Australian Red Cross Lifeblood
(formerly 'Australian Red Cross Blood Service')

ABN 50 169 561 394 003

Annual Financial Statements
FOR THE YEAR ENDED 30 JUNE 2020

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2020

	Notes	2020 $'000	2019 $'000
REVENUE			
Government funding:			
- Operating - Commonwealth funded		572,557	537,689
- Operating - State funded		29,714	26,550
- Capital - Commonwealth and State funded		51,265	55,453
Total government funding		**653,536**	**619,692**
Investment income		6,144	9,783
Other income		12,131	13,453
Total revenue	5.2	**671,811**	**642,928**
EXPENDITURE			
Staff expenses	4	335,191	312,764
Consumables		120,258	114,621
Overheads		160,597	165,847
Depreciation and amortisation expense	9, 10, 11	83,401	52,122
Loss on disposal of non-current asset		2,466	116
(Gain)/Loss on disposal of other financial assets		(75)	36
Impairment losses of other financial assets		88	-
Loss/(Gain) on foreign exchange		67	(2)
Decrease/(Increase) in blood and blood product inventory	7	1,508	(3,994)
Total expenditure		**703,501**	**641,510**
(DEFICIT)/SURPLUS FOR THE YEAR	**5.3**	**(31,690)**	**1,418**
Items that will not be reclassified subsequently to profit or loss:			
Components of defined benefit loss recognised in other comprehensive income	19.5	(1,126)	(1,252)
Net fair value loss on investments in equity instruments designated as at fair value through other comprehensive income (FVTOCI)	20.5	(2,511)	(496)
		(3,637)	**(1,748)**
Items that may be reclassified subsequently to profit or loss:			
Net fair value (loss)/gain on investments in debt instruments classified as at FVTOCI	20.4	(1,060)	67
Other comprehensive loss for the year		**(4,697)**	**(1,681)**
TOTAL COMPREHENSIVE LOSS FOR THE YEAR*		**(36,387)**	**(263)**

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

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	2020 $'000	2019 $'000
***ANALYSIS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**		
Main Operating Program surplus before return of surplus	31,816	74,814
Return of surplus	(31,612)	(69,814)
Net surplus of Main Operating Program	204	5,000
Deficit of Capital Programs and Processing Centre Programs (net of depreciation and amortisation)	(11,776)	(7,386)
Surplus on External and Hosted Services	1,531	4,340
(Decrease)/Increase in blood and blood product inventory	(1,508)	3,994
Movement in employee provisions and retirement benefit obligations	(10,633)	(5,383)
Loss on disposal of non-current assets	(2,466)	(116)
Gain/(Loss) on disposal of other financial assets (excluding Main Operating Program portion)	1,185	(285)
Impairment losses of other financial assets	(88)	-
Movement resulting from reclassification of operating leases	(9,198)	-
(Loss)/Gain on foreign exchange	(67)	2
Net fair value loss on financial instruments classified as at FVTOCI	(3,571)	(429)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(36,387)**	**(263)**

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 2020

	Notes	2020 $'000	2019 $'000
ASSETS			
Current assets			
Cash and cash equivalents	22.2	168,721	199,823
Trade and other receivables	6	15,046	18,711
Inventories	7	30,362	22,902
Other financial assets	8	114,391	115,886
Total current assets		**328,520**	**357,322**
Non-current assets			
Property, plant and equipment	9	282,846	289,173
Intangible assets	10	22,922	27,530
Right-of-use assets	11	266,269	-
Total non-current assets		**572,037**	**316,703**
TOTAL ASSETS		**900,557**	**674,025**
LIABILITIES			
Current liabilities			
Trade and other payables	12	53,553	53,028
Deferred income	13	4,033	1,796
Borrowings	14	9,113	10,582
Provisions	15	76,011	67,555
Prepaid government funds	16	126,717	143,540
Lease liabilities	17	18,876	-
Other liabilities	18	-	984
Total current liabilities		**288,303**	**277,485**
Non-current liabilities			
Borrowings	14	1,997	11,110
Provisions	15	13,360	12,267
Retirement benefit plan obligations	19.2	1,629	514
Lease liabilities	17	263,204	-
Other liabilities	18	-	4,198
Total non-current liabilities		**280,190**	**28,089**
TOTAL LIABILITIES		**568,493**	**305,574**
NET ASSETS		**332,064**	**368,451**
EQUITY			
General reserve	20.1	214,669	229,624
Special reserve	20.2	70,806	72,152
Capital reserve	20.3	46,073	63,654
Investment revaluation reserve	20.4	(223)	837
Equity reserve	20.5	739	2,184
TOTAL EQUITY		**332,064**	**368,451**

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 2020

	Notes	General Reserve $'000	Special Reserve $'000	Capital Reserve $'000	Investment Revaluation Reserve $'000	Equity Reserve $`000	Total $'000
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	19.5	(1,252)	-	-	-	-	(1,252)
Net gain/(loss) arising on revaluation of other financial assets	20.4, 20.5	-	-	-	67	(496)	(429)
Total comprehensive income/(loss) for the year		**166**	**-**	**-**	**67**	**(496)**	**(263)**
Transfer between reserves		(3,073)	(2,704)	5,777	-	-	-
Balance at 30 June 2019	**20, 21**	**229,624**	**72,152**	**63,654**	**837**	**2,184**	**368,451**
Balance at 1 July 2019		229,624	72,152	63,654	837	2,184	368,451
Deficit for the year		(31,690)	-	-	-	-	(31,690)
Components of defined benefit loss recognised in other comprehensive income	19.5	(1,126)	-	-	-	-	(1,126)
Net loss arising on revaluation of other financial assets	20.4, 20.5	-	-	-	(1,148)	(2,511)	(3,659)
Transfer of net impairment loss of other financial assets	20.4	-	-	-	88	-	88
Total comprehensive loss for the year		**(32,816)**	**-**	**-**	**(1,060)**	**(2,511)**	**(36,387)**
Transfer between reserves		17,861	(1,346)	(17,581)	-	1,066	-
Balance at 30 June 2020	**20, 21**	**214,669**	**70,806**	**46,073**	**(223)**	**739**	**332,064**

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 2020

	Notes	2020 $'000	2019 $'000
Cash flows from operating activities			
Receipts from government and other sources (inclusive of goods and services tax) for:			
- Main Operating Program		675,843	635,461
- Capital Program		56,392	60,998
Payments to suppliers and employees (inclusive of GST)		(695,258)	(602,086)
Net cash inflows from operating activities	**22.1**	**36,977**	**94,373**
Cash flows from investing activities			
Payments for property, plant and equipment	9	(42,086)	(38,467)
Payments for intangibles	10	(7,974)	(3,108)
Payments to acquire financial assets		(23,510)	(49,413)
Proceeds from sale of financial assets		21,421	29,209
Proceeds from sale of property, plant and equipment		633	238
Dividends received		881	1,867
Interest received		5,263	7,916
Net cash outflows from investing activities		**(45,372)**	**(51,758)**
Cash flows from financing activities			
Repayment of borrowings		(10,582)	(13,401)
Repayment of lease liabilities		(1,179)	-
Interest paid		(10,879)	(2,306)
Net cash outflows from financing activities		**(22,640)**	**(15,707)**
Net (decrease)/increase in cash and cash equivalents		**(31,035)**	**26,908**
Cash and cash equivalents at the beginning of the financial year		199,823	172,913
Effect of exchange rate changes on cash and cash equivalents		(67)	2
Cash and cash equivalents at the end of the financial year	**22.2**	**168,721**	**199,823**

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

1 GENERAL INFORMATION

Australian Red Cross Lifeblood (Lifeblood) is a division of 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. In November 2019, the organisation changed its name to Australian Red Cross Lifeblood (formerly known as Australian Red Cross Blood Service).

