We are pleased to present the consolidated financial accounts for the Society for the year ended 30 June, 2007.
The Australian Red Cross Society undertakes a wide range of activities in the pursuit of its humanitarian goals and objectives, which impacts 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.

The Australian Red Cross Blood Service (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 which may be found at www.arcbs.redcross.org.au.

**Analysis of Key Financial Operating Data**

The statement of financial performance for the financial year ended 30 June 2007 reflects a consolidated deficit of $16.7 million, compared to a deficit of $6.6 million for the previous year ended 30 June, 2006.

Shown below in tabular format are the key results for the financial year ended 30 June 2007 across the differing operating sectors of the Society, with a summary of each sector.

<table>
<thead>
<tr>
<th></th>
<th>Revenue $’000</th>
<th>Expenses $’000</th>
<th>Surp/(Def) $’000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Humanitarian Services</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>General Activities</td>
<td>118,859</td>
<td>119,625</td>
<td>(766)</td>
</tr>
<tr>
<td>Specific Purpose Funds-Domestic</td>
<td>7,817</td>
<td>4,201</td>
<td>3,616</td>
</tr>
<tr>
<td>Specific Purpose Funds-Other International</td>
<td>14,220</td>
<td>15,011</td>
<td>(791)</td>
</tr>
<tr>
<td>Specific Purpose Funds-Tsunami</td>
<td>4,625</td>
<td>20,134</td>
<td>(15,509)</td>
</tr>
<tr>
<td><strong>Total Humanitarian Services</strong></td>
<td><strong>145,521</strong></td>
<td><strong>158,971</strong></td>
<td><strong>(13,450)</strong></td>
</tr>
<tr>
<td><strong>Blood Service</strong></td>
<td><strong>332,221</strong></td>
<td><strong>335,454</strong></td>
<td><strong>(3,233)</strong></td>
</tr>
<tr>
<td><strong>Consolidation – Society</strong></td>
<td><strong>477,742</strong></td>
<td><strong>494,425</strong></td>
<td><strong>(16,683)</strong></td>
</tr>
</tbody>
</table>
General Activities – our revenue continues to grow year on year (last year $108.7 million) in line with demand for our services and we are able to spend in accordance with the expectation of delivery. This has resulted in a consolidated modest net deficit of $0.8 million this year on our general activities, after the transfer of specific surplus funds to domestic programs as explained below.

Specific Purpose Funds – domestic has seen a significant amount transferred this year ($3.6 million) from the gross operating surplus to fulfill 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.

Specific Purpose Funds – international has reflected a modest deficit this year as a result of additional spending on specific international projects in excess of the income received in this financial year. It is noted that the majority of the income relating to international programs had been allocated to the specific purpose fund account last year which reflected a surplus of $2.8 million. The details of these specific programs and the movements are shown in notes 2(b and d) of the detailed accounts.

Specific Purpose Funds – Asia Quake and Tsunamis Appeal has achieved an expenditure of $20.1 million during the year in accordance with our detailed programs for reconstruction, livelihood and disaster preparation objectives for the tsunami affected regions. To further enhance delivery of programs, we earned $3.5 million of interest on the tsunami 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.

The Australian Red Cross Blood Service accounts are consolidated into the accounts of the Society and this year the Blood Service recorded a deficit of $3.2 million, compared with a surplus of $17 million last year. This change is largely attributable to the last year result being supported by significant one-off windfalls in the prior year due to repayment of outstanding claims and receiving funds in advance, primarily for capital projects. The results this year reflect the normalised operations of the Blood Service where the main operating account is ultimately fully funded by governments. Specific details of the Blood Service can be found at note 2 (f).

The balance sheet of the Society remains consistently robust with significant net assets of $257 million under stewardship at year end. Similarly, the cash position of the organisation has supported the operational cash flow activity on a consistent basis throughout the year, providing for a sound closing cash position of $57.6 million at year end.

Contributions to Financial Results

As CEO and CFO of the organisation, we would like to thank all of our donors, members, volunteers and staff and governments around the country for their significant contributions which allow us to deliver a wide range of services to the vulnerable. This is achieved across many facets of the organisation and in addition to service delivery, we are able to benefit by 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 the Society’s Audit & Risk Management Committee and the volunteer members of the National Asset Strategy Committee for their expertise, dedication and support over the financial year.
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 Expense and Cash Flow Statements for the year ended 30 June 2007, 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 2007 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 as endorsed by resolution of the Australian Red Cross Board.

Robert Tickner  CEO

John O’Connor  CFO

Melbourne
20 October 2007
## CONSOLIDATED

**Continuing Operations**

<table>
<thead>
<tr>
<th>Notes</th>
<th>Revenue 2007 $'000</th>
<th>Expense 2007 $'000</th>
<th>Net Revenue/ (Expense) 2007 $'000</th>
<th>Revenue 2006 $'000</th>
<th>Expense 2006 $'000</th>
<th>Net Revenue/ (Expense) 2006 $'000</th>
</tr>
</thead>
</table>

### HUMANITARIAN SERVICES

**General Activities**
- 2(a) 118,859 (119,625) (766) 108,700 (109,562) (862)

**Specific Purpose Funds:**
- 2(b) Bali Appeal 67 (269) (202) 66 (160) (94)
- 2(c) Asia Quake and Tsunamis Appeal 4,625 (20,134) (15,509) 5,638 (30,425) (24,787)
- 2(d) International 14,153 (14,742) (589) 22,021 (19,169) 2,853
- 2(e) Domestic 7,817 (4,201) 3,616 116 (912) (796)

**TOTAL HUMANITARIAN SERVICES**
- 2(a), 2(e) 145,521 (158,971) (13,450) 136,541 (160,227) (23,686)

### BLOOD SERVICE

- 2(f) Finance Costs 332,221 (335,423) (3,202) 325,674 (308,609) 17,065

**TOTAL BLOOD SERVICE**
- 2(f) 332,221 (335,454) (3,233) 325,674 (308,618) 17,056

**TOTAL ALL ACTIVITIES**
- 2(a), 2(e), 2(f) 477,742 (494,425) (16,683) 462,215 (468,845) (6,630)

### DEFICIT FOR THE YEAR
- 1(r) Income tax expense – – –

**DEFICIT FOR THE YEAR**
- 1(r) (16,683) (6,630)

## SOCIETY

**Continuing Operations**

### HUMANITARIAN SERVICES

- 2(a) 121,348 (119,725) 1,623 111,185 (110,546) 639

**Specific Purpose Funds:**
- 2(b) Bali Appeal 67 (269) (202) 66 (160) (94)
- 2(c) Asia Quake and Tsunamis Appeal 4,625 (20,134) (15,509) 5,638 (30,425) (24,787)
- 2(d) International 14,153 (14,742) (589) 22,021 (19,169) 2,853
- 2(e) Domestic 7,817 (4,201) 3,616 116 (912) (796)

**TOTAL HUMANITARIAN SERVICES**
- 2(a), 2(e) 148,010 (159,071) (11,061) 139,026 (161,211) (22,185)

### DEFICIT FOR THE YEAR
- 1(r) Income tax expense – – –

**DEFICIT FOR THE YEAR**
- 1(r) (11,061) (22,185)
## Balance Sheets

**at 30 June 2007**

### CONSOLIDATED

<table>
<thead>
<tr>
<th>ASSETS</th>
<th>Notes</th>
<th>2007 $'000</th>
<th>2006 $'000</th>
<th>2007 $'000</th>
<th>2006 $'000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CURRENT ASSETS</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>4</td>
<td>57,620</td>
<td>58,595</td>
<td>29,018</td>
<td>24,247</td>
</tr>
<tr>
<td>Trade and other receivables</td>
<td>5</td>
<td>9,685</td>
<td>26,213</td>
<td>3,076</td>
<td>3,070</td>
</tr>
<tr>
<td>Other financial assets</td>
<td>8</td>
<td>3,134</td>
<td>8,054</td>
<td>3,134</td>
<td>8,054</td>
</tr>
<tr>
<td>Inventories</td>
<td>6</td>
<td>35,856</td>
<td>28,137</td>
<td>1,419</td>
<td>1,042</td>
</tr>
<tr>
<td>Other</td>
<td>7</td>
<td>6,616</td>
<td>5,557</td>
<td>3,858</td>
<td>3,679</td>
</tr>
<tr>
<td>Non-current assets classified as held for sale</td>
<td>9</td>
<td>6,000</td>
<td>4,950</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td><strong>TOTAL CURRENT ASSETS</strong></td>
<td></td>
<td>118,911</td>
<td>131,506</td>
<td>40,505</td>
<td>40,092</td>
</tr>
<tr>
<td><strong>NON-CURRENT ASSETS</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other financial assets</td>
<td>8</td>
<td>91,022</td>
<td>95,823</td>
<td>91,022</td>
<td>95,823</td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>9</td>
<td>126,564</td>
<td>116,467</td>
<td>71,149</td>
<td>72,627</td>
</tr>
<tr>
<td>Defined benefit superannuation plans</td>
<td>14</td>
<td>2,904</td>
<td>2,009</td>
<td>135</td>
<td>138</td>
</tr>
<tr>
<td><strong>TOTAL NON-CURRENT ASSETS</strong></td>
<td></td>
<td>220,490</td>
<td>214,299</td>
<td>162,306</td>
<td>168,588</td>
</tr>
<tr>
<td><strong>TOTAL ASSETS</strong></td>
<td></td>
<td>339,401</td>
<td>345,805</td>
<td>202,811</td>
<td>208,680</td>
</tr>
</tbody>
</table>

### LIABILITIES

<table>
<thead>
<tr>
<th>LIABILITY</th>
<th>Notes</th>
<th>2007 $'000</th>
<th>2006 $'000</th>
<th>2007 $'000</th>
<th>2006 $'000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CURRENT LIABILITIES</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade and other payables</td>
<td>10</td>
<td>39,794</td>
<td>35,747</td>
<td>9,884</td>
<td>8,987</td>
</tr>
<tr>
<td>Other financial liabilities</td>
<td>11</td>
<td>337</td>
<td>24</td>
<td>337</td>
<td>24</td>
</tr>
<tr>
<td>Borrowings</td>
<td>12</td>
<td>143</td>
<td>58</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Provisions</td>
<td>13</td>
<td>33,887</td>
<td>32,338</td>
<td>5,901</td>
<td>4,913</td>
</tr>
<tr>
<td><strong>TOTAL CURRENT LIABILITIES</strong></td>
<td></td>
<td>74,161</td>
<td>68,167</td>
<td>16,122</td>
<td>13,924</td>
</tr>
<tr>
<td><strong>NON-CURRENT LIABILITIES</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Borrowings</td>
<td>12</td>
<td>191</td>
<td>67</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Provisions</td>
<td>13</td>
<td>7,433</td>
<td>6,666</td>
<td>666</td>
<td>654</td>
</tr>
<tr>
<td>Defined benefit superannuation plans</td>
<td>14</td>
<td>81</td>
<td>375</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td><strong>TOTAL NON-CURRENT LIABILITIES</strong></td>
<td></td>
<td>7,705</td>
<td>7,108</td>
<td>666</td>
<td>654</td>
</tr>
<tr>
<td><strong>TOTAL LIABILITIES</strong></td>
<td></td>
<td>81,866</td>
<td>75,275</td>
<td>16,788</td>
<td>14,578</td>
</tr>
<tr>
<td><strong>NET ASSETS</strong></td>
<td></td>
<td>257,535</td>
<td>270,530</td>
<td>186,023</td>
<td>194,102</td>
</tr>
</tbody>
</table>

### EQUITY

<table>
<thead>
<tr>
<th>EQUITY</th>
<th>Notes</th>
<th>2007 $'000</th>
<th>2006 $'000</th>
<th>2007 $'000</th>
<th>2006 $'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reserves</td>
<td>15</td>
<td>30,944</td>
<td>25,389</td>
<td>17,556</td>
<td>13,795</td>
</tr>
<tr>
<td>Specific purpose funds</td>
<td>17</td>
<td>60,485</td>
<td>73,169</td>
<td>60,485</td>
<td>73,169</td>
</tr>
<tr>
<td>Accumulated funds</td>
<td>16</td>
<td>166,106</td>
<td>171,972</td>
<td>107,982</td>
<td>107,138</td>
</tr>
<tr>
<td><strong>TOTAL EQUITY</strong></td>
<td></td>
<td>257,535</td>
<td>270,530</td>
<td>186,023</td>
<td>194,102</td>
</tr>
</tbody>
</table>
### Statements of Recognised Income and Expense

For the financial year ended 30 June 2007

<table>
<thead>
<tr>
<th></th>
<th>CONSOLIDATED</th>
<th>SOCIETY</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$’000</td>
<td>$’000</td>
</tr>
<tr>
<td>Notes</td>
<td>2007</td>
<td>2006</td>
</tr>
<tr>
<td>Actuarial gains / (losses) on</td>
<td>14(d)</td>
<td>705</td>
</tr>
<tr>
<td>defined benefits superannuation plans</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Change in fair value of equity securities available-for-sale</td>
<td>15(e)</td>
<td>3,677</td>
</tr>
</tbody>
</table>

