Australian Red Cross
THE POWER OF HUMANITY

Red Cross Financials

We are pleased to present the audited consolidated financial accounts for the Society for the year ended 30 June, 2008.

Financials
Introduction

We are pleased to present the audited consolidated financial accounts for the year ended 30 June, 2008.

The Australian Red Cross Society undertakes a wide range of humanitarian activities which impact on the recording of the consolidated financial accounts of the Society in a number of different ways. The following paragraphs provide additional context to the reading of the key financial operating data.

This year, we have again delivered substantial aid to Tsunami affected regions which again reflects a financial net deficit in this years accounts. We have also experienced increased demand for services to vulnerable people and have increased expenditure on services to enable this.

The Australian Red Cross Blood Service is a division of the Australian Red Cross Society, and is consolidated into the overall result of the Society. The Blood Service provides a significant and important service for the benefit of the Australian public and its main operating program is fully funded by the Australian Federal, State and Territory governments. Further detailed information on the activities of the Blood Service can be found in their specific Annual Report, at www.arcbs.redcross.org.au.

Analysis of Key Financial Operating Data

The income statements for the financial year ended 30 June 2008 reflect a consolidated deficit of $3.4 million, compared to a deficit of $16.7 million for the previous year ended 30 June, 2007.

Key financial results across the operating sectors of the Society are detailed below.

Key Consolidated Data	2008			2007		
	Revenue $'000	Expenses $'000	Net Revenue / (Expense) $'000	Revenue $'000	Expense $'000	Net Revenue / (Expense) $'000
Humanitarian Services						
General Activities	130,188	(149,155)	**(18,967)**	118,859	(119,625)	(766)
Specific Purpose Funds						
– Bali Appeal	56	(259)	**(203)**	67	(269)	(202)
– Asia Quake and Tsunamis Appeal	2,679	(24,350)	**(21,671)**	4,625	(20,134)	(15,509)
– International	38,342	(23,028)	**15,314**	14,153	(14,742)	(589)
– Domestic	17,346	(9,968)	**7,378**	7,817	(4,201)	3,616
Total Humanitarian Services	188,611	(206,760)	**(18,149)**	145,521	158,971	(13,450)
Blood Service	405,083	(390,373)	**14,710**	332,221	(335,454)	(3,233)
Consolidated – Society	593,694	(597,133)	**(3,439)**	477,742	(494,425)	(16,683)

Financials
Introduction

Key Drivers

- Humanitarian Services General Activities – Overall gross revenue has increased by $11.3 million (2007: $118.8 million to 2008: $130.1 million) due primarily to an increase in the demand for our services to the Australian community as we are able to meet delivery requirements.

  The Society has experienced an increase in costs of $29.5 million (2007: $119.6 million to $149.1 million) of which $19 million is consistent with increased demand on our services.

  During the year significant outlays on infrastructure and efficiency improvements such as the commencement of the implementation of the Human Resource Information Service, a comprehensive review of services provided by Red Cross, enhancements and expansion in Information Technology, redevelopment of the public website, launch of a consistent Australia-wide branding and communications strategy and centralisation of our accounting software system contributed $6 million to total expenditure. These investments will provide long term benefits to the organisation.

  Also contributing to the expense increase is the unrealised loss on investments of $3.9 million due to the global downturn in financial markets. It is not intended to convert these investments to cash assets in the short term and the investment performance is being monitored in order to mitigate potential losses.

- Specific Purpose Funds – Asia Quake and Tsunamis Appeal, during the year $24.3 million was spent in accordance with our detailed programs for reconstruction, livelihood and disaster preparation objectives for Tsunami affected regions. To further enhance delivery of programs, interest of $2.5 million was earned on deposits held specifically for the delivery of the Tsunami programs. Further detail of the Tsunami programs and movements are shown in note 2 (c) of the detailed accounts.

- Specific Purpose Funds – International Projects have recorded a substantial surplus of $15.3 million this year primarily as a result of the generosity of donors to the China Earthquake ($7.4 million), Myanmar (Burma) Cyclone ($4.4 million) appeals and AusAID funding for Sudan emergencies of $3.8 million. The income received for these appeals will be expended in future periods. The details of these specific programs and the movements are shown in notes 2 (b and d) of the detailed accounts.

- Specific Purpose Funds – Domestic Operations have seen a significant amount transferred this year ($7.4 million) from the gross operating surplus to fulfil delivery of programs that the Society has received funding for in advance and has made commitments for in terms of service delivery. The details of these specific movements are shown in note 2 (e) of the detailed accounts.

- The Australian Red Cross Blood Service recorded a surplus of $14.7 million, compared with a deficit of $3.2 million last year. This change is primarily attributable to receiving funds in advance of capital projects. Specific details on the results of the Blood Service can be found in note 2 (f).

Contributions to Financial Results

As CEO and CFO of the organisation, we would like to thank our donors, members, volunteers and staff and governments for their significant contributions which allow us to deliver a vast array of services to the vulnerable. In addition to service delivery, we are able to benefit from the provision of the necessary oversight, governance and guidance over the Society's financial systems and reporting requirements to all interested parties.

We would like to make a specific note of thanks to the volunteer members of both the Society's Audit & Risk Management Committee and the National Asset Strategy Committee for their expertise, dedication and support over the financial year.

Statement by the CEO and CFO

We Robert Tickner and John O'Connor, being the Chief Executive Officer and Chief Financial Officer respectively of the Australian Red Cross Society, do hereby declare that in our opinion the accompanying income statements, balance sheets, statement of recognised income and expenses and cash flow statements for the year ended 30 June 2008, as set out in these financial statements, are properly drawn up so as to present fairly the financial position of the Australian Red Cross Society as at 30 June 2008 and the results of its operations for the year ended on that date, and comply with the provisions of the Royal Charters and the Rules of the Society which was endorsed by resolution of the Australian Red Cross Board.

Robert Tickner CEO

John O'Connor CFO

Melbourne
18 October 2008

Income Statements

For the financial year ended 30 June 2008

CONSOLIDATED Continuing Operations	Notes	Revenue 2008 $'000	Expense 2008 $'000	Net Revenue/ (Expense) 2008 $'000	Revenue 2007 $'000	Expense 2007 $'000	Net Revenue/ (Expense) 2007 $'000
HUMANITARIAN SERVICES							
General Activities*		130,188	(149,155)	**(18,967)**	118,859	(119,625)	**(766)**
Specific Purpose Funds:							
– Bali Appeal	2(b)	56	(259)	**(203)**	67	(269)	**(202)**
– Asia Quake and Tsunamis Appeal	2(c)	2,679	(24,350)	**(21,671)**	4,625	(20,134)	**(15,509)**
– International	2(d)	38,342	(23,028)	**15,314**	14,153	(14,742)	**(589)**
– Domestic	2(e)	17,346	(9,968)	**7,378**	7,817	(4,201)	**3,616**
TOTAL HUMANITARIAN SERVICES		188,611	(206,760)	**(18,149)**	145,521	(158,971)	**(13,450)**

*After eliminating inter group transactions

BLOOD SERVICE	2(f)	405,083	(390,121)	**14,962**	332,221	(335,423)	**(3,202)**
– Finance Costs	2(f)	–	(252)	**(252)**	–	(31)	**(31)**
TOTAL BLOOD SERVICE		405,083	(390,373)	**14,710**	332,221	(335,454)	**(3,233)**
TOTAL ALL ACTIVITIES		**593,694**	**(597,133)**	**(3,439)**	477,742	(494,425)	**(16,683)**
DEFICIT FOR THE YEAR				**(3,439)**			**(16,683)**
Income tax expense	1(r)			**–**			**–**
NET DEFICIT FOR THE YEAR				**(3,439)**			**(16,683)**

SOCIETY **Continuing Operations**							
HUMANITARIAN SERVICES							
General Activities		132,799	(149,155)	**(16,356)**	121,348	(119,725)	**1,623**
Specific Purpose Funds:							
– Bali Appeal	2(b)	56	(259)	**(203)**	67	(269)	**(202)**
– Asia Quake and Tsunamis Appeal	2(c)	2,679	(24,350)	**(21,671)**	4,625	(20,134)	**(15,509)**
– International	2(d)	38,342	(23,028)	**15,314**	14,153	(14,742)	**(589)**
– Domestic	2(e)	17,346	(9,968)	**7,378**	7,817	(4,201)	**3,616**
TOTAL HUMANITARIAN SERVICES		191,222	(206,760)	**(15,538)**	148,010	(159,071)	**(11,061)**
DEFICIT FOR THE YEAR				**(15,538)**			**(11,061)**
Income tax expense	1(r)			**–**			**–**
DEFICIT FOR THE YEAR				**(15,538)**			**(11,061)**

The accompanying notes on pages 9 to 56 form part of these financial statements.

Balance Sheets

at 30 June 2008

		CONSOLIDATED		SOCIETY	
ASSETS	**Notes**	**2008 $'000**	**2007 $'000**	**2008 $'000**	**2007 $'000**
CURRENT ASSETS					
Cash and cash equivalents	4	71,284	57,620	36,522	29,018
Trade and other receivables	5	8,300	9,685	4,398	3,076
Other financial assets	8	8,862	3,134	8,862	3,134
Inventories	6	34,708	35,856	1,865	1,419
Other	7	7,362	6,616	4,558	3,858
		130,516	112,911	56,205	40,505
Non-current assets classified as held for sale	9	–	6,000	–	–
TOTAL CURRENT ASSETS		**130,516**	**118,911**	**56,205**	**40,505**
NON-CURRENT ASSETS					
Other financial assets	8	56,161	91,022	56,161	91,022
Property, plant and equipment	9	174,916	126,564	74,145	71,149
Defined benefit superannuation plans	14	1,059	2,904	75	135
TOTAL NON-CURRENT ASSETS		**232,136**	**220,490**	**130,381**	**162,306**
TOTAL ASSETS		**362,652**	**339,401**	**186,586**	**202,811**
LIABILITIES					
CURRENT LIABILITIES					
Trade and other payables	10	56,127	39,794	14,632	9,884
Other financial liabilities	11	112	337	–	337
Borrowings	12	673	143	–	–
Provisions	13	37,626	33,887	6,907	5,901
TOTAL CURRENT LIABILITIES		**94,538**	**74,161**	**21,539**	**16,122**
NON-CURRENT LIABILITIES					
Other financial liabilities	11	2,148	–	–	–
Borrowings	12	11,216	191	–	–
Provisions	13	8,865	7,433	1,047	666
Defined benefit superannuation plans	14	252	81	–	–
TOTAL NON-CURRENT LIABILITIES		**22,481**	**7,705**	**1,047**	**666**
TOTAL LIABILITIES		**117,019**	**81,866**	**22,586**	**16,788**
NET ASSETS		**245,633**	**257,535**	**164,000**	**186,023**
EQUITY					
Reserves	15	15,469	30,944	4,969	17,556
Specific purpose funds	17	66,889	60,485	66,889	60,485
Accumulated funds	16	163,275	166,106	92,142	107,982
TOTAL EQUITY	**18**	**245,633**	**257,535**	**164,000**	**186,023**

The accompanying notes on pages 9 to 56 form part of these financial statements.

Statements of Recognised Income and Expense

For the financial year ended 30 June 2008

	Notes	CONSOLIDATED 2008 $'000	CONSOLIDATED 2007 $'000	SOCIETY 2008 $'000	SOCIETY 2007 $'000
Actuarial (losses) / gains on defined benefits superannuation plans	14(d)	(2,049)	705	(71)	(1)
(Loss) / gain on available-for-sale investments taken to equity	15(e)	(7,001)	3,677	(7,001)	3,677
NET (EXPENSE) / INCOME RECOGNISED DIRECTLY IN EQUITY		**(9,050)**	**4,382**	**(7,072)**	**3,676**
NET DEFICIT FOR THE PERIOD	16	(3,439)	(16,683)	(15,538)	(11,061)
TOTAL RECOGNISED EXPENSE FOR THE PERIOD		**(12,489)**	**(12,301)**	**(22,610)**	**(7,385)**

Other movements in equity are set out in notes 15, 16 & 17.
The accompanying notes on pages 9 to 56 form part of these financial statements.