Lifeblood 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.

Lifeblood 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 National Blood Authority (NBA). In the event that Lifeblood ceases to perform services under the Deed, the Deed-funded net assets of Lifeblood would be transferred to NBA 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 16 Leases	AASB 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance leases and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low-value assets. The application of AASB 16 is effective for the reporting period commencing 1 July 2019. The impact of the adoption of AASB 16 on Lifeblood's consolidated financial statements is described below.
AASB 2018-8 Amendments to Australian Accounting Standards – Right-of-Use Assets of Not-for-Profit Entities	The amendment provides a temporary option to elect to measure 'concessionary / peppercorn leases' at initial recognition, at either fair value or cost. For these leases, Lifeblood has opted to use this temporary option to measure the right-of-use assets at cost on initial recognition. Lifeblood has made the necessary disclosures in note 3.10.5 for each material concessionary / peppercorn lease as required by AASB 16.

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

AASB 16 Leases

Lifeblood has adopted AASB 16 Leases effective 1 July 2019 and has applied the standard for the reporting period ended 30 June 2020.

AASB 16 Leases supersedes the lease accounting requirements previously in AASB 117 Leases. The standard removes the operating classification for leases, and requires all eligible leases to be reported as finance leases under liabilities on the Statement of Financial Position. The adoption of AASB 16 has resulted in Lifeblood recognising a right-of-use asset and related lease liability in connection with all former operating leases except for those identified as low-value or having a remaining lease term of less than 12 months from the date of initial application.

Lifeblood has adopted the modified retrospective approach whereby the right-of-use assets equal the lease liabilities on 1 July 2019. Comparative figures for the year ended 30 June 2019 are not restated and continue to reflect Lifeblood's accounting policies under AASB 117 Leases. AASB 16 has not been applied to arrangements and contracts in place at the date of initial application, which were not identified as leases under AASB 117.

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)

Lifeblood has elected not to include initial direct costs in the measurement of the right-of-use assets for operating leases in existence at the date of initial application of AASB 16. At this date, Lifeblood has also elected to measure the right-of-use assets at an amount equal to the lease liability adjusted for any prepaid or accrued lease payments that existed at the date of transition (net of any incentives received).

No leases were onerous at or before the date of initial application of AASB 16 and therefore, Lifeblood did not perform an impairment review on the right-of-use assets at transition date.

On transition, for leases previously accounted for as operating leases with a remaining lease term of less than 12 months and for leases of low-value assets (AUD$10,000 or less when new), Lifeblood has applied the recognition exemptions to account for these leases as expense on a straight-line basis over the remaining lease term.

For those leases previously classified as finance leases, the right-of-use asset and lease liability are measured at the date of initial application at the same amounts as under AASB 117 immediately before the date of initial application.

On transition to AASB 16, the discount rate applied to lease liabilities in relation to vehicle leases was 3.235%. This represents the 180-day bank bill swap rate as at 1 July 2019 plus a 2% margin. For leases relating to premises, the average benchmark discount rates applied on the remaining lease terms were as follows:
- term < 8 years: 2.41%
- term 8 - 14 years: 2.24%
- term >14 years: 3.80%

Lifeblood has benefited from the use of hindsight for determining the lease term when considering options to extend and terminate leases. Based on prior years' experience, Lifeblood is 'reasonably certain' that the next available option will be exercised.

	As at 30 June 2019 $'000	Transitional impact of AASB 16 - ROU asset and lease liability	Transition impact of AASB 16 - Lease incentives	As at 1 July 2019 $'000	As at 30 June 2020 $'000
Assets					
Right-of-use assets - premises	-	281,752	(5,182)	276,369	289,979
Accumulated depreciation - premises	-	-	-	-	(24,963)
Right-of-use assets - motor vehicles	-	1,507	-	1,507	1,795
Accumulated depreciation - motor vehicles	-	-	-	-	(542)
Total	**-**	**283,259**	**(5,182)**	**277,876**	**266,269**
Liabilities					
Lease liabilities - premises	-	281,752	-	281,752	280,809
Lease liabilities - motor vehicles	-	1,507	-	1,507	1,271
Lease incentives	5,182	-	-	-	-
Total	**5,182**	**283,259**	**-**	**283,259**	**282,080**

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 2018-7 Amendments to Australian Accounting Standards – Definition of Material	1 January 2020	30 June 2021

2 APPLICATION OF NEW AND REVISED ACCOUNTING STANDARDS (CONTINUED)

2.2 Standards and Interpretations in issue but not yet effective (continued)

The Standard principally amends AASB 101 *Presentation of Financial Statements* and AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*. The amendments clarify the definition of material in AASB 101 and its application by improving the wording and aligning the definition across AASB Standards and other publications. The amendment also includes some supporting requirements in AASB 101 in the definition to give it more prominence and clarifies the explanation accompanying the definition of material. The effects of the Standard are not expected to be material.

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, Lifeblood 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).

The financial statements were authorised for issue by the Board of Lifeblood on 17 September 2020.

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, Lifeblood 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 Lifeblood'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.

Lifeblood's 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Critical accounting estimates and judgements (continued)

To determine the lease term, Lifeblood considers all facts and circumstances including both current and historic information and any cost that will be incurred to change the underlying asset if an option to extend is not taken. On this basis, Lifeblood has determined that it is 'reasonably certain' that the next available lease extension option will be exercised.

3.4 Foreign currency translation

3.4.1 Functional and presentation currency

Items included in the financial statements of Lifeblood are measured using the currency of the primary economic environment in which Lifeblood operates (the functional currency). The financial statements are presented in Australian dollars, which is Lifeblood'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 to the nearest thousand dollars ($'000) unless otherwise stated.

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 Lifeblood 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 2020 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.8 Impairment of assets

At each reporting date, Lifeblood's 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 Lifeblood's assets are not primarily dependent on their ability to generate net cash inflows and if deprived of a particular asset, Lifeblood 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.

3.9 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

For any new contracts entered into on or after 1 July 2019, Lifeblood has considered whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'.

To apply this definition Lifeblood assesses whether the contract meets three key evaluations, which are whether:
- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to Lifeblood;
- Lifeblood has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and
- Lifeblood has the right to direct the use of the identified asset throughout the period of use.

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

At lease commencement date, Lifeblood recognises a right-of-use asset and a lease liability on the statement of financial position.

3.10.1 Right-of-use assets

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

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

3.10 Leases (continued)

3.10.2 Lease liabilities

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

The lease liability is measured at the present value of lease payments to be made over the remaining lease term. The interest rate implicit in the lease is not readily determinable for use. Therefore, Lifeblood has applied specific rates to the different types of lease portfolios (see note 2.1).

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

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

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

The payments in relation to short-term and low-value asset leases are recognised as an expense in profit or loss on a straight-line basis over the lease term. Lifeblood has applied a threshold of $10,000 when considering low-value asset leases. All leased multi-function printers are classified as low-value asset leases.