**NET INCOME RECOGNISED DIRECTLY IN EQUITY**

|                                | 4,382 | 7,204 | 3,676 | 3,402 |

**NET DEFICIT FOR THE PERIOD**

|                                | 16    | (16,683) | (6,630) | (11,061) | (22,185) |

**TOTAL RECOGNISED INCOME AND (EXPENSE)**

|                                | (12,301) | 574 | (7,385) | (18,783) |

**Revaluation of Investments to fair value 1 July 2005**

|                                | – | 6,128 | – | 6,128 |

|                                | (12,301) | 6,702 | (7,385) | (12,655) |

Other movements in equity are set out in notes 15, 16 & 17.
CASH FLOWS PROVIDED BY OPERATING ACTIVITIES

<table>
<thead>
<tr>
<th>Notes</th>
<th>CONSOLIDATED</th>
<th>SOCIETY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Receipts from donors, government and other sources</td>
<td>486,863</td>
<td>433,383</td>
</tr>
<tr>
<td>Payments to suppliers and employees</td>
<td>(477,649)</td>
<td>(432,666)</td>
</tr>
<tr>
<td>Finance costs</td>
<td>(185)</td>
<td>(7)</td>
</tr>
<tr>
<td><strong>NET CASH FLOWS FROM / (USED IN) OPERATING ACTIVITIES</strong></td>
<td><strong>9,029</strong></td>
<td><strong>710</strong></td>
</tr>
</tbody>
</table>

CASH FLOWS PROVIDED BY INVESTING ACTIVITIES

<table>
<thead>
<tr>
<th>Notes</th>
<th>CONSOLIDATED</th>
<th>SOCIETY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Payments for property, plant and equipment</td>
<td>(31,762)</td>
<td>(25,332)</td>
</tr>
<tr>
<td>Payments for investments</td>
<td>(4,258)</td>
<td>(9,058)</td>
</tr>
<tr>
<td>Proceeds from the sale of property, plant and equipment</td>
<td>5,031</td>
<td>2,362</td>
</tr>
<tr>
<td>Proceeds from sale of investments</td>
<td>15,765</td>
<td>30,937</td>
</tr>
<tr>
<td>Dividends received</td>
<td>3,643</td>
<td>3,029</td>
</tr>
<tr>
<td>Interest received</td>
<td>1,443</td>
<td>2,963</td>
</tr>
<tr>
<td><strong>NET CASH FLOWS FROM / (USED IN) INVESTING ACTIVITIES</strong></td>
<td><strong>(10,138)</strong></td>
<td><strong>4,901</strong></td>
</tr>
</tbody>
</table>

CASH FLOWS PROVIDED BY FINANCING ACTIVITIES

<table>
<thead>
<tr>
<th>Notes</th>
<th>CONSOLIDATED</th>
<th>SOCIETY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proceeds/(repayment) of borrowings</td>
<td>209</td>
<td>(63)</td>
</tr>
<tr>
<td><strong>NET CASH FLOWS PROVIDED BY / (USED IN) FINANCING ACTIVITIES</strong></td>
<td><strong>209</strong></td>
<td><strong>(63)</strong></td>
</tr>
</tbody>
</table>

NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS

<table>
<thead>
<tr>
<th>Notes</th>
<th>CONSOLIDATED</th>
<th>SOCIETY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents at beginning of the financial year</td>
<td>58,595</td>
<td>53,047</td>
</tr>
<tr>
<td>Effect of exchange rate fluctuations on cash held in a foreign currency</td>
<td>(75)</td>
<td>–</td>
</tr>
<tr>
<td><strong>CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR</strong></td>
<td><strong>57,620</strong></td>
<td><strong>58,595</strong></td>
</tr>
</tbody>
</table>
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 2007 was authorised for issue in accordance with a resolution of the Board on 20 October 2007.

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. There were no material impacts from adopting the new and revised Standards and Interpretations.

**(a) Basis of preparation**

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

- AASB 7 ‘Financial Instruments: Disclosures’ and consequential amendments to other accounting standards resulting from its issue. Effective for annual reporting periods beginning on or after 1 January 2007
- AASB 8 ‘Operating Segments’ and consequential amendments to other accounting standards resulting from its issue. Effective for annual reporting periods beginning on or after 1 January 2009
- AASB 101 ‘Presentation of Financial Statements’ – revised standard. Effective for annual reporting periods beginning on or after 1 January 2007
- Interpretation 10 ‘Interim Financial Reporting and Impairment’. Effective for annual reporting periods beginning on or after 1 November 2006
- Interpretation 11 ‘Group and Treasury Share Transactions’ and consequential amendments to other accounting standards resulting from its issue. Effective for annual reporting periods beginning on or after 1 March 2007
- Interpretation 12 ‘Service Concession Arrangements’ and consequential amendments to other accounting standards resulting from its issue. Effective for annual reporting periods beginning on or after 1 January 2008

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.
1. Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)
The application of AASB 101 (revised), AASB 7 and AASB 2005–10 will not affect any of the amounts recognised in the financial statements, but will change the disclosures presently made in relation to the organisation’s and the Group’s financial instruments and the objectives, policies and processes for managing capital. These Standards and Interpretations will be first applied in the financial report of the Group that relates to the annual reporting period beginning after the effective date of each pronouncement, which will be the organisation’s annual reporting period beginning on 1 July 2007.

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 not believed to be reasonable under the circumstances, the results of which form the basis of making the judgements. 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 subsidiary (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 subsidiary 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 subsidiary 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 statement, all intercompany balances and transactions, and unrealised profits arising within the consolidated entity are eliminated in full.
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 recognised in the foreign currency translation reserve, and recognised in profit or loss on disposal of the foreign operation.

(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.

<table>
<thead>
<tr>
<th>Asset Type</th>
<th>Australian Red Cross</th>
<th>Blood Service</th>
</tr>
</thead>
<tbody>
<tr>
<td>Freehold buildings and renovations</td>
<td>40 years 2.5%</td>
<td>40 years 2.5%</td>
</tr>
<tr>
<td>Motor vehicles</td>
<td>5 years 20.0%</td>
<td>4 years 25.0%</td>
</tr>
<tr>
<td>Shop fit-outs</td>
<td>5.7 years 17.5%</td>
<td>–</td>
</tr>
<tr>
<td>Computer equipment</td>
<td>3 years 33.3%</td>
<td>4 years 25.5%</td>
</tr>
<tr>
<td>Plant and machinery</td>
<td>5 years 20.0%</td>
<td>5 years 20.0%</td>
</tr>
<tr>
<td>Administrative equipment</td>
<td>–</td>
<td>5 years 20.0%</td>
</tr>
<tr>
<td>Furniture and fittings</td>
<td>–</td>
<td>10 years 10.0%</td>
</tr>
<tr>
<td>Leasehold improvements</td>
<td>–</td>
<td>SHORTER OF LEASE PERIOD OR USEFUL LIFE</td>
</tr>
</tbody>
</table>
1. Summary of significant accounting policies (continued)

(e) Impairment
At each reporting date, the consolidated entity reviews the carrying amounts of its tangible and intangible 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, ‘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. Such derivatives are initially recorded at cost. Subsequent to initial recognition, derivative financial instruments are stated at fair value.

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.
1. Summary of significant accounting policies (continued)

The Blood Service has the following categories of inventories:

(ii(a)) 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(b)) Inventories held for distribution
AASB 102.6(a) defines 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 benefit must have occurred. In this context, the Blood Service recognises blood and blood products as 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.

(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.
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 benefits 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 one of 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 and 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 directly to equity.

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 decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the income statement.
1. **Summary of significant accounting policies (continued)**

**(p) Leases**

Finance leases, which transfer to the consolidated entity substantially all the risks and benefits incidental to ownership of the leased item, 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.

Leases where the lessor retains substantially all the risks are 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.**

**(q) Revenue**

**Blood Service – 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’). Pending finalisation of the Deed, the arrangements were covered by a Letter of Agreement. Under these terms, the NBA remitted funds to the Blood Service for its Main Operating Program 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.

**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:

**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.

**Donations**

The Society receives a principal 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 16).

**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.
1. Summary of significant accounting policies (continued)

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 16).

Dividends
Dividend revenue is recognised on a receivable basis.

Rental income
Rental income arising on investment properties is accounted for on a straight-line basis over the lease term. Contingent rental income is recognised as income in the periods in which it is earned.

(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.
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 benefits 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 2007 actuarial overview, Health Super had a surplus of $70.56 million (30 June 2006: surplus $15.47 million). The fund actuary has determined the notional excess net assets attributable to the Society’s employees in the defined benefit scheme as at the 30 June 2007 are $248,962 (30 June 2006: surplus of $46,735). The fund’s actuary has advised that the contribution rates will remain unchanged for the 2007–08 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 50169 561 394
## 2. REVENUE AND EXPENSES

<table>
<thead>
<tr>
<th>Service</th>
<th>Revenue 2007 $’000</th>
<th>Expense 2007 $’000</th>
<th>Net Revenue / (Expense) 2007 $’000</th>
<th>Revenue 2006 $’000</th>
<th>Expense 2006 $’000</th>
<th>Net Revenue / (Expense) 2006 $’000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>(a) HUMANITARIAN SERVICES</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Membership/Volunteers</td>
<td>3,857</td>
<td>(4,623)</td>
<td>(766)</td>
<td>3,771</td>
<td>(5,587)</td>
<td>(1,816)</td>
</tr>
<tr>
<td>Aged Care</td>
<td>758</td>
<td>(465)</td>
<td>293</td>
<td>653</td>
<td>(657)</td>
<td>(4)</td>
</tr>
<tr>
<td>Asylum Seekers Assistance</td>
<td>4,729</td>
<td>(5,171)</td>
<td>(442)</td>
<td>3,808</td>
<td>(3,771)</td>
<td>37</td>
</tr>
<tr>
<td>Cosmetic Care</td>
<td>100</td>
<td>(337)</td>
<td>(237)</td>
<td>98</td>
<td>(305)</td>
<td>(207)</td>
</tr>
<tr>
<td>Counselling</td>
<td>2,768</td>
<td>(3,037)</td>
<td>(269)</td>
<td>1,581</td>
<td>(1,910)</td>
<td>(329)</td>
</tr>
<tr>
<td>Disability</td>
<td>4,984</td>
<td>(5,409)</td>
<td>(425)</td>
<td>3,562</td>
<td>(4,310)</td>
<td>(748)</td>
</tr>
<tr>
<td>Disaster Services</td>
<td>1,881</td>
<td>(3,983)</td>
<td>(2,102)</td>
<td>855</td>
<td>(2,656)</td>
<td>(1,801)</td>
</tr>
<tr>
<td>First Aid, Health Services</td>
<td>9,138</td>
<td>(8,955)</td>
<td>183</td>
<td>8,716</td>
<td>(9,958)</td>
<td>(1,242)</td>
</tr>
<tr>
<td>Health Care</td>
<td>17,899</td>
<td>(17,068)</td>
<td>831</td>
<td>15,270</td>
<td>(14,623)</td>
<td>647</td>
</tr>
<tr>
<td>International Humanitarian Law</td>
<td>285</td>
<td>(915)</td>
<td>(630)</td>
<td>235</td>
<td>(1,114)</td>
<td>(879)</td>
</tr>
<tr>
<td>International Operations</td>
<td>141</td>
<td>(4,172)</td>
<td>(4,031)</td>
<td>90</td>
<td>(3,161)</td>
<td>(3,071)</td>
</tr>
<tr>
<td>Refugee</td>
<td>4,049</td>
<td>(3,778)</td>
<td>271</td>
<td>2,331</td>
<td>(2,888)</td>
<td>(557)</td>
</tr>
<tr>
<td>Telecross</td>
<td>1,677</td>
<td>(1,771)</td>
<td>(94)</td>
<td>816</td>
<td>(1,343)</td>
<td>(527)</td>
</tr>
<tr>
<td>Tracing</td>
<td>1</td>
<td>(1,673)</td>
<td>(1,672)</td>
<td>29</td>
<td>(1,759)</td>
<td>(1,730)</td>
</tr>
<tr>
<td>Visiting</td>
<td>6,795</td>
<td>(7,360)</td>
<td>(565)</td>
<td>6,612</td>
<td>(6,675)</td>
<td>(63)</td>
</tr>
<tr>
<td>Youth</td>
<td>3,229</td>
<td>(7,942)</td>
<td>(4,713)</td>
<td>2,652</td>
<td>(7,229)</td>
<td>(4,577)</td>
</tr>
<tr>
<td><strong>Total Services</strong></td>
<td><strong>58,434</strong></td>
<td><strong>(72,036)</strong></td>
<td><strong>(13,602)</strong></td>
<td><strong>47,308</strong></td>
<td><strong>(62,359)</strong></td>
<td><strong>(15,051)</strong></td>
</tr>
</tbody>
</table>

| Fundraising                                  |                    |                    |                                     |                    |                    |                                     |
| Appeals and Donations                        | 21,870             | (11,893)           | **9,977**                           | 18,483             | (8,848)            | 9,635                               |
| Raffles and Special Events                   | 6,191              | (4,488)            | **1,703**                           | 5,914              | (4,504)            | 1,410                               |
| Legacies                                     | 8,424              | (918)              | **7,506**                           | 11,562             | (987)              | 10,575                              |
| Other                                        | 181                | (2,608)            | (2,427)                             | 44                 | (2,084)            | (2,040)                             |
| **Total Fundraising**                        | **36,666**         | **(19,907)**       | **16,759**                          | **36,003**         | **(16,423)**       | **19,580**                          |
## Notes to the financial statements