Cash Flow Statements

For the financial year ended 30 June 2008

	Notes	CONSOLIDATED 2008 $'000	CONSOLIDATED 2007 $'000	SOCIETY 2008 $'000	SOCIETY 2007 $'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from donors, government and other sources		589,477	486,863	181,658	138,811
Payments to suppliers and employees		(548,779)	(477,649)	(193,069)	(152,170)
Finance costs		(602)	(185)	(137)	(79)
NET CASH FLOWS PROVIDED BY / (USED IN) OPERATING ACTIVITIES	19(a)	40,096	9,029	(11,548)	(13,438)
CASH FLOWS FROM INVESTING ACTIVITIES					
Payments for property, plant and equipment		(70,052)	(31,762)	(9,656)	(6,182)
Payments for investments		(2,776)	(4,258)	(2,776)	(4,258)
Proceeds from the sale of property, plant and equipment		2,264	5,031	2,100	4,655
Proceeds from sale of investments		21,456	15,765	21,456	15,765
Dividends received		2,726	3,643	2,726	3,643
Interest received		8,154	1,443	4,747	4,586
NET CASH FLOWS (USED IN) / PROVIDED BY INVESTING ACTIVITIES		**(38,228)**	**(10,138)**	**18,597**	**18,209**
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from borrowings		32,615	844	–	–
Repayment of borrowings		(21,061)	(634)	–	–
NET CASH FLOWS PROVIDED BY FINANCING ACTIVITIES		**11,554**	**210**	**–**	**–**
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		**13,422**	**(900)**	**7,049**	**4,771**
Cash and cash equivalents at beginning of the financial year		57,620	58,595	29,018	24,247
Effect of exchange rate changes on cash held in a foreign currency		242	(75)	455	–
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	19(b)	**71,284**	**57,620**	**36,522**	**29,018**

The accompanying notes on pages 9 to 56 form part of these financial statements.

Notes to the financial statements

For the year ended 30 June 2008

1. Summary of significant accounting policies

The financial report is a general purpose financial report which has been prepared in accordance with Accounting Standards and Interpretations, and complies with other requirements of the law.

The financial report includes the separate financial statements of the Society and the consolidated financial statements of the Group.

The financial report of the Australian Red Cross Society for the year ended 30 June 2008 was authorised for issue in accordance with a resolution of the Board on 18 October 2008.

Australian Red Cross Society is an organisation incorporated by Royal Charter.

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

Adoption of new and revised Accounting Standards

In the current year, the Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to its operations and effective for the current annual reporting period. Details of the impact of the adoption of these new accounting standards are set out in the individual accounting policy notes set out below. The Group has also adopted the following Standards as listed below which only impacted on the Group's financial statements with respect to disclosure.

- AASB 101 'Presentation of Financial Statement (revised October 2006)
- AASB 7 'Financial Instruments: Disclosures'.

At the date of authorisation of the financial report, the following Standards and Interpretations were in issue but not yet effective:

- AASB 101 'Presentation of Financial Statements' (revised September 2007), AASB 2007-8 'Amendments to Australian Accounting Standards arising from AASB 101'
  Effective for annual reporting periods beginning on or after 1 January 2009
- Improvements to IFRSs (2008).
  Effective for annual reporting periods beginning on or after 1 January 2009
- AASB Interpretation 14 'AASB 119 – The limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction'.
  Effective for annual reporting periods beginning on or after 1 January 2008.

We have not listed all of the issued but not yet effective Standards and Interpretations.

The Board anticipates that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of Australian Red Cross Society and controlled entities.

Notes to the financial statements

For the year ended 30 June 2008

1. Summary of significant accounting policies (continued)

(a) Basis of preparation

Reporting basis and conventions

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

In the application of the Group'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 associated assumptions are based on historical experience and various other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars ($'000) unless otherwise stated.

(b) Basis of consolidation

The consolidated financial statements are prepared by combining the financial statements of all the entities that comprise the consolidated entity, being the Society (the parent entity) and its controlled entity (the Australian Red Cross Blood Service), as defined in Accounting Standard AASB 127 'Consolidated and Separate Financial Statements'. Consistent accounting policies are employed in the preparation of and presentation of the consolidated financial statements.

On acquisition, the assets, liabilities and contingent liabilities of a controlled entity are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. If, after reassessment, the fair values of the identifiable net asset acquired exceeds the cost of acquisition, the difference is credited to profit and loss in the period of acquisition.

The consolidated financial statements include the information and results of each controlled entity from the date on which the Society obtains control and until such time as the Society ceases to control such entities.

In preparing the consolidated financial statements, all intercompany balances and transactions, and unrealised profits arising within the consolidated entity are eliminated in full.

Notes to the financial statements

For the year ended 30 June 2008

1. Summary of significant accounting policies (continued)

(c) Foreign currency translation

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

Transactions in foreign currencies are initially recorded in the functional currency at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

All foreign currency differences in the consolidated financial report are taken to the income statement.

As at the reporting date, the assets and liabilities of foreign operations whose functional currency is not $AUD, are translated into the presentation currency of the Australian Red Cross Society at the rate of exchange ruling at the balance sheet date. Exchange differences arising, if any, are taken to the profit or loss.

(d) Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any impairment in value. Cost includes expenditure that is directly attributable to the item.

Depreciation is calculated on a straight-line basis so as to write off the net cost or other revalued amount of each asset over its expected useful life to its estimated residual value. The estimated useful lives, residual values and depreciation method is reviewed at the end of each annual reporting period.

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

	AUSTRALIAN RED CROSS		BLOOD SERVICE	
LAND	N/A	AT COST	N/A	AT COST
FREEHOLD BUILDINGS AND RENOVATIONS	40 YRS	2.5%	40 YRS	2.5%
MOTOR VEHICLES	5 YRS	20.0%	4 YRS	25.0%
SHOP FIT-OUTS	5.7 YRS	17.5%	–	–
COMPUTER EQUIPMENT	3 YRS	33.3%	4 YRS	25.0%
PLANT AND MACHINERY	5 YRS	20.0%	10 YRS	10.0%
ADMINISTRATIVE EQUIPMENT	–	–	5 YRS	20.0%
FURNITURE AND FITTINGS	–	–	10 YRS	10.0%
LABORATORY EQUIPMENT	–	–	8 YRS	12.5%
MOBILE COLLECTION EQUIPMENT	–	–	10 YRS	10.0%
STATIC COLLECTION EQUIPMENT	–	–	8 YRS	12.5%
LEASEHOLD IMPROVEMENTS	SHORTER OF LEASE PERIOD OR USEFUL LIFE		SHORTER OF LEASE PERIOD OR USEFUL LIFE	

Notes to the financial statements

For the year ended 30 June 2008

1. Summary of significant accounting policies (continued)

(e) Impairment

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

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

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

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amounts of the asset (cash-generating unit) in prior years. A reversal is recognised in profit or loss immediately.

(f) Non current assets held for sale

Non current assets classified as assets held for sale are measured at the lower of carrying amount and fair value less costs to sell. Non current assets are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. The sale of the asset is expected to be completed within one year from the date of classification.

(g) Finance costs

Finance costs are recognised as an expense when incurred.

(h) Derivative financial instruments

The Group uses derivative financial instruments, being foreign currency forward contracts to hedge its risks associated with foreign currency fluctuations.

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

All foreign currency forward contracts existing during the financial year were not designated as hedges and therefore the changes in fair value of these contracts were recognised immediately in profit or loss.

(i) Inventories

Inventories held for sale are valued at the lower of cost and net realisable value. Where inventories are held for distribution or are to be consumed by the Society in providing service or aid at no nominal charge, they are valued at the lower of cost and net replacement cost.

Notes to the financial statements

For the year ended 30 June 2008

1. Summary of significant accounting policies (continued)

The Blood Service has the following categories of inventories:

(i) Consumables

Consumables are used by the Blood Service in providing products and services, and are measured at the lower of cost and current replacement cost.

(ii) Inventories held for distribution

Australian Accounting Standards define inventories held for distribution by a not-for-profit entity as assets with three essential characteristics as follows: (i) there must be future economic benefits (ii) the entity must have control over the future economic benefits (iii) the transaction giving rise to the entity's control over future economic benefits must have occurred.

The Blood Service provides products and services in accordance with the Deed (refer note 1(q). In the discharge of this agreement, the Blood Service is responsible for a range of activities, including collection, testing, processing, inventory management and distribution of blood and blood products. In this context, the Blood Service recognises blood and blood products as current assets, to be measured at lower of cost and current replacement cost. Cost comprises direct materials and direct labour of the operating units incurred in the collection and processing of blood. Inventories include blood and blood products at the Blood Service, and plasma stocks and fractionated products by the fractionator, CSL Ltd. Additionally, in relation to inventories held for distribution, the Blood Service has received legal advice that the ownership of blood and blood products produced by Blood Service rests with the Blood Service.

(j) Trade and other receivables

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

An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

(k) Cash and cash equivalents

Cash and short-term deposits in the balance sheet comprise cash at bank and in hand and short-term deposits and bills with an original maturity of three months or less.

For the purposes of the Cash Flow Statement, cash and cash equivalents consists of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

(l) Loans and borrowings

All loans and 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, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest 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 income statement when the liabilities are derecognised and as well as through the amortisation process.

(m) Payables

Liabilities for trade creditors and other amounts are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the consolidated entity.

Payables to related parties are carried at the principal amount. Interest, when charged by the lender, is recognised as an expense on an accrual basis.

(n) Provisions

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

Where the group expects some or all of the provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Notes to the financial statements

For the year ended 30 June 2008

1. Summary of significant accounting policies (continued)

Short-term employee provisions

Provision is made for the consolidated entity's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs.

Long-term employee provisions

The Group's net obligation in respect of long-term service benefits, other than defined benefit superannuation plans, is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The obligation is calculated using the projected unit credit method and is discounted to its present value and the fair value of any related assets is deducted. The discount rate is the yield at the balance sheet date on government bonds that have maturity dates approximating to the terms of the consolidated entity's obligations. The accounting policy for defined benefit superannuation plans is disclosed in note 1(t).

(o) Non-derivative financial instruments

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

Financial assets

Investments are recognised and derecognised on trade date where purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transactions costs.

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

Held-to-maturity investments

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

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

Available-for-sale financial assets

Available-for-sale financial assets include financial assets not included in the above categories. Available-for-sale financial assets are reflected at fair value. Unrealised gains and losses arising from the changes in fair value are taken direct to equity, to the extent of existing reserves with any excess to profit and loss.

Financial liabilities

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

Fair value

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

Impairment

At each reporting date, the Directors assess whether there is objective evidence that a financial instrument has been impaired. In the case of 'available-for-sale' financial assets, a prolonged or significant decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the income statement.

Notes to the financial statements

For the year ended 30 June 2008

1. Summary of significant accounting policies (continued)

(p) Finance leases

Finance leases, which transfer to the consolidated entity substantially all the risks and benefits incidental to ownership of the leased item and are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments.

Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

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

Operating leases

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

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

Lease incentives

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

(q) Revenue

Blood Service – operating grant funding

From 1 July 2003, the National Blood Authority (NBA) coordinates, on behalf of the Commonwealth, State and Territory governments, national arrangements between the Blood Service and governments for the supply of blood and blood related products and services. These arrangements were to be formalised under a Deed of Agreement (the 'Deed'). Under these terms, the NBA remitted funds to the Blood Service for its Main Operating Programme and other NBA-approved programmes. The Deed was signed by the Society and the NBA on 21 August 2006, and sets out the relationship between the parties, and the funding arrangements for the Blood Service over the next 3 years to 30 June 2009. The Blood Service and NBA are in negotiations in relation to future funding arrangements after 30 June 2009. There are provisions in the Deed to roll-over the current funding arrangements in the event a new deed is not finalised by 30 June 2009.

The Blood Service also receives grants from the Commonwealth and State governments for the provision of the national transplantation service of tissue typing, organ donor program and the bone marrow registry.

Blood Service – capital income

The arrangement with the NBA provides for capital funding up to 10% of the funding for the Main Operating Program for the financial year. During the year, the Blood Service received capital funding from the NBA based on the cash flow commitments relating to capital expenditure.

Government grants are recognised as income when the Blood Service obtains control of the contribution, or the right to receive the contribution, and it is probable that the economic benefits of the contribution will flow to the Blood Service.

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised;

Society – other grants and contributions

Grants income and other contributions are recognised when the Society obtains control of the contribution or right to receive the contribution and it is probable that the economic benefits comprising the contributions will flow to the Society.

