement within reserves

18.6.1 Transfer between general and special reserve

The current year movement of $2.704 million (2018: $1.906 million) is primarily driven by:
• Allocation of surplus funds of $5.000 million (2018: $5.000 million) as agreed with the NBA to a special reserve
• Allocation of funds to the corporate risk reserve includes interest earned of $1.154 million (2018: $0.795 million)
• NBA repayment from the corporate risk reserve of $10.136 million

19 EQUITY

	2019 $'000	2018 $'000
Accumulated funds at beginning of the year	368,714	356,783
Total (loss)/profit and other comprehensive income for the year	(263)	11,931
Accumulated funds at end of the year	**368,451**	**368,714**

20 RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES

20.1 Cash flows from operating activities

	Notes	2019 $'000	2018 $'000
Net surplus for the period		**1,418**	**8,775**
Adjustments for:			
Depreciation	9	41,306	39,604
Amortisation	10	10,816	10,908
Impairment losses of other financial assets	18.4	-	310
(Gain)/loss on foreign exchange		(2)	21
Loss on disposal of non-current assets		116	1,128
Loss on disposal of other financial assets		36	665
Interest paid on finance leases		2,306	3,562
Investment income received	5.2	(9,783)	(7,451)
Components of defined benefit costs recognised in surplus	17.5	30	59
Changes in operating assets and liabilities:			
Increase in trade and other receivables		(4,593)	(872)
Increase in trade and other payables		9,694	1,309
Increase in prepaid government funds		42,751	14,752
Increase in provisions		5,134	2,289
Increase in consumables inventory		(862)	(1,110)
(Increase)/Decrease in blood and blood product inventory		(3,994)	1,525
Net cash inflow from operating activities		**94,373**	**75,474**

20.2 Reconciliation of cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise the following at 30 June:

	2019 $'000	2018 $'000
Cash at bank and on hand	216	221
Term deposits and investments	199,607	172,692
Total cash and cash equivalents	**199,823**	**172,913**

21 COMMITMENTS

21.1 Non-cancellable operating leases

The Blood Service leases various premises used as offices, blood collection centres, processing and testing centres, and warehouses under non-cancellable leases expiring within 2 to 20-years. The leases include a 20-year lease (expiring April 2028) for a property at Kelvin Grove, Brisbane, a 20-year lease (expiring January 2031) for the property at Alexandria, Sydney, an 11-year lease (expiring November 2021) for the National Office on St. Kilda Road, Melbourne and several donor centres nationally.

A number of lease arrangements entered into by the Blood Service provide the option to extend the term beyond the initial expiration date. The commitment for minimum lease repayments in relation to non-cancellable operating leases has been calculated based on the initial lease term under the contract. This approach is consistent with the calculation of the make good provision.

21 COMMITMENTS (CONTINUED)

21.1 Non-cancellable operating leases (continued)

	2019 $'000	2018 $'000
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
- Within one year	23,546	23,430
- Later than one year but not later than five years	68,568	66,074
- Later than five years	58,510	69,033
Total non-cancellable operating leases	**150,624**	**158,537**

Of this total, $0.400 million (2018: $0.815 million) of commitments for minimum lease payments relates to transactions with the Society - see note 26. This $0.400 million (2018: $0.815 million) is payable within one year.

21.2 Finance leases

The Blood Service leases various items of equipment and fit-outs with a carrying value of $10.709 million (2018: $18.233 million) under finance leases expiring within 1 to 10 years. Under the terms of the leases, the Blood Service has the option to acquire the leased assets on expiry of the leases. These leases relate to:

21.2.1 Property fit-out leases

Upon completion of the Brisbane Processing Centre in Kelvin Grove in 2008, the constructed asset was used to underwrite a $32.473 million 10-year finance lease with a financial institution. As at 30 June 2019, the residual balance of this facility was nil (2018: $3.663 million) with the finance lease paid off in December 2018. The lease repayments relating to this arrangement were funded by the annual capital program.