For the year ended 30 June 2007

### 2. REVENUE AND EXPENSES (continued)

<table>
<thead>
<tr>
<th>Commercial Operations</th>
<th>Revenue 2007 $’000</th>
<th>Expense 2007 $’000</th>
<th>Net Revenue / (Expense) 2007 $’000</th>
<th>Revenue 2006 $’000</th>
<th>Expense 2006 $’000</th>
<th>Net Revenue / (Expense) 2006 $’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Merchandising &amp; Marketing</td>
<td>14,706</td>
<td>(11,807)</td>
<td>2,899</td>
<td>13,962</td>
<td>(11,464)</td>
<td>2,498</td>
</tr>
<tr>
<td>Kiosks and Canteens</td>
<td>1,319</td>
<td>(1,210)</td>
<td>109</td>
<td>1,741</td>
<td>(1,765)</td>
<td>(24)</td>
</tr>
<tr>
<td><strong>Total Commercial Operations</strong></td>
<td><strong>16,025</strong></td>
<td><strong>(13,017)</strong></td>
<td><strong>3,008</strong></td>
<td><strong>15,703</strong></td>
<td><strong>(13,229)</strong></td>
<td><strong>2,474</strong></td>
</tr>
</tbody>
</table>

| Income from investments | 8,339              | –                   | 8,339                              | 8,077              | –                   | 8,077                              |
| Profit on disposal of fixed assets | 594                | –                   | 594                                | 323                | –                   | 323                                |
| Administration          | 5,250              | (6,142)             | (892)                              | –                  | (4,532)             | (4,532)                            |
| Depreciation            | –                  | (4,665)             | (4,665)                            | –                  | (5,019)             | (5,019)                            |
| Publicity and Information Services | –                  | (1,836)             | (1,836)                            | –                  | (2,757)             | (2,757)                            |
| Investment expenses     | –                  | (1,574)             | (1,574)                            | –                  | (590)               | (590)                              |
| Loss on disposal of fixed assets | –                  | (126)               | (126)                              | –                  | (50)                | (50)                               |
| **Total unallocated revenue and expenses** | **14,183**         | **(14,343)**        | **(160)**                          | **8,400**          | **(12,948)**        | **(4,548)**                        |

**NET REVENUE / (EXPENSE) FROM GENERAL & DOMESTIC ACTIVITIES**

| 129,165 | (123,926) | 5,239 | 111,185 | (110,546) | 639 |
2. REVENUE AND EXPENSES (Continued)

<table>
<thead>
<tr>
<th></th>
<th>CONSOLIDATED</th>
<th></th>
<th>SOCIETY</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2007 $'000</td>
<td>2006 $'000</td>
<td>2007 $'000</td>
<td>2006 $'000</td>
</tr>
<tr>
<td>(b) BALI APPEAL</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Opening Balance 1 July</td>
<td>1,110</td>
<td>1,204</td>
<td>1,110</td>
<td>1,204</td>
</tr>
<tr>
<td>Donations from – general public</td>
<td>–</td>
<td>1</td>
<td>–</td>
<td>1</td>
</tr>
<tr>
<td>– Other</td>
<td>–</td>
<td>1</td>
<td>–</td>
<td>1</td>
</tr>
<tr>
<td>Interest received</td>
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The distribution of funds to victims and their families was conducted through the State and Territory Divisions with the assistance of case workers and is now complete. The remaining funds of $908,000 will be distributed to the two remaining Bali projects: the ‘Enhancing Disaster Management Capacity Project’, which is scheduled for completion in May 2008, and the ‘Tuberculosis Project’, which will conclude by December 2009.
## Notes to the financial statements

For the year ended 30 June 2007

2. REVENUE AND EXPENSES (Continued)

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<td><strong>62,947</strong></td>
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</table>

**Income:** Total revenue received of $4.6m (2006: $5.6m) includes $0.8m (2006: $1m) from donations and $3.5m (2006: $4.7m) in interest earned and accrued to 30 June, and $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 $18.8m (2006: $27.9m). This includes $15.8m (2006: $24.8m) on rehabilitation & reconstructions; and $3.0m (2006: $2.2m) on program management & co-ordination. Australian service delivery of $0.5m (2006: $0.5m) includes Australian based program support.

Administration expenses of $0.8m (2006: $2.0m) include $1.0m (2006: $1.7m) on local appeal costs including fundraising, receipting, accounting and administration activities and a further $0.2m (2006: $0.3m) on overseas administration, technical and managerial costs incurred by the Federation and ICRC against the initial emergency relief phase.

**Unspent Funds:** $44.2m (2006: $61.4m) of unspent funds available at 30 June 2007 are held in ‘investment grade’ fixed & floating interest securities managed through a specialist treasury organisation (Oakvale Capital Limited) and the balance $3.2m (2006: $1.6m) is available to meet the immediate needs of the appeal, the balance of cash being held in ‘cash at bank’. All securities are held in the name of the Australian Red Cross. It is anticipated that due to the complexities and scale of the disaster that it may take in excess of three years to responsibly deliver all of the aid with special regard to the long-term nature of the detailed planning, building and reconstruction which is now underway.

**Overarching Test:** The Society 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 then this 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.
### 2. REVENUE AND EXPENSES (Continued)

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2. REVENUE AND EXPENSES (Continued)

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### 2. REVENUE AND EXPENSES (Continued)

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<td>Finance costs</td>
<td>(31)</td>
<td>(9)</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Other operating expenses</td>
<td>(321,334)</td>
<td>(289,606)</td>
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<td>–</td>
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<tr>
<td><strong>Total Expense</strong></td>
<td><strong>(335,454)</strong></td>
<td><strong>(308,618)</strong></td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td><strong>NET REVENUE / (EXPENSE)</strong></td>
<td>(3,233)</td>
<td>17,056</td>
<td>–</td>
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### (g) REVENUE BY NATURE

<table>
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<tbody>
<tr>
<td></td>
<td>2007 $'000</td>
<td>2006 $'000</td>
<td>2007 $'000</td>
<td>2006 $'000</td>
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<tr>
<td>Donations and gifts</td>
<td>35,458</td>
<td>37,727</td>
<td>35,458</td>
<td>37,727</td>
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<tr>
<td>Legacies and bequests</td>
<td>8,323</td>
<td>11,562</td>
<td>8,323</td>
<td>11,562</td>
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<tr>
<td>Government grants</td>
<td>362,135</td>
<td>335,164</td>
<td>52,255</td>
<td>41,355</td>
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<tr>
<td>Sale of goods</td>
<td>26,860</td>
<td>25,735</td>
<td>26,860</td>
<td>25,735</td>
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<tr>
<td>Rendering of services</td>
<td>5,557</td>
<td>4,612</td>
<td>5,557</td>
<td>4,612</td>
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<tr>
<td>Interest</td>
<td>7,682</td>
<td>7,452</td>
<td>4,586</td>
<td>5,428</td>
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<tr>
<td>Dividends</td>
<td>3,643</td>
<td>3,949</td>
<td>3,643</td>
<td>3,949</td>
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<tr>
<td>Rental revenue</td>
<td>4,409</td>
<td>6,727</td>
<td>6,898</td>
<td>6,727</td>
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<tr>
<td>Other revenue</td>
<td>23,675</td>
<td>29,287</td>
<td>4,430</td>
<td>1,931</td>
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<tr>
<td><strong>TOTAL REVENUE</strong></td>
<td><strong>477,742</strong></td>
<td><strong>462,215</strong></td>
<td><strong>148,010</strong></td>
<td><strong>139,026</strong></td>
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</table>
Notes to the financial statements
For the year ended 30 June 2007

3. EXPENSES AND LOSSES / (GAINS)

<table>
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<th></th>
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<th></th>
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<tbody>
<tr>
<td>Cost of goods sold</td>
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<td>6,278</td>
<td>6,937</td>
<td>6,278</td>
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<td>Finance costs – other persons / corporations</td>
<td>185</td>
<td>16</td>
<td>79</td>
<td>7</td>
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<tr>
<td>Fair value losses on forward foreign currency contracts</td>
<td>337</td>
<td>24</td>
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<td>24</td>
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<tr>
<td>Net foreign currency translation losses</td>
<td>387</td>
<td>51</td>
<td>312</td>
<td>51</td>
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<tr>
<td>Bad and doubtful debts – trade debtors</td>
<td>10</td>
<td>4</td>
<td>10</td>
<td>4</td>
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<tr>
<td>Depreciation of non current assets</td>
<td>18,574</td>
<td>20,219</td>
<td>4,665</td>
<td>5,019</td>
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<tr>
<td>Rental expense on operating leases:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Minimum lease payments</td>
<td>12,107</td>
<td>11,223</td>
<td>4,701</td>
<td>4,462</td>
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<tr>
<td>Employee benefits expense:</td>
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<td></td>
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<td></td>
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<tr>
<td>Wages and salaries</td>
<td>213,209</td>
<td>189,454</td>
<td>53,801</td>
<td>47,996</td>
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<td>Worker’s compensation costs</td>
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<td>4,014</td>
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<tr>
<td>Defined benefits plans</td>
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<td>2,358</td>
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<tr>
<td>Defined contribution plans</td>
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<td>12,011</td>
<td>4,306</td>
<td>3,477</td>
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<tr>
<td>Impairment in property held for sale</td>
<td>(1,050)</td>
<td>3,602</td>
<td>–</td>
<td>–</td>
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</tbody>
</table>

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 $3.602m 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.

4. CASH AND CASH EQUIVALENTS

<table>
<thead>
<tr>
<th></th>
<th></th>
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<th></th>
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</thead>
<tbody>
<tr>
<td>Cash</td>
<td>55,683</td>
<td>27,428</td>
<td>29,018</td>
<td>24,247</td>
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<tr>
<td>Bank bills</td>
<td>1,937</td>
<td>31,167</td>
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<td>–</td>
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<tr>
<td><strong>Total</strong></td>
<td>57,620</td>
<td>58,595</td>
<td>29,018</td>
<td>24,247</td>
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</table>
### 5. TRADE AND OTHER RECEIVABLES

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<tr>
<th></th>
<th>CONSOLIDATED</th>
<th>SOCIETY</th>
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<tbody>
<tr>
<td></td>
<td>2007 $'000</td>
<td>2006 $'000</td>
</tr>
<tr>
<td>Trade debtors</td>
<td>9,492</td>
<td>25,990</td>
</tr>
<tr>
<td>Allowance for doubtful debts</td>
<td>(13)</td>
<td>(34)</td>
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<tr>
<td></td>
<td>9,479</td>
<td>25,956</td>
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<tr>
<td>Goods and services tax receivable</td>
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<td>257</td>
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<tr>
<td></td>
<td>9,685</td>
<td>26,213</td>
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</table>

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

### 6. INVENTORIES

<table>
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</thead>
<tbody>
<tr>
<td></td>
<td>2007 $'000</td>
<td>2006 $'000</td>
</tr>
<tr>
<td>Consumables – at cost</td>
<td>4,416</td>
<td>4,365</td>
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<tr>
<td>Finished goods – at cost</td>
<td>21,817</td>
<td>19,772</td>
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<td>Work in progress</td>
<td>9,623</td>
<td>4,000</td>
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<tr>
<td></td>
<td>35,856</td>
<td>28,137</td>
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</table>

### 7. OTHER CURRENT ASSETS

<table>
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<tr>
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<th>SOCIETY</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>2007 $'000</td>
<td>2006 $'000</td>
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<tr>
<td>Prepayments</td>
<td>6,616</td>
<td>5,557</td>
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### 8. FINANCIAL ASSETS

#### CURRENT

<table>
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<tr>
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<th>CONSOLIDATED</th>
<th>SOCIETY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Available for sale financial assets</td>
<td>3,134</td>
<td>8,054</td>
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<td>8,054</td>
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</table>