Society – donations

The Society receives part of its income from donations, as cash or in kind. Amounts donated can be recognised as revenue only when the Society gains control, economic benefits are probable and the amounts can be measured reliably. The Society establishes controls to ensure that donations are recorded in the financial records, however at times it is impractical to maintain effective controls over the collection of such revenue prior to its initial entry into the financial records. Therefore, donations are recognised as revenue when they are recorded in the accounts of the Society. Donations received for specific purposes are transferred to a separate fund within equity after being first recorded in the income statement (refer note 17).

1. Summary of significant accounting policies (continued)

Sale of goods

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

Interest

Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset. Interest accruing on funds held for a special purpose is credited to that special purpose fund within equity after first being recorded in the income statement (refer note 17).

Dividends

Dividend revenue is recognised on a receivable basis.

Rental income

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

(r) Income tax

The Society being a charitable organisation is exempt from income tax under subsection 50-5 of the Income Tax Assessment Act 1997.

(s) Goods and services tax

Goods and Services Tax (GST)

Revenues, expenses and assets 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; and
- 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 Balance Sheet.

Cash flows are included in the Cash Flow Statement 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, are classified as operating cash flows.

(t) Superannuation

Defined benefit superannuation funds

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

The cost of providing benefits is determined by a qualified actuary using the Projected Unit Credit Method, with actuarial valuations being carried out each reporting date. Actuarial gains and losses are recognised in full, directly in retained earnings, in the period in which they occur, and are presented in the statement of recognised income and expense.

Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the benefits become vested.

The Society's net obligation in respect of defined benefit pension plans is calculated separately for each plan. The defined benefit obligations recognised in the balance sheet represent the present value of defined benefits obligations and assets, adjusted for unrecognised past service cost, net of the fair value of plan assets. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the plans.

The discount rate used in the calculation is the yield at the balance sheet date on government bonds that have maturity dates approximating to the terms of the consolidated entity's obligations.

Notes to the financial statements

For the year ended 30 June 2008

Multi-employer funds

The Society contributes to the defined benefit fund of Health Super, a multi-employer fund, and some employees will receive defined benefit post-employment benefits from this fund. Sufficient information is not available to account for Health Super as a defined benefit plan as each employer is exposed to actuarial risks associated with current and former employees of other entities. As a result there is no consistent and reliable basis for allocating the obligation, assets and costs to individual entities. Therefore the Society has adopted defined contribution accounting for these employees.

Based on the 30 June 2008 actuarial overview, Health Super had a surplus of $23.95 million (30 June 2007: surplus $70.56 million). The fund's actuary has determined the notional excess net assets attributable to the Society's employees in the defined benefit scheme as at the 30 June 2008 are $78,733 (30 June 2007: surplus of $248,962). The surplus is the difference between assets, valued at fair market value, and liabilities. Liabilities are determined to be the greater of the actuarial present value of all future expected benefit payments accrued by members at the valuation date (present value of accrued benefits), and the benefit that has vested to members at the valuation date (vested benefits). The fund's actuary has advised that the contribution rates will remain unchanged for the 2008-09 financial year.

Defined contribution superannuation funds

Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement as incurred.

(u) Comparatives

Where necessary, the comparative figures have been adjusted to conform to changes in presentation in the current financial year.

(v) Critical accounting estimates and judgements

The estimates and judgements incorporated into the financial report are based on historical results and the best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data from internal and external sources. The bases for all critical judgements and estimates have been disclosed in the foregoing statement of significant accounting policies.

(w) Principal activities and registered office in Australia

The Australian Red Cross Society undertakes a wide range of activities to improve the lives of vulnerable people by pursuing its humanitarian goals and objectives in Australia and overseas.

The Australian Red Cross Society's registered office and principal place of business is:

155 Pelham Street
Carlton, Victoria 3053
Telephone: (03) 9345 1800
ABN 50 169 561 394

2. REVENUE AND EXPENSES

	Revenue 2008 $'000	Expense 2008 $'000	Net Revenue / (Expense) 2008 $'000	Revenue 2007 $'000	Expense 2007 $'000	Net Revenue / (Expense) 2007 $'000
(a) HUMANITARIAN SERVICES						
Membership/Volunteers	**4,165**	**(5,903)**	**(1,738)**	**3,783**	**(4,285)**	**(502)**
Services						
Aged Care	1,380	(1,253)	**127**	758	(465)	293
Asylum Seeker Assistance	4,911	(4,997)	**(86)**	4,729	(5,171)	(442)
Cosmetic Care	104	(478)	**(374)**	100	(337)	(237)
Counselling	3,673	(3,869)	**(196)**	2,768	(3,037)	(269)
Disability	5,672	(6,244)	**(572)**	4,984	(5,409)	(425)
Disaster Services	6,627	(9,704)	**(3,077)**	1,300	(3,453)	(2,153)
Health Care	21,725	(21,979)	**(254)**	17,344	(17,124)	220
International Humanitarian Law	262	(1,006)	**(744)**	280	(915)	(635)
International Operations	83	(4,334)	**(4,251)**	69	(3,854)	(3,785)
Refugee	5,072	(5,825)	**(753)**	4,049	(3,778)	271
Telecross	2,319	(2,302)	**17**	1,647	(1,771)	(124)
Tracing	2	(1,747)	**(1,745)**	1	(1,673)	(1,672)
Visiting	6,929	(7,737)	**(808)**	6,795	(7,335)	(540)
Youth	4,266	(10,265)	**(5,999)**	3,293	(8,249)	(4,956)
Total Services	**63,025**	**(81,740)**	**(18,715)**	**48,117**	**(62,571)**	**(14,454)**
Fundraising						
Unspecified Appeals and Donations	23,998	(13,975)	**10,023**	21,828	(11,943)	9,885
Legacies and Wills Days	11,381	(1,189)	**10,192**	8,386	(918)	7,468
Other	32	(2,201)	**(2,169)**	9	(2,217)	(2,208)
Total Fundraising*	**35,411**	**(17,365)**	**18,046**	**30,223**	**(15,078)**	**15,145**

*Total Fundraising revenue of $35.4m (2007: $30.2m) excludes fundraising income of $20m (2007: $8.3m) relating to Special Purpose/Disaster Appeals and tied funds nominated to specific programs. These amounts are included under the relevant revenue headings for Humanitarian and International Services as detailed in note 2(a to e).

Notes to the financial statements

For the year ended 30 June 2008

2. REVENUE AND EXPENSES (continued)

	Revenue 2008 $'000	Expense 2008 $'000	Net Revenue / (Expense) 2008 $'000	Revenue 2007 $'000	Expense 2007 $'000	Net Revenue / (Expense) 2007 $'000
Retail Activities						
Retail Shops, Catalogues and Donated Goods	16,537	(14,058)	**2,479**	15,723	(12,735)	2,988
Raffles and Special Events	5,643	(4,525)	**1,118**	7,082	(5,327)	1,755
First Aid, Health Services	10,664	(10,712)	**(48)**	9,138	(8,955)	183
Total Retail Activities	**32,844**	**(29,295)**	**3,549**	**31,943**	**(27,017)**	**4,926**
Investment revenue	5,799	–	**5,799**	5,663	–	5,663
Rental properties	3,176	(1,665)	**1,511**	2,676	(1,441)	1,235
Surplus on disposal of fixed assets	403	–	**403**	594	–	594
Administration	5,277	(10,309)	**(5,032)**	6,151	(6,272)	(121)
Depreciation	–	(4,659)	**(4,659)**	–	(4,665)	(4,665)
Information Services and Archives	–	(250)	**(250)**	–	(221)	(221)
Communications	45	(3,817)	**(3,772)**	15	(2,117)	(2,102)
Unrealised impairment loss on fair value of available-for-sale investments	–	(1,714)	**(1,714)**	–	–	–
Unrealised impairment loss on fair value of held-to-maturity investments	–	(2,164)	**(2,164)**	–	–	–
Investment expenditure	–	(163)	**(163)**	–	(133)	(133)
Loss on disposal of fixed assets	–	(79)	**(79)**	–	(126)	(126)
Total unallocated revenue and expenses	**14,700**	**(24,820)**	**(10,120)**	**15,099**	**(14,975)**	**124**
NET REVENUE / (EXPENSE) FROM GENERAL & DOMESTIC ACTIVITIES	**150,145**	**(159,123)**	**(8,978)**	**129,165**	**(123,926)**	**5,239**

2. REVENUE AND EXPENSES (Continued)

	CONSOLIDATED		SOCIETY	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
(b) BALI APPEAL				
Opening Balance 1 July	908	1,110	908	1,110
Interest received	56	67	56	67
Total Revenue	**56**	**67**	**56**	**67**
Expenditure in Bali				
Disaster preparedness project	(218)	(194)	(218)	(194)
Tuberculosis project	(41)	(74)	(41)	(74)
Medical and livelihood project	–	(1)	–	(1)
Total expenditure in Bali	(259)	(269)	(259)	(269)
Total Expense	(259)	(269)	(259)	(269)
NET EXPENSE	**(203)**	**(202)**	**(203)**	**(202)**
Unspent Funds at 30 June	**705**	**908**	**705**	**908**

The remaining funds of $705k are committed to the two remaining Bali projects: the 'Disaster Preparedness Project' and the 'Tuberculosis Project'. While Indonesian Red Cross will directly manage the Disaster Preparedness Project over the next two years, Australian Red Cross will maintain a strong monitoring role, and will undertake a comprehensive evaluation of the project at the conclusion of this period. The Tuberculosis project is scheduled to conclude by December 2009.

Notes to the financial statements

For the year ended 30 June 2008

2. REVENUE AND EXPENSES (Continued)

	CONSOLIDATED		SOCIETY	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
(c) ASIA QUAKE AND TSUNAMIS APPEAL				
Opening Balance 1 July	47,438	62,947	47,438	62,947
Donations from – general public	2	5	2	5
– corporate	–	1	–	1
– AusAID grants	–	800	–	800
Interest received	2,486	3,517	2,486	3,517
Other Red Cross / Red Crescent partner contributions	191	302	191	302
Total Revenue	**2,679**	**4,625**	**2,679**	**4,625**
Overseas Project Delivery & Initial Response				
Initial response & emergency relief	(52)	–	(52)	–
Rehabilitation & reconstruction	(21,313)	(15,793)	(21,313)	(15,793)
Program management & co-ordination	(1,478)	(2,995)	(1,478)	(2,995)
Total Overseas Project Delivery & Initial Response	**(22,843)**	**(18,788)**	**(22,843)**	**(18,788)**
Australian Service Delivery	(372)	(540)	(372)	(540)
Federation program support costs	–	170	–	170
Local administration & fundraising costs	(1,135)	(976)	(1,135)	(976)
Total Administration	**(1,135)**	**(806)**	**(1,135)**	**(806)**
Total Expense	**(24,350)**	**(20,134)**	**(24,350)**	**(20,134)**
NET EXPENSE	**(21,671)**	**(15,509)**	**(21,671)**	**(15,509)**
Unspent Funds at 30 June	**25,767**	**47,438**	**25,767**	**47,438**

Income: Total revenue received of $2.7m (2007:$4.6m) includes $2k (2007: $0.8m) from donations and $2.5m (2007: $3.5m) in interest earned and accrued to 30 June, and $0.2m (2007 $0.3m) contribution from Norwegian Red Cross towards the multilateral ambulance project in Indonesia. This does not include pro-bono work, gifts-in-kind, or volunteered time, which could not be reliably measured.

Expenditure: Funds spent overseas in projects total $22.8m (2007: $18.8m). This includes $21.3m (2007: $15.8m) on rehabilitation & reconstructions; and $1.5m (2007: $3.0m) on program management & co-ordination.

Australian service delivery of $0.4m (2007: $0.5m) includes Australian based program support.

Administration expenses of $1.1m (2007: $0.976k) include accounting and administration activities. At 30 June 2008 administration costs represented 5% of total revenues received to date.

Unspent Funds: Total of $25.8m (2007: $47.4m). Of the total unspent funds $23.4m (2007: $44.2m) at 30 June 2008 are held in "investment grade" fixed and floating interest securities managed through a specialist treasury organisation (Oakvale Capital Limited) in the name of Australian Red Cross. At June 30th deposits prepaid for construction projects totalled $907k and the residual amount of $1.5m (2007: $3.2m) is available to meet the immediate needs of the appeal and is being held in 'cash at bank'. It is anticipated that due to the complexities of the scale of disaster it is likely that the full program will be responsibly delivered by 2010.

Overarching Test: Australian Red Cross has used an overarching test in relation to expenditure. This requires that in order for a cost to be classed as administration to the Asia Quake and Tsunamis Appeal the cost in its entirety must be a new cost incurred as a result of the tsunami occurring. Hence Australian Red Cross has not, and will not, claim any portion of general overheads incurred in normal, non-tsunami, operations.

