

**New Zealand Red Cross Incorporated
Financial Statements for the year ended
30 June 2018**

NEW ZEALAND RED CROSS INCORPORATED

FOR THE YEAR ENDED 30 JUNE 2018

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Independent Auditor's Report

To the Members of New Zealand Red Cross Incorporated

Qualified opinion

We have audited the consolidated and separate financial statements of New Zealand Red Cross Incorporated (the 'Society') and its subsidiaries (the 'Group'), which comprise the consolidated and separate statement of financial position as at 30 June 2018, and the consolidated and separate statement of comprehensive revenue and expense, the consolidated and separate statement of changes in members' funds and consolidated and separate statement of cash flows for the year then ended, and notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying consolidated and separate financial statements, on pages 3 to 27, present fairly, in all material respects, the consolidated and separate financial position of the group as at 30 June 2018, and its consolidated and separate financial performance and its cash flows for the year then ended in accordance with Public Benefit Entity Standards.

Basis for qualified opinion

In common with other organisations of a similar nature, control over the revenues from donations prior to being banked is limited. It was not practicable to extend our examination of donations beyond the accounting for amounts received as shown by the accounting records of the group, or to determine the effect of the limited control.

We conducted our audit in accordance with International Standards on Auditing ('ISAs') and International Standards on Auditing (New Zealand) ('ISAs (NZ)'). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.

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

We are independent of the group in accordance with Professional and Ethical Standard 1 (Revised) *Code of Ethics for Assurance Practitioners* issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants*, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Other than in our capacity as auditor and the provision of advisory services, we have no relationship with or interests in the entity or any of its subsidiaries. These services have not impaired our independence as auditor of the Society or the Group.

Other information

The National Board is responsible on behalf of the Group for the other information. The other information comprises the information in the Annual Report that accompanies the consolidated and separate financial statements and the audit report.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information obtained prior to the date of our audit report, and consider whether it is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If so, we are required to report that fact. As described in the Basis for Qualified Opinion section above, control over the revenues from donations prior to being banked is limited so it was not practicable to extend our examination of donations beyond the accounting for amounts received. Accordingly, we are unable to conclude whether or not the other information is materially misstated with respect to this matter.

National Board's responsibilities for the consolidated and separate financial statements

The National Board is responsible on behalf of the group for the preparation and fair presentation of the consolidated and separate financial statements in accordance with Public Benefit Entity Standards, and for such internal control as the National Board determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the National Board is responsible on behalf of the group for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the National Board either intends to liquidate the group or to cease operations, or has no realistic alternative but to do so.



Auditor's responsibilities for the audit of the consolidated and separate financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and ISAs (NZ) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

A further description of our responsibilities for the audit of the consolidated and separate financial statements is located on at the External Reporting Board's website at:

<https://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-7>

This description forms part of our auditor's report.

Restriction on use

This report is made solely to the Members of the Society. Our audit has been undertaken so that we might state to the National Board those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the National Board as a body, for our audit work, for this report, or for the opinions we have formed.

Deloitte Limited

Deloitte Limited
Wellington, New Zealand
15 September 2018

NEW ZEALAND RED CROSS INCORPORATED

CONSOLIDATED STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE FOR THE YEAR ENDED 30 JUNE 2018

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in thousands of dollars

Revenue	Note	New Zealand Red Cross Group		New Zealand Red Cross Incorporated	
		2018	2017	2018	2017
Revenue from Exchange Transactions					
Sale of Goods and Services		6,644	6,848	6,644	6,848
Training Services		6,404	6,390	6,404	6,390
Interest Received		541	485	627	578
Dividends Received		797	1,984	-	-
Other Exchange Revenue		743	260	670	94
Revenue from Non-exchange Transactions					
Grants & Contracts		9,104	7,974	11,424	9,773
Public Donations & Other Fundraising		14,647	17,625	14,647	17,625
Legacies & Bequests		5,000	4,018	5,000	4,018
Other Non-exchange Revenue		869	1,451	869	1,451
Total Revenue		44,749	47,035	46,285	46,777
Expenditure					
Personnel Costs		27,314	25,789	27,264	25,736
Property Costs		4,492	4,186	4,492	4,185
Travel & Accommodation		1,803	2,124	1,803	2,124
Depreciation & Amortisation Expense		1,677	1,561	1,677	1,561
Special Appeals Other Costs		961	1,128	961	1,128
Christchurch Recovery Other Costs		628	1,209	628	1,209
Other Expenses	4	11,184	11,763	11,082	11,671
Total Operating Expenses		48,059	47,760	47,907	47,614
Net surplus/(Deficit) from operating activities		(3,310)	(725)	(1,622)	(837)
Net Gain/(Loss) on Financial Instruments through Surplus or Deficit		4,799	2,068	-	-
Net Gain/(Loss) on Foreign Exchange Contracts		(634)	330	-	-
Change in Fair Value Investments	20	4,165	2,398	-	-
Net Surplus/(Deficit) after Fair Value Adjustments		855	1,673	(1,622)	(837)
Other Comprehensive Revenue and Expense					
Net Gain on Land and Buildings Revaluation		839	3,940	839	3,940
Total Comprehensive Revenue and Expense		1,694	5,613	(783)	3,103

The accompanying notes on pages 7-27 form part of these consolidated financial statements