#### NON-CURRENT

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<tbody>
<tr>
<td>Available-for-sale financial assets</td>
<td>46,002</td>
<td>95,280</td>
</tr>
<tr>
<td>Held-to-maturity financial assets</td>
<td>45,020</td>
<td>543</td>
</tr>
<tr>
<td></td>
<td>91,022</td>
<td>95,823</td>
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</table>

### 9. PROPERTY, PLANT AND EQUIPMENT

#### Buildings and Renovations

<table>
<thead>
<tr>
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<th>SOCIETY</th>
</tr>
</thead>
<tbody>
<tr>
<td>At cost</td>
<td>118,585</td>
<td>117,349</td>
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<tr>
<td>Accumulated depreciation</td>
<td>(40,897)</td>
<td>(35,103)</td>
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<tr>
<td></td>
<td>77,688</td>
<td>82,246</td>
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</table>

#### Shop fit-outs

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<tr>
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<th>CONSOLIDATED</th>
<th>SOCIETY</th>
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<tbody>
<tr>
<td>At cost</td>
<td>1,808</td>
<td>1,455</td>
</tr>
<tr>
<td>Accumulated depreciation</td>
<td>(1,208)</td>
<td>(1,026)</td>
</tr>
<tr>
<td></td>
<td>600</td>
<td>429</td>
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</table>
### 9. PROPERTY, PLANT AND EQUIPMENT (Continued)

<table>
<thead>
<tr>
<th></th>
<th>CONSOLIDATED</th>
<th></th>
<th>SOCIETY</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2007 $'000</td>
<td>2006 $'000</td>
<td>2007 $'000</td>
<td>2006 $'000</td>
</tr>
<tr>
<td><strong>Computer Equipment</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>At cost</td>
<td>39,743</td>
<td>38,844</td>
<td>7,961</td>
<td>7,384</td>
</tr>
<tr>
<td>Accumulated depreciation</td>
<td>(33,032)</td>
<td>(30,355)</td>
<td>(6,578)</td>
<td>(6,326)</td>
</tr>
<tr>
<td></td>
<td>6,711</td>
<td>8,489</td>
<td>1,383</td>
<td>1,058</td>
</tr>
<tr>
<td><strong>Plant and Machinery</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>At cost</td>
<td>66,643</td>
<td>59,459</td>
<td>5,693</td>
<td>5,255</td>
</tr>
<tr>
<td>Accumulated depreciation</td>
<td>(50,306)</td>
<td>(46,160)</td>
<td>(4,392)</td>
<td>(3,912)</td>
</tr>
<tr>
<td></td>
<td>16,337</td>
<td>13,299</td>
<td>1,301</td>
<td>1,343</td>
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<tr>
<td><strong>Leased Plant and Equipment</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>At cost</td>
<td>621</td>
<td>975</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Accumulated depreciation</td>
<td>(283)</td>
<td>(850)</td>
<td>–</td>
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</tr>
<tr>
<td></td>
<td>338</td>
<td>125</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td><strong>Motor Vehicles</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>At cost</td>
<td>17,492</td>
<td>15,019</td>
<td>7,263</td>
<td>6,819</td>
</tr>
<tr>
<td>Accumulated depreciation</td>
<td>(8,099)</td>
<td>(5,609)</td>
<td>(2,866)</td>
<td>(2,438)</td>
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<td></td>
<td>9,393</td>
<td>9,410</td>
<td>4,397</td>
<td>4,381</td>
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<tr>
<td><strong>Work in progress</strong></td>
<td>15,497</td>
<td>2,469</td>
<td>24</td>
<td>338</td>
</tr>
<tr>
<td><strong>Total Property, Plant and Equipment</strong></td>
<td>260,389</td>
<td>235,570</td>
<td>100,505</td>
<td>98,979</td>
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<tr>
<td>At cost</td>
<td>(133,825)</td>
<td>(119,103)</td>
<td>(29,356)</td>
<td>(26,352)</td>
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<tr>
<td><strong>Total written down amount</strong></td>
<td>126,564</td>
<td>116,467</td>
<td>71,149</td>
<td>72,627</td>
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</table>

**Non current asset classified as held for sale**

|                      |              |                      |         |                     |
| At cost              | –            | 9,296                | –       | –                   |
| At fair value        | 4,950        | –                    | –       | –                   |
| Accumulated depreciation | –           | (744)                | –       | –                   |
|                      | 4,950        | 8,552                | –       | –                   |
| Impairment           | 1,050        | (3,602)              | –       | –                   |
| **Valuation as at 30 June 2007** | 6,000       | 4,950                | –       | –                   |
9. PROPERTY, PLANT AND EQUIPMENT (Continued)

<table>
<thead>
<tr>
<th></th>
<th>Buildings and Renovations $’000</th>
<th>Shop Fit Outs $’000</th>
<th>Computer Equipment $’000</th>
<th>Plant and Machinery $’000</th>
<th>Leased Plant and Equipment $’000</th>
<th>Motor Vehicles $’000</th>
<th>Work in Progress $’000</th>
<th>Total $’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Movement in non-current assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CONSOLIDATED</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Year ended 30 June 2006</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance at 1 July 2005</td>
<td>86,738</td>
<td>300</td>
<td>10,367</td>
<td>11,895</td>
<td>178</td>
<td>8,928</td>
<td>2,469</td>
<td>120,875</td>
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<td>Disposals</td>
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<td>–</td>
<td>(20)</td>
<td>(692)</td>
<td>–</td>
<td>(1,324)</td>
<td>–</td>
<td>(2,291)</td>
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<tr>
<td>Additions</td>
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<td>264</td>
<td>5,717</td>
<td>7,147</td>
<td>–</td>
<td>4,457</td>
<td>–</td>
<td>25,572</td>
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<tr>
<td>Non-current assets classified as held for sale</td>
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<td>–</td>
<td>–</td>
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<td>(4,950)</td>
</tr>
<tr>
<td>Impairment</td>
<td>(3,602)</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>(3,602)</td>
</tr>
<tr>
<td>Make good provisions</td>
<td>1,082</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>1,082</td>
</tr>
<tr>
<td>Depreciation expense</td>
<td>(4,754)</td>
<td>(135)</td>
<td>(7,575)</td>
<td>(5,051)</td>
<td>(53)</td>
<td>(2,651)</td>
<td>–</td>
<td>(20,219)</td>
</tr>
<tr>
<td>Balance at 30 June 2006</td>
<td>82,246</td>
<td>429</td>
<td>8,489</td>
<td>13,299</td>
<td>125</td>
<td>9,410</td>
<td>2,469</td>
<td>116,467</td>
</tr>
<tr>
<td>Year ended 30 June 2007</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance at 1 July 2006</td>
<td>82,246</td>
<td>429</td>
<td>8,489</td>
<td>13,299</td>
<td>125</td>
<td>9,410</td>
<td>2,469</td>
<td>116,467</td>
</tr>
<tr>
<td>Disposals</td>
<td>(512)</td>
<td>–</td>
<td>(1)</td>
<td>(207)</td>
<td>(1,555)</td>
<td>(1,000)</td>
<td>(2,291)</td>
<td>(3,275)</td>
</tr>
<tr>
<td>Additions</td>
<td>3,338</td>
<td>353</td>
<td>2,914</td>
<td>9,316</td>
<td>346</td>
<td>4,979</td>
<td>10,700</td>
<td>31,946</td>
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<tr>
<td>Non-current assets classified as held for sale</td>
<td>6,000</td>
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<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>6,000</td>
</tr>
<tr>
<td>Make good provisions</td>
<td>1,482</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>1,482</td>
</tr>
<tr>
<td>Depreciation expense</td>
<td>(5,920)</td>
<td>(182)</td>
<td>(3,692)</td>
<td>(5,905)</td>
<td>(133)</td>
<td>(2,742)</td>
<td>–</td>
<td>(18,574)</td>
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<tr>
<td>Balance at 30 June 2007</td>
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<td>600</td>
<td>7,710</td>
<td>16,503</td>
<td>338</td>
<td>10,092</td>
<td>12,169</td>
<td>134,046</td>
</tr>
</tbody>
</table>
### Notes to the financial statements

For the year ended 30 June 2007

9. PROPERTY, PLANT AND EQUIPMENT (Continued)

<table>
<thead>
<tr>
<th></th>
<th>Buildings and Renovations $’000</th>
<th>Shop Fit Outs $’000</th>
<th>Computer Equipment $’000</th>
<th>Plant and Machinery $’000</th>
<th>Motor Vehicles $’000</th>
<th>Work in Progress $’000</th>
<th>Total $’000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>(a) Movement in non–current assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>SOCIETY</strong></td>
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<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Year ended 30 June 2006</td>
<td>63,124</td>
<td>300</td>
<td>1,436</td>
<td>1,207</td>
<td>4,622</td>
<td>338</td>
<td>71,027</td>
</tr>
<tr>
<td>Balance at 1 July 2005</td>
<td>(72)</td>
<td>–</td>
<td>–</td>
<td>(608)</td>
<td>(1,276)</td>
<td>–</td>
<td>(1,956)</td>
</tr>
<tr>
<td>Disposals</td>
<td>3,926</td>
<td>264</td>
<td>698</td>
<td>1,369</td>
<td>2,318</td>
<td>–</td>
<td>8,575</td>
</tr>
<tr>
<td>Additions</td>
<td>(1,900)</td>
<td>(135)</td>
<td>(1,076)</td>
<td>(625)</td>
<td>(1,283)</td>
<td>–</td>
<td>(5,019)</td>
</tr>
<tr>
<td>Depreciation expense</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance at 30 June 2006</td>
<td>65,078</td>
<td>429</td>
<td>1,058</td>
<td>1,343</td>
<td>4,381</td>
<td>338</td>
<td>72,627</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Buildings and Renovations $’000</th>
<th>Shop Fit Outs $’000</th>
<th>Computer Equipment $’000</th>
<th>Plant and Machinery $’000</th>
<th>Motor Vehicles $’000</th>
<th>Work in Progress $’000</th>
<th>Total $’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Year ended 30 June 2007</td>
<td>65,078</td>
<td>429</td>
<td>1,058</td>
<td>1,343</td>
<td>4,381</td>
<td>338</td>
<td>72,627</td>
</tr>
<tr>
<td>Balance at 1 July 2006</td>
<td>(512)</td>
<td>–</td>
<td>(1)</td>
<td>(7)</td>
<td>(1,475)</td>
<td>(1,000)</td>
<td>(2,995)</td>
</tr>
<tr>
<td>Disposals</td>
<td>658</td>
<td>353</td>
<td>1,023</td>
<td>478</td>
<td>2,984</td>
<td>686</td>
<td>6,182</td>
</tr>
<tr>
<td>Additions</td>
<td>(1,780)</td>
<td>(182)</td>
<td>(697)</td>
<td>(513)</td>
<td>(1,493)</td>
<td>–</td>
<td>(4,665)</td>
</tr>
<tr>
<td>Depreciation expense</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance at 30 June 2007</td>
<td>63,444</td>
<td>600</td>
<td>1,383</td>
<td>1,301</td>
<td>4,397</td>
<td>24</td>
<td>71,149</td>
</tr>
</tbody>
</table>
Notes to the financial statements
For the year ended 30 June 2007

10. TRADE AND OTHER PAYABLES

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$’000</td>
<td>$’000</td>
<td>$’000</td>
<td>$’000</td>
</tr>
<tr>
<td>Trade creditors</td>
<td>38,044</td>
<td>33,459</td>
<td>8,535</td>
<td>8,051</td>
</tr>
<tr>
<td>Other creditors and accrued expenses</td>
<td>1,287</td>
<td>936</td>
<td>1,287</td>
<td>936</td>
</tr>
<tr>
<td>Deferred government grants</td>
<td>–</td>
<td>101</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Goods and services tax payable</td>
<td>463</td>
<td>1,251</td>
<td>62</td>
<td>–</td>
</tr>
<tr>
<td><strong>Aggregate related party payables</strong></td>
<td><strong>39,794</strong></td>
<td><strong>35,747</strong></td>
<td><strong>9,884</strong></td>
<td><strong>8,987</strong></td>
</tr>
</tbody>
</table>

- Wholly-owned group  

Trade payables are non-interest bearing and are normally settled on 30 day terms.  
Other payables are non-interest bearing and have an average term of 30 days.  
For the terms and conditions relating to related parties loans and payables refer to note 25.