Notes to the financial statements

For the year ended 30 June 2008

2. REVENUE AND EXPENSES (Continued)

	Opening Balance 2007 $'000	Revenue 2007 $'000	Expense 2007 $'000	Closing Balance 2007 $'000	Revenue 2008 $'000	Expense 2008 $'000	Closing Balance 2008 $'000
(d) INTERNATIONAL							
Specific Donations							
– German Red Cross – Delegate	–	–	(8)	**(8)**	23	(15)	**–**
– British Red Cross – Xinjiang China HIV	–	99	(99)	**–**	–	–	**–**
– Norwegian Red Cross – SE Asia HIV	–	76	(76)	**–**	–	–	**–**
– Norwegian Red Cross – HIV workplace policy	–	–	–	**–**	45	(38)	**7**
Total	**–**	**175**	**(183)**	**(8)**	**68**	**(53)**	**7**
Developing Countries Aid Fund							
– Africa (various)	727	129	(820)	**36**	18	(10)	**44**
– Central and South America	6	–	(2)	**4**	22	(4)	**22**
– North East Asia	17	286	(186)	**117**	7,379	(1,467)	**6,029**
– South Asia	880	(223)	(457)	**200**	184	(120)	**264**
– Central and West Asia	–	–	–	**–**	77	–	**77**
– East Timor	197	160	(353)	**4**	26	199	**229**
– Middle East	42	74	(72)	**44**	14	(44)	**14**
– Pacific	120	186	(213)	**93**	31	(30)	**94**
– South East Asia	674	744	(817)	**601**	4,433	(2,718)	**2,316**
– Europe	–	–	–	**–**	716	–	**716**
– General Programs	731	271	458	**1,460**	247	(551)	**1,156**
Total	**3,394**	**1,627**	**(2,462)**	**2,559**	**13,147**	**(4,745)**	**10,961**
Government Funding Support (AusAID)							
– Field Personnel	10	1,522	(1,162)	**370**	1,481	(1,771)	**80**
– Africa (various)	–	2,001	–	**2,001**	5,483	(1,449)	**6,035**
– Central and South America	–	–	–	**–**	550	(550)	**–**
– Middle East	–	–	–	**–**	–	(2,000)	**(2,000)**
– North East Asia	1,750	4,093	(5,666)	**177**	6,660	(4,731)	**2,106**
– Pacific Region	1,344	959	(1,153)	**1,150**	935	(1,323)	**762**
– South East Asia	796	1,158	(1,623)	**331**	5,372	(3,873)	**1,830**
– South Asia	(22)	–	22	**–**	1,954	(1,015)	**939**
– Central and West Asia	–	–	–	**–**	1,120	(1,000)	**120**
– General Programs	3	1,510	(1,446)	**67**	608	120	**795**
Total	**3,881**	**11,243**	**(11,028)**	**4,096**	**24,163**	**(17,592)**	**10,667**
Other Government Funding Support							
– East Timor	–	–	–	**–**	190	(27)	**163**
– Pacific Region	–	–	–	**–**	179	(95)	**84**
Total	**–**	**–**	**–**	**–**	**369**	**(122)**	**247**

Revenue is inclusive of interest earnings.

Notes to the financial statements

For the year ended 30 June 2008

2. REVENUE AND EXPENSES (Continued)

	Opening Balance 2007 $'000	Revenue 2007 $'000	Expense 2007 $'000	Closing Balance 2007 $'000	Revenue 2008 $'000	Expense 2008 $'000	Closing Balance 2008 $'000
(d) INTERNATIONAL							
International Federation of Red Cross and Red Crescent Societies							
– Field Personnel	(218)	1,120	(1,046)	**(144)**	596	(517)	**(65)**
– South East Asia	35	(12)	(23)	**–**	–	–	**–**
Total	**(183)**	**1,108**	**(1,069)**	**(144)**	**596**	**(517)**	**(65)**
	7,092	14,153	(14,742)	**6,503**	38,343	(23,029)	**21,817**
Net transfer (to) / from accumulated funds			(589)			15,314	
Total International				**6,503**			**21,817**
(e) DOMESTIC							
– New South Wales	923	1,043	(103)	**1,863**	3,693	(112)	**5,444**
– Australian Capital Territory	119	–	(15)	**104**	18	(10)	**112**
– National Office	106	814	(257)	**663**	955	(71)	**1,547**
– Queensland	–	2,316	(1,480)	**836**	4,823	(4,186)	**1,473**
– South Australia	2	73	(10)	**65**	941	(653)	**353**
– Tasmania	24	60	(13)	**71**	–	(47)	**24**
– Northern Territory	63	1,645	(1,435)	**273**	3,331	(2,288)	**1,316**
– Victoria	214	425	(370)	**269**	978	(438)	**809**
– Western Australia	569	1,441	(518)	**1,492**	2,607	(2,163)	**1,936**
Total Domestic	**2,020**	**7,817**	**(4,201)**	**5,636**	**17,346**	**(9,968)**	**13,014**

Revenue is inclusive of interest earnings.

2. REVENUE AND EXPENSES (Continued)	CONSOLIDATED		SOCIETY	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
(f) BLOOD SERVICE MANAGED SERVICES				
Government grants	347,284	309,880	–	–
Government grants – funding prior years' expenses	1,192	–	–	–
Interest received	3,407	3,096	–	–
Other income	6,282	6,855	–	–
Capital funding	46,918	12,390	–	–
Total Revenue	**405,083**	**332,221**	**–**	**–**
Depreciation	(12,802)	(13,909)	–	–
Impairment (loss) / gain on fixed assets	(1,981)	1,050	–	–
Reclassification of special reserves to special purpose funds	(5,291)	(1,707)	–	–
Net (deficit) / surplus on disposal of fixed assets	(93)	477	–	–
Finance costs	(252)	(31)	–	–
Other operating expenses	(369,954)	(321,334)	–	–
Total Expense	**(390,373)**	**(335,454)**	**–**	**–**
NET REVENUE / (EXPENSE)	**14,710**	**(3,233)**	**–**	**–**
(g) REVENUE BY NATURE				
Donations and gifts	44,159	30,157	44,159	30,157
Legacies and bequests	11,331	8,323	11,331	8,323
Government grants	471,248	362,135	75,854	52,255
Sale of goods	34,630	32,161	34,630	32,161
Rendering of services	6,945	5,557	6,945	5,557
Interest	8,154	7,682	4,747	4,586
Dividends	2,726	3,643	2,726	3,643
Rental revenue	4,808	4,409	7,419	6,898
Other revenue	9,693	23,675	3,411	4,430
TOTAL REVENUE	**593,694**	**477,742**	**191,222**	**148,010**

Notes to the financial statements

For the year ended 30 June 2008

3. EXPENSES AND GAINS / (LOSSES)	CONSOLIDATED		SOCIETY	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Deficit for the year has been arrived at after crediting/(charging) the following gains and losses:				
(a) GAINS AND (LOSSES)				
Gain on disposal of property, plant and equipment	403	1,071	403	594
Gain on disposal of investments	1,110	635	1,110	635
Net foreign exchange gains	1,069	–	1,069	–
	2,582	1,706	**2,582**	1,229
Unrealised impairment loss on fair value of available-for-sale investments	(1,714)	–	(1,714)	–
Unrealised impairment loss on fair value of held-to-maturity investments	(2,164)	–	(2,164)	–
	(3,878)	–	**(3,878)**	–
(Loss) on disposal of property, plant and equipment	(172)	(126)	(79)	(126)
(Loss) on disposal of investments	(1,365)	(317)	(1,365)	(317)
Net foreign exchange (losses)	(827)	(387)	(614)	(312)
	(2,364)	(830)	**(2,058)**	(755)
Fair value losses on forward foreign currency contracts	–	(337)	–	(337)
(b) OTHER EXPENSES				
Deficit for the year includes the following expenses				
Cost of sales	**(88,670)**	(6,937)	**(7,119)**	(6,937)
Inventory				
Write-down of inventory to net realisable value	**(340)**	(68)	**(291)**	(68)
Bad and doubtful debts - trade receivables	**(75)**	(10)	**(75)**	(10)
Depreciation of non-current assets	**(17,496)**	(18,574)	**(4,693)**	(4,665)
Operating lease rental expenses				
Minimum lease payments	**(13,729)**	(12,107)	**(5,628)**	(4,701)
Employee benefits expense				
Post employment benefits:				
– Defined benefit plans	(966)	(1,179)	(11)	(103)
– Defined contribution plans	(7,694)	(17,616)	(5,762)	(4,306)
– Termination benefits	(3,777)	(3,665)	(158)	(36)
	(12,437)	(22,460)	**(5,931)**	(4,445)
Impairment of work in progress	**(1,981)**	–	–	–
Impairment in property held for sale	–	1,050	–	–

Notes to the financial statements

For the year ended 30 June 2008

	CONSOLIDATED		SOCIETY	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
4. CASH AND CASH EQUIVALENTS				
Cash	37,052	55,683	36,522	29,018
Bank bills	34,232	1,937	–	–
	71,284	**57,620**	**36,522**	**29,018**
5. TRADE AND OTHER RECEIVABLES				
Trade receivables	8,344	9,492	4,442	2,883
Allowance for doubtful debts	(49)	(13)	(49)	(13)
	8,295	9,479	4,393	2,870
Goods and services tax recoverable	5	206	5	206
	8,300	**9,685**	**4,398**	**3,076**

Trade receivables are non–interest bearing and are generally on 30 day terms.

Where debts are assessed to be non–recoverable, these are written off. The amount written off is not material, and there is no requirement for a provision for doubtful debt at the end of the reporting period.

	CONSOLIDATED 2008 $'000	CONSOLIDATED 2007 $'000	SOCIETY 2008 $'000	SOCIETY 2007 $'000
Aging of past due but not impaired receivables				
30 – 90 days	4,401	2,158	1,618	1,389
90 – 180 days	433	54	191	21
180+ days	246	146	138	52
	5,080	**2,358**	**1,947**	**1,462**
6. INVENTORIES				
Inventories held for distribution				
Consumables	4,420	4,416	55	–
Finished goods	20,496	21,817	1,810	1,419
Work in Progress	9,792	9,623	–	–
	34,708	**35,856**	**1,865**	**1,419**

Consumables inventory has been valued at weighted average cost: plasma inventory is valued at weighted average cost, and other blood products are valued at direct costs. During the year, Blood Service recognised $49,000 (2007: $33,000) which related to the write-down of inventories to net realisable value.

	CONSOLIDATED 2008 $'000	CONSOLIDATED 2007 $'000	SOCIETY 2008 $'000	SOCIETY 2007 $'000
7. OTHER CURRENT ASSETS				
Prepayments	**7,362**	6,616	**4,558**	3,858

Notes to the financial statements

For the year ended 30 June 2008

	CONSOLIDATED		SOCIETY	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
8. FINANCIAL ASSETS				
CURRENT				
Available-for-sale financial assets	6,598	3,134	6,598	3,134
Held-to-maturity financial assets	2,264	–	2,264	–
	8,862	**3,134**	**8,862**	**3,134**
NON-CURRENT				
Available-for-sale financial assets	30,238	46,002	30,238	46,002
Held-to-maturity financial assets	25,923	45,020	25,923	45,020
	56,161	**91,022**	**56,161**	**91,022**

During the year ended 30 June 2008, specific assets costing $342,075 (market value $290,382) previously classified as 'held-to-maturity' were reclassified 'available-for-sale'. The reclassification being based on the Society's change in intention and ability relating to these assets held.

During the year ended 30 June 2008, specific assets costing $2,415,074 (market value $1,270,961) previously classified as 'available-for-sale' were reclassified 'held-to-maturity'. The reclassification being based on the Society's change in intention and ability relating to these assets held.

Unrealised impairment losses on investments held as 'available-for-sale' of $1.714m have been transferred to the income statement.

Unrealised impairment losses on investments held as 'held-to-maturity' of $2.164m have been transferred to the income statement.