NEW ZEALAND RED CROSS INCORPORATED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2018

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in thousands of dollars

	Note	New Zealand Red Cross Group		New Zealand Red Cross Incorporated	
		2018	2017	2018	2017
Assets					
Current Assets					
Cash and Cash Equivalents	7	14,298	15,538	11,101	12,901
Receivables (from exchange transactions)	8	1,721	1,582	1,720	1,574
Receivables (from non-exchange transactions)	8	751	2,950	751	2,950
Recoverables (from non-exchange transactions)	8	396	355	396	355
Inventories		671	749	671	749
Prepayments		610	699	611	699
Investments		-	255	5,512	5,172
Property Held for Sale	11	-	298	-	298
		18,447	22,426	20,762	24,698
Non-current Assets					
Property, Plant and Equipment	9	28,362	26,848	28,362	26,848
Intangible Assets	10	870	740	870	740
Investments	20	49,621	45,260	18,300	16,643
		78,853	72,848	47,532	44,231
Total Assets		97,300	95,274	68,294	68,929
Liabilities					
Current Liabilities					
Trade and other payables (from exchange transactions)	14	1,638	1,705	1,658	1,648
Income Received in Advance		424	227	424	227
Foreign Exchange Contracts	20	263	-	-	-
Employee Entitlements	15	1,731	1,789	1,731	1,789
Non-exchange Liabilities		215	218	215	218
Total liabilities		4,271	3,939	4,028	3,882
Net Assets		93,029	91,335	64,266	65,047
Members' Funds					
Accumulated Funds		70,072	64,601	41,309	38,313
Restricted Funds	5	2,767	3,908	2,767	3,908
Christchurch Reserve	6	3,329	6,804	3,329	6,804
Asset Revaluation Reserve		16,861	16,022	16,861	16,022
		93,029	91,335	64,266	65,047

For and on behalf of the National Board who authorised the issue of these consolidated financial statements on 15 September 2018.



Jenny McMahon
National President



Niamh Lawless
Secretary General

The accompanying notes on pages 7-27 form part of these consolidated financial statements

NEW ZEALAND RED CROSS INCORPORATED

CONSOLIDATED STATEMENT OF CHANGES IN MEMBERS' FUNDS FOR THE YEAR ENDED 30 JUNE 2018

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in thousands of dollars

New Zealand Red Cross Group

	<u>Note</u>	<u>Opening Balance</u>	<u>Comprehensive Revenue and Expense</u>	<u>Prior Year Adjustment</u>	<u>Closing Balance</u>
Accumulated Funds		61,522	3,335	(256)	64,601
Restricted Funds	5	1,719	2,189	-	3,908
Christchurch Reserve	6	10,655	(3,851)	-	6,804
Asset Revaluation Reserve		12,082	3,940	-	16,022
Total Members' Funds at 30 June 2017		85,978	5,613	(256)	91,335
Accumulated Funds		64,601	5,471	-	70,072
Restricted Funds	5	3,908	(1,141)	-	2,767
Christchurch Reserve	6	6,804	(3,475)	-	3,329
Asset Revaluation Reserve		16,022	839	-	16,861
Total Members' Funds at 30 June 2018		91,335	1,694	-	93,029

New Zealand Red Cross Incorporated

	<u>Note</u>	<u>Opening Balance</u>	<u>Comprehensive Revenue and Expense</u>	<u>Prior Year Adjustment</u>	<u>Closing Balance</u>
Accumulated Funds		37,744	825	(256)	38,313
Restricted Funds	5	1,719	2,189	-	3,908
Christchurch Reserve	6	10,655	(3,851)	-	6,804
Asset Revaluation Reserve		12,082	3,940	-	16,022
Total Members' Funds at 30 June 2017		62,200	3,103	(256)	65,047
Accumulated Funds		38,313	2,994	-	41,309
Restricted Funds	5	3,908	(1,141)	-	2,767
Christchurch Reserve	6	6,804	(3,475)	-	3,329
Asset Revaluation Reserve		16,022	839	-	16,861
Total Members' Funds at 30 June 2018		65,047	(783)	-	64,266

The accompanying notes on pages 7-27 form part of these consolidated financial statements

NEW ZEALAND RED CROSS INCORPORATED

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2018

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in thousands of dollars

	Note	New Zealand Red Cross Group		New Zealand Red Cross Incorporated	
		2018	2017	2018	2017
Cash Flows from Operating Activities					
<i>Cash was provided from:</i>					
Sale of Goods and Services		13,060	12,655	13,060	12,655
Interest Received		605	485	682	578
Dividends Received		686	632	-	-
Grants, Bequests & Donations		30,950	26,667	33,270	28,467
Other Receipts		1,635	1,453	1,562	1,286
<i>Cash was applied to:</i>					
Payments to Employees		(27,372)	(25,453)	(27,322)	(25,403)
Payments to Suppliers		(18,599)	(20,395)	(18,761)	(20,303)
Net cash flows from operating activities	16	965	(3,956)	2,491	(2,720)
Cash Flows from Investing Activities					
<i>Cash was provided from:</i>					
Proceeds from sale of Investments		14,499	19,394	-	-
Proceeds from disposal of Property, Plant & Equipment		293	-	293	-
Proceeds from business combination		-	215	-	215
<i>Cash was applied to:</i>					
Purchase of Investments		(14,409)	(18,225)	(1,996)	(171)
Purchase of Property, Plant & Equipment		(2,139)	(1,588)	(2,139)	(1,588)
Purchase of Intangibles		(449)	(392)	(449)	(392)
Net cash flows from investing activities		(2,205)	(596)	(4,291)	(1,936)
Net decrease in cash and cash equivalents		(1,240)	(4,552)	(1,800)	(4,656)
Cash and cash equivalents at the beginning of the year		15,538	20,090	12,901	17,557
Cash and Cash Equivalents at the end of the year		14,298	15,538	11,101	12,901