In 2012, the Melbourne Processing Centre in West Melbourne was completed and the constructed asset was used to underwrite a $33.500 million 10-year finance lease. As at 30 June 2019, the residual balance of this facility was $10.709 million (2018: $14.570 million). The Blood Service receives special grant funding to cover the lease repayments under this arrangement.

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

21.2.2 Total equipment and property fit-out finance leases

	2019 $'000	2018 $'000
Minimum lease payments:		
- Within one year	4,881	8,634
- Later than one year but not later than five years	6,914	11,795
- Later than five years	-	-
Minimum future lease payments	**11,795**	**20,429**
Less: future finance charges	(1,086)	(2,196)
Total lease liabilities	**10,709**	**18,233**

	Notes	2019 $'000	2018 $'000
Representing lease liabilities:			
Current	13	4,182	7,524
Non-current	13	6,527	10,709
Total bank loans		**10,709**	**18,233**

21 COMMITMENTS (CONTINUED)

21.3 Borrowings

	Notes	2019 $'000	2018 $'000
Secured bank loans:			
Current	13	6,400	5,877
Non-current	13	4,583	10,983
Total bank loans		**10,983**	**16,860**

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%.

21.4 Capital expenditure commitments

Capital commitments contracted for at the reporting date but not recognised as liabilities are as follows:

	2019 $'000	2018 $'000
Property, plant & equipment		
Payable:		
- Within one year	23,421	7,961
Total capital expenditure commitments	**23,421**	**7,961**

Of the reported total capital expenditure commitments, $12.087 million relates to the plasma machine replacement project and $6.905 million is attributable to LabNet with the balance committed to various other business initiatives.

22 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

22.1 Contingent liabilities

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.

There is a potential for claims to arise from viral/bacterial infections or blood-borne diseases, which are currently unidentified, or in circumstances where there is 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.

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

23 EVENTS AFTER REPORTING PERIOD

There were no known significant events after the reporting period.

24 KEY MANAGEMENT PERSONNEL COMPENSATION

24.1 Key management personnel

24.1.1 Board members during 2018-2019 were:

Mr James Birch AM	Chair
Ms Shelly Park	Chief Executive and Board Member
Mr Nigel Ampherlaw	Board Member
Prof Christopher Baggoley AO	Board Member
Ms Fiona Balfour	Board Member (resigned 10 August 2018)
Ms Hannah Crawford	Board Member
Dr Lance Emerson	Board Member (appointed 1 February 2019)
Ms Julie Fahey	Board Member (appointed 4 March 2019)
*Assoc Prof Larry McNicol AM	Board Member (resigned 30 June 2019)
Ms Jenni Mack	Board Member
Ms Lyndal Moore	Board Member
*Prof John Zalcberg OAM	Board Member (resigned 31 January 2019)

** Designated term completed*

24.1.2 Executive directors during 2018-2019 (not including the Chief Executive) were:

Mr John Brown	Executive Director, Finance
Mr Stuart Chesneau	Executive Director, Business Growth and Innovation
Ms Cath Gillard	Executive Director, People and Culture
Ms Marion Hemphill	General Counsel
Ms Ann Larkins	Executive Director, Information and Communications Technology (appointed 4 March 2019)
Mr Peter McDonald	Executive Director, Corporate Strategy and Transformation
Dr Philip Nesci	Executive Director, Information and Communications Technology (resigned 21 December 2018)
Dr Joanne Pink	Executive Director, Clinical Services and Research
Ms Cath Stone	Executive Director, Donor Services
Mr Greg Wilkie	Executive Director, Manufacturing and Quality

The key management personnel compensation included in the surplus are as follows:

		Short-term employee benefits	Post employment benefits	Long term employee benefits	
	Number of personnel	Salaries and fees	Superannuation	Long service leave	Total
		$'000	$'000	$'000	$'000
2019					
Total compensation	22	4,549	322	62	4,933
2018					
Total compensation	22	4,388	325	115	4,828

Key management personnel remuneration includes paid short-term employee benefits comprising of salaries and wages, annual leave, sick leave and non-monetary benefits. Also included in remuneration are amounts relating to long-term employee benefits, which have accrued, but not been paid, to the employees during the period such as long-service leave.