On the statement of financial position, right-of-use assets and lease liabilities are disclosed separately from other assets and liabilities. On the statement of profit or loss and other comprehensive income, expenses are segregated between interest and depreciation expense. Short-term leases and low-value asset leases are expensed as lease expense and continue to be reported as overheads. On the statement of cash flows, the principal and interest portions are included in financing activities. Short-term leases, low-value and variable lease payments are recorded within operating activities.

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

Lifeblood has applied the following practical expedients:
- apply a single discount rate to a portfolio of leases with similar characteristics;
- exclude initial direct costs from the measurement of the right-of-use asset at initial application; and
- exclude low-value assets and short-term leases.

3.10.3 Operating leases (comparative period only)

Comparative figures for the year ended 30 June 2019 are not restated and continue to reflect Lifeblood's accounting policies under AASB 117 Leases. Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as the lease expense. Payments made under operating leases are recognised as an expense in profit or loss 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.

3.10.4 Lease incentives

Under AASB 16, lease incentives are recognised as part of the measurement of the right-of-use assets. This is in contrast to AASB 117, where lease incentives received to enter into operating leases, were recognised as a liability and amortised as a reduction of rental expenses on a straight-line basis. The amount of the lease incentives as at 30 June 2019, previously recognised with respect to operating leases, was factored into the measurement of the opening right-of-use assets of the current period.

3.10.5 Peppercorn leases

As at 30 June 2020, Lifeblood has 7 peppercorn (or low cost rental) sites nationally. The sites are being leased to Lifeblood for significantly below-market terms and conditions, principally to enable Lifeblood to further its objectives. Lifeblood has made use of the temporary option under AASB 2018-8 to measure the right-of-use assets at cost on initial recognition. As the amount of the peppercorn lease payments is immaterial, Lifeblood does not expect a significant impact on its financial statements arising from the adoption of the cost option for peppercorn leases.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. Lifeblood has the following categories of inventories:

3.11.1 Consumables

Consumables are used by Lifeblood 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 benefits must have occurred.

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

Lifeblood collects domestic raw plasma, which is issued to CSL Behring (Australia) Pty Ltd ('CSL') for fractionation into manufactured products. CSL manufactures and imports fractionated plasma products, which are distributed by Lifeblood in Australia. In relation to blood products held for distribution, Lifeblood does not recognise plasma supplied to CSL for fractionation, fractionated product held at CSL and fractionated product at Lifeblood held for distribution. This is due to the retention of control and risk over these specific products by parties other than Lifeblood and the absence of future economic benefit under output based funding arrangements.

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 Lifeblood or at a Lifeblood storage facility; and
- All products held in 'work in progress' at Lifeblood.

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 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.

3.13 Trade and other receivables

Trade receivables are recognised and carried at original invoice amount less provision for impairment. The carrying values 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 Lifeblood will not be able to collect all the amounts due according to the original terms of the trade receivables. Lifeblood 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 into 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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.13 Trade and other receivables (continued)

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

3.14 Non-derivative financial instruments

Financial instruments are recognised in the statement of financial position when Lifeblood 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.

3.14.1.1 Debt instruments classified as at FVTOCI

Bonds held by Lifeblood are classified as at FVTOCI. These listed and unlisted bonds are initially measured at fair value and 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 investment revaluation reserve (see note 20.4). 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, Lifeblood 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.

Lifeblood 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 note 20.4), and does not reduce the carrying amount of the financial asset in the statement of financial position.

3.14.4 Equity instruments designated as at FVTOCI

Investments in equity instruments designated as at FVTOCI are initially measured at fair value and 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 20.5). The cumulative gain or loss is not 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.

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

3.14.5 Derecognition of financial assets

Lifeblood 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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.14 Non-derivative financial instruments (continued)

3.14.5 Derecognition of financial assets (continued)

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 investment revaluation reserve (see note 20.4) 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 20.5) is not reclassified to the surplus or deficit, but is transferred to retained earnings.

3.14.6 Financial liabilities

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

Lifeblood 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 or 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 Lifeblood 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 Lifeblood 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 Lifeblood 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 note15. 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 Australian 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, accrued days off (ADO) 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 15.1. All other short-term employee benefit obligations are presented as payables - see note 12.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.17 Provisions (continued)

3.17.1 Employee benefits (continued)

3.17.1.1 Short-term and long-term employee benefits (continued)

Liabilities recognised in respect of long-term employee benefits are measured as the present value of the estimated future cash outflows to be made by Lifeblood in respect of services provided by employees up to the reporting date - see note15.1. 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

Lifeblood 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.

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 19.

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

Lifeblood recognises income for the delivery of products to Approved Health Providers on an accrual basis representing the right to receive contributions from the NBA. Under the Output Based Funding principles, Lifeblood can apply to retain up to $5 million of any 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 Lifeblood and the NBA. Any excess funds to be returned (2020: $31.612 million, 2019: $69.814 million) are recorded as a liability within prepaid government funds (see note 16). Lifeblood has not sought to retain any of the Main Operating program surplus for this period but has retained $0.204 million (2019: nil) from the Research and Development (R&D) grant.

3.19.2 Government grants

A number of Lifeblood's programs are supported by grants received from Commonwealth and State governments. Lifeblood assesses each funding stream in terms of the existence and enforceability of a contract and specificity of the performance obligations.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.19 Revenue recognition (continued)

3.19.2 Government grants (continued)

Lifeblood 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, Lifeblood applies the general principles of this standard to determine the appropriate revenue recognition. Under AASB 15, Lifeblood 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 13).

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

Under AASB 1058, Lifeblood 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 Lifeblood 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, Lifeblood recognises revenue immediately, upon receipt.

AASB 1058 also prescribes specific accounting requirements for capital grants. The following criteria must be met for a capital grant to be recorded:
• Lifeblood must use that financial asset to acquire or construct a non-financial asset of identified specifications
• Lifeblood will control the asset post acquisition or construction (i.e. no requirement to transfer the asset back to the 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, Lifeblood does not have any capital grants.

Lifeblood 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. Lifeblood currently has 7 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 Lifeblood's right to receive payment has been established, it is probable that the economic benefit will flow to Lifeblood and the amount can be measured reliably.

3.19.4 Other income

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

3.20 Income tax

Lifeblood, 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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	2020 $'000	2019 $'000
Salaries & wages		306,720	284,040
Superannuation guarantee		27,538	26,017
Components of defined benefits recognised in surplus	19.5	(11)	30
Termination benefits		944	2,677
Total staff expenses		**335,191**	**312,764**
Consumables		120,258	114,621
Other overheads		145,772	134,234
Workers compensation costs		2,128	2,543
Minimum operating lease payments		1,818	26,764
Interest and finance charges		10,879	2,306
Depreciation	9, 11	70,819	41,306
Amortisation	10	12,582	10,816
Loss on disposal of non-current assets		2,466	116
(Gain)/Loss on disposal of other financial assets		(75)	36
Impairment losses of other financial assets		88	-
Loss/(Gain) on foreign exchange		67	(2)
Decrease/(Increase) in blood and blood product inventory	7	1,508	(3,994)
Total other expenses		**368,310**	**328,746**
Total expenditure		**703,501**	**641,510**

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 Lifeblood 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 3 year funding cycles. The current 3 year cycle ends on 30 June 2022.

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 first financial year of the 3 year funding term and thereafter indexed at 1.95% for the remaining two years. Capital funding is from State, Territory and Commonwealth governments and is recognised as revenue when Lifeblood obtains control of the grant funds.