The accompanying notes on pages 7-27 form part of these consolidated financial statements

NEW ZEALAND RED CROSS INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

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Note 1: Statement of accounting policies for the year ended 30 June 2018

Reporting Entity

The New Zealand Red Cross Incorporated (New Zealand Red Cross) is a charity, domiciled in New Zealand, registered under the Charities Act 2005 and is a public benefit entity (PBE) for the purposes of financial reporting in accordance with the Financial Reporting Act (2013).

New Zealand Red Cross is part of the largest humanitarian organisation in the world, helping people wherever they might be; international or in our own communities, to improve the lives of vulnerable people by mobilising the power of humanity and enhancing community resilience.

The New Zealand Red Cross Foundation is a charitable trust registered under the Charitable Trusts Act 1957, registered under the Charities Act 2005 and is a PBE for the purposes of financial reporting. The Foundation was established in 1978 to hold and invest funds on behalf of New Zealand Red Cross. The primary objective of the Foundation is to provide a source of sustainable funding for New Zealand Red Cross through investment activity.

These consolidated financial statements for the year ended 30 June 2018 comprise the activities of New Zealand Red Cross Incorporated and the New Zealand Red Cross Foundation (New Zealand Red Cross Group). They were authorised for issue by the National Board on 15 September 2018.

Statement of Compliance

The consolidated financial statements have been prepared in accordance with General Accepted Accounting Practice (GAAP) in New Zealand. They comply with Public Benefit Entity International Public Sector Accounting Standards ("PBE IPSAS") and other applicable financial reporting standards as appropriate, which have been authorised for use by the External Reporting Board for Not-For-Profit entities. For the purpose of complying with NZ GAAP, the company is a public benefit not-for-profit entity and is applying Tier 1 Not-For-Profit PBE IPSAS as it has public accountability. The report is in compliance with Tier 1 Not-For-Profit PBE accounting standards.

Changes in Accounting Policy

For the year ended 30 June 2018, there have been no changes in accounting policies.

Basis of Preparation

The consolidated financial statements have been prepared on a going concern basis, and the accounting policies have been applied consistently throughout the period.

Measurement Base

The consolidated financial statements have been prepared on a historical cost basis, modified by:

- Investments in financial assets (including derivative assets) that have been measured at fair value;
- The revaluation of certain Land and Buildings; and
- Inventory which is measured at the lower of cost or net realizable value.

Basis of consolidation

The consolidated financial statements are prepared by combining the financial statements of New Zealand Red Cross and the New Zealand Red Cross Foundation. Consistent accounting policies are employed in the preparation and presentation of the consolidated financial statements.

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

NEW ZEALAND RED CROSS INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

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Standards, amendments, and interpretations issued that are not yet effective and have not been early adopted

Standards, amendments, and interpretations issued but not yet effective that has not been early adopted, and which are relevant to the Society, are set out in Note 22.

Judgements and Estimations

In preparing these financial statements, New Zealand Red Cross has made estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

The estimates and assumptions that may have a material impact on the carrying amounts of assets and liabilities within the next financial year include the following:

- Fair value of Land and buildings;
- Useful lives of Property, Plant and Equipment; and
- Fair value of financial instruments.

Note 2: Significant Accounting Policies

The following significant accounting policies have been adopted in the preparation and presentation of the financial statements:

Revenue Recognition

(a) Revenue from Exchange transactions are transactions in which New Zealand Red Cross receives services or assets and directly gives approximately equal value, primarily in the form of cash, goods, services or use of assets, to another individual or entity in exchange. Revenue is recognised in comprehensive revenue and expense on an accruals basis when earned.

- **Revenue from the sale of goods** is recognised when the risks and rewards of ownership have been significantly transferred to the buyer;
- **Training services revenue** is recognised on a course delivery basis;
- **Interest revenue** is recognised using the effective interest method;
- **Dividend revenue** is recognised when a right to receive payments has been established;
- **Rental income revenue** under an operating lease is recognised in surplus or deficit on a straight-line basis over the term of the lease; and
- **Other Exchange revenue** is recognised on an accruals basis when earned at fair value.

(b) Revenue from Non-Exchange transactions are transactions that New Zealand Red Cross either receives or gives value to/from another individual or entity without directly giving or receiving approximately equal value in exchange.

The recognition of non-exchange revenue depends on the nature of any stipulations attached to the inflow of resources received, and whether this creates a liability (i.e. present obligation) rather than the recognition of revenue.

Stipulations that are 'conditions' specifically require New Zealand Red Cross to return the inflow of resources received if they are not utilised in the way stipulated, resulting in the recognition of a **non-exchange liability** that is subsequently recognised as **non-exchange revenue** as and when the 'conditions' are satisfied.