25 REMUNERATION OF AUDITORS

	2019 $'000	2018 $'000
Amounts paid or due and payable to Deloitte for:		
- Audit and review of financial statements	117	105
- Audit for grant acquittals	23	22
- Other non-audit services	-	257
Total remuneration of auditors	**140**	**384**

In 2018, other non-audit services relate to consulting fees for technology projects including the Technology Architecture & Roadmap Service and the National Contact Centre Network Review.

26 RELATED PARTY DISCLOSURES

Transactions with the Australian Red Cross Society:

During the reporting period, net trading transactions of $1.325 million (2018: $1.531 million) were transacted between the Blood Service and the Society. The transactions largely relate to the Blood Service's occupancy of premises owned by the Society, whereby there are contractual arrangements for the sub-lease of these facilities by the Blood Service. As at 30 June 2019, an aggregate of $0.400 million (2018: $0.815 million) of commitments for minimum lease payments in relation to non-cancellable operating leases are payable to the Society over a 5-year period.

There was no material debt between the Blood Service and the Society at 30 June 2019.

27 FINANCIAL RISK MANAGEMENT

The Blood Service's activities expose it to a variety of financial risks: market risk (including interest rate risk, foreign currency risk and price risk), credit risk and liquidity risk. The Blood Service's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Blood Service.

It is the Blood Service's policy that no trading in derivative financial instruments shall be undertaken. The policy also prohibits trading in speculative investments and short-term profit taking. All investments are held to generate additional income and must be classified as either 'equity or debt instruments classified as at FVTOCI'. The Blood Service policy permits sale of selected investments which are described in the financial statements as 'other financial assets' (see note 8), when the Blood Service elects to adjust its portfolio in relation to risk exposure and diversification as advised by its investment portfolio managers.

The Executive Director, Finance is responsible for financial risk management, which is carried out by a central treasury function under policies approved by the Board. It is the Blood Service's policy to conduct its banking business, including instruments used to hedge risk, with high credit quality financial institutions.

Fair value estimation

	Notes	2019 $'000	2018 $'000
The Blood Service holds the following financial instruments:			
Financial assets			
Cash - Australian currency		193	200
Cash - foreign currency		23	21
Total cash at bank and on hand		**216**	**221**
Bank bills and term deposits		199,607	172,692
Total cash and cash equivalents	**20.2**	**199,823**	**172,913**
Trade and other receivables	6	18,711	14,118
Other financial assets	8	115,886	96,146
Total trade receivables and other financial assets		**134,597**	**110,264**
Total financial assets		**334,420**	**283,177**
Financial liabilities			
Trade and other payables	11	53,028	39,078
Deferred Income		1,796	5,648
Borrowings - finance leases	13	10,709	18,233
Borrowings - loans	13	10,983	16,860
Prepaid government funds	15	143,540	100,789
Other liabilities	16	5,182	5,585
Total financial liabilities		**225,238**	**186,193**

27 FINANCIAL RISK MANAGEMENT (CONTINUED)

	2019 $'000	2018 $'000
Financing facilities available:		
Credit card and travel account	1,150	1,150
Borrowings - finance leases	10,709	18,233
Borrowings - loans	10,983	16,860
Total financing facilities available	**22,842**	**36,243**

	2019 $'000	2018 $'000
Financing facilities unused at reporting date		
Credit card and travel account	398	480
Borrowings - finance leases	-	-
Borrowing - loans	-	-
Total financing facilities unused at reporting date	**398**	**480**

27.1 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: (i) interest rate risk; (ii) foreign currency risk; and (iii) price risk.

27.1.1 Interest rate risk

The Blood Service has significant interest-bearing financial assets and is exposed to interest rate fluctuations on its investments in bank term deposits. The Blood Service accepts the risk in relation to its financial assets, as the balances held fluctuate in the short-term and are held to generate investment income on unused funds.