11. OTHER FINANCIAL LIABILITIES

- Foreign currency forward contracts  

12. BORROWINGS

- Lease liabilities

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

13. PROVISIONS

- Employee benefits

Movement in provisions

Movements in provisions other than employee benefits are set out below:

Make Good Provision

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 2007

14. DEFINED BENEFIT SUPERANNUATION PLANS

<table>
<thead>
<tr>
<th></th>
<th>CONSOLIDATED</th>
<th></th>
<th>SOCIETY</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>$'000</td>
<td>$'000</td>
<td>$'000</td>
<td>$'000</td>
<td>$'000</td>
</tr>
<tr>
<td>Present value of funded obligations</td>
<td>23,894</td>
<td>24,610</td>
<td>518</td>
<td>527</td>
</tr>
<tr>
<td>Fair value of plan assets</td>
<td>(26,717)</td>
<td>(26,244)</td>
<td>(653)</td>
<td>(665)</td>
</tr>
<tr>
<td>Net (asset) / liability in the balance sheet</td>
<td>(2,823)</td>
<td>(1,634)</td>
<td>(135)</td>
<td>(138)</td>
</tr>
<tr>
<td>Comprising:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net (asset) in the balance sheet</td>
<td>(2,904)</td>
<td>(2,009)</td>
<td>(135)</td>
<td>(138)</td>
</tr>
<tr>
<td>Net liability in the balance sheet</td>
<td>81</td>
<td>375</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td></td>
<td>(2,823)</td>
<td>(1,634)</td>
<td>(135)</td>
<td>(138)</td>
</tr>
</tbody>
</table>

(a) Reconciliation of movement in the present value of funded obligations recognised in the balance sheet is as follows:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$'000</td>
<td>$'000</td>
<td>$'000</td>
<td>$'000</td>
</tr>
<tr>
<td>Balance at beginning of the year</td>
<td>24,610</td>
<td>26,368</td>
<td>527</td>
<td>624</td>
</tr>
<tr>
<td>Current service cost</td>
<td>1,913</td>
<td>1,963</td>
<td>50</td>
<td>60</td>
</tr>
<tr>
<td>Past service costs</td>
<td>–</td>
<td>1,160</td>
<td>–</td>
<td>81</td>
</tr>
<tr>
<td>Interest cost</td>
<td>1,128</td>
<td>1,047</td>
<td>24</td>
<td>26</td>
</tr>
<tr>
<td>Contributions by plan participants</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Actuarial (gain) / loss on liabilities</td>
<td>396</td>
<td>(2,606)</td>
<td>64</td>
<td>(50)</td>
</tr>
<tr>
<td>Benefits paid (including expenses and taxes)</td>
<td>(4,152)</td>
<td>(3,322)</td>
<td>(147)</td>
<td>(214)</td>
</tr>
<tr>
<td>Balance at end of the year</td>
<td>23,895</td>
<td>24,610</td>
<td>518</td>
<td>527</td>
</tr>
</tbody>
</table>

Other disclosures

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Actual return on assets</td>
<td>2,902</td>
<td>3,259</td>
<td>105</td>
<td>75</td>
</tr>
</tbody>
</table>

The percentage contribution of each majority category of total plan assets comprises:

|                      | %             | %               | %           | %               |
| Australian equities | 32.3%         | 33.6%           | 24.6%       | 24.5%           |
| International equities | 26.0%       | 26.7%           | 24.6%       | 24.5%           |
| Property             | 9.5%          | 9.2%            | 9.5%        | 9.5%            |
| Australian fixed interest | 10.2%      | 6.5%            | 12.5%       | 12.5%           |
| International fixed interest | 11.3%     | 8.2%            | 16.9%       | 17.0%           |
| Cash                 | 4.4%          | 11.9%           | 6.4%        | 6.5%            |
| Other                | 6.3%          | 3.9%            | 5.5%        | 5.5%            |

100.0%        100.0%        100.0%        100.0%

Principal actuarial assumptions:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Discount rate</td>
<td>5.0%</td>
<td>5.0%</td>
<td>4.4%</td>
<td>5.0%</td>
</tr>
<tr>
<td>Anticipated return on plan assets</td>
<td>7.0%</td>
<td>7.0%</td>
<td>7.0%</td>
<td>7.0%</td>
</tr>
<tr>
<td>Expected future salary increases</td>
<td>4.0%</td>
<td>4.0%</td>
<td>4.0%</td>
<td>4.0%</td>
</tr>
</tbody>
</table>
## 14. DEFINED BENEFIT SUPERANNUATION PLANS (continued)

### (b) Reconciliation of movement in the fair value of plan assets is as follows:

<table>
<thead>
<tr>
<th></th>
<th>CONSOLIDATED 2007 $'000</th>
<th>2006 $'000</th>
<th>SOCIETY 2007 $'000</th>
<th>2006 $'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at beginning of the year</td>
<td>26,244</td>
<td>24,716</td>
<td>665</td>
<td>761</td>
</tr>
<tr>
<td>Expected return on plan assets</td>
<td>1,716</td>
<td>1,605</td>
<td>42</td>
<td>47</td>
</tr>
<tr>
<td>Actuarial gain / (loss) on assets</td>
<td>1,101</td>
<td>1,275</td>
<td>63</td>
<td>28</td>
</tr>
<tr>
<td>Employer contributions</td>
<td>1,664</td>
<td>1,764</td>
<td>23</td>
<td>26</td>
</tr>
<tr>
<td>Contributions by plan participants</td>
<td>145</td>
<td>206</td>
<td>7</td>
<td>17</td>
</tr>
<tr>
<td>Benefits paid (including expenses and taxes)</td>
<td>(4,152)</td>
<td>(3,322)</td>
<td>(147)</td>
<td>(214)</td>
</tr>
<tr>
<td><strong>Balance at end of the year</strong></td>
<td><strong>26,718</strong></td>
<td><strong>26,244</strong></td>
<td><strong>653</strong></td>
<td><strong>665</strong></td>
</tr>
</tbody>
</table>

### (c) The amounts recognised in the income statement are as follows:

<table>
<thead>
<tr>
<th></th>
<th>CONSOLIDATED 2007 $'000</th>
<th>2006 $'000</th>
<th>SOCIETY 2007 $'000</th>
<th>2006 $'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current service cost</td>
<td>1,912</td>
<td>1,963</td>
<td>60</td>
<td>61</td>
</tr>
<tr>
<td>Past service cost</td>
<td>–</td>
<td>1,160</td>
<td>81</td>
<td>–</td>
</tr>
<tr>
<td>Member contributions</td>
<td>(145)</td>
<td>(206)</td>
<td>(17)</td>
<td>(18)</td>
</tr>
<tr>
<td>Interest cost</td>
<td>1,128</td>
<td>1,047</td>
<td>26</td>
<td>29</td>
</tr>
<tr>
<td>Expected return on plan assets</td>
<td>(1,716)</td>
<td>(1,606)</td>
<td>(47)</td>
<td>(52)</td>
</tr>
<tr>
<td><strong>Total recognised</strong></td>
<td><strong>1,179</strong></td>
<td><strong>2,358</strong></td>
<td><strong>103</strong></td>
<td><strong>20</strong></td>
</tr>
</tbody>
</table>

### (d) Amounts recognised in the statement of recognised income and expense:

<table>
<thead>
<tr>
<th></th>
<th>CONSOLIDATED 2007 $'000</th>
<th>2006 $'000</th>
<th>SOCIETY 2007 $'000</th>
<th>2006 $'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Actuarial (gains) / losses</td>
<td>(705)</td>
<td>(3,880)</td>
<td>1</td>
<td>(78)</td>
</tr>
</tbody>
</table>

### (e) Cumulative amount recognised in the statement of recognised income and expense:

<table>
<thead>
<tr>
<th></th>
<th>CONSOLIDATED 2007 $'000</th>
<th>2006 $'000</th>
<th>SOCIETY 2007 $'000</th>
<th>2006 $'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cumulative amount of actuarial (gains) / losses</td>
<td>2,402</td>
<td>(3,107)</td>
<td>31</td>
<td>(30)</td>
</tr>
</tbody>
</table>

### (f) Historic Summary

<table>
<thead>
<tr>
<th></th>
<th>2007 $'000</th>
<th>2006 $'000</th>
<th>2005 $'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Defined benefit plan obligations</td>
<td>23,143</td>
<td>24,610</td>
<td>8,619</td>
</tr>
<tr>
<td>Plan assets</td>
<td>(26,047)</td>
<td>(26,244)</td>
<td>(10,556)</td>
</tr>
<tr>
<td>(Surplus) / deficit</td>
<td>(2,904)</td>
<td>(1,634)</td>
<td>(1,937)</td>
</tr>
<tr>
<td>Experience adjustments arising on plan liabilities</td>
<td>(61)</td>
<td>(1,708)</td>
<td></td>
</tr>
<tr>
<td>Experience adjustments arising on plan assets</td>
<td>(891)</td>
<td>(316)</td>
<td></td>
</tr>
</tbody>
</table>

### (g) Contributions and funding arrangements

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2006</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employer contributions – 30 June 2007 (30 June 2006)</td>
<td>1,436</td>
<td>1,598</td>
<td>25</td>
</tr>
</tbody>
</table>

The current contributions recommendation as set out in the report of the most recent actuarial valuation of the fund as at 30 June 2007, is 4% 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 to the financial statements

For the year ended 30 June 2007

<table>
<thead>
<tr>
<th>Notes to the financial statements</th>
<th>CONSOLIDATED</th>
<th>SOCIETY</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2007 $'000</td>
<td>2006 $'000</td>
</tr>
<tr>
<td>15. RESERVES</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property fund reserve</td>
<td>(a)</td>
<td>2,773</td>
</tr>
<tr>
<td>Asset replacement reserve</td>
<td>(b)</td>
<td>2,011</td>
</tr>
<tr>
<td>General reserve</td>
<td>(c)</td>
<td>5,771</td>
</tr>
<tr>
<td>Blood Service special reserve</td>
<td>(d)</td>
<td>13,388</td>
</tr>
<tr>
<td>Fair value reserve</td>
<td>(e)</td>
<td>7,001</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>30,944</td>
<td>25,389</td>
</tr>
</tbody>
</table>

(a) Property Fund Reserve

Balance at beginning of financial year 2,773 2,773 2,773 2,773
Balance at the end of the financial year 2,773 2,773 2,773 2,773

The property reserve records capital profits 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
Balance at the end of the financial year 2,011 2,011 2,011 2,011

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

(c) General Reserve

Balance at beginning of financial year 5,687 5,586 5,687 5,586
Transfer to specific purpose funds – (9) – (9)
Transfer from accumulated funds 84 110 84 110
Balance at the end of the financial year 5,771 5,687 5,771 5,687

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

(d) Blood Service Special Reserve

Balance at beginning of financial year 11,594 8,537 – –
Transfer from accumulated funds 1,794 3,057 – –
Balance at the end of the financial year 13,388 11,594 – –

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 3,324 – 3,324 –
Valuation gain recognised 3,677 3,324 3,677 3,324
Balance at the end of the financial year 7,001 3,324 7,001 3,324

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

For the year ended 30 June 2007

<table>
<thead>
<tr>
<th>Notes</th>
<th>CONSOLIDATED</th>
<th>SOCIETY</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2007 $'000</td>
<td>2006 $'000</td>
</tr>
<tr>
<td>16. ACCUMULATED FUNDS</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accumulated funds at the beginning of the financial year</td>
<td>171,972</td>
<td>148,712</td>
</tr>
<tr>
<td>Surplus/(deficit) for the financial year</td>
<td>(16,683)</td>
<td>(6,630)</td>
</tr>
<tr>
<td>Actuarial gains/(losses) on defined benefit superannuation plans</td>
<td>705</td>
<td>3,880</td>
</tr>
<tr>
<td>Adjustments on adoption of accounting policies specified by AASB 132 and AASB 139</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transfer from specific purpose funds</td>
<td>12,684</td>
<td>23,050</td>
</tr>
<tr>
<td>Transfer to other reserves</td>
<td>(84)</td>
<td>(3,167)</td>
</tr>
<tr>
<td>Transfer to special reserve</td>
<td>(1,794)</td>
<td></td>
</tr>
<tr>
<td>Transfer to fair value reserve</td>
<td>(694)</td>
<td></td>
</tr>
<tr>
<td>Accumulated funds at the end of the financial year</td>
<td>166,106</td>
<td>171,972</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>17. SPECIFIC PURPOSE FUNDS</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Bali Appeal</td>
<td>(a)</td>
<td>908</td>
<td>1,110</td>
</tr>
<tr>
<td>Asia Quake and Tsunamis Appeal</td>
<td>(b)</td>
<td>47,438</td>
<td>62,947</td>
</tr>
<tr>
<td>International</td>
<td>(c)</td>
<td>6,503</td>
<td>7,092</td>
</tr>
<tr>
<td>Domestic</td>
<td>(d)</td>
<td>5,636</td>
<td>2,020</td>
</tr>
<tr>
<td></td>
<td></td>
<td>60,485</td>
<td>73,169</td>
</tr>
<tr>
<td>(a) Bali Appeal</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance at beginning of financial year</td>
<td>1,110</td>
<td>1,204</td>
<td>1,110</td>
</tr>
<tr>
<td>Transfer to accumulated funds</td>
<td>(202)</td>
<td>(94)</td>
<td>(202)</td>
</tr>
<tr>
<td>Balance at the end of the financial year</td>
<td>2(b)</td>
<td>908</td>
<td>1,110</td>
</tr>
<tr>
<td>(b) Asia Quake and Tsunamis Appeal</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance at beginning of financial year</td>
<td>62,947</td>
<td>87,734</td>
<td>62,947</td>
</tr>
<tr>
<td>Transfer to accumulated funds</td>
<td>(15,509)</td>
<td>(24,787)</td>
<td>(15,509)</td>
</tr>
<tr>
<td>Balance at the end of the financial year</td>
<td>2(c)</td>
<td>47,438</td>
<td>62,947</td>
</tr>
<tr>
<td>(c) International</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance at beginning of financial year</td>
<td>7,092</td>
<td>4,240</td>
<td>7,092</td>
</tr>
<tr>
<td>Transfer (to) / from accumulated funds</td>
<td>(589)</td>
<td>2,852</td>
<td>(589)</td>
</tr>
<tr>
<td>Balance at the end of the financial year</td>
<td>2(d)</td>
<td>6,503</td>
<td>7,092</td>
</tr>
<tr>
<td>(d) Domestic</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance at beginning of financial year</td>
<td>2,020</td>
<td>3,033</td>
<td>2,020</td>
</tr>
<tr>
<td>Transfer (to) / from accumulated funds</td>
<td>3,616</td>
<td>(1,022)</td>
<td>3,616</td>
</tr>
<tr>
<td>Transfer from general reserve</td>
<td></td>
<td>9</td>
<td></td>
</tr>
<tr>
<td>Balance at the end of the financial year</td>
<td>2(e)</td>
<td>5,636</td>
<td>2,020</td>
</tr>
</tbody>
</table>
18. STATEMENT OF CHANGES TO EQUITY