NEW ZEALAND RED CROSS INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

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in thousands of dollars

Note 4: Other operating expenses

	New Zealand Red Cross <u>Group</u>		New Zealand Red Cross <u>Incorporated</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Funding Project Partners	2,222	3,138	2,222	3,138
First Aid Product Purchases & Materials	940	938	940	938
Professional Fees	603	565	603	565
Contributions to IFRC and ICRC	497	579	497	579
Contributions Towards Pacific Development	424	492	424	492
Vehicle Operating	731	617	731	617
Advertising	387	544	387	544
Materials Other	748	338	748	338
Telephone - Rental & Usage	379	381	379	381
Publications and Promotions	111	147	111	147
Printing & Stationery	433	445	433	445
Freight / Couriers / Postage	286	280	286	280
Insurance	335	267	335	267
Audit Fees - Deloitte	72	67	60	57
Other Service Fees - Deloitte	-	27	-	27
Legal Fees	45	39	45	39
Other Operating Expenses	2,971	2,899	2,881	2,817
Total other operating expenses	11,184	11,763	11,082	11,671

NEW ZEALAND RED CROSS INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

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In thousands of dollars

Note 5: Restricted Funds

Accumulated Funds are those received and used for general purposes which are the responsibility of the National Board.

Restricted Funds are funds that have been restricted by the donor or by the National Board as to their use.

Christchurch Reserve represents the balance of funds held from the two earthquake appeals launched in September 2010 and February 2011. (Note 6)

Asset Revaluation Reserve represents the accumulated revaluation increases in the fair value of land and buildings.

	New Zealand Red Cross Group		New Zealand Red Cross Incorporated	
	2018	2017	2018	2017
New Zealand Red Cross has the following Restricted funds:				
International appeals and development	1,059	1,052	1,059	1,052
North Canterbury 2016 Earthquake Appeal	1,251	2,801	1,251	2,801
Local projects and developments	415	13	415	13
Specific purpose legacies	42	42	42	42
Total Restricted Funds	2,767	3,908	2,767	3,908

Public donations for the 2016 North Canterbury Earthquake totalled \$3.5m. During the 17/18 financial year \$1.67m was spent. The remaining funds of \$1.25m have been committed in the 18/19 financial year.

NEW ZEALAND RED CROSS INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

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in thousands of dollars

Note 6: Christchurch Reserve

	New Zealand Red Cross Group		New Zealand Red Cross Incorporated	
	2018	2017	2018	2017
Opening balance	6,804	10,655	6,804	10,655
Public donations	5	-	5	-
Interest income	192	277	192	277
Total funds received	197	277	197	277
Funds used				
Resident grants	-	1	-	1
Recovery activities	3,612	4,127	3,612	4,127
Capacity building	60	-	60	-
Total funds used	3,672	4,128	3,672	4,128
Closing Christchurch Reserve	3,329	6,804	3,329	6,804

The Christchurch Reserve fund was created in response to New Zealand Red Cross' involvement in the Canterbury earthquake of September 2010 and Christchurch earthquake of February 2011.

All funds donated by the New Zealand public have been used to assist affected people and communities. This includes the provision of goods, cash grants and other support. Funds have not been used for New Zealand Red Cross administration costs, staff salaries or transport and accommodation of New Zealand Red Cross staff and members.

Other Red Cross national societies launched appeals to raise money to support the initial response, long term recovery and strengthening disaster response capacity.

Due to the scale and continuing needs of the community it has taken in excess of seven years to responsibly deliver support and provide recovery services.

The balance of the closing reserve of \$3.3m is expected to be committed in the 2018/19 financial year.

NEW ZEALAND RED CROSS INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

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in thousands of dollars

Note 7: Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are presented within borrowings as a current liability in the consolidated statement of financial position. New Zealand Red Cross did not have any bank overdrafts at 30 June 2018.

	New Zealand Red Cross Group		New Zealand Red Cross Incorporated	
	2018	2017	2018	2017
	Cash and bank current deposits	8,298	7,755	5,101
Bank term deposits	6,000	7,783	6,000	7,783
Total Cash and Cash Equivalents	14,298	15,538	11,101	12,901

Bank current deposits earn interest at rates ranging between 0.30% and 3.25% (2017: 0.30% and 2.30%). The bank term deposit is held on a 92 day term earning an interest rate of 3.05% (2017: 2.30% to 3.50%).

Distribution of Cash and Cash Equivalents:

	New Zealand Red Cross Group		New Zealand Red Cross Incorporated	
	2018	2017	2018	2017
	Operational Funds	8,202	4,826	5,005
Restricted Funds	2,767	3,908	2,767	3,908
Christchurch Reserve	3,329	6,804	3,329	6,804
Total Cash and Cash Equivalents	14,298	15,538	11,101	12,901

Note 8: Trade and other Receivables

	New Zealand Red Cross Group		New Zealand Red Cross Incorporated	
	2018	2017	2018	2017
	Trade Receivables from exchange transactions	1,355	1,442	1,354
Accrued interest and dividends	45	70	45	70
Other receivables and accruals from exchange transactions	321	70	321	70
Receivables from exchange transactions	1,722	1,582	1,720	1,574
Other receivables and accruals from non-exchange transactions	1,147	3,305	1,147	3,305
Total Trade and Other Receivables	2,868	4,887	2,867	4,879

Ageing Profile of Trade Receivables

Current	1,104	1,104	1,103	1,096
Greater than 30 days	64	57	64	57
Greater than 60 days	39	80	39	80
Greater than 90 days	148	201	148	201
Total Trade Receivables Ageing	1,355	1,442	1,354	1,434

NEW ZEALAND RED CROSS INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

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in thousands of dollars

Note 9: Property, Plant and Equipment

Land and Buildings legal title is in the name of New Zealand Red Cross. Land and buildings are measured at fair value. Fair value is determined on a rolling cyclical basis with valuations prepared by independent registered valuers. Recent acquisitions and improvements are carried at cost less accumulated depreciation.