Key activities during the reporting period include Plasma Machine Replacement, Adelaide Office and Distribution Hub Relocation, LabNet, Electronic Donor Questionnaire, Nucleic Acid Testing Implementation and Brand Transformation.

5.1.3 External and hosted services

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

Statement of financial position	2020 $'000	2019 $'000
Deferred income	4,033	1,796
	4,033	**1,796**

Statement of profit or loss and other comprehensive income	AASB 15 $'000	AASB 1058 $'000	Total $'000
2020			
Government funding:			
- Operating - Commonwealth funded	550,545	22,012	572,557
- Operating - State funded	29,534	180	29,714
- Capital - Commonwealth and State funded	-	51,265	51,265
Investment income	3,360	2,784	6,144
Other income	8,539	3,592	12,131
Total revenue	**591,978**	**79,833**	**671,811**
2019			
Government funding:			
- Operating - Commonwealth funded	510,348	27,341	537,689
- Operating - State funded	26,210	340	26,550
- Capital - Commonwealth and State funded	-	55,453	55,453
Investment income	4,917	4,866	9,783
Other income	8,654	4,799	13,453
Total revenue	**550,129**	**92,799**	**642,928**

5 REVENUE AND RESULTS FROM FUNDED PROGRAM (CONTINUED)

5.2 Revenues by programs (continued)

5.2.1 Disaggregation

Lifeblood derives revenue and income from:

	Government	Investment Income	Other	Total
2020				
Main operating program	556,376	3,313	3,055	562,744
Capital programs	51,265	1,188	801	53,254
External and hosted services	32,813	69	8,248	41,130
Other operating activities	13,082	1,574	27	14,683
Total revenues by programs	**653,536**	**6,144**	**12,131**	**671,811**

	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**

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 Lifeblood 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 Lifeblood transfers the blood products to CSL and Approved Health Providers, therefore, as and when the performance obligation is satisfied.

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

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 are:

- Cytokine Profiles Research
- International Programs
- OrganMatch
- Tissue Typing and Bone Marrow Donor Centre

Lifeblood 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 Lifeblood 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 Assets and liabilities related to contracts with customers

Lifeblood has recognised the following assets and liabilities related to contracts with customers:

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 Assets and liabilities related to contracts with customers (continued)

	2020 Closing balance $'000	2020 Opening balance $'000	2019 Closing balance $'000	2019 Opening balance $'000
Deferred Income	4,033	1,796	1,796	5,648
Total	**4,033**	**1,796**	**1,796**	**5,648**

There is no revenue recognised in the reporting period from performance obligations satisfied (or partially satisfied) in previous periods.

5.2.2.2 Right of refund liabilities

Lifeblood 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 Lifeblood and the NBA provides for capital funding comprising 10% of the funding for the Main Operating Program for the first year of the 3 year funding term. This amount is indexed at 1.95% for the remaining two years. 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) and purchasing or constructing equipment that is to be retained by Lifeblood. 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 and are prepared annually by Lifeblood and approved by the Board and NBA. Capital program funding is ultimately viewed as funds provided principally to enable Lifeblood to further its objectives. Whilst it is related to the Deed of Agreement, it is not directly correlated to the Annual Supply Estimate.

Although an enforceable agreement, the capital funding agreement 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 Lifeblood, 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. Although an enforceable agreement, the grant funding agreement does not contain sufficiently specific performance obligations to transfer a good or service.

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 Lifeblood would control. Income on these funds is recognised as Lifeblood obtains or establishes the right to receive these funds from the NBA, which is at a point in time when capital funding is received.

Other

Lifeblood receives income for various other programs including:

- Milk Bank - funding received from the Ministry for Health SA, NSW Health and QLD Health for the provision of a safe, secure and reliable source of donated breast milk, which is available to 11 neonatal intensive care units in hospitals in SA, NSW and Townsville Hospital . Revenue is received based on supply and recognised immediately.

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)

- 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 Lifeblood, there are approximately 1,500 volunteers who provide a valuable voluntary contribution. Lifeblood 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

Lifeblood 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 Lifeblood may be used.

5.3 Reconciliation of surplus or deficit for the year

	Notes	2020 $'000	2019 $'000
Surplus of Main Operating Program (MOP)		204	5,000
Deficit of Capital Programs and Processing Centre Programs (net of depreciation and amortisation)		(11,776)	(7,386)
Surplus on External and Hosted Services		1,531	4,340
Provision for employee entitlements		(9,518)	(4,101)
Loss on disposal of non-current assets		(2,466)	(116)
Gain/(Loss) on disposal of other financial assets (excluding MOP portion)		1,185	(285)
Impairment losses of other financial assets	20.4	(88)	-
Movement resulting from reclassification of operating leases		(9,198)	-
(Loss)/Gain on foreign exchange		(67)	2
Components of defined benefit costs recognised in surplus	19.5	11	(30)
(Decrease)/Increase in blood and blood product inventory	7	(1,508)	3,994
(DEFICIT)/SURPLUS FOR THE YEAR		**(31,690)**	**1,418**

6 TRADE AND OTHER RECEIVABLES

	2020 $'000	2019 $'000
Trade receivables	4,010	1,493
Total trade receivables	**4,010**	**1,493**
Accrued income	476	1,947
Prepayments	10,560	14,587
Goods and services tax receivables	-	684
Total other receivables	**11,036**	**17,218**
Total trade and other receivables	**15,046**	**18,711**

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.

	2020 $'000	2019 $'000
Ageing of past due but not impaired trade receivables		
1 to 30 days	2,622	227
31 to 60 days	260	55
61 to 90 days	34	38
91 to 120 days	88	40
Over 120 days	7	83
Total amount of past due but not impaired trade receivables	**3,011**	**443**

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

7 INVENTORIES

	2020 $'000	2019 $'000
7.1 Inventory of blood and blood products		
Blood and blood products	11,157	12,596
Work in progress	1,039	1,108
Total inventory of blood and blood products	**12,196**	**13,704**
7.2 Consumables inventory		
Consumables	18,166	9,198
Total consumables inventory	**18,166**	**9,198**
Total inventories	**30,362**	**22,902**

8 OTHER FINANCIAL ASSETS

8.1 Debt and equity instruments classified as at FVTOCI

	2020 $'000	2019 $'000
Current		
Australian equities	23,014	25,414
Bonds - listed	3,360	3,408
Bonds - unlisted	88,017	87,064
Total current other financial assets	**114,391**	**115,886**

8.2 Fair value measurements recognised in the statement of financial position

A third party who perform valuations of financial assets for reporting purposes independently prices level 2 investments. The valuation model uses an adapted version of the Australian Government Treasury Adjustable Rate Bond formula to derive valuations 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
2020				
Australian equities	23,014	-	-	23,014
Bonds - listed	3,360	-	-	3,360
Bonds - unlisted	-	88,017	-	88,017
Total	**26,374**	**88,017**	**-**	**114,391**

	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**

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 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	9.5	-	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**
Year ended 30 June 2020								
Opening net book amount		187,411	11,103	39,362	21,215	4,426	25,656	289,173
Additions	9.4	601	-	-	-	-	41,485	42,086
Disposals	9.3	-	(17)	(2,435)	-	(647)	-	(3,099)
Transfer to/(from) WIP	9.1	14,683	3,853	35,445	-	626	(54,607)	-
Depreciation charge		(19,992)	(5,386)	(14,240)	(4,780)	(916)	-	(45,314)
Closing net book amount		**182,703**	**9,553**	**58,132**	**16,435**	**3,489**	**12,534**	**282,846**
At 30 June 2020								
Cost		338,480	28,915	160,560	63,858	17,035	12,534	621,382
Accumulated depreciation		(155,777)	(19,362)	(102,428)	(47,423)	(13,546)	-	(338,536)
Net book amount		**182,703**	**9,553**	**58,132**	**16,435**	**3,489**	**12,534**	**282,846**

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:

	2020 $'000	2019 $'000
Freehold land and buildings and leasehold improvements	411	44
Computer equipment	210	3,906
Plant and equipment	11,913	21,659
Donor mobile units	-	47
	12,534	**25,656**

At reporting date, WIP relating to plant and equipment totalled $11.913 million. $9.480 million was attributed to Labnet implementation, $1.348 million to the Plasma Machine Replacement Program and $0.484 million towards the Blast Freezer Upgrade Program. The computer equipment balance includes the Application Hosting Infrastructure ($0.169 million) and Electronic Donor Questionnaire ($0.028 million).