<table>
<thead>
<tr>
<th>Description</th>
<th>Notes</th>
<th>Retained Earnings $’000</th>
<th>Reserves $’000</th>
<th>Total $’000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CONSOLIDATED</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance at 30th June 2005</td>
<td>16,15&amp;17</td>
<td>148,712</td>
<td>115,117</td>
<td>263,829</td>
</tr>
<tr>
<td>Net deficit for the period</td>
<td></td>
<td>(6,630)</td>
<td>–</td>
<td>(6,630)</td>
</tr>
<tr>
<td>Income recognised direct to equity</td>
<td>16</td>
<td>3,880</td>
<td>–</td>
<td>3,880</td>
</tr>
<tr>
<td>Effects of changes in accounting policy</td>
<td>16</td>
<td>6,127</td>
<td>–</td>
<td>6,127</td>
</tr>
<tr>
<td>Transfer (to) / from specific purpose funds</td>
<td>16,17</td>
<td>23,050</td>
<td>(23,050)</td>
<td>–</td>
</tr>
<tr>
<td>Transfer (to) / from general reserve</td>
<td>16,15(c)</td>
<td>(110)</td>
<td>110</td>
<td>–</td>
</tr>
<tr>
<td>Transfer (to) / from special reserve</td>
<td>16,15(d)</td>
<td>(3,057)</td>
<td>3,057</td>
<td>–</td>
</tr>
<tr>
<td>Transfer from fair value reserve</td>
<td>16, 15(e)</td>
<td>–</td>
<td>3,324</td>
<td>3,324</td>
</tr>
<tr>
<td>Balance at 30th June 2006</td>
<td></td>
<td>171,972</td>
<td>98,558</td>
<td>270,530</td>
</tr>
<tr>
<td>Balance at 30th June 2006</td>
<td>16,15&amp;17</td>
<td>171,972</td>
<td>98,558</td>
<td>270,530</td>
</tr>
<tr>
<td>Net deficit for the period</td>
<td></td>
<td>(16,683)</td>
<td>–</td>
<td>(16,683)</td>
</tr>
<tr>
<td>Income recognised direct to equity</td>
<td>16</td>
<td>705</td>
<td>–</td>
<td>705</td>
</tr>
<tr>
<td>Transfer (to) / from specific purpose funds</td>
<td>16,17</td>
<td>12,684</td>
<td>(12,684)</td>
<td>–</td>
</tr>
<tr>
<td>Transfer (to) / from general reserve</td>
<td>16,15(c)</td>
<td>(84)</td>
<td>84</td>
<td>–</td>
</tr>
<tr>
<td>Transfer (to) / from special reserve</td>
<td>16,15(d)</td>
<td>(1,794)</td>
<td>1,794</td>
<td>–</td>
</tr>
<tr>
<td>Transfer (to) / from fair value reserve</td>
<td>16, 15(e)</td>
<td>(694)</td>
<td>3,677</td>
<td>2,983</td>
</tr>
<tr>
<td>Balance at 30th June 2007</td>
<td></td>
<td>166,106</td>
<td>91,429</td>
<td>257,535</td>
</tr>
<tr>
<td><strong>SOCIETY</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance at 30th June 2005</td>
<td>16,15&amp;17</td>
<td>100,178</td>
<td>106,580</td>
<td>206,758</td>
</tr>
<tr>
<td>Net deficit for the period</td>
<td></td>
<td>(22,185)</td>
<td>–</td>
<td>(22,185)</td>
</tr>
<tr>
<td>Income recognised direct to equity</td>
<td>16</td>
<td>78</td>
<td>–</td>
<td>78</td>
</tr>
<tr>
<td>Effects of changes in accounting policy</td>
<td>16</td>
<td>6,127</td>
<td>–</td>
<td>6,127</td>
</tr>
<tr>
<td>Transfer (to) / from specific purpose funds</td>
<td>16,17</td>
<td>23,050</td>
<td>(23,050)</td>
<td>–</td>
</tr>
<tr>
<td>Transfer (to) / from general reserve</td>
<td>16,15(c)</td>
<td>(110)</td>
<td>110</td>
<td>–</td>
</tr>
<tr>
<td>Transfer (to) / from special reserve</td>
<td>16,15(e)</td>
<td>–</td>
<td>3,324</td>
<td>3,324</td>
</tr>
<tr>
<td>Balance at 30th June 2006</td>
<td></td>
<td>107,138</td>
<td>86,964</td>
<td>194,102</td>
</tr>
<tr>
<td>Balance at 30th June 2006</td>
<td>16,15 &amp;17</td>
<td>107,138</td>
<td>86,964</td>
<td>194,102</td>
</tr>
<tr>
<td>Net deficit for the period</td>
<td></td>
<td>(11,061)</td>
<td>–</td>
<td>(11,061)</td>
</tr>
<tr>
<td>Income recognised direct to equity</td>
<td>16</td>
<td>(1)</td>
<td>–</td>
<td>(1)</td>
</tr>
<tr>
<td>Transfer (to) / from specific purpose funds</td>
<td>16,17</td>
<td>12,684</td>
<td>(12,684)</td>
<td>–</td>
</tr>
<tr>
<td>Transfer (to) / from general reserve</td>
<td>16,15(c)</td>
<td>(84)</td>
<td>84</td>
<td>–</td>
</tr>
<tr>
<td>Transfer (to) / from fair value reserve</td>
<td>16, 15(e)</td>
<td>(694)</td>
<td>3,677</td>
<td>2,983</td>
</tr>
<tr>
<td>Balance at 30th June 2007</td>
<td></td>
<td>107,982</td>
<td>78,041</td>
<td>186,023</td>
</tr>
</tbody>
</table>
## Notes to the financial statements

**For the year ended 30 June 2007**

### 19. RECONCILIATION OF CASH FLOWS PROVIDED BY OPERATING ACTIVITIES

#### (a) Cash flows provided by operating activities

<table>
<thead>
<tr>
<th>Description</th>
<th>CONSOLIDATED 2007</th>
<th>CONSOLIDATED 2006</th>
<th>CONSOLIDATED 2007</th>
<th>CONSOLIDATED 2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Deficit after tax</td>
<td>(16,683)</td>
<td>(6,630)</td>
<td>(11,061)</td>
<td>(22,185)</td>
</tr>
<tr>
<td><strong>Adjustments for:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation of non-current assets</td>
<td>18,574</td>
<td>20,219</td>
<td>4,665</td>
<td>5,019</td>
</tr>
<tr>
<td>(Reversal of impairment)/impairment of non-current assets</td>
<td>(1,050)</td>
<td>3,602</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Net foreign currency (gains)/losses</td>
<td>387</td>
<td>–</td>
<td>312</td>
<td>–</td>
</tr>
<tr>
<td>Bad and doubtful debts</td>
<td>10</td>
<td>7</td>
<td>10</td>
<td>–</td>
</tr>
<tr>
<td>Net (profit)/loss on disposal of investments</td>
<td>(317)</td>
<td>375</td>
<td>(317)</td>
<td>375</td>
</tr>
<tr>
<td>Net (profit)/loss on disposal of property, plant &amp; equipment</td>
<td>(945)</td>
<td>(71)</td>
<td>(468)</td>
<td>(274)</td>
</tr>
<tr>
<td>Interest income received and receivable</td>
<td>(1,443)</td>
<td>(2,963)</td>
<td>(4,586)</td>
<td>(863)</td>
</tr>
<tr>
<td>Dividends received and receivable</td>
<td>(3,643)</td>
<td>(3,029)</td>
<td>(3,643)</td>
<td>(3,029)</td>
</tr>
<tr>
<td>Net loss on fixed asset adjustment</td>
<td>197</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td><strong>Changes in assets and liabilities</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Increase)/decrease in trade and other receivables</td>
<td>16,528</td>
<td>(22,009)</td>
<td>(6)</td>
<td>(894)</td>
</tr>
<tr>
<td>(Increase)/decrease in inventory</td>
<td>(7,719)</td>
<td>(5,654)</td>
<td>(377)</td>
<td>48</td>
</tr>
<tr>
<td>Increase/(decrease) in trade and other payables</td>
<td>4,360</td>
<td>13,863</td>
<td>1,210</td>
<td>2,976</td>
</tr>
<tr>
<td>Increase/(decrease) in provisions</td>
<td>2,316</td>
<td>2,406</td>
<td>1,000</td>
<td>766</td>
</tr>
<tr>
<td>(Increase)/decrease in other assets</td>
<td>(1,059)</td>
<td>–</td>
<td>(179)</td>
<td>(1,145)</td>
</tr>
<tr>
<td>(Gain)/loss on defined benefit funds</td>
<td>(484)</td>
<td>594</td>
<td>2</td>
<td>77</td>
</tr>
</tbody>
</table>

**Net cash flow from/(used in) operating activities**

<table>
<thead>
<tr>
<th></th>
<th>CONSOLIDATED</th>
<th>SOCIETY</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>9,029</td>
<td>710</td>
</tr>
</tbody>
</table>

#### (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:

<table>
<thead>
<tr>
<th></th>
<th>CONSOLIDATED</th>
<th>SOCIETY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash at bank and on hand</td>
<td>55,683</td>
<td>27,428</td>
</tr>
<tr>
<td></td>
<td>29,018</td>
<td>24,247</td>
</tr>
<tr>
<td>Short term deposits</td>
<td>1,937</td>
<td>31,167</td>
</tr>
<tr>
<td></td>
<td>–</td>
<td>–</td>
</tr>
</tbody>
</table>

**Total**

<table>
<thead>
<tr>
<th></th>
<th>57,620</th>
<th>58,595</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>29,018</td>
<td>24,247</td>
</tr>
</tbody>
</table>

#### (c) Financing facilities available

At reporting date, the following finance facilities had been negotiated and were available:

<table>
<thead>
<tr>
<th></th>
<th>CONSOLIDATED 2007</th>
<th>CONSOLIDATED 2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total facilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>– bank overdraft</td>
<td>3,000</td>
<td>1,455</td>
</tr>
<tr>
<td>– other</td>
<td>621</td>
<td>125</td>
</tr>
</tbody>
</table>

**Facilities unused at reporting date**

<table>
<thead>
<tr>
<th></th>
<th>CONSOLIDATED 2007</th>
<th>CONSOLIDATED 2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>– bank overdraft</td>
<td>2,730</td>
<td>1,455</td>
</tr>
<tr>
<td>– other</td>
<td>334</td>
<td>–</td>
</tr>
</tbody>
</table>

---

*Australian Red Cross  Annual Report 2006 – 2007*
20. EXPENDITURE COMMITMENTS

(a) Operating Lease Liabilities

Minimum lease payments
– not later than one year 11,488 10,288 3,797 3,527
– later than one and not later than five years 22,649 21,123 5,403 5,014
– later than five years 4,649 2,947 732 1,840

Aggregate lease expenditure contracted for at reporting date but not provide for 38,786 34,358 9,932 10,381

Represented by:
Cancellable operating leases – – – –
Non-cancellable operating leases 38,786 34,358 9,932 10,381

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

(b) Finance Lease Commitments

Minimum lease payments
– not later than one year 163 64 – –
– later than one and not later than five years 202 72 – –

Less: future finance charges (31) (11) – –

Present value of minimum lease payments 12 334 125 – –

Included in the financial statements as: (note 12)
Current borrowings 143 58
Non-current borrowings 191 67

334 125

The finance lease is on an analyser and commenced in 2003, with a five year period. Lease payments are monthly in advance.
20. EXPENDITURE COMMITMENTS (Continued)

(c) Capital expenditure commitments

Capital commitments contracted for:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Buildings and Plant &amp; Equipment</td>
<td>40,459</td>
<td>5,242</td>
<td>193</td>
<td>–</td>
</tr>
<tr>
<td>Payable:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>– not later than one year</td>
<td>40,375</td>
<td>5,242</td>
<td>109</td>
<td>–</td>
</tr>
<tr>
<td>– later than one and not later than five years</td>
<td>84</td>
<td>–</td>
<td>84</td>
<td>–</td>
</tr>
<tr>
<td>– later than five years</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td></td>
<td>40,459</td>
<td>5,242</td>
<td>193</td>
<td>–</td>
</tr>
</tbody>
</table>

21. CONTINGENT LIABILITIES

The potential for liabilities arising from litigation in relation to past transfusion-transmitted HIV and 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 from 1 July 2000 where the financial exposure arise 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 Queensland Principal Site (QPS)**
The Blood Service, through the Australian Red Cross, has entered into an agreement with ING Healthcare whereby ING Healthcare will construct a principal facility at Kelvin Grove, Brisbane for the Blood Service, to replace the facility in Brisbane. Under the agreement, the Blood Service will be responsible for the financing of the fit out of the facility, with ING Healthcare funding the building cost. The Blood Service has entered into a finance lease with a banking institution for $34m. The project is scheduled for completion in February 2008, with the Blood Service leasing the property from ING Healthcare.