Revaluation increases arising on the revaluation of land and buildings are credited to the asset revaluation reserve, except to the extent that they reverse a revaluation decrease for the same asset previously recognised as an expense, in which case the increase is credited to the Statement of Comprehensive Revenue and Expense to the extent of the decrease previously charged.

A decrease in carrying amount arising on the revaluation of land and buildings is recognised as an expense in the Statement of Comprehensive Revenue and Expense to the extent that it exceeds the balance, if any, held in the asset revaluation reserve relating to previous revaluation of that class of asset.

All other property, plant and equipment is recorded at cost less accumulated depreciation and any accumulated impairment losses. Land is not depreciated.

Balances in Property, Plant and Equipment represents balances for the New Zealand Red Cross Group.

Depreciation is charged using the following estimated useful lives (rates) on

Asset Class	Depreciation Rate
Buildings	2.00%
Computer Hardware	33.30%
Equipment	20.00%
Furniture and Fittings	10.00%
Motor Vehicles	10.0 to 20.0%

New Zealand Red Cross Group

	Land & Buildings	Equipment	Computer Hardware	Furniture & Fittings	Motor Vehicles	Total
Cost or Valuation						
Balance at 1 July 2016	19,668	3,443	2,333	2,755	5,632	33,831
Additions	642	219	127	66	679	1,733
Write offs and disposals	(309)	-	-	-	(247)	(556)
Reversal of depreciation on revaluation	-	-	-	-	-	-
Revaluation	3,940	-	-	-	-	3,940
Balance at 30 June 2017	23,941	3,662	2,460	2,821	6,064	38,948
Balance at 1 July 2017	23,941	3,662	2,460	2,821	6,064	38,948
Additions	1,023	155	99	360	502	2,139
Write offs, disposals and adjustments	(724)	8	(2)	(42)	(312)	(1,072)
Revaluation	839	-	-	-	-	839
Balance at 30 June 2018	25,080	3,825	2,557	3,139	6,254	40,854
Accumulated depreciation and impairment losses						
Balance at 1 July 2016	418	2,940	2,094	1,731	3,607	10,790
Depreciation expense	246	289	211	206	583	1,535
Write offs, disposals and adjustments	(9)	(4)	-	1	(213)	(225)
Balance at 30 June 2017	655	3,225	2,305	1,938	3,977	12,100
Balance at 1 July 2017	655	3,225	2,305	1,938	3,977	12,100
Opening adjustment	(215)	-	-	-	-	(215)
Depreciation expense	299	194	180	213	593	1,479
Write offs, disposals and adjustments	(442)	(3)	(84)	(36)	(306)	(871)
Balance at 30 June 2018	297	3,416	2,401	2,115	4,264	12,493
Carrying Amounts						
At 30 June 2017	23,286	437	155	883	2,087	26,847
At 30 June 2018	24,782	409	156	1,024	1,990	28,362

The fair value of land and buildings is based on rolling cyclical valuations. The most recent valuation was carried out at 30 June 2018 by registered valuers and advisors, who are members of the Property Institute of New Zealand. The valuation, which conforms to New Zealand Valuation Standards, was arrived at in reference to market evidence of transaction prices and market rental yields for similar properties.

NEW ZEALAND RED CROSS INCORPORATED

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Note 10: Intangible Assets

Intangible assets comprise acquired computer software and internally developed computer software which is recorded at cost less accumulated amortisation and any accumulated impairment losses.

Amortisation is charged on a straight line basis over the estimated useful life of the computer software as follows:

Acquired computer software	3 to 5 years (20-33%)
Internally developed computer software	3 to 5 years (20-33%)

Impairment of Assets

At each balance date, the carrying amounts of tangible and intangible assets are reviewed 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).

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have been adjusted.

New Zealand Red Cross Group

	Acquired Software	Internally Generated Software	Projects work in progress	Total
Cost				
Balance at 1 July 2016	1,750	334	134	2,218
Additions	-	176	216	392
Write offs and disposals	-	214	(245)	(31)
Balance at 30 June 2017	1,750	724	105	2,579
Balance at 1 July 2017	1,750	724	105	2,579
Additions	-	45	403	448
Balance at 30 June 2018	1,750	769	508	3,027
Accumulated amortisation and impairment losses				
Balance at 1 July 2016	1,643	17	-	1,660
Depreciation expense	14	165	-	179
Write offs and disposals	-	-	-	-
Balance at 30 June 2017	1,657	182	-	1,839
Balance at 1 July 2017	1,657	182	-	1,839
Depreciation expense	14	184	-	198
Adjustment between asset classes	73	47	-	120
Balance at 30 June 2018	1,744	413	-	2,157
Carrying Amounts				
At 30 June 2017	93	542	105	740
At 30 June 2018	6	356	508	870

Note 11: Property held for sale

Property previously held to generate income but identified as available for sale, and is no longer required, is classified as property held for sale. This classification is used where the carrying amount of the property will be recovered through sale, the property is available for immediate sale in its present condition and the sale is highly probable.