9 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

9.2 Leased furniture, fittings & equipment

The net book value for leased furniture, fittings & equipment of $16.435 million (2019: $21.215 million), includes amounts relating to leasehold improvements for the processing centres in Brisbane (2020: $10.851 million, 2019: $12.282 million) and Melbourne (2020: $5.584 million, 2019: $8.933 million), which are funded through finance leases.

9.3 Asset disposals

During the reporting period, Lifeblood disposed of assets with a total written down value of $3.099 million (2019: $0.354 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

	2020 $'000	2019 $'000
Carrying amounts of:		
Software	18,191	24,425
Work in progress	4,731	3,105
Total intangible assets	**22,922**	**27,530**

	Software $'000	Work in Progress (WIP) $'000	Total $'000
At 1 July 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**
Year ended 30 June 2020			
Opening net book amount	24,425	3,105	27,530
Additions	-	7,974	7,974
Transfer to/(from) WIP	6,348	(6,348)	-
Transfer to property, plant and equipment	-	-	-
Amortisation charge	(12,582)	-	(12,582)
Closing net book amount	**18,191**	**4,731**	**22,922**
At 30 June 2020			
Cost	104,705	4,731	109,436
Accumulated amortisation	(86,514)	-	(86,514)
Net book amount	**18,191**	**4,731**	**22,922**

The net book value for software includes $5.254 million from OrganMatch, $2.515 million from National Blood Management System (NBMS) infrastructure upgrade and $1.610 million from Electronic Donor Questionnaire (eDQ).

In 2020, the WIP balance includes $1.119 million for Labnet implementation, $0.846 million for Marketing Automation Platform, $0.606 million for Electronic Donor Questionnaire (eDQ), $0.411 million for the Corporate Website Development Program and various other software related initiatives.

11 RIGHT-OF-USE ASSETS (LEASES)

Lifeblood 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. A number of lease arrangements entered into by Lifeblood provide the option to extend the term beyond the initial fixed term. As at 30 June 2020, Lifeblood has 74 leased motor vehicles. Office equipment including multifunction printing devices were not assessed for the application of AASB 16 under the low-value exemption.

Right-of-use assets are presented in the statement of financial position as follows:

	2020 $'000	2019 $'000
Carrying amounts of:		
Premises	265,016	-
Vehicles	1,253	-
Total right-of-use assets	**266,269**	**-**

	Premises $'000	Vehicles $'000	Total $'000
Year ended 30 June 2020			
Balance at 1 July 2019	276,369	1,507	277,876
Additions - new leases	13,610	288	13,898
Depreciation charge	(24,963)	(542)	(25,505)
Closing net book amount	**265,016**	**1,253**	**266,269**
At 30 June 2020			
Cost	289,979	1,795	291,774
Accumulated depreciation	(24,963)	(542)	(25,505)
Net book amount	**265,016**	**1,253**	**266,269**

11.1 Amounts recognised in profit and loss:

	2020 $'000	2019 $'000
Depreciation expense on right-of-use assets	25,505	-
Interest expense on lease liabilities	9,481	-
Expense relating to leases of low-value assets	541	-
Expense relating to short-term leases	1,818	-
	37,345	**-**

12 TRADE AND OTHER PAYABLES

	2020 $'000	2019 $'000
Trade payables	36,402	37,972
Accrued wages and salaries	16,841	15,056
Goods and services tax payable	310	-
Total trade and other payables	**53,553**	**53,028**

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

13 DEFERRED INCOME

	2020 $'000	2019 $'000
Deferred Income	4,033	1,796
Total deferred income	**4,033**	**1,796**

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

At 30 June 2020, the balance includes unearned income related to OrganMatch operational support ($2.619 million). There was no revenue recognised in the current reporting period that related to performance obligations that were satisfied in a prior year.

14 BORROWINGS

	Notes	2020 $'000	2019 $'000
Current			
Processing centre fit-out loans	23.3	4,583	6,400
Processing centre fit-out leases	23.2.2	4,530	4,182
Total current borrowings		**9,113**	**10,582**
Non-current			
Processing centre fit-out loans	23.3	-	4,583
Processing centre fit-out leases	23.2.2	1,997	6,527
Total non-current borrowings		**1,997**	**11,110**
Total borrowings		**11,110**	**21,692**

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.

15 PROVISIONS

	Notes	2020 $'000	2019 $'000
Current			
Employee benefits		75,050	66,358
Make good for property leases	15.2	961	1,197
Total current provisions		**76,011**	**67,555**
Non-current			
Employee benefits		7,573	7,318
Make good for property leases	15.2	5,787	4,949
Total non-current provisions		**13,360**	**12,267**
Total provisions		**89,371**	**79,822**

15.1 Provisions for employee benefits

15.1.1 Current provision

The current provision for employee benefits includes accrued annual leave, accrued days off (ADO), 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 2020, Lifeblood's 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 experience however, Lifeblood 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:

	2020 $'000	2019 $'000
Annual leave obligation expected to be settled after 12 months	-	-
Long service leave obligation expected to be settled after 12 months	42,325	38,785
Total current obligations not expected to be taken in the next 12 months	**42,325**	**38,785**

15.1.2 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.

15.2 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.

	2020 $'000	2019 $'000
Movements in make good provisions are as follows:		
Carrying amount of make good provisions at beginning of the year	6,146	5,686
Provision movement	602	460
Carrying amount of make good provisions at end of the year	**6,748**	**6,146**

16 PREPAID GOVERNMENT FUNDS

	2020 $'000	2019 $'000
Output funding net cash prepayment	95,105	73,726
Government grants refundable	31,612	69,814
Total prepaid government funds	**126,717**	**143,540**

Output funding net cash prepayment relates to government grant funding received in advance from NBA for product and services to be supplied in July 2020.

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.

17 LEASE LIABILITIES

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

	2020 $'000	2019 $'000
Current		
Lease liabilities	18,876	-
Total current lease liabilities	**18,876**	**-**
Non-current		
Lease liabilities	263,204	-
Total non-current lease liabilities	**263,204**	**-**
Total lease liabilities	**282,080**	**-**

Lifeblood 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 Lifeblood provide the option to extend the term beyond the initial expiration date.