	CONSOLIDATED		SOCIETY	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
9. PROPERTY, PLANT AND EQUIPMENT				
Buildings and renovations				
At cost	124,880	118,585	78,478	77,756
Accumulated depreciation	(44,907)	(40,897)	(16,015)	(14,312)
	79,973	**77,688**	**62,463**	**63,444**
Shop fit-outs				
At cost	2,111	1,808	2,111	1,808
Accumulated depreciation	(1,405)	(1,208)	(1,405)	(1,208)
	706	**600**	**706**	**600**
Computer equipment				
At cost	50,576	39,743	9,673	7,961
Accumulated depreciation	(38,776)	(33,032)	(7,440)	(6,578)
	11,800	**6,711**	**2,233**	**1,383**
Plant and machinery				
At cost	83,711	66,643	6,405	5,693
Accumulated depreciation	(57,076)	(50,306)	(4,978)	(4,392)
	26,635	**16,337**	**1,427**	**1,301**

9. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Note	CONSOLIDATED 2008 $'000	CONSOLIDATED 2007 $'000	SOCIETY 2008 $'000	SOCIETY 2007 $'000
Leased plant and equipment					
At cost		30,895	621	–	–
Accumulated depreciation		(1,717)	(283)	–	–
		29,178	**338**	**–**	**–**
Motor Vehicles					
At cost		21,752	17,492	8,305	7,263
Accumulated depreciation		(10,310)	(8,099)	(2,924)	(2,866)
		11,442	**9,393**	**5,381**	**4,397**
Work in progress		**15,182**	**15,497**	**1,935**	**24**
Total property, plant and equipment					
At cost		329,107	260,389	106,907	100,505
Accumulated depreciation		(154,191)	(133,825)	(32,762)	(29,356)
Total written down amount		**174,916**	**126,564**	**74,145**	**71,149**
Non current asset classified as held for sale					
At fair value		–	4,950	–	–
		–	4,950	–	–
Impairment of assets held for sale	(i)	–	1,050	–	–
Valuation as at 30 June 2008		**–**	**6,000**	–	–

The previous year's amount related to the sale of the Blood Service property at 4 George St, Parramatta for $6 million to the NSW State Property Authority.

	Note	CONSOLIDATED 2008 $'000	CONSOLIDATED 2007 $'000	SOCIETY 2008 $'000	SOCIETY 2007 $'000
Impairment of WIP					
Impairment	(ii)	(1,981)	–	–	–
Carrying amount carried forward		**(1,981)**	**–**	**–**	**–**

(i) The Blood Service obtained a professional valuation from Savills (NSW) Ltd on 26 July 2006 that provided a fair value of $4.950m for the property at 4, George Street, Parramatta, resulting in an impairment adjustment of $3.602 m reported for the year ended 30 June 2006. The Blood Service has now accepted an offer of $6m from the State Property Authority to purchase the property. The contract of sale is in the process of being completed between the Australian Red Cross, on behalf of the Blood Service, and the State Property Authority at the reporting date. As a result of the imminent sale, an impairment adjustment of $1.050m is derecognised in the result for the year ended 30 June 2007, leaving impairment at $2.552m at 30 June 2007. The reversal of impairment of $1.050m is included in the income statement under other operating activities.

(ii) During the year, the Blood Service carried out a review of the non-current assets. The review led to an impairment loss of $1.981m that has been recognised in the income statement. The write-down related to the value of work in progress that had no carrying value.

9. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Buildings and Renovations $'000	Shop Fit-Outs $'000	Computer Equipment $'000	Plant and Machinery $'000	Leased Plant and Equipment $'000	Motor Vehicles $'000	Work in Progress $'000	Total $'000
(a) Movement in non-current assets								
CONSOLIDATED								
Year ended 30 June 2007								
Balance at 1 July 2006	80,782	429	7,491	13,133	125	8,710	5,797	116,467
Disposals	(512)	–	(1)	(207)	–	(1,555)	(1,000)	(3,275)
Additions	3,338	353	2,914	9,316	346	4,979	10,700	31,946
Depreciation expense	(5,920)	(182)	(3,692)	(5,905)	(133)	(2,742)	–	(18,574)
Balance at 30 June 2007	**77,688**	**600**	**6,712**	**16,337**	**338**	**9,392**	**15,497**	**126,564**
Year ended 30 June 2008								
Balance at 1 July 2007	77,688	600	6,712	16,337	338	9,392	15,497	126,564
Disposals	(57)	–	–	(150)	–	(1,351)	(665)	(2,223)
Additions	6,262	303	10,284	14,876	30,274	5,722	2,331	70,052
Impairment	–	–	–	–	–	–	(1,981)	(1,981)
Depreciation expense	(3,920)	(197)	(5,196)	(4,428)	(1,434)	(2,321)	–	(17,496)
Balance at 30 June 2008	**79,973**	**706**	**11,800**	**26,635**	**29,178**	**11,442**	**15,182**	**174,916**

Notes to the financial statements

For the year ended 30 June 2008

9. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Buildings and Renovations $'000	Shop Fit-Outs $'000	Computer Equipment $'000	Plant and Machinery $'000	Motor Vehicles $'000	Work in Progress $'000	Total $'000
(a) Movement in non–current assets							
SOCIETY							
Year ended 30 June 2007							
Balance at 1 July 2006	65,078	429	1,058	1,343	4,381	338	72,627
Disposals	(512)	–	(1)	(7)	(1,475)	(1,000)	(2,995)
Additions	658	353	1,023	478	2,984	686	6,182
Depreciation expense	(1,780)	(182)	(697)	(513)	(1,493)	–	(4,665)
Balance at 30 June 2007	**63,444**	**600**	**1,383**	**1,301**	**4,397**	**24**	**71,149**
Year ended 30 June 2008							
Balance at 1 July 2007	63,444	600	1,383	1,301	4,397	24	71,149
Disposals	–	–	–	–	(1,302)	(665)	(1,967)
Additions	721	303	1,757	713	3,586	2,576	9,656
Depreciation expense	(1,702)	(197)	(907)	(587)	(1,300)	–	(4,693)
Balance at 30 June 2008	**62,463**	**706**	**2,233**	**1,427**	**5,381**	**1,935**	**74,145**

	CONSOLIDATED		SOCIETY	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
10. TRADE AND OTHER PAYABLES				
Trade payables	51,552	38,044	14,606	8,535
Other payables and accrued expenses	2,481	1,287	833	1,287
Goods and services tax payable	2,094	463	(807)	62
	56,127	**39,794**	**14,632**	**9,884**

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

Notes to the financial statements

For the year ended 30 June 2008

	CONSOLIDATED		SOCIETY	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
11. OTHER FINANCIAL LIABILITIES				
CURRENT				
Lease incentive	112	–	–	–
Foreign currency forward contracts	–	337	–	337
	112	337	–	337
NON CURRENT				
Lease incentive	2,148	–	–	–

Lease incentives are in relation to the Blood Service entering into (i) a 20 year operating lease for the principal site at Kelvin Grove, Brisbane and (ii) a 5 year lease for the Parramatta property. The current amount refers to amounts to be recognised in the income statement within the 12 months after balance date. The non-current amounts will be recognised in the income statements of subsequent financial years.

12. BORROWINGS				
CURRENT				
Lease liabilities	673	143	–	–
NON-CURRENT				
Lease liabilities	11,216	191	–	–

The lease liabilities are secured over the lease asset to which they relate, as disclosed in note 9.

13. PROVISIONS				
CURRENT				
Employee benefits	**37,626**	33,887	**6,907**	5,901
NON-CURRENT				
Employee benefits	6,857	5,951	**1,047**	666
Make good provisions	2,008	1,482	**–**	–
	8,865	7,433	**1,047**	666
Total provisions	**46,491**	**41,320**	**7,954**	**6,567**

Movement in provisions

Movements in provisions other than employee benefits are set out below

Make Good Provision				
Balance start of the year	1,482	1,082	–	–
Provision recognised during the year	526	400	–	–
Balance at end of the year	**2,008**	**1,482**	**–**	**–**

Employee Benefits
The employee benefits provision contains provisions for annual leave, long service leave and rostered days off.

Make Good Provision
The provision for costs of making good represents the present value of the management's best estimate of the future sacrifice of economic benefits that will be required to remove leasehold improvements from leasehold properties. The estimate has been made on the basis of historical make good costs, a review of leases and future rentals. The unexpired terms of the leases range from two to eight years.

Notes to the financial statements

For the year ended 30 June 2008

	CONSOLIDATED		SOCIETY	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
14. DEFINED BENEFIT SUPERANNUATION PLANS				
Present value of funded obligations	22,874	23,895	478	518
Fair value of plan assets	(23,681)	(26,718)	(553)	(653)
Net (asset) / liability in the balance sheet	(807)	(2,823)	(75)	(135)
Comprising:				
Net (asset) in the balance sheet	(1,059)	(2,904)	(75)	(135)
Net liability in the balance sheet	252	81	–	–
	(807)	**(2,823)**	**(75)**	**(135)**
(a) Reconciliation of movement in the present value of funded obligations recognised in the balance sheet is as follows				
Balance at beginning of the year	23,895	24,610	518	527
Current service cost	1,677	1,913	42	50
Interest on obligation	1,199	1,128	27	24
Actuarial (gain) / loss on liabilities	(1,523)	396	(62)	64
Benefits paid (including expenses and taxes)	(2,374)	(4,152)	(47)	(147)
Balance at end of the year	**22,874**	**23,895**	**478**	**518**
Other disclosures				
Actual return on assets	928	2,902	(88)	105
The percentage contribution of each majority category of total plan assets comprises	%	%	%	%
Australian equities	26.6%	32.3%	24.5%	24.6%
International equities	25.0%	26.0%	24.5%	24.6%
Property	13.4%	9.5%	12.5%	9.5%
Australian fixed interest	10.0%	10.2%	17.0%	12.5%
International fixed interest	10.6%	11.3%	9.5%	16.9%
Cash	3.7%	4.4%	6.5%	6.4%
Other	10.7%	6.3%	5.5%	5.5%
	100.0%	100.0%	100.0%	100.0%
Principal actuarial assumptions:				
Discount rate	5.4%	5.0%	5.2%	4.4%
Expected return on plan assets	7.0%	7.0%	7.0%	7.0%
Expected rate of salary increases	3.7%	4.0%	4.0%	4.0%

14. DEFINED BENEFIT SUPERANNUATION PLANS (continued)	CONSOLIDATED 2008 $'000	CONSOLIDATED 2007 $'000	SOCIETY 2008 $'000	SOCIETY 2007 $'000
(b) Reconciliation of movement in the fair value of plan assets is as follows				
Balance at beginning of the year	26,718	26,244	653	665
Expected return on plan assets	1,753	1,716	45	42
Actuarial (loss) / gain on assets	(3,572)	1,101	(133)	63
Employer contributions	999	1,664	22	23
Contributions from plan participants	157	145	13	7
Benefits paid (including expenses and taxes)	(2,374)	(4,152)	(47)	(147)
Balance at end of the year	**23,681**	26,718	**553**	653
(c) The amounts recognised in the income statement are as follows				
Current service cost	1,677	1,913	42	60
Past service cost	–	–	–	81
Member contributions	(157)	(145)	(13)	(17)
Interest cost	1,199	1,128	27	26
Expected return on plan assets	(1,753)	(1,716)	(45)	(47)
	966	1,180	**11**	103
(d) Amounts recognised in the statement of recognised income and expense				
Actuarial losses / (gains)	**2,049**	(705)	**71**	1
(e) Cumulative amount recognised in the statement of recognised income and expense				
Cumulative amount of actuarial (gains) / losses	**(353)**	2,402	**40**	31

	2008 $'000	2007 $'000	2006 $'000	
(f) Historic summary				
Defined benefit plan obligations	22,874	23,895	24,610	
Plan assets	(23,681)	(26,718)	(26,244)	
(Surplus) / deficit	**(807)**	(2,823)	**(1,634)**	
Experience adjustments arising on plan liabilities	(1,413)	(61)		
Experience adjustments arising on plan assets	(3,572)	(891)		
(g) Expected contributions and funding arrangements				
Expected employer contributions - 30 June 2008 (30 June 2007)	**845**	**1,436**	**1,598**	**25**

The current contributions recommendation as set out in the report of the most recent actuarial valuation of the fund as at 30 June 2008, is 4% (2007: 5%) of salaries in respect of defined benefits.

The method used to determine the employer contribution recommendations at the last actuarial review was the 'aggregate cost' funding method. This method involves determining a level contributions rate that, together with future member contributions and existing assets, is sufficient to meet the expected benefits and costs for existing members if the assumptions used in the valuation are borne out in practice.

The Society has recognised an asset in the balance sheet in respect of its defined benefit superannuation arrangements. If a surplus exists in the plans, the Society may be able to take advantage of it in the form of a reduction in the required contributions, depending on the advice of the actuaries.