Property held for sale is recorded at the lower of the carrying amount and fair value less costs to sell. From the time a property is classified as held for sale, depreciation is no longer charged on the improvements.

	New Zealand Red Cross <u>Group</u>		New Zealand Red Cross <u>Incorporated</u>	
	2018	2017	2018	2017
Property held for sale	-	298	-	298

At balance date, where New Zealand Red Cross has identified certain property that will be sold in the next twelve months, such properties are reclassified from property, plant and equipment to property held for sale. Properties held for sale are valued under PBE IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. As at 30 June 2018 New Zealand Red Cross has not identified any properties held for sale in the next twelve months. (2017: \$297,579)

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Note 12: Non-Cancellable Operating Leases

Leases are classified as operating leases because the lessor retains substantially the risk and rewards of ownership of the assets. Operating lease payments are recognised as an expense on a straight-line basis over the lease term. New Zealand Red Cross had no leases exceeding five years on 30 June 2018.

	New Zealand Red Cross		New Zealand Red Cross	
	<u>Group</u>		<u>Incorporated</u>	
	2018	2017	2018	2017
Non-cancellable operating leases represented by:				
Less than one year	2,124	2,011	2,124	2,011
Between one and five years	1,275	1,354	1,275	1,354
Total Non-Cancellable Operating Leases	3,399	3,365	3,399	3,365

Note 13: Capital Commitments

There was a total of \$310,209 in capital commitments for future capital expenditure resulting from contracts

Note 14: Trade and Other Payables

Trade and other payables are recognised when an obligation to make future payments resulting from the purchase of goods and services exists. They are recorded at their face value or amortised cost.

	New Zealand Red Cross		New Zealand Red Cross	
	<u>Group</u>		<u>Incorporated</u>	
	2018	2017	2018	2017
Trade and other payables represented by:				
Trade payables from exchange transactions	1,718	1,705	1,658	1,648
Other payables and accruals	639	395	639	395
Total Trade and Other Payables	2,357	2,100	2,297	2,043

Provisions are recognised when it is probable that a present obligation, as a result of a past event, where the future outflow of resources can be measured reliably. The amount recognised as a provision is the best estimate of the amount required to settle the present obligation at balance date, taking into account the risks and uncertainties surrounding the obligation.

Note 15: Employee Entitlements

Employee Entitlements are short-term employee benefit liabilities that are recognised when a legal or constructive obligation to remunerate employees for services provided within 12 months of reporting date. They are measured at their nominal values using the remuneration rate expected to apply at the time of settlement. These include salaries and wages accrued up to balance date, annual leave earned but not yet taken at balance date, and other leave entitlements expected to be settled within 12 months.

	New Zealand Red Cross		New Zealand Red Cross	
	<u>Group</u>		<u>Incorporated</u>	
	2018	2017	2018	2017
Current employee entitlements represented by:				
Salaries and wages	817	820	817	820
Annual leave	914	969	914	969
Total Employee Entitlements	1,731	1,789	1,731	1,789

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Note 16: Reconciliation of net surplus/(deficit) to net cash flow from operating activities

	New Zealand Red Cross <u>Group</u>		New Zealand Red Cross <u>Incorporated</u>	
	2018	2017	2018	2017
Net Surplus/ (Deficit)	855	1,673	(1,622)	(837)
Add/(deduct) Non cash items				
Depreciation & Amortisation	1,677	1,561	1,677	1,561
Net (gain)/loss on financial instruments (investments) at fair value through surplus or deficit	(4,799)	(2,068)	-	-
Net loss on financial instruments (foreign currency hedges) at fair value through surplus or deficit	634	(330)	-	-
Reinvestment of Dividends	(111)	(1,360)	-	-
Prior year adjustment (Chch reserve)	-	(256)	-	(256)
Add/(deduct) movements in working capital items				
(Increase)/decrease in receivables (from exchange transactions)	(59)	4	(67)	(6)
Increase in receivables (from non-exchange transactions)	2,199	(2,950)	2,199	(2,950)
Financial assets at fair value through surplus or deficit	(40)	(94)	(40)	(94)
Increase in inventories	78	(74)	78	(74)
(Increase)/decrease in prepayments	88	(413)	88	(413)
Increase in trade and other payables (from exchange transactions)	307	117	42	115
Decrease in income received in advance	197	(132)	197	(132)
Increase in employee entitlements	(58)	336	(58)	336
Decrease in provisions	(3)	(6)	(3)	(6)
Increase in other reserves	-	36	-	36
	965	(3,956)	2,491	(2,720)

Consolidated Statement of Cash Flows

For the purpose of the Consolidated Statement of Cash Flows, cash includes cash and cash equivalents on hand as well as cash held with banking institutions and any cash held with custodians.

Operating activities are the principal revenue producing activities and other activities that are not investing activities.

Investing activities are the acquisition and disposal of investments, property, plant and equipment and intangibles.

Financing activities are cash inflows and outflows associated with obtaining or repaying financing for instance dividends and interest.