18 OTHER LIABILITIES

	2020 $'000	2019 $'000
Current		
Lease incentives	-	984
Total current other liabilities	**-**	**984**
Non-current		
Lease incentives	-	4,198
Total non-current other liabilities	**-**	**4,198**
Total other liabilities	**-**	**5,182**

19 RETIREMENT BENEFIT PLAN OBLIGATION

Lifeblood 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.

The plans expose Lifeblood 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 2020 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.

19.1 Principal actuarial assumptions

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

	2020	**2019**
Discount rate	2.5%	2.7%
Expected rate of salary increase	2.5%	2.5%
Anticipated rate of return on plan assets	5.8%	6.0%

19 RETIREMENT BENEFIT PLAN OBLIGATION (CONTINUED)

19.2 Amounts recognised in the statement of financial position

	Notes	2020 $'000	2019 $'000
Present value of funded defined benefit plan obligation	19.3	19,719	19,607
Fair value of defined benefit plan assets	19.4	(18,090)	(19,093)
Net liability arising from defined benefit plan obligation		**1,629**	**514**

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

	2020 $'000	2019 $'000
Balance at beginning of the year	19,607	17,702
Current service cost	535	601
Interest cost	516	680
Remeasurements:		
- Actuarial loss arising from changes in demographic assumptions	-	3
- Actuarial loss arising from changes in financial assumptions	289	2,087
- Actuarial loss/(gain) arising from experience adjustments	280	(421)
Benefits paid	(1,407)	(954)
Other	(101)	(91)
Balance at end of the year	**19,719**	**19,607**

19.4 Reconciliation of movement in the fair value of plan assets

	2020 $'000	2019 $'000
Balance at beginning of the year	19,093	18,470
Interest income	508	717
Remeasurement:		
- Return on plan assets (excluding amounts included in net interest expense)	(557)	417
Contributions by the employer	524	496
Contributions by plan participants	30	38
Benefits paid	(1,407)	(954)
Other	(101)	(91)
Balance at the end of the year	**18,090**	**19,093**

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

	2020 $'000	2019 $'000
Australian equities	4,287	4,582
International equities	4,722	4,850
Australian fixed interest	3,437	3,284
International fixed interest	398	573
Property	2,008	2,005
Cash	1,266	1,757
Other	1,972	2,042
Total fair value of the plan assets	**18,090**	**19,093**

19 RETIREMENT BENEFIT PLAN OBLIGATION (CONTINUED)

19.4 Reconciliation of movement in the fair value of plan assets (continued)

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. Investment managers can use derivatives, 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 asset 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 a negative return of $0.017 million (2019: $0.760 million)

19.5 Amounts recognised in the statement of comprehensive income

	2020 $'000	2019 $'000
Service cost:		
- Current service cost	535	601
- Employer contributions	(524)	(496)
- Member contributions	(30)	(38)
- Net interest cost	8	(37)
Components of defined benefit cost recognised in surplus	**(11)**	**30**
Remeasurement:		
- Return on plan assets (excluding amounts included in net interest expense)	557	(417)
- Actuarial loss arising from changes in demographic assumptions	-	3
- Actuarial loss arising from changes in financial assumptions	289	2,087
- Actuarial loss/(gain) arising from experience adjustment	280	(421)
Components of defined benefit loss recognised in other comprehensive income	**1,126**	**1,252**
Total	**1,115**	**1,282**

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.

19.6 Category of investments

	2020 %	2019 %
Australian equities	23.7%	24.0%
International equities	26.1%	25.4%
Australian fixed interest	19.0%	17.2%
International fixed interest	2.2%	3.0%
Property	11.1%	10.5%
Cash	7.0%	9.2%
Other	10.9%	10.7%
Total	**100.0%**	**100.0%**

19 RETIREMENT BENEFIT PLAN OBLIGATION (CONTINUED)

19.7 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 $0.762 million (2019: $0.767 million)
- If the expected salary growth increases/(decreases) by 50 basis points, the defined benefit obligation would increase/(decrease) by $0.356 million (2019: $0.369 million)

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

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

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

19.8 Asset-liability matching study

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

19.9 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, Lifeblood 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. Lifeblood 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. Lifeblood 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. Lifeblood carries the investment volatility risk and may be required to make additional contributions from time to time if assets do not cover members' vested benefits.

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

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

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

20 RESERVES

	Notes	2020 $'000	2019 $'000
General reserve	20.1	214,669	229,624
Special reserves	20.2	70,806	72,152
Capital reserve	20.3	46,073	63,654
Investment revaluation reserve	20.4	(223)	837
Equity reserve	20.5	739	2,184
Total reserves		**332,064**	**368,451**

20 RESERVES (CONTINUED)

20.1 General reserve

	Notes	2020 $'000	2019 $'000
Balance at beginning of year		**229,624**	**232,531**
Transfer from special reserves	20.2	1,346	2,704
Transfer from/(to) capital reserve	20.3	17,581	(5,777)
Transfer of realised loss from equity reserve	20.4	(1,066)	-
Subtotal transfer to/(from) general reserve		**17,861**	**(3,073)**
(Deficit)/Surplus for the year		(31,690)	1,418
Actuarial loss on retirement benefit plan obligations		(1,126)	(1,252)
Balance at end of year		**214,669**	**229,624**

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

20.2 Special reserves

	Notes	2020 $'000	2019 $'000
Balance at beginning of the year		**72,152**	**74,856**
Income received and transferred to the reserve		42,862	47,009
Expenditure incurred and transferred from the reserve		(44,208)	(49,713)
Subtotal transfer to general reserve	**20.6**	**(1,346)**	**(2,704)**
Balance at end of year		**70,806**	**72,152**

Lifeblood's special reserves records retained surpluses over which Lifeblood 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 (2020: $6.309 million, 2019: $6.220 million), Corporate Risk Reserve (2020: $25.357 million, 2019: $25.000 million) and unallocated prior year surpluses (2020: $8.570 million, 2019: $15.217 million). The remainder of the balance consists of State government and other externally funded reserves.

20.3 Capital reserve

	2020 $'000	2019 $'000
Balance at beginning of the year	**63,654**	**57,877**
Income received and transferred to the reserve	54,002	59,815
Expenditure incurred and transferred from the reserve	(71,583)	(54,038)
Subtotal transfer (to)/from general reserve	**(17,581)**	**5,777**
Balance at end of year	**46,073**	**63,654**

Lifeblood'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.

20 RESERVES (CONTINUED)

20.4 Investment revaluation reserve

	2020 $'000	2019 $'000
Balance at beginning of year	**837**	**770**
Net unrealised (loss)/gain arising on revaluation of debt instruments	(1,148)	67
Transfer of impairment loss on debt instruments	88	-
Net fair value (loss)/gain on investments in debt instruments classified as at FVTOCI	**(1,060)**	**67**
Balance at end of year	**(223)**	**837**

Lifeblood'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 (see note 3.14.5).

20.5 Equity reserve

	2020 $'000	2019 $'000
Balance at beginning of year	**2,184**	**2,680**
Net unrealised loss on equity instruments	(601)	(1,310)
Net realised (loss)/gain on disposal of equity instruments	(1,910)	814
Net fair value loss on investments in equity instruments designated as at FVTOCI	**(2,511)**	**(496)**
Transfer of realised loss to retained earnings	1,066	-
Balance at end of year	**739**	**2,184**

Lifeblood'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 retained earnings (see note 3.14.5).