	Notes	CONSOLIDATED 2008 $'000	CONSOLIDATED 2007 $'000	SOCIETY 2008 $'000	SOCIETY 2007 $'000
15. RESERVES					
Property fund reserve	(a)	2,971	2,773	2,971	2,773
Asset replacement reserve	(b)	1,998	2,011	1,998	2,011
General reserve	(c)	–	5,771	–	5,771
ARCBS special reserve	(d)	10,500	13,388	–	–
Fair value reserve	(e)	–	7,001	–	7,001
		15,469	**30,944**	**4,969**	**17,556**
(a) Property fund reserve					
Balance at beginning of financial year		2,773	2,773	2,773	2,773
Transfer from general reserve		198	–	198	–
Balance at the end of the financial year		**2,971**	**2,773**	**2,971**	**2,773**

The property reserve records capital surplus made on sale of freehold land & buildings.

(b) Asset replacement reserve				
Balance at beginning of financial year	2,011	2,011	2,011	2,011
Transfer (to) specific funds	(13)	–	(13)	–
Balance at the end of the financial year	**1,998**	**2,011**	**1,998**	**2,011**

The asset replacement reserve records funds set aside for future asset replacement.

(c) General reserve				
Balance at beginning of financial year	5,771	5,687	5,771	5,687
Transfer to specific purpose funds	(5,771)	–	(5,771)	–
Transfer from accumulated funds	–	84	–	84
Balance at the end of the financial year	**–**	**5,771**	**–**	**5,771**

The general reserve records funds set aside for unspecified future aid.

(d) ARCBS special reserve				
Balance at beginning of financial year	13,388	11,594	–	–
Transfer (to) / from accumulated funds	(2,888)	1,794	–	–
Balance at the end of the financial year	**10,500**	**13,388**	**–**	**–**

The Blood Service 'special reserve' records net income and expenditure relating to special activities of the Blood Service, including fee-for-service activities.

(e) Fair value reserve				
Balance at beginning of financial year	7,001	3,324	7,001	3,324
Valuation (loss) / gain recognised	(7,001)	3,677	(7,001)	3,677
Balance at the end of the financial year	**–**	**7,001**	**–**	**7,001**

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale investments until the investment is derecognised.

	Notes	CONSOLIDATED 2008 $'000	CONSOLIDATED 2007 $'000	SOCIETY 2008 $'000	SOCIETY 2007 $'000
16. ACCUMULATED FUNDS					
Accumulated funds at the beginning of the financial year		166,106	171,972	107,982	107,138
Deficit for the financial year		(3,439)	(16,683)	(15,538)	(11,061)
Actuarial (losses) / gains on defined benefit superannuation plans		(2,049)	705	(71)	(1)
Transfer (to) / from specific purpose funds		(818)	12,684	(818)	12,684
Transfer (to) general reserve		–	(84)	–	(84)
Transfer from / (to) special reserve		2,888	(1,794)	–	–
Transfer from / (to) fair value reserve		587	(694)	587	(694)
Accumulated funds at the end of the financial year		**163,275**	**166,106**	**92,142**	**107,982**
17. SPECIFIC PURPOSE FUNDS					
Bali Appeal	(a)	705	908	705	908
Asia Quake and Tsunamis Appeal	(b)	25,767	47,438	25,767	47,438
International	(c)	21,817	6,503	21,817	6,503
Domestic	(d)	18,600	5,636	18,600	5,636
		66,889	**60,485**	**66,889**	**60,485**
(a) Bali Appeal					
Balance at beginning of financial year		908	1,110	908	1,110
Transfer to accumulated funds		(203)	(202)	(203)	(202)
Balance at the end of the financial year	2(b)	**705**	**908**	**705**	**908**
(b) Tsunami Appeal					
Balance at beginning of financial year		47,438	62,947	47,438	62,947
Transfer to accumulated funds		(21,671)	(15,509)	(21,671)	(15,509)
Balance at the end of the financial year	2(c)	**25,767**	**47,438**	**25,767**	**47,438**
(c) International					
Balance at beginning of financial year		6,503	7,092	6,503	7,092
Transfer from / (to) accumulated funds		15,314	(589)	15,314	(589)
Balance at the end of the financial year	2(d)	**21,817**	**6,503**	**21,817**	**6,503**
(d) Domestic					
Balance at beginning of financial year		5,636	2,020	5,636	2,020
Transfer from accumulated funds		7,378	3,616	7,378	3,616
Transfer from asset replacement reserve		13	–	13	–
Transfer from general reserve		5,573	–	5,573	–
Balance at the end of the financial year	2(e)	**18,600**	**5,636**	**18,600**	**5,636**

18. STATEMENT OF CHANGES IN EQUITY	**Notes**	**Retained Earnings $'000**	**Reserves $'000**	**Total $'000**
CONSOLIDATED				
Balance at 30th June 2007	**16, 15 & 17**	**171,972**	**98,558**	**270,530**
Income recognised direct to equity	16	705	–	705
Transfer from / (to) specific purpose funds	16,17	12,684	(12,684)	–
Transfer (to) / from general reserve	16,15(c)	(84)	84	–
Transfer (to) / from special reserve	16,15(d)	(1,794)	1,794	–
Transfer (to) / from fair value reserve	16,15(e)	(694)	3,677	2,983
Balance at 30th June 2007		**182,789**	**91,429**	**274,218**
Balance at 30th June 2007	**16, 15 & 17**	**166,106**	**91,429**	**257,535**
Net deficit for the period		(3,439)	–	(3,439)
Income recognised direct to equity	16	(2,049)	–	(2,049)
Transfer (to) / from specific purpose funds	16 &17	(818)	818	–
Transfer from / (to) special reserve	16,15(d)	2,888	(2,888)	–
Transfer from / (to) fair value reserve	16,15(e)	587	(7,001)	(6,414)
Balance at 30th June 2008		**163,275**	**82,358**	**245,633**
SOCIETY				
Balance at 30th June 2006	**16, 15 & 17**	**107,138**	**86,964**	**194,102**
Net deficit for the period		(11,061)	–	(11,061)
Income recognised direct to equity	16	(1)	–	(1)
Transfer from / (to) specific purpose funds	16,17	12,684	(12,684)	–
Transfer (to) / from general reserve	16,15(c)	(84)	84	–
Transfer (to) / from fair value reserve	16,15(e)	(694)	3,677	2,983
Balance at 30th June 2007		**107,982**	**78,041**	**186,023**
Balance at 30th June 2007	**16, 15 & 17**	**107,982**	**78,041**	**186,023**
Net deficit for the period		(15,538)	–	(15,538)
Income recognised direct to equity	16	(71)	–	(71)
Transfer (to) / from specific purpose funds	16,17	(818)	818	–
Transfer from / (to) fair value reserve	16,15(e)	587	(7,001)	(6,414)
Balance at 30th June 2008		**92,142**	**71,858**	**164,000**

19. RECONCILIATION OF CASH FLOWS PROVIDED BY OPERATING ACTIVITIES

	CONSOLIDATED		SOCIETY	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
(a) Cash flows provided by operating activities				
Net deficit after tax	(3,439)	(16,683)	(15,538)	(11,061)
Adjustments for:				
Depreciation of non-current assets	17,496	18,574	4,693	4,665
Impairment of non-current assets/ (Reversal of impairment)	1,981	(1,050)	–	–
Impairment loss on fair value of available-for-sale investments	1,714	–	1,714	–
Impairment loss on fair value of held-to-maturity investments	2,164	–	2,164	–
Net foreign currency (gains) / losses	(242)	387	(455)	312
Bad and doubtful debts	75	10	75	10
Net deficit / (surplus) on disposal of investments	255	(317)	255	(317)
Net (surplus) / deficit on disposal of property, plant & equipment	(231)	(945)	(324)	(468)
Interest income received and receivable	(8,154)	(1,443)	(4,747)	(4,586)
Dividends received and receivable	(2,726)	(3,643)	(2,726)	(3,643)
Net loss on fixed asset adjustment	–	197	–	–
Changes in assets and liabilities				
Decrease / (increase) in trade and other receivables	7,385	16,528	(1,322)	(6)
Decrease / (increase) in inventory	1,148	(7,719)	(446)	(377)
Increase / (decrease) in trade and other payables	18,256	4,360	4,411	1,210
Increase / (decrease) in provisions	5,171	2,316	1,387	1,000
(Increase) / decrease in other assets	(746)	(1,059)	(700)	(179)
(Gain) / loss on defined benefit funds	(11)	(484)	11	2
Net cash flow from / (used in) operating activities	**40,096**	**9,029**	**(11,548)**	**(13,438)**
(b) Reconciliation of cash and cash equivalents				
For the purpose of the Cash Flow Statement, cash and cash equivalents comprise the following at 30 June 2008:				
Cash at bank and on hand	37,052	55,683	36,522	29,018
Short term deposits	34,232	1,937	–	–
	71,284	**57,620**	**36,522**	**29,018**

	Notes	CONSOLIDATED 2008 $'000	CONSOLIDATED 2007 $'000	SOCIETY 2008 $'000	SOCIETY 2007 $'000
19. RECONCILIATION OF CASH FLOWS PROVIDED BY OPERATING ACTIVITIES (Continued)					
(c) Financing facilities available					
At reporting date, the following finance facilities had been negotiated and were available:					
Total facilities					
– bank overdraft		3,000	3,000	1,000	1,000
– other		32,000	621	–	–
Facilities unused at reporting date					
– bank overdraft		2,214	2,730	1,000	1,000
– other		20,111	287	–	–

20. EXPENDITURE COMMITMENTS

(a) Operating Lease Liabilities

	CONSOLIDATED 2008 $'000	CONSOLIDATED 2007 $'000	SOCIETY 2008 $'000	SOCIETY 2007 $'000
Non cancellable operating lease commitments				
Not longer than 1 year	13,420	11,488	4,866	3,797
Longer than 1 year and not longer than 5 years	29,368	22,649	8,134	5,403
Longer than 5 years	40,902	4,649	132	732
Aggregate lease expenditure contracted for at reporting date but not provide for	**83,690**	**38,786**	**13,132**	**9,932**
Represented by				
Non-cancellable operating leases	83,690	38,786	13,132	9,932
	83,690	**38,786**	**13,132**	**9,932**

Operating leases are non-cancellable and have an average lease term of three years. Assets that are subject of operating leases include motor vehicles and office premises.

	CONSOLIDATED		SOCIETY	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
20. EXPENDITURE COMMITMENTS (Continued)				
Minimum future lease payments				
(b) Finance Lease Commitments				
Minimum lease payments				
No later than 1 year	1,653	163	–	–
Later than 1 year and not later than 5 years	6,295	202	–	–
Later than five years	10,716	–	–	–
	18,664	365	–	–
Less: future finance charges	(6,775)	(31)	–	–
Present value of minimum lease payments	**11,889**	**334**	**–**	**–**

Included in the financial statements as: (note 12)		
Current borrowings	673	143
Non-current borrowings	11,216	191
	11,889	**334**

The ARCBS leases various equipment and fit outs with a carrying value of $29.178m (2007: $0.338m) under finance leases expiring within three to ten years. Under the terms of the leases, the ARCBS has the option to acquire the leased assets on expiry of the leases. These leases relate to:

1) Equipment leases
The ARCBS leases two DNA analysers under finance leases expiring within three to five years. The carrying amount of the analysers is $0.095m (2007: $0.334m). On expiry of the leases, the ARCBS will own one of the analysers, and has an option to acquire or continue renting the other analyser.

2) Property fit out lease at Kelvin Grove, Brisbane
The fit out of the Kelvin Grove property was completed under a finance lease of $32m with a financial institution. The ARCBS drew down the first tranche of $16m prior to the year end for a 10 year lease. The ARCBS intends to draw down the second tranche of $16m in the 2008-09 year.

	CONSOLIDATED 2008 $'000	CONSOLIDATED 2007 $'000	SOCIETY 2008 $'000	SOCIETY 2007 $'000
(c) Capital expenditure commitments				
Capital commitments contracted for:				
Buildings and plant & equipment	12,089	40,459	1,521	193
Payable:				
Not longer than 1 year	12,035	40,375	1,467	109
Longer than 1 year and not longer than 5 years	54	84	54	84
	12,089	**40,459**	**1,521**	**193**

21. CONTINGENT LIABILITIES

The potential for liabilities arising from litigation in relation to past transfusion-transmitted HIV (AIDS) is highly unlikely as a result of the implementation of indemnity arrangements. In the unlikely event of a claim not covered by the State and Territory arrangements, the Commonwealth, States and one Territory Government will indemnify the Society for any financial liability it may incur. Financial exposures after 1 July 2000 are indemnified through the National Managed Fund where they relate to transmission of blood-borne disease through transfusion subsequent to 1 July 2000.