The Blood Service's main interest rate exposure on financial liabilities arises from long-term borrowings. The Blood Service's policy is to maintain its long-term borrowings at fixed rates. As at 30 June 2019, all of the Blood Service's borrowings were fixed interest borrowings.

27.1.2 Foreign currency risk

Foreign currency risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the entity's functional currency. The Blood Service treasury policy allows contracts to be negotiated in foreign currency where it is financially more advantageous than negotiating in Australian dollars. The Blood Service either holds appropriate foreign currency balances or uses financial instruments such as forward foreign currency contracts for cash flow hedging purposes; that is, not as trading or speculative instruments. It is Blood Service policy to purchase standard foreign exchange contracts to cover foreign currency liabilities. As at 30 June 2019, the Blood Service did not have any forward exchange contracts. The Blood Service assessed its foreign currencies as at 30 June 2019 and they are as follows:

	2019		2018	
	$'000 Foreign currency	$'000 AUD equivalent	$'000 Foreign currency	$'000 AUD equivalent
USD	-	-	16	21
Euros	14	23	-	-
Total		**23**		**21**

The Blood Service has no other foreign currency assets or liabilities.

27.1.3 Price risk

The Blood Service manages the risks associated with its investments in accordance with established and approved governance guidelines and principles set out and approved through the Blood Service Board. Investments are managed at arm's length by independent and fully qualified organisations under an agreed and approved mandate, which stipulates diversification criteria based on asset classes and percentages within the total investment portfolio of each approved class. In addition, part of the risk assessment criteria are benchmarks regarding expected rates of return and ethical overlay restrictions.

27 FINANCIAL RISK MANAGEMENT (CONTINUED)

27.2 Sensitivity analysis

27.2.1 Interest rate sensitivity analysis

The sensitivity analysis below summarises the impact of changes in interest rates for both derivative and non-derivative instruments to the surplus and equity at the end of the reporting period.

27.2.2 Foreign currency risk sensitivity analysis

The Blood Service is mainly exposed to movements in exchange rates relating to US dollars (USD). The analysis below details the Blood Service's sensitivity to a 10% increase or decrease in the Australian dollar against the USD. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translations at year-end for a 10% change in foreign currency rates.

If the Australian dollar (AUD) had strengthened by 10% against the USD with all other variables held constant, the surplus for the year ended 30 June 2019 would increase by $0.003 million (2018: $0.002 million). Conversely, if the AUD had weakened by 10% against the USD, the surplus for the reporting period would decrease by $0.002 million (2018: $0.002 million).

27.2.3 Equity price sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to equity price risk at the end of the reporting period.

If the prices of Australian equities, classified as *equity instruments classified as at FVTOCI,* had been 5% higher or lower:

- The surplus for the year ended 30 June 2019 would have been unaffected as any increment or decrement in the fair value, is an adjustment to other comprehensive income
- Other comprehensive income for the year ended 30 June 2019 would have increased or decreased by $1.271 million (2018: $1.342 million) as a result of the change in the fair value of equity instruments

27.3 Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Blood Service. It arises from cash and cash equivalents, derivative instruments and deposits with financial institutions, as well as credit exposure to customers. For financial institutions, only those that are rated with a minimum BBB+ equivalent Standard & Poor's rating are accepted. In respect of customers, the Blood Service ensures that invoices for products and services are largely made to customers with an appropriate credit history.

There is no significant credit risk with respect to receivables, as the major receivables are from the Commonwealth, State and Territory governments.

The credit quality of financial assets can be assessed by reference to external credit ratings.

	Notes	2019 $'000	2018 $'000
Maximum exposure to credit risk at the reporting date:			
Cash and cash equivalents	20.2	199,823	172,913
Trade and other receivables	6	18,711	14,118
Other financial assets	8	115,886	96,146
Total maximum exposure to credit risk at the reporting date		**334,420**	**283,177**

27.4 Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and availability of funding through an adequate amount of committed credit facilities and funding arrangements. The Blood Service manages liquidity risk by monitoring forecast cash flows and ensuring that adequate liquid funds are available.