20.6 Movement within reserves

20.6.1 Transfer between general and special reserve

The current year movement of $1.346 million (2019: $2.704 million) is primarily driven by:

- Allocation of funds to the corporate risk reserve includes interest earned of $0.357 million (2019: $1.154 million)
- Allocation of additional R&D funding of $0.204 million (2019: nil)

In this reporting period, there was no surplus retained (2019: $5.000 million) as agreed with the NBA.

21 EQUITY

	2020 $'000	2019 $'000
Accumulated funds at beginning of the year	368,451	368,714
Total loss and other comprehensive income for the year	(36,387)	(263)
Accumulated funds at end of the year	**332,064**	**368,451**

22 RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES

22.1 Cash flows from operating activities

	Notes	2020 $'000	2019 $'000
(Deficit)/Surplus for the year		**(31,690)**	**1,418**
Adjustments for:			
Depreciation	9, 11	70,819	41,306
Amortisation	10	12,582	10,816
Impairment losses of other financial assets	20.4	88	-
Loss/(gain) on foreign exchange		67	(2)
Loss on disposal of non-current assets		2,466	116
(Gain)/loss on disposal of other financial assets		(75)	36
Interest paid on borrowings		1,398	2,306
Interest paid on leases		9,481	-
Investment income received	5.2	(6,144)	(9,783)
Components of defined benefit costs recognised in surplus	19.5	(11)	30
Lease movements		(8,514)	-
Changes in operating assets and liabilities:			
Decrease/(Increase) in trade and other receivables		3,665	(4,593)
(Decrease)/Increase in trade and other payables		(2,421)	9,694
(Decrease)/Increase in prepaid government funds		(16,823)	42,751
Increase in provisions		9,549	5,134
Increase in consumables inventory		(8,968)	(862)
Decrease/(Increase) in blood and blood product inventory		1,508	(3,994)
Net cash inflows from operating activities		**36,977**	**94,373**

22.2 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:

	2020 $'000	2019 $'000
Cash at bank and on hand	452	216
Term deposits and investments	168,269	199,607
Total cash and cash equivalents	**168,721**	**199,823**

23 COMMITMENTS

23.1 Non-cancellable leases

Lifeblood leases various premises used as offices, blood collection centres, processing and testing centres, and warehouses under non-cancellable lease agreements expiring within 2 to 20 years. At 30 June 2019, the commitment for minimum lease repayments in relation to non-cancellable operating leases was calculated based on the contractual undiscounted cash flows of the initial lease term under the contract. This approach was consistent with the calculation of the make good provision. From 1 July 2019, Lifeblood has recognised right-of-use assets (see note 11) and corresponding lease liabilities (see note 17) for these leases except for those identified as low-value asset leases.

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

	2020 $'000	2019 $'000
Commitments for minimum lease payments in relation to non-cancellable leases are payable as follows:		
- Within one year	360	23,546
- Later than one year but not later than five years	334	68,568
- Later than five years	-	58,510
Total non-cancellable leases	**694**	**150,624**

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

	$'000
Operating lease commitments disclosed as at 30 June 2019	150,624
Discounted using the lessee's incremental borrowing rate	(17,916)
Add: Adjustments for reasonably certain extension options, vehicle leases and other lease components	150,551
Lease liability recognised as at 1 July 2019	**283,259**
Comprising:	
Current lease liabilities	16,394
Non-current lease liabilities	266,865
Total lease liabilities recognised as at 1 July 2019	**283,259**

23.2 Property fit-out leases

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

23.2.1 Property fit-out leases

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

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

23 COMMITMENTS (CONTINUED)

23.2 Property fit-out leases (continued)

23.2.2 Total equipment and property fit-out leases

	2020 $'000	2019 $'000
Minimum lease payments:		
- Within one year	4,881	4,881
- Later than one year but not later than five years	2,034	6,914
- Later than five years	-	-
Minimum future property fit-out lease payments	**6,915**	**11,795**
Less: future finance charges	(388)	(1,086)
Total property fit-out leases	**6,527**	**10,709**

	Notes	2020 $'000	2019 $'000
Representing property fit-out leases:			
Current	14	4,530	4,182
Non-current	14	1,997	6,527
Total property fit-out leases		**6,527**	**10,709**

23.3 Property fit-out loans

	Notes	2020 $'000	2019 $'000
Secured bank loans:			
Current	14	4,583	6,400
Non-current	14	-	4,583
Total property fit-out loans		**4,583**	**10,983**

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

23.4 Capital expenditure commitments

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

	2020 $'000	2019 $'000
Property, plant & equipment		
Payable:		
- Within one year	16,274	23,421
Total capital expenditure commitments	**16,274**	**23,421**

Of the reported total capital expenditure commitments, $4.964 million relates to the plasma machine replacement project, $4.547 million is attributable to LabNet and the balance committed to various other business initiatives.

24 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

24.1 Contingent liabilities

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

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.

25 EVENTS AFTER REPORTING PERIOD

Lifeblood will continue to assess and monitor the COVID-19 situation closely as well as the measures imposed by the Commonwealth and State governments. Although the duration and ultimate impact COVID-19 will have on the economy are unknown, our operations will continue as an essential service to the community and we are in a strong position to navigate the uncertainty 2020 has presented to the organisation.

There has not been any other matter or circumstance occurring subsequent to the end of the year that has significantly affected, or may significantly affect, the operations of Lifeblood, the results of those operations, or the state of affairs in future financial years.

26 KEY MANAGEMENT PERSONNEL COMPENSATION

26.1 Key management personnel

26.1.1 Board members during 2019-2020 were:

Mr James Birch AM	Chair
Ms Shelly Park	Chief Executive and Board Member
Mr Nigel Ampherlaw	Board Member
Mr Christopher Baggoley AO	Board Member
Mr Charles Burkitt	Board Member (appointed 20 January 2020)
Ms Hannah Crawford	Board Member (resigned* 31 January 2020)
Dr Lance Emerson	Board Member
Ms Julie Fahey	Board Member
Ms Merran Kelsall	Board Member (appointed 3 February 2020)
Ms Jenni Mack AM	Board Member
Ms Lyndal Moore	Board Member (resigned* 6 December 2019)
Prof Robyn Ward	Board Member (appointed 30 September 2019)

** Designated term completed*

26.1.2 Executive directors during 2019-2020 (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
Mr Peter McDonald	Executive Director, Corporate Strategy and Transformation
Dr Joanne Pink	Executive Director, Clinical Services and Research
Ms Cath Stone	Executive Director, Donor Services
Mr Greg Wilkie	Executive Director, Manufacturing and Quality

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
2020					
Total compensation	21	4,783	331	58	5,172
2019					
Total compensation	22	4,549	322	62	4,933

Key management personnel remuneration includes paid short-term employee benefits comprising salaries and wages, annual leave, sick leave and non-monetary benefits. 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.

27 REMUNERATION OF AUDITORS

	2020 $'000	2019 $'000
Amounts paid or due and payable to Deloitte for:		
- Audit and review of financial statements	108	117
- Audit for grant acquittals	23	23
Total remuneration of auditors	**131**	**140**

28 RELATED PARTY DISCLOSURES

Transactions with Australian Red Cross Society:

During the reporting period, net trading transactions of $1.528 million (2019: $1.325 million) were transacted between Lifeblood and the Society. The transactions largely related to Lifeblood's workers compensation premium charge reimbursements for shared policies owned by the Society. As at 30 June 2020, there were nil (2019 $0.400 million) commitments for minimum lease payments in relation to non-cancellable leases payable to the Society.