**The New South Wales and ACT Principal Site**
The Australian Government has indicated it will contribute its share of the funding required to relocate and upgrade the principal facilities currently located in Sydney, Parramatta, Newcastle and Canberra. The Blood Service has issued a request for proposal to the market for development submissions and a developer will be selected by April 2008 with the facility planned to be in operation by June 2010.

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Society, the results of those operations, or the state of affairs of the Society.

23. ECONOMIC DEPENDENCY

A significant portion of revenue is received by way of recurrent grants from state governments and the Australian Government.
Notes to the financial statements

For the year ended 30 June 2007

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 (appointed February 07)
Mr Dennis Daniels (part year to November 06)
Mr Ron Clapham (part year to November 06)
Mr John Reeves QC
Mr Alan Clayton
Mr Garry Richardson (part year to February 07)
Ms Katherine Ngo (appointed November 06)
Mr Ian Anson
Mr Richard Stone
Mr Richard Dunn
Mr Jim Kostaglou (part year to November 06)
Mr Sam Reed (part year to November 06)
Ms Kaye Hogan AM PSM (appointed November 06)
Ms Pam Simmons (appointed November 06)
Mr Michael Howarth (appointed November 06)
Ms Kate Carnell AO
Ms Jill Lester

Board Members: Australian Red Cross Blood Service
Mr John Hasker AM (retired as Chairman 1 April 07)
The Hon Dr David Hamill (appointed Chairman 1 April 07)
Dr Robert Hetzel (Chief Executive Officer)
Mr Graham Addison (appointed 1 May 07)
Dr John Cable
Mr Andrew Eddy
Dr Anne Fletcher
Ms Kaye Hogan AM PSM
Professor James Isbister
Mr Michael Legge
Mr James Swinden (appointed 4 November 06)

Board Member Personnel Compensation

<table>
<thead>
<tr>
<th></th>
<th>2007 Australian Red Cross</th>
<th>2007 Blood Service</th>
<th>2006 Australian Red Cross</th>
<th>2006 Blood Service</th>
</tr>
</thead>
<tbody>
<tr>
<td>$0</td>
<td>19</td>
<td>–</td>
<td>14</td>
<td>–</td>
</tr>
<tr>
<td>Less than $9,999</td>
<td>–</td>
<td>1</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>$20,000 to $29,999</td>
<td>–</td>
<td>1</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>$30,000 to $39,999</td>
<td>–</td>
<td>2</td>
<td>–</td>
<td>1</td>
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<tr>
<td>$40,000 to $49,999</td>
<td>–</td>
<td>4</td>
<td>–</td>
<td>7</td>
</tr>
<tr>
<td>$50,000 to $59,999</td>
<td>–</td>
<td>1</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>$60,000 to $69,999</td>
<td>–</td>
<td>1</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>$80,000 to $89,999</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>1</td>
</tr>
<tr>
<td>$480,000 to $489,999</td>
<td>–</td>
<td>1</td>
<td>–</td>
<td>–</td>
</tr>
</tbody>
</table>
Notes to the financial statements
For the year ended 30 June 2007

24. KEY MANAGEMENT PERSONNEL COMPENSATION (Continued)

Other Key Management Personnel:

The national executive members during 2006 – 2007
(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
- 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 (part year)
- Ms Sharon Mulholland  Executive Director – Northern Territory
- Mr Ian Rentsch  Executive Director – Australian Capital Territory
- 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 (part year)
- Mrs Anne Heyes  National Human Resources Manager
- Dr Philippa Hetzel  National Operations Manager
- Mr Guy McCullough  Quality and Systems Manager (part year)
- Dr Joanne Pink  Medical Services Manager
- Mr Nirdosh Puri  National Research and Business Development Manager
- Mr Joel Reachard  Government and International Relations Manager
- Ms Janine Wilson  Corporate Strategy and Planning Manager
## Notes to the financial statements

For the year ended 30 June 2007

### 24. KEY MANAGEMENT PERSONNEL COMPENSATION (Continued)

<table>
<thead>
<tr>
<th></th>
<th>2007 Australian Red Cross</th>
<th>2007 Blood Service</th>
<th>2006 Australian Red Cross</th>
<th>2006 Blood Service</th>
</tr>
</thead>
<tbody>
<tr>
<td>$10,000 to $19,999</td>
<td>–</td>
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<tr>
<td>$70,000 to $79,999</td>
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<td>–</td>
<td>1*</td>
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<tr>
<td>$90,000 to $99,999</td>
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<tr>
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<tr>
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</tr>
<tr>
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<tr>
<td>$190,000 to $199,999</td>
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<tr>
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<td>$480,000 to $489,999</td>
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</tr>
</tbody>
</table>

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:

<table>
<thead>
<tr>
<th></th>
<th>SHORT TERM</th>
<th>LONG TERM</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Salaries &amp; Fees</td>
<td>Super-annuation</td>
</tr>
<tr>
<td></td>
<td>$’000</td>
<td>Contributions $’000</td>
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<tr>
<td>Australian Red Cross</td>
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<td>2007 Total Compensation</td>
<td>2,013</td>
<td>161</td>
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<tr>
<td>2006 Total Compensation</td>
<td>1,852</td>
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<tr>
<td>Blood Service</td>
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<td>2007 Total Compensation</td>
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<tr>
<td>2006 Total Compensation</td>
<td>2,728</td>
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<td>2007 Total Compensation</td>
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<td>2006 Total Compensation</td>
<td>4,580</td>
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## 25. Auditors’ Remuneration

Amounts received or due and receivable by Deloitte:
- an audit or review of the financial statements of the entity and any other entity in the consolidated entity
- Deloitte Touche Tohmatsu
  - Amounts received or due and receivable by an audit or review of the financial statements of the entity and any other entity in the consolidated entity:
    - 2007: $273,000
    - 2006: $226,000
  - Deloitte Touche Tohmatsu
    - 2007: $160,000
    - 2006: $160,000

Amounts received or due and receivable by a related practice of Deloitte:
- Wise Lord & Ferguson
  - Amounts received or due and receivable by an audit or review of the financial statements of the entity and any other entity in the consolidated entity:
    - 2007: $2
    - 2006: $–
  - Wise Lord & Ferguson
    - 2007: $2
    - 2006: $–

- Nelson Wheeler
  - Amounts received or due and receivable by an audit or review of the financial statements of the entity and any other entity in the consolidated entity:
    - 2007: $1
    - 2006: $1
  - Nelson Wheeler
    - 2007: $–
    - 2006: $–

- Anderson Roscoe
  - Amounts received or due and receivable by an audit or review of the financial statements of the entity and any other entity in the consolidated entity:
    - 2007: $14
    - 2006: $–
  - Anderson Roscoe
    - 2007: $14
    - 2006: $–

- Williams & Partners
  - Amounts received or due and receivable by an audit or review of the financial statements of the entity and any other entity in the consolidated entity:
    - 2007: $30
    - 2006: $–
  - Williams & Partners
    - 2007: $30
    - 2006: $–

- Trevor Edgoose
  - Amounts received or due and receivable by an audit or review of the financial statements of the entity and any other entity in the consolidated entity:
    - 2007: $32
    - 2006: $32
  - Trevor Edgoose
    - 2007: $–
    - 2006: $–

- Sterling SCI
  - Amounts received or due and receivable by an audit or review of the financial statements of the entity and any other entity in the consolidated entity:
    - 2007: $–
    - 2006: $59
  - Sterling SCI
    - 2007: $–
    - 2006: $56

<table>
<thead>
<tr>
<th></th>
<th>CONSOLIDATED</th>
<th></th>
<th>SOCIETY</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2007 $’000</td>
<td>2006 $’000</td>
<td>2007 $’000</td>
<td>2006 $’000</td>
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<tr>
<td>Deloitte</td>
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<td></td>
<td></td>
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<tr>
<td>Touche Tohmatsu</td>
<td>273</td>
<td>226</td>
<td>160</td>
<td>160</td>
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<td>Wise Lord &amp; Ferguson</td>
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<td>2</td>
<td>–</td>
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<tr>
<td>Nelson Wheeler</td>
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<td>1</td>
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<tr>
<td>Anderson Roscoe</td>
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<td>14</td>
<td>–</td>
</tr>
<tr>
<td>Williams &amp; Partners</td>
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<td>30</td>
<td>–</td>
</tr>
<tr>
<td>Trevor Edgoose</td>
<td>32</td>
<td>–</td>
<td>32</td>
<td>–</td>
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<tr>
<td>Sterling SCI</td>
<td>–</td>
<td>59</td>
<td>–</td>
<td>56</td>
</tr>
<tr>
<td></td>
<td><strong>352</strong></td>
<td><strong>285</strong></td>
<td><strong>239</strong></td>
<td><strong>216</strong></td>
</tr>
</tbody>
</table>
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:

Australian Red Cross made contributions from appeals and donations income towards the operations of the Blood Service based on the agreement between the Commonwealth and State / Territory Governments and Australian Red Cross, which states that Australian Red Cross’ contribution to the operating costs of the Blood Service is to be calculated on the basis of Australian Red Cross meeting 5% of the operating costs, or contributing 10% of Australian Red Cross’ previous years’ income from appeals and donations, whichever is the lower. Total contributions from Australian Red Cross were nil (2006: $824,000).

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 $2,489,000 (2006: $2,485,000).

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;
- loans to and from other divisions, which arise from financing and operating activities of and around the Society; and
- 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 Society is exposed to market interest rate fluctuations on its fixed 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).
27. FINANCIAL INSTRUMENTS (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.

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 have been signed prior to the expected delivery and payment date. As these contracts are of a substantial value, the Society has 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, any exposure to foreign currency is not otherwise hedged.

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’ to avoid documentation and effectiveness testing required to defer fair value gains or losses on the foreign exchange contracts to periods when the cash outflow on the supply contracts are expected to occur.

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 26(d).

The Society does not have any material credit risk exposures to any single receivable or group of receivables under financial instruments entered into by the Society.
### 27. FINANCIAL INSTRUMENTS (Continued)

<table>
<thead>
<tr>
<th></th>
<th>Carrying Amount</th>
<th>Fair Value</th>
</tr>
</thead>
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<tr>
<td></td>
<td>2007 $’000</td>
<td>2006 $’000</td>
</tr>
<tr>
<td></td>
<td>2007 $’000</td>
<td>2006 $’000</td>
</tr>
<tr>
<td><strong>CONSOLIDATED</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash</td>
<td>60,754</td>
<td>58,595</td>
</tr>
<tr>
<td>Trade receivables</td>
<td>9,685</td>
<td>26,213</td>
</tr>
<tr>
<td>Financial assets</td>
<td>91,022</td>
<td>103,877</td>
</tr>
<tr>
<td><strong>Financial liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade payables</td>
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<td>35,771</td>
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<tr>
<td>Interest-bearing loans and borrowings</td>
<td>334</td>
<td>125</td>
</tr>
<tr>
<td>Foreign currency contracts</td>
<td>337</td>
<td>24</td>
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<tr>
<td><strong>SOCIETY</strong></td>
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<td></td>
</tr>
<tr>
<td>Financial assets</td>
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<td></td>
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<tr>
<td>Cash</td>
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<td>24,247</td>
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<tr>
<td>Trade receivables</td>
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<tr>
<td>Foreign currency contracts</td>
<td>337</td>
<td>24</td>
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</table>
27. FINANCIAL INSTRUMENTS (Continued)

(c) Interest rate risk

The following tables set out the carrying amount, by maturity, of the financial instruments that are exposed to interest rate risk.