NEW ZEALAND RED CROSS INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

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Note 17: Related Parties

New Zealand Red Cross is a member of the International Federation of Red Cross Societies (IFRC), and supports the work of the International Committee of Red Cross (ICRC).

Each year New Zealand Red Cross pays a statutory levy to IFRC based on the amount of unrestricted funds held and distributed per year. The levy paid to IFRC was \$332,710 (2017: \$308,686).

In addition, New Zealand Red Cross makes voluntary contributions towards the financing of various ICRC projects and initiatives. The annual contribution to ICRC for 2018 was \$187,537 (2017: \$148,968).

International disbursements to related parties	New Zealand Red Cross <u>Group</u>		New Zealand Red Cross <u>Incorporated</u>	
	2018	2017	2018	2017
International Disbursements				
Democratic Peoples Republic of Korea Red Cross Society	-	20	-	20
Timor-Leste Red Cross Society	150	251	150	251
Pacific National Red Cross Societies				
Cook Islands Red Cross Society	65	74	65	74
Kiribati Red Cross Society	40	40	40	40
Tonga Red Cross Society	40	64	40	64
Tuvalu Red Cross Society	40	41	40	41
Vanuatu Red Cross Society	40	40	40	40
Total International Disbursements	375	530	375	530

These disbursements have been funded by donations from New Zealand Red Cross regular givers and other public donations. This is exclusive of Special Appeals.

Related party transactions through Special Appeals	New Zealand Red Cross <u>Group</u>		New Zealand Red Cross <u>Incorporated</u>	
	2018	2017	2018	2017
International Disbursements				
IFRC - Horn of Africa, Myanmar, Syria, South Asia, Haiti etc.	258	10	258	10
ICRC - Syria and Mediterranean Refugee Crisis	-	237	-	237
Italy Red Cross Society	-	26	-	26
Pacific National Red Cross Societies				
Fiji Red Cross Society	206	5	206	5
IFRC - Tropical Cyclones Pam and Winston	392	322	392	322
Samoa Red Cross Society	21	3	21	3
Vanuatu Red Cross Society	42	145	42	145
Solomon Islands Red Cross Society	6	-	6	-
Total disbursements through Special Appeals	925	748	925	748

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Note 17: Related Parties (continued)

Key Management Staff

Total remuneration received by the Executive Leadership Team (comprising the Secretary General and six direct reports) was \$1,139,103 (2017: \$847,242 (comprising the Secretary General and four direct reports)).

National Board members receive no remuneration for their governance services.

The number of staff having a remuneration package of more than \$100,000 per year within New Zealand Red Cross were as follows:

Salary Bands	2018	2017
\$100-125,000	7	8
\$126-150,000	6	3
\$151-175,000	1	1
\$176-200,000	-	1
>\$200,000	2	1
Total	Total 16	14

Note 18: Contingent Liabilities

There are no contingent liabilities at balance date (2017: Nil).

Note 19: Capital Management

New Zealand Red Cross group manages its capital to ensure that it continues as a going concern while maximising the return from its investments. The Red Cross Foundation (The Foundation) manages all capital and reserves on behalf of New Zealand Red Cross group and contributes an annual grant to New Zealand Red Cross Incorporated, the “controlling entity.”

The Foundation’s capital base comprises accumulated funds and capital reserves, which represent long term liabilities owing to New Zealand Red Cross Incorporated.

Trustees of The Foundation have recommended to the Board and the Board has approved a “Statement of Investment Policy and Objectives” (SIPO), which establishes investment portfolio objectives and targets asset allocations. Performance against these targets is reviewed annually by the Trustees and recommended changes to particular asset allocations are undertaken as required.

NEW ZEALAND RED CROSS INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

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Note 20: Investments in Foreign Exchange Contracts

	New Zealand Red Cross Group		New Zealand Red Cross Incorporated	
	2018	2017	2018	2017
Red Cross Foundation Legacy Deposits			5,512	5,172
Red Cross Foundation Investments			18,300	16,643
Current assets		255		
Non-current assets	49,621	45,260		
Current liabilities	(263)	-		
Total Investments and Foreign Exchange Contracts	49,358	45,515	23,812	21,815
<i>Investments and Foreign Exchange Contracts comprise:</i>				
Foreign Exchange	(263)	255		
Global Fixed Interest	6,151	5,317		
New Zealand Fixed Interest Long Term	12,586	11,349		
Total fixed Interest Securities	18,474	16,921		
Global Shares	16,292	16,183		
Global Property	2,414	1,676		
Global Infrastructure	2,411	1,836		
Private Equity	1,127	2,231		
Transtasman Shares	8,640	6,668		
Total Equities	30,884	28,594		
Total Investments and derivatives	49,358	45,515	23,812	21,815

	New Zealand Red Cross Group	
	2018	2017
Fair value movements in investments		
Unrealised gains on Investments	3,494	3,567
Unrealised gains/(losses) on Foreign Exchange Contracts	(518)	17
Realised Investment gains	1,189	(1,186)
Total Fair Value Movement in Investments	4,165	2,398

The Foundation investments are measured at fair value which is derived from external quoted prices based upon the market exit price for the investment. Net unrealised gains and losses from hedging are recognised in The Foundation's Statement of Comprehensive Revenue and Expense along with net unrealised gains and losses on financial instruments at fair value.