Legal proceedings have continued against the Society arising out of contraction of Hepatitis C. The Society has denied liability in these proceedings. Financial exposure to claims for Hepatitis C up until 30 June 2000 are subject to commercial and Government indemnities and are dealt with under a variety of arrangements. Financial exposures arising since 1 July 2000 are indemnified through the National Managed Fund, where they relate to transmission of blood borne disease through transfusion subsequent to 1 July 2000.

There is always potential for claims to arise from viral / bacterial infections or blood-borne disease which are currently unidentified, or in circumstances where there are no test or screening procedures available to test for a virus / bacteria / disease state. The National Managed Fund has been established to meet any financial exposures that may be incurred form 1 July 2000 where the financial exposure arises as a result of transmission of blood-borne disease occurring subsequent to 1 July 2000. State Governments and one Territory Government provide indemnity for blood-borne disease arising through such transmission occurring prior to 1 July 2000.

22. EVENTS AFTER BALANCE SHEET DATE

The Blood Service has a need to relocate some of its principal facilities of processing and testing laboratories to accommodate the code of Good Manufacturing Practice (cGMP) and meet health and safety standards. The Blood Service has commenced action on these relocation initiatives:

The New South Wales and ACT principal site (NAPS)

The Commonwealth Government has indicated it will continue its share of the funding required to amalgamate and upgrade the principal facilities currently located in Sydney, Parramatta, Newscastle and Canberra. The ARCBS has issued a request for proposal to the market for development submissions and the facility is planned to be in operation by June 2010.

Victoria and Tasmania principal site (VTPS)

The ARCBS is in discussions with governments in relation to relocating facilities currently at its Southbank site and other sites to a single principal site.

National Office

The Society has entered into a contract to purchase an office building for the sum of $8 million dollars to accommodate Red Cross staff. The premises is situated in the suburb of Carlton, Victoria.

Financial Assets of the Society

Subsequent to year end, significant fluctuations in the investment market have occurred as a result of global credit shortages. These conditions have led to a diminution in the value of the investments and defined benefit Superannuation funds compared to 30 June 2008. These movements are regarded as a part of the investment cycle. Investment decisions relating to the Society's financial assets will continue to be made based on the long term needs and strategies of the Society.

23. ECONOMIC DEPENDENCY

A significant portion of revenue is received by way of recurrent grants from State and Commonwealth Governments.

Notes to the financial statements

For the year ended 30 June 2008

24. KEY MANAGEMENT PERSONNEL COMPENSATION

The Australian Red Cross Blood Service Board comprises paid external Board Members sourced from a diverse range of medical and business disciplines. The Australian Red Cross Society Board comprises entirely of volunteers reflective of its national membership. No fees are paid for serving as a volunteer Board Member, but they may be reimbursed for reasonable travel and other expenses incurred in connection with the activity of the Society.

Key Management Personnel

Board Members: Australian Red Cross

Mr Greg Vickery AM (Chairman)
Mr Michael Legge (Vice Chairman)
Mr Ross Pinney
Mr John Reeves QC (part year to November 2007)
Mr Alan Clayton
Mr David Hamill
Ms Katherine Ngo (part year to April 2008)
Mr Ian Anson
Mr Richard Stone (part year to November 2007)
Mr Richard Dunn (part year to November 2007)
Ms Kaye Hogan AM PSM
Ms Pam Simmons
Mr Michael Howarth
Ms Kate Carnell AO
Mr Vinay Menon (appointed April 2008)
Mr John Fries (appointed November 2007)
Mr Deven Patel (appointed November 2007)
Ms Lowitja O'Donoghue AM CBE (appointed April 2008)
Mr John Hood (appointed November 2007)
Ms Jill Lester (part year to February 2008)

Board Members: Australian Red Cross Blood Service

The Hon Dr David Hamill (Chairman)
Dr Robert Hetzel (Chief Executive Officer)
Mr Graham Addison
Dr Marianne Broadbent (appointed June 2008)
Dr John Cable (part year to March 2008)
Mr Andrew Eddy
Dr Anne Fletcher
Dr David Graham (appointed April 2008)
Ms Kay Hogan AM PSM (part year to March 2008)
Professor James Isbister
Mr Michael Legge
Mr John O'Connor (appointed August 2007)
Mr James Swinden

Board Member Personnel Compensation	2008 Australian Red Cross	2008 Blood Service	2007 Australian Red Cross	2007 Blood Service
$0	20	1	19	–
Less than $9,999	–	–	–	1
$20,000 to $29,999	–	–	–	1
$30,000 to $39,999	–	–	–	2
$40,000 to $49,999	–	5	–	4
$50,000 to $59,999	–	5	–	1
$60,000 to $69,999	–	–	–	1
$100,000 to $109,999	–	1	–	–
$480,000 to $489,999	–	1	–	1

24. KEY MANAGEMENT PERSONNEL COMPENSATION (Continued)

Other Key Management Personnel:

The national executive members during 2007 – 2008
(not including the Blood Service CEO who is detailed on the previous page.)

Australian Red Cross

Mr Robert Tickner	Chief Executive Officer
Mr Dale Cleaver	Chief Operating Officer (part year)
Ms Jennifer Gibb	National Director Marketing, Fundraising and Communications
Mr John O'Connor	Chief Financial Officer
Dr Ian Burke	Executive Director – Tasmania
Mr Greg Goebel	Executive Director – Queensland
Mr Andrew Hilton	Executive Director – Victoria
Mr Steve Joske	Executive Director – Western Australia
Mr Lewis Kaplan	Executive Director – New South Wales
Ms Sharon Mulholland	Executive Director – Northern Territory
Mr Ian Rentsch	Executive Director – Australian Capital Territory (part year)
Mr Paul Csoban	Executive Director – Australian Capital Territory (part year)
Ms Kerry Symons	Executive Director – South Australia

Blood Service

Dr Patrick Coghlan	National Transplantation Services Manager
Mr Graham Dunlop	Chief Financial Officer
Mr Greg Embleton	Information Services Manager
Mrs Anne Heyes	National Human Resources Manager
Dr Philippa Hetzel	National Operations Manager
Dr Joanne Pink	Medical Services Manager and Quality Manager
Mr Nirdosh Puri	National Research and Business Development Manager
Mr Joel Reachard	Government and International Relations Manager
Dr Sally Thomas	International Services Manager
Ms Janine Wilson	Corporate Strategy and Planning Manager

24. KEY MANAGEMENT PERSONNEL COMPENSATION (Continued)

	2008 Australian Red Cross	2008 Blood Service	2007 Australian Red Cross	2007 Blood Service
$60,000 to $69,999	1*	–	–	–
$90,000 to $99,999	–	–	–	1
$110,000 to $119,999	–	–	1	–
$120,000 to $129,999	–	–	–	1
$130,000 to $139,999	1#	–	–	–
$140,000 to $149,999	–	–	3	–
$150,000 to $159,999	–	–	1	–
$160,000 to $169,999	2	–	1	–
$180,000 to $189,999	2	–	1	–
$190,000 to $199,999	1	–	–	1
$200,000 to $209,999	1	1	–	–
$210,000 to $219,999	1	–	3	–
$220,000 to $229,999	–	1	–	–
$230,000 to $239,999	2	–	–	–
$240,000 to $249,999	–	3	1	3
$250,000 to $259,999	–	2	1	–
$270,000 to $279,999	1	–	–	–
$280,000 to $289,999	–	1	–	2
$290,000 to $299,999	–	–	–	1
$300,000 to $309,999	–	1	–	1
$310,000 to $319,999	1#	–	–	–
$340,000 to $349,999	–	1	–	–

Notes:
Remuneration includes gross salary and superannuation payments
* Includes part year payments
# Includes part year and termination payments

Key management personnel includes national executives and are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any Director (whether executive or otherwise) of the entity.

24. KEY MANAGEMENT PERSONNEL COMPENSATION (Continued)

The key management personnel compensation
included in the income statement is as follows

	SHORT TERM				LONG TERM	
	Salaries & Fees $'000	Super-annuation Contributions $'000	Bonus $'000	Non-Cash Benefits $'000	Long Service Leave $'000	Total $'000
Australian Red Cross						
2008 total compensation	**2,419**	**152**	**–**	**–**	**157**	**2,728**
2007 total compensation	2,013	161	–	–	144	2,318
Blood Service						
2008 total compensation	**3,328**	**262**	**–**	**–**	**747**	**4,337**
2007 total compensation	2,205	198	–	–	482	2,885
Consolidated						
2008 total compensation	**5,747**	**414**	**–**	**–**	**904**	**7,065**
2007 total compensation	4,218	359	–	–	626	5,203

	CONSOLIDATED		SOCIETY	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
25. AUDITORS' REMUNERATION				
Amounts received or due and receivable by Deloitte Touche Tohmatsu				
– Audit or review of the financial statements of the entity and any other entity in the consolidated entity	250	273	200	160
– Audit of acquittals in relation to specific purpose grants received by the entity and any other entity in the consolidated entity.	94	–	84	–
– Other non audit services: risk services and IT consulting	253	–	228	–
	597	273	512	160
Audit of acquittals in relation to specific purpose grants received by the entity and any other entity in the consolidated entity.				
– Wise Lord & Ferguson	2	2	2	2
– Nelson Wheeler	–	1	–	1
– Anderson Roscoe	9	14	9	14
– Williams & Partners	–	30	–	30
– BSI Management Systems	9	–	9	–
– Trevor Edgoose	–	32	–	32
	617	**352**	**532**	**239**

26. RELATED PARTY DISCLOSURES

(a) Board Members:

The Board Members are disclosed in note 24. Certain members of the Board are in the employment of, or may have a beneficial interest in, professional services firms which derive income for services provided to the Society. The Society believes the terms and conditions of these transactions would be to the advantage of the Society.

(b) Wholly-owned group:

In states and territories where Blood Service is located on the Australian Red Cross premises, there are contractual arrangements between the respective operating units of the Blood Service and the Australian Red Cross state / territory division for the sharing of facilities and outgoings. The payments to Australian Red Cross state / territory Divisions under this arrangement totalled $2,610,882 (2007: $2,489,000).

The effect of the above transactions has been eliminated in full in the consolidated entities result.

(c) Other related parties

Divisions actively solicit support and assistance of their volunteers and acquire goods and services from commercial enterprises of which some members are servants or may have a beneficial interest. The Society believes that the terms and conditions of these transactions are favourable to the Society.

27. FINANCIAL INSTRUMENTS

(a) Financial risk management objectives and policies

The Society's financial instruments consist mainly of:

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

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

Treasury risk management

The Chief Financial Officer is responsible for the treasury risk management. Instruments used to hedge foreign currency risk are organised through the Society's bankers.

Financial risk

The main risks the group is exposed to through its financial instruments are interest rate risk, foreign currency risk, liquidity risk and credit risk.

Interest rate risk

The Group is exposed to market interest rate fluctuations on its fixed and variable interest securities. It does not have a material risk to interest bearing loans and borrowings. The Society accepts the risk as normal in relation to fixed interest financial assets, as they are held to generate investment on unused funds.

Foreign currency risk

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

Notes to the financial statements

For the year ended 30 June 2008

27. FINANCIAL INSTRUMENTS (Continued)

Foreign currency risk (Continued)

It is the Society's policy to negotiate the terms of hedge derivatives to match the terms of the hedged items to maximise hedge effectiveness. Hedge cover is considered on a transaction by transaction basis.

In the prior year the Society has entered into forward foreign currency contracts to hedge known purchase/supply contracts that have been entered into to provide aid related to the Asia Quake and Tsunamis appeal. These contracts were signed prior to the expected delivery and payment date. As these contracts were of a substantial value, the Society entered into forward foreign currency contracts which match the expected cash outflows on these contracts to hedge its exposure to changes in exchange rates.

Apart from these contracts in the prior year, any exposure to foreign currency is not otherwise hedged.

The Society accounts for these derivatives as fair value through profit and loss.

While these transactions are entered into to hedge specific contracts and are believed to be effective, the Society accounts for these derivatives as 'fair value through profit and loss'.

Liquidity risk

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

Credit risk

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

Credit risk for derivative financial instruments arises from the potential failure by counter parties to the contract to meet their obligations. The credit risk exposure to forward exchange contracts is the net fair value of these contracts as disclosed in note 27(d).