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<thead>
<tr>
<th>Weighted average effective interest rate</th>
<th>Fixed Maturity Dates</th>
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<tr>
<td>Variable rate</td>
<td>Less than 1 year</td>
<td>Total</td>
</tr>
<tr>
<td>%</td>
<td>$'000</td>
<td>$'000</td>
</tr>
<tr>
<td>Year ended 30 June 2007</td>
<td>$'000</td>
<td>$'000</td>
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</table>

<table>
<thead>
<tr>
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<td>Derivatives</td>
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<td>Total Financial Liabilities</td>
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<table>
<thead>
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<tbody>
<tr>
<td>Payables</td>
<td>9,903</td>
</tr>
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<td>Derivatives</td>
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<td>Total Financial Liabilities</td>
<td>10,240</td>
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<table>
<thead>
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<tbody>
<tr>
<td>Cash and cash equivalents</td>
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<td>Receivables</td>
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<td>Financial assets</td>
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<tr>
<td>Total Financial Assets</td>
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</table>

Notes to the financial statements

For the year ended 30 June 2007
27. FINANCIAL INSTRUMENTS (Continued)

(c) Interest rate risk

<table>
<thead>
<tr>
<th>Weighted average effective interest rate</th>
<th>Variable interest rate</th>
<th>Less than 1 year</th>
<th>1–2 years</th>
<th>2–3 years</th>
<th>3–4 years</th>
<th>4–5 years</th>
<th>5+ years</th>
<th>Non interest bearing</th>
<th>Total</th>
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<tbody>
<tr>
<td>Year ended 30 June 2006</td>
<td>%</td>
<td>$'000</td>
<td>$'000</td>
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<td>$'000</td>
<td>$'000</td>
<td>$'000</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
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<td>53</td>
<td>–</td>
<td>–</td>
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<td>–</td>
<td>–</td>
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<tr>
<td>Receivables</td>
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<tr>
<td>Financial assets</td>
<td>533</td>
<td>8,281</td>
<td>15,727</td>
<td>49</td>
<td>10,312</td>
<td>7,649</td>
<td>20,493</td>
<td>40,833</td>
<td>103,877</td>
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<tr>
<td>Total Financial Assets</td>
<td>59,075</td>
<td>8,334</td>
<td>15,727</td>
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<td>10,312</td>
<td>7,649</td>
<td>20,493</td>
<td>67,046</td>
<td>188,685</td>
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<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
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<tr>
<td>Finance lease liability</td>
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<td>67</td>
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<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>125</td>
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<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>24</td>
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</tr>
<tr>
<td>Total Financial Liabilities</td>
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<td>67</td>
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<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>35,772</td>
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SOCIETY

<table>
<thead>
<tr>
<th></th>
<th>Weighted average effective interest rate</th>
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<th>Less than 1 year</th>
<th>1–2 years</th>
<th>2–3 years</th>
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<th>5+ years</th>
<th>Non interest bearing</th>
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<tbody>
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<td>Cash and cash equivalents</td>
<td>5.4%</td>
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<td>24,247</td>
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<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Financial assets</td>
<td>533</td>
<td>8,281</td>
<td>15,727</td>
<td>49</td>
<td>10,312</td>
<td>7,649</td>
<td>20,493</td>
<td>40,833</td>
<td>103,877</td>
<td></td>
</tr>
<tr>
<td>Total Financial Assets</td>
<td>24,727</td>
<td>8,334</td>
<td>15,727</td>
<td>49</td>
<td>10,312</td>
<td>7,649</td>
<td>20,493</td>
<td>43,903</td>
<td>131,194</td>
<td></td>
</tr>
</tbody>
</table>

Payables                  | –                                        | –                      | –                 | –         | –         | –         | –         | –       | 9,011                | 9,011 |

Total Financial Liabilities | –                                        | –                      | –                 | –         | –         | –         | –         | –       | 9,011                | 9,011 |

Interest on financial instruments classified as floating rate is repriced at intervals of less than one year.
Interest on financial instruments classified as fixed rate is fixed until maturity of the instrument.
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:

<table>
<thead>
<tr>
<th>Outstanding contracts</th>
<th>Average Exchange Rates</th>
<th>Foreign Currency Contract Value</th>
<th>Fair Value</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>USD$’000</td>
<td>USD$’000</td>
<td>$’000</td>
</tr>
<tr>
<td>Buy US Dollars</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Less than 3 months</td>
<td>0.7373</td>
<td>0.7483</td>
<td>435,000</td>
</tr>
<tr>
<td>3 to 6 months</td>
<td>0.7319</td>
<td>0.7470</td>
<td>1,322,239</td>
</tr>
<tr>
<td>6 months to 1 year</td>
<td>0.8308</td>
<td>–</td>
<td>1,641,603</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Market risk

The Society’s activities expose it primarily to the financial risks of changes in foreign currency exchange rates (refer note 26 (d)). 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.

<table>
<thead>
<tr>
<th>US Dollar Impact</th>
<th>Consolidated</th>
<th>Society</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2007 $’000</td>
<td>2006 $’000</td>
</tr>
<tr>
<td>Profit &amp; Loss</td>
<td>337</td>
<td>24</td>
</tr>
</tbody>
</table>

(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.
The Australian Red Cross Society is a signatory to the Australian Council of 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, represent a true reflection of the Financial Accounts for this year. Where required specific reference is made to the notes within the Financial Accounts.

### Income Statement

<table>
<thead>
<tr>
<th></th>
<th>2007 $’000s</th>
<th>2006 $’000s</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>REVENUE</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Donations &amp; gifts – monetary &amp; non-monetary</td>
<td>35,458</td>
<td>37,727</td>
</tr>
<tr>
<td>Legacies &amp; bequests</td>
<td>8,323</td>
<td>11,562</td>
</tr>
<tr>
<td>Grants</td>
<td></td>
<td></td>
</tr>
<tr>
<td>– AusAID</td>
<td>12,043</td>
<td>13,233</td>
</tr>
<tr>
<td>– Other Australian</td>
<td>350,092</td>
<td>320,915</td>
</tr>
<tr>
<td>– Other overseas</td>
<td>1,585</td>
<td>1,016</td>
</tr>
<tr>
<td>Investment Income</td>
<td>7,682</td>
<td>11,549</td>
</tr>
<tr>
<td>Other Income</td>
<td>62,559</td>
<td>66,213</td>
</tr>
<tr>
<td><strong>Total Revenue</strong></td>
<td>477,742</td>
<td>462,215</td>
</tr>
<tr>
<td><strong>DISBURSEMENTS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Overseas projects</td>
<td></td>
<td></td>
</tr>
<tr>
<td>– funds to overseas projects</td>
<td>33,721</td>
<td>47,607</td>
</tr>
<tr>
<td>– Other project costs</td>
<td>4,791</td>
<td>3,321</td>
</tr>
<tr>
<td>Domestic projects</td>
<td>402,394</td>
<td>367,614</td>
</tr>
<tr>
<td>Community education</td>
<td>915</td>
<td>1,114</td>
</tr>
<tr>
<td>Fundraising costs</td>
<td></td>
<td></td>
</tr>
<tr>
<td>– public</td>
<td>24,742</td>
<td>21,578</td>
</tr>
<tr>
<td>– government, multilateral and private</td>
<td>997</td>
<td>432</td>
</tr>
<tr>
<td>– Merchandising</td>
<td>11,807</td>
<td>13,229</td>
</tr>
<tr>
<td>Administration</td>
<td>15,058</td>
<td>13,950</td>
</tr>
<tr>
<td><strong>Total Disbursements</strong></td>
<td>494,425</td>
<td>468,845</td>
</tr>
<tr>
<td><strong>Excess of revenue over expenses (shortfall) from continuing operations</strong></td>
<td>(16,683)</td>
<td>(6,630)</td>
</tr>
</tbody>
</table>
## Balance Sheet

For the year ended 30 June 2007

<table>
<thead>
<tr>
<th></th>
<th>2007 $'000s</th>
<th>2006 $'000s</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>57,620</td>
<td>58,595</td>
</tr>
<tr>
<td>Financial assets</td>
<td>3,134</td>
<td>8,054</td>
</tr>
<tr>
<td>Other Assets</td>
<td>58,157</td>
<td>64,857</td>
</tr>
<tr>
<td>Non current assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property, plant &amp; equipment</td>
<td>126,564</td>
<td>116,467</td>
</tr>
<tr>
<td>Financial Assets</td>
<td>91,022</td>
<td>95,823</td>
</tr>
<tr>
<td>Other</td>
<td>2,904</td>
<td>2,009</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td><strong>339,401</strong></td>
<td><strong>345,805</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2007 $'000s</th>
<th>2006 $'000s</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>LIABILITIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current Liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade and Other Payables</td>
<td>40,131</td>
<td>35,771</td>
</tr>
<tr>
<td>Provisions</td>
<td>33,887</td>
<td>32,338</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>143</td>
<td>58</td>
</tr>
<tr>
<td>Non current liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payables</td>
<td>191</td>
<td>67</td>
</tr>
<tr>
<td>Provisions</td>
<td>7,433</td>
<td>6,666</td>
</tr>
<tr>
<td>Other</td>
<td>81</td>
<td>375</td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td><strong>81,866</strong></td>
<td><strong>75,275</strong></td>
</tr>
</tbody>
</table>

|                  |             |             |
| **Net Assets**   | **257,535** | **270,530** |

|                  |             |             |
| **EQUITY**       |             |             |
| Reserves         | **257,535** | **270,530** |
### Table of Cash Movements for Designated Purposes

**For the year ended 30 June 2007**

<table>
<thead>
<tr>
<th>Designated Purpose</th>
<th>Notes</th>
<th>Cash available at beginning of year $’000</th>
<th>Cash raised during year $’000</th>
<th>Cash disbursed during year $’000</th>
<th>Cash available at end of year $’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asia Quake and Tsunamis Appeal</td>
<td>1</td>
<td>1,411</td>
<td>54,612</td>
<td>55,946</td>
<td>77</td>
</tr>
<tr>
<td>Total for other Designated Purpose</td>
<td>2</td>
<td>57,184</td>
<td>458,342</td>
<td>457,983</td>
<td>57,543</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>4</td>
<td><strong>58,595</strong></td>
<td><strong>512,954</strong></td>
<td><strong>513,929</strong></td>
<td><strong>57,620</strong></td>
</tr>
</tbody>
</table>

Working capital for the 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 $52.2m was transferred from financial assets to fund working capital for tsunami projects and is included above as part of cash raised during the year. Cash disbursed during the year includes $36.3m of funds reinvested in short- and long-term investments.
## Statement of Changes in Equity

For the year ended 30 June 2007

<table>
<thead>
<tr>
<th>Notes</th>
<th>Retained Earnings $'000</th>
<th>Reserves $'000</th>
<th>Total $'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at 30th June 2006</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Excess of revenue over expenses</td>
<td>16</td>
<td>171,972</td>
<td>98,558</td>
</tr>
<tr>
<td>Net surplus /( deficit)</td>
<td>16</td>
<td>(16,683)</td>
<td>–</td>
</tr>
<tr>
<td>Income recognised direct to equity</td>
<td>16</td>
<td>705</td>
<td>–</td>
</tr>
<tr>
<td>Amounts transferred (to) from reserves</td>
<td>15,16,17</td>
<td>10,112</td>
<td>(7,129)</td>
</tr>
<tr>
<td>Balance at 30th June 2007</td>
<td>166,106</td>
<td>91,429</td>
<td>257,535</td>
</tr>
</tbody>
</table>
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
Independent audit report
to the members of the
Australian Red Cross Society

We have audited the accompanying financial report of the Australian Red Cross Society and the consolidated entity, which comprises the balance sheet as at 30 June 2007, 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 55.

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

Qualification
Cash donations are a significant source of revenue for the Australian Red Cross Society. The Australian Red Cross Society has determined that it is impracticable to establish control over the collection of cash donations prior to entry into its financial records. Accordingly, as the evidence available to us regarding revenue from this source was limited, our audit procedures with respect to cash donations had to be restricted to the amounts recorded in the financial records. We therefore are unable to express an opinion whether cash donations the Australian Red Cross Society obtained are complete.

Qualified Audit Opinion
In our opinion, except for the effect on the financial report of such adjustments, if any, as might have been required had the limitation on our audit procedures referred to in the qualification paragraph not existed 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 2007, 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 J SCHOFIELD
Partner
Chartered Accountants
Melbourne 20 October, 2007