There was no material debt between Lifeblood and the Society at 30 June 2020.

29 FINANCIAL RISK MANAGEMENT

Lifeblood'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. Lifeblood's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of Lifeblood.

It is Lifeblood'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'. Lifeblood's policy permits sale of selected investments which are described in the financial statements as 'other financial assets' (see note 8), when Lifeblood 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 Lifeblood's policy to conduct its banking business, including instruments used to hedge risk, with high credit quality financial institutions.

Fair value estimation

	Notes	2020 $'000	2019 $'000
Lifeblood holds the following financial instruments:			
Financial assets			
Cash - Australian currency		200	193
Cash - foreign currency		252	23
Bank bills and term deposits		168,269	199,607
Total cash and cash equivalents	22.2	**168,721**	**199,823**
Trade and other receivables	6	15,046	18,711
Other financial assets	8	114,391	115,886
Total trade receivables and other financial assets		**129,437**	**134,597**
Total financial assets		**298,158**	**334,420**
Financial liabilities			
Trade and other payables	12	53,553	53,028
Deferred Income	13	4,033	1,796
Borrowings - property fit-out leases	14	6,527	10,709
Borrowings - property fit-out loans	14	4,583	10,983
Prepaid government funds	16	126,717	143,540
Other liabilities	18	-	5,182
Total financial liabilities		**195,413**	**225,238**

29 FINANCIAL RISK MANAGEMENT (CONTINUED)

	2020 $'000	2019 $'000
Financing facilities available:		
Credit card and travel account	1,150	1,150
Borrowings - property fit-out leases	6,527	10,709
Borrowings - property fit-out loans	4,583	10,983
Total financing facilities available	**12,260**	**22,842**

	2020 $'000	2019 $'000
Financing facilities unused at reporting date		
Credit card and travel account	989	398
Borrowings - property fit-out leases	-	-
Borrowings - property fit-out loans	-	-
Total financing facilities unused at reporting date	**989**	**398**

29.1 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.

29.1.1 Interest rate risk

Lifeblood has significant interest-bearing financial assets and is exposed to interest rate fluctuations on its investments in bank term deposits. Lifeblood 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.

Lifeblood's main interest rate exposure on financial liabilities arises from long-term borrowings. Lifeblood's policy is to maintain its long-term borrowings at fixed rates. As at 30 June 2020, all of Lifeblood's borrowings were fixed interest borrowings.

29.1.2 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. Lifeblood's treasury policy allows contracts to be negotiated in foreign currency where it is financially more advantageous than negotiating in Australian dollars. Lifeblood 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 Lifeblood's policy to purchase standard foreign exchange contracts to cover foreign currency liabilities. As at 30 June 2020, Lifeblood had 5 forward exchange contracts. Lifeblood assessed its foreign currencies held as at 30 June 2020 and they are as follows:

	2020		2019	
	$'000 Foreign currency	$'000 AUD equivalent	$'000 Foreign currency	$'000 AUD equivalent
Euros	153	251	14	23
Total		**251**		**23**

Lifeblood has no other foreign currency assets or liabilities.

29.1.3 Price risk

The risks associated with investments are managed in accordance with established and approved governance guidelines and principles set out and approved by the Board of Lifeblood. 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.

29 FINANCIAL RISK MANAGEMENT (CONTINUED)

29.2 Sensitivity analysis

29.2.1 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.

If the interest rates had been 100 basis points higher or lower and all other variables were held constant:

- the deficit for the year ended 30 June 2020 would increase or decrease by $0.287 million (2019: $0.914 million). This is mainly attributable to Lifeblood's exposure to interest rates on its variable interest rate instruments; and
- other comprehensive loss for the year ended 30 June 2020 would increase or decrease by $0.508 million (2019: $0.905 million), mainly due to changes in the fair value of available-for-sale fixed rate instruments.

29.2.2 Foreign currency risk sensitivity analysis

During the reporting period, Lifeblood is exposed to movements in exchange rates relating to Euro and US dollars (USD). The analysis below details Lifeblood's sensitivity to a 10% increase or decrease in the Australian dollar against these foreign currency rates. 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 both, the Euro and USD with all other variables held constant, the deficit for the year ended 30 June 2020 would increase by $0.028 million (2019: $0.003 million). Conversely, if the AUD had weakened by 10% against both, the Euro and USD with all other variables held constant, the deficit for the reporting period would decrease by $0.023 million (2019: $0.002 million).

29.2.3 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 deficit for the year ended 30 June 2020 would have been unaffected as any increment or decrement in the fair value, is an adjustment to other comprehensive income
- Other comprehensive loss for the year ended 30 June 2020 would have increased or decreased by $1.151 million (2019: $1.271 million) as a result of the change in the fair value of equity instruments

29.3 Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to Lifeblood. 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, Lifeblood 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	2020 $'000	2019 $'000
Maximum exposure to credit risk at the reporting date:			
Cash and cash equivalents	22.2	168,721	199,823
Trade and other receivables	6	15,046	18,711
Other financial assets	8	114,391	115,886
Total maximum exposure to credit risk at the reporting date		**298,158**	**334,420**

29 FINANCIAL RISK MANAGEMENT (CONTINUED)

29.4 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. Lifeblood manages liquidity risk by monitoring forecast cash flows and ensuring that adequate liquid funds are available.

The following table details Lifeblood'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 Lifeblood can be requested to pay. The table includes principal cash flows only.

Financial liabilities 2020	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		-	148,979	31,649	3,675	-	-	184,303
Property fit-out loans	23.3	8.63	558	1,129	2,896	-	-	4,583
Property fit-out leases	23.2.2	8.02	364	735	3,431	1,997	-	6,527
Total financial liabilities			**149,901**	**33,513**	**10,002**	**1,997**	**-**	**195,413**
2019								
Non-interest bearing		-	128,631	69,978	739	3,514	685	203,547
Property fit-out loans	23.3	8.63	514	1,036	4,851	4,582	-	10,983
Property fit-out leases	23.2.2	8.02	336	679	3,168	6,526	-	10,709
Total financial liabilities			**129,481**	**71,693**	**8,758**	**14,622**	**685**	**225,239**

Non-derivative financial assets

2020	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	-	38,060	-	-	-	-	38,060
Fixed interest rate instruments	1.20	4,028	142,005	6,431	72,870	6,043	231,377
Variable interest rate instruments	0.45	28,721	-	-	-	-	28,721
Total non-derivative financial assets		**70,809**	**142,005**	**6,431**	**72,870**	**6,043**	**298,158**
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**

29.5 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 Lifeblood, I state that:

In the opinion of the Board:

(a) the financial statements and notes of Lifeblood
  (i) give a true and fair view of Lifeblood's financial position as at 30 June 2020 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 Lifeblood 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 (via Webex)
17 September 2020

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

477 Collins Street
Melbourne VIC 3000
GPO Box 78
Melbourne VIC 3001 Australia

DX: 111
Tel: +61 (0) 3 9671 7000
Fax: +61 (0) 3 9671 7001
www.deloitte.com.au

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

Opinion

We have audited the accompanying financial report of Australian Red Cross Lifeblood (the Entity), which comprises the statement of financial position as at 30 June 2020, the statement of profit or loss and other comprehensive income, the statement of 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 2020, 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 Lifeblood Annual Report 2019/2020, which is expected to be made available to us after the date of this auditor's report.

When we read the Annual Report 2019/2020 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.

Deloitte.

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, 17 September 2020