The Group does not have any material credit risk exposures to any single receivable or group of receivables under financial instruments entered into by the Group.

	CONSOLIDATED		
	Notes	**2008 $'000**	**2007 $'000**
Maximum exposure to credit risk at the reporting date			
Cash at bank and short term deposits	4,19(b)	71,284	57,620

AAA – AA credit rating (Standard and Poor's)

	SOCIETY		
	Notes	**2008 $'000**	**2007 $'000**
Maximum exposure to credit risk at the reporting date			
Cash at bank and short term deposits	4,19(b)	36,522	29,018

AAA – AA credit rating (Standard and Poor's)

27. FINANCIAL INSTRUMENTS (Continued)	Carrying Amount		Fair Value	
(b) Net Fair value	2008 $'000	2007 $'000	2008 $'000	2007 $'000
CONSOLIDATED				
Financial assets				
Cash	71,284	60,754	71,284	60,754
Trade receivables	15,661	9,685	15,661	9,685
Financial assets	65,023	91,022	65,023	91,022
Financial liabilities				
Trade payables	56,599	41,295	56,599	41,295
Interest–bearing loans and borrowings	11,889	334	11,889	334
Foreign currency contracts	–	337	–	337
SOCIETY				
Financial assets				
Cash	36,522	32,152	36,522	32,152
Trade receivables	8,956	3,076	8,956	3,076
Financial assets	65,023	91,022	65,023	91,022
Financial liabilities				
Trade payables	14,632	9,903	14,632	9,903
Foreign currency contracts	–	337	–	337

27. FINANCIAL INSTRUMENTS (Continued)

(c) Interest rate risk

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

Financial liabilities

	Weighted average effective interest rate	Less than 1 month	1–3 months	3 months to 1 year	1 Year to 5 Years	5 + years	Total
Year ended 30 June 2008	%	$'000	$'000	$'000	$'000	$'000	$'000
CONSOLIDATED							
Non–interest bearing		39,847	14,632	–	–	–	54,479
Finance lease liability	8.5%	143	412	1,098	6,295	10,716	18,664
		39,990	**15,044**	**1,098**	**6,295**	**10,716**	**73,143**
SOCIETY							
Non–interest bearing		–	14,632	–	–	–	14,632
Finance lease liability		–	–	–	–	–	–
		–	**14,632**	**–**	**–**	**–**	**14,632**
Year ended 30 June 2007							
CONSOLIDATED							
Non–interest bearing		29,910	9,903	–	–	–	39,813
Finance lease liability	6.7%	13	41	108	203	–	365
		29,923	**9,944**	**108**	**203**	**–**	**40,178**
SOCIETY							
Non–interest bearing		–	9,903	–	–	–	9,903
Finance lease liability		–	–	–	–	–	–
		–	**9,903**	**–**	**–**	**–**	**9,903**

27. FINANCIAL INSTRUMENTS (Continued)

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

Non-derivative financial assets

Year ended 30 June 2008	Weighted average effective interest rate %	Less than 1 month $'000	1–3 months $'000	3 months to 1 year $'000	1 Year to 5 Years $'000	5 + years $'000	Total $'000
CONSOLIDATED							
Non–interest bearing		10,539	282	282	–	–	11,103
Variable interest rate instruments	6.4%	78,654	–	–	–	–	78,654
Fixed interest rate instruments		2,264	30,690	1,947	9,341	14,636	58,878
		91,457	**30,972**	**2,229**	**9,341**	**14,636**	**148,635**
SOCIETY							
Non–interest bearing		3,834	282	282	–	–	4,398
Variable interest rate instruments	6.5%	73,358	–	–	–	–	73,358
Fixed interest rate instruments		2,264	–	1,947	9,341	14,636	28,188
		79,456	**282**	**2,229**	**9,341**	**14,636**	**105,944**
Year ended 30 June 2007							
CONSOLIDATED							
Non–interest bearing		12,145	240	58	–	–	12,443
Variable interest rate instruments	6.0%	92,066	–	–	–	–	92,066
Fixed interest rate instruments		–	15,303	88	34,800	9,973	60,164
		104,211	**15,543**	**146**	**34,800**	**9,973**	**164,673**
SOCIETY							
Non–interest bearing		2,778	240	58	–	–	3,076
Variable interest rate instruments	6.0%	78,313	–	–	–	–	78,313
Fixed interest rate instruments		–	–	88	34,800	9,973	44,861
		81,091	**240**	**146**	**34,800**	**9,973**	**126,250**

27. FINANCIAL INSTRUMENTS (Continued)

Sensitivity analysis

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

		Interest rate risk			
		- 50 basis points	- 50 basis points	+ 50 basis points	+ 50 basis points
	Carrying amount	Surplus or (deficit)	Equity	Surplus or (deficit)	Equity
CONSOLIDATED	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
30 June 2008					
Financial assets					
Cash and cash equivalents	71,284	(627)	(627)	627	627
Financial Liabilities					
Borrowings	11,216	61	61	(61)	(61)
Total (decrease) / increase		**(566)**	**(566)**	**566**	**566**
SOCIETY					
30 June 2008					
Financial assets					
Cash and cash equivalents	36,522	(365)	(365)	365	365
Total (decrease) / increase		**(365)**	**(365)**	**365**	**365**

27. FINANCIAL INSTRUMENTS (Continued)

(d) Foreign currency risk

Forward foreign currency exchange contracts

The following table details the forward foreign currency contracts outstanding as at reporting date

	Average Exchange Rates		Foreign Currency		Contract Value		Fair Value	
Outstanding contracts	**2008**	**2007**	**2008 USD$'000**	**2007 USD$'000**	**2008 $'000**	**2007 $'000**	**2008 $'000**	**2007 $'000**
Buy US Dollars								
Less than 3 months	–	0.7373	–	435,000	–	589,991	–	(76)
3 to 6 months	–	0.7319	–	1,322,239	–	1,806,584	–	(238)
6 months to 1 year	–	0.8308	–	1,641,603	–	1,975,930	–	(23)
							–	**(337)**

Market risk

The Society's activities expose it primarily to the financial risks of changes in foreign currency exchange rates (refer above). The Society enters into a variety of derivative financial instruments to manage its exposure to foreign currency risk, including foreign exchange forward contracts to hedge the exchange rate risk arising on funds allocated to specific overseas contracts in US Dollars There has been no change to the Society's exposure to market risks or the manner in which it manages and measures the risk.

Foreign currency sensitivity

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

	US Dollar Impact				
	Consolidated		**Society**		
	2008 $'000	**2007 $'000**	**2008 $'000**	**2007 $'000**	
Profit & Loss	0	337	0	337	(1)

(1) This is attributable to the exposure outstanding on USD payables at year end in the Society.

The Society's future sensitivity to foreign currency movements will decrease as these contracts are paid out.

(e) Other price risks

The society is exposed to equity price risks arising from equity investments. Equity investments are held for strategic rather than trading purposes.

Equity Price Sensitivity

The sensitivity analysis below has been determined based on the exposure to equity price risks at year end.
At reporting date, if the equity prices had been:

- 5% p.a. lower, the net result for the year ended 30th June 2008 would have decreased $1,841,800 as a result of changes in the fair value of the available-for-sale equities considered to be impaired.
- 5% p.a. higher, the net result for the year ended 30th June 2008 would have increased by $1,714,000 as a result of changes in the fair value of available-for-sale equities the balance of $127,800 being changed to the equity reserves for the year.

Supplement

complying with ACFID code of conduct for the year ended 30 June 2008

The Australian Red Cross Society is a signatory to the Australian Council for International Development (ACFID) Code of Conduct, and as such has an obligation to provide the following supplementary information which demonstrates our adherence to the Code's financial standards.

The Income Statement, Balance Sheet, Table of Cash Movements for Designated Purposes and Statement of Changes in Equity provided below, represent a true reflection of the financial accounts for this year.

The information contained in this supplement should be read in conjunction with the financial statements and accompanying notes on pages 6 to 52.

Income Statement

	2008 $'000s	2007 $'000s
REVENUE		
Donations & gifts – monetary & non-monetary*	44,159	30,157
Legacies & bequests	11,331	8,323
Grants		
– AusAID	24,189	12,043
– other Australian	447,059	350,092
– other overseas	855	1,585
Investment income	16,076	16,292
Other income	50,025	59,250
Total Revenue	**593,694**	**477,742**

*During the financial year nil (2007: nil) was recorded as non-monetary donations and gifts.

	2008 $'000s	2007 $'000s
DISBURSEMENTS		
Overseas projects		
– funds to overseas projects	46,089	33,721
– other project costs	5,882	5,298
Domestic projects	472,676	397,421
Community education	1,006	915
Fundraising costs		
– public	16,483	14,081
– government, multilateral and private	882	997
Retail activities	29,295	27,017
Administration	24,820	14,975
Total Disbursements	**597,133**	**494,425**
Excess of revenue over expenses (shortfall) from continuing operations	**(3,439)**	**(16,683)**

Supplement complying with ACFID code of conduct for the year ended 30 June 2008

Balance Sheet

For the year ended 30 June 2008

	2008 $'000s	2007 $'000s
ASSETS		
Current assets		
Cash and cash equivalents	71,284	57,620
Financial assets	8,862	3,134
Other assets	50,370	58,157
Non current assets		
Property, plant & equipment	174,916	126,564
Financial assets	56,161	91,022
Other	1,059	2,904
Total Assets	**362,652**	**339,401**
LIABILITIES		
Current Liabilities		
Trade and other payables	56,239	40,131
Provisions	37,626	33,887
Other liabilities	673	143
Non current liabilities		
Payables	11,216	191
Provisions	8,865	7,433
Other	2,400	81
Total Liabilities	**117,019**	**81,866**
Net Assets	**245,633**	**257,535**
EQUITY		
Reserves	245,633	257,535

Table of Cash Movements for Designated Purposes

For the year ended 30 June 2008

	Notes	Cash available at beginning of year $'000	Cash raised during year $'000	Cash disbursed during year $'000	Cash available at end of year $'000
Designated purpose					
Asia Quake and Tsunamis Appeal		77	25,711	23,589	2,199
Total for other purposes		57,543	610,162	598,620	69,085
TOTAL	**4**	**57,620**	**635,873**	**622,209**	**71,284**

Working capital for Asia Quake and Tsunamis Appeal is held in cash and cash equivalents and residual funds are held in financial assets (refer note 2(c) and 8).
During the year $17.1m was transferred from financial assets to fund working capital for Tsunami projects and is included above as part of cash raised during the year.

Statement of Changes in Equity

For the year ended 30 June 2008

	Notes	Retained Earnings $'000	Reserves $'000	Total $'000
Balance at 30th June 2007	16	166,106	91,429	257,535
Excess of expenses over revenue	16	(3,439)	–	(3,439)
Actuarial loss recognised direct to equity	16	(2,049)	–	(2,049)
Amounts transferred from / (to) reserves	15,16,17	2,657	(9,071)	(6,414)
Balance at 30th June 2008		**163,275**	**82,358**	**245,633**

Board Members' Declaration

The Board Members declare that:

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

(b) in the Board's opinion, the attached financial statements and notes thereto are in compliance with accounting standards and give a true and fair view of the financial position and performance of the Society and consolidated entity; and

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

Signed in accordance with a resolution of the Board.

On behalf of the Board

Greg Vickery
Chairman of the Board
18 October, 2008

Independent audit report to the members of the Australian Red Cross Society

We have audited the accompanying financial report of Australian Red Cross Society and the consolidated entity, which comprises the balance sheet as at 30 June 2008, and the income statement, cash flow statement and statement of recognised income and expense for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the Board Members' declaration as set out on pages 5 to 57.

The Responsibility of the Board Members for the Financial Report

The Board Members of the entity are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations). This responsibility also includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board Members, as well as evaluating the overall presentation of the financial report.

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

Independent audit report to the members of the Australian Red Cross Society (Continued)

Auditor's Independence Declaration

In conducting our audit, we have complied with the independence requirements of the Australian professional accounting bodies.

Auditor's Opinion

In our opinion, the financial report presents fairly, in all material respects, the financial position of the Australian Red Cross Society and consolidated entity as at 30 June 2008, and of their financial performance, their cash flows and their changes in equity for the year ended on that date in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations).

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

M. Schofield

M J SCHOFIELD
Partner
Chartered Accountants

Melbourne 18 October, 2008