The following table details the Blood Service's contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Blood Service can be requested to pay. The table includes principal cash flows only.

27 FINANCIAL RISK MANAGEMENT (CONTINUED)

27.4 Liquidity risk (continued)

Financial liabilities **2019**	**Notes**	**Weighted average effective interest rate %**	**Less than 1 month $'000**	**1 - 3 months $'000**	**3 months to 1 year $'000**	**1-5 years $'000**	**Over 5 years $'000**	**Total $'000**
Non-interest bearing		-	128,631	69,978	739	3,514	685	203,547
Fixed loan liability	21.3	8.63	514	1,036	4,851	4,582	-	10,983
Finance lease liability	21.2.2	8.02	336	679	3,168	6,526	-	10,709
Total financial liabilities			**129,481**	**71,693**	**8,758**	**14,622**	**685**	**225,239**
2018								
Non-interest bearing		-	105,934	39,813	704	3,624	1,023	151,098
Fixed loan liability	21.3	8.63	476	947	4,454	10,983	-	16,860
Finance lease liability	21.2.2	7.51	438	884	6,202	10,709	-	18,233
Total financial liabilities			**106,848**	**41,644**	**11,360**	**25,316**	**1,023**	**186,191**

Non-derivative financial assets

2019							
Non-interest bearing	-	44,125	-	-	-	-	44,125
Fixed interest rate instruments	2.42	-	149,000	5,040	79,296	6,136	239,472
Variable interest rate instruments	1.32	50,823	-	-	-	-	50,823
Total non-derivative financial assets		**94,948**	**149,000**	**5,040**	**79,296**	**6,136**	**334,420**
2018							
Non-interest bearing	-	40,967	-	-	-	-	40,967
Fixed interest rate instruments	2.83	-	161,620	1,417	48,870	19,011	230,918
Variable interest rate instruments	1.58	11,292	-	-	-	-	11,292
Total non-derivative financial assets		**52,259**	**161,620**	**1,417**	**48,870**	**19,011**	**283,177**

27.5 Fair value measurement

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short-term nature.

BOARD MEMBERS' DECLARATION

In accordance with a resolution of the Board of the Blood Service, I state that:

In the opinion of the Board:

(a) the financial statements and notes of the Blood Service:
   (i) give a true and fair view of the Blood Service's financial position as at 30 June 2019 and of its performance for the year ended on that date; and
   (ii) comply with Australian Accounting Standards and Interpretations, and other requirements of the law; and

(b) there are reasonable grounds to believe that the Blood Service will be able to pay its debts as and when they become due and payable.

On behalf of the Board

Mr James Birch AM
Chair

Melbourne
24 September 2019

Deloitte.

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Independent Auditor's Report to the board members of the Australian Red Cross Blood Service

Opinion

We have audited the accompanying financial report of Australian Red Cross Blood Service (the Entity), which comprises the statement of financial position as at 30 June 2019, the statement of profit or loss and other comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and board members declaration.

In our opinion the accompanying financial report presents fairly, in all material respects, the Entity's financial position as at 30 June 2019, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards.

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 the Australian Red Cross Blood Service Annual Report 2018/2019, which is expected to be made available to us after the date of this auditor's report.

When we read the Annual Report 2018/2019 if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and use our professional judgement to determine the appropriate action.

Our opinion on the financial report does not cover the other information and accordingly we do not and will 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 identified above 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.

Deloitte.

Responsibilities of Management and the Board Members for the Financial Report

Management of the Entity is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and for such internal control as management determine is necessary to enable the preparation and fair presentation of the financial report and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the management is responsible for assessing the Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the management either intend to liquidate the Entity or to cease operations, or have 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 the Board Members.

- Conclude on the appropriateness of the management 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 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

Anneke du Toit
Partner
Chartered Accountants
Melbourne, 24 September 2019