	New Zealand Red Cross Incorporated	
	2018	2017
Red Cross Foundation Deposits		
Opening deposits	21,815	21,642
Withdrawals during the year	(95)	(9)
Deposits during the year	2,092	182
Closing Red Cross Foundation Deposits	23,812	21,815

In response to a changing investment environment, the Trustees of New Zealand Red Cross and The Foundation review its investment management policies and processes periodically. The decisions of the Trustees have been documented in the Groups' Statement of Investment Policy and Objectives (SIPO) dated February 2015.

Legacy deposits held within The Foundation earned interest at rates ranging from 3.21% to 3.30% (2017: 3.13m).

In addition to the interest paid to branches of the Society, The Foundation made an annual operating grant of \$1.92m as well as an additional one off grant of \$0.4m to New Zealand Red Cross Incorporated, (2017: \$1.8m) that was authorised by The Foundations' Trustees.

NEW ZEALAND RED CROSS INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

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Note 21: Financial Instruments

(a) Significant Accounting Policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition and the basis of measurement applied in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 2 of the consolidated financial statements.

The Group manages its exposure to foreign currency fluctuations in foreign denominated investments by the use of derivative financial instruments and in accordance with investment parameters set out in the Group's Statement of Investment Policies and Objectives (SIPO) as follows:

1. Currency exposure to global bonds is to be 100% hedged to the NZ dollar.
2. Risk is assessed on an on-going basis and forward exchange contracts are taken up from time to time as deemed appropriate by the Trustees' assessment of the prevailing risks relative to the expected returns. Overall currency exposure for all offshore equities to be 50% hedged to the NZ dollar unless otherwise agreed by the Trustees.

Financial liabilities that are measured at fair value through surplus or deficit, are shown separately as follows: (i) those designated as such upon initial recognition and (ii) those classified as held-for-trading. All other financial liabilities are measured at amortised cost using the effective interest method.

Estimation of fair values

PBE IPSAS 30 Financial Instruments: Disclosures, requires the Foundation to measure and disclose fair values using the following fair value hierarchy as follows:

Level 1 - quoted prices (unadjusted) in active markets for identical assets and liabilities;

Level 2 - inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and

Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Measurement of fair value of financial instruments classified as Level 2

Financial instruments classified as being Level 2 include forward foreign currency contracts and holdings in third party funds. This is in accordance with the recommendations of the Financial Markets Authority (FMA) in their review for Financial Reporting requirements for KiwiSaver 2014.

Third party funds

The portfolio's holdings in third party funds are valued at the price independently quoted by the third party manager.

Foreign currency forward contracts

The portfolio's foreign currency forward contracts are not traded in active markets. These have been fair valued using observable currency rates at the reporting date.

There were no transfers between Level 1 and Level 2 in 2018 or 2017, and there were no financial instruments classified as Level 3.

NEW ZEALAND RED CROSS INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

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Note 21A. Classification and fair value of financial instruments

Financial instruments include financial assets (cash, receivables, loans and investments) and financial liabilities (payables, provisions and unexpended special appeals).

Financial assets and financial liabilities at fair value through surplus or deficit are measured initially at fair value including transactions costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Subsequent to initial recognition, all financial instruments at fair value through surplus or deficit are measured at fair value with changes in their fair value recognised in the Consolidated Statement of Comprehensive Revenue and Expense, resulting in transaction costs being reflected in the movement in fair value for the period.

Financial assets are classified into the following specified categories:

- Financial assets at fair value through surplus or deficit showing (i) those designated as such upon initial recognition, and (ii) those classified as held-for-trading;
- Held to maturity investments;
- Loans and receivables; and
- Available for sale financial assets.

The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Derivatives are classified as held for trading and are recorded at fair value with any subsequent changes in fair value recognised in the Consolidated Statement of Comprehensive Revenue and Expense.

Receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, loans and receivables are measured at amortised cost, using the effective interest method less any impairment.

New Zealand Red Cross Group

30 June 2017

Financial Assets

Cash and cash equivalents

Receivables

Investments at Fair value

Derivative financial assets

Financial Liabilities

Accrued expenditure and other payables

Total Financial Instruments

Carrying Amount (\$'000)					
Financial Assets			Financial Liabilities		Total
Fair value through surplus / (deficit)	Held to maturity	Loans and receivables	Liabilities at amortised cost		
-	-	15,538	-	-	15,538
-	-	4,887	-	-	4,887
45,260	-	-	-	-	45,260
255	-	-	-	-	255
-	-	-	(57)	(57)	
45,515	-	20,425	(57)	(57)	65,883

Fair Value (\$'000)			
Hierarchy			Total
Level 1	Level 2	Level 3	
-	-	-	-
-	-	-	-
4,300	40,960	-	45,260
-	255	-	255
-	-	-	-
4,300	41,215	-	45,515

30 June 2018

Financial Assets

Cash and cash equivalents

Receivables

Investments at Fair value

Financial Liabilities

Accrued expenditure and other payables

Derivative financial liabilities

Total Financial Instruments

Carrying Amount (\$'000)					
Financial Assets			Financial Liabilities		Total
Fair value through surplus / (deficit)	Held to maturity	Loans and receivables	Liabilities at amortised cost		
-	-	14,298	-	-	14,298
-	-	2,867	-	-	2,867
49,621	-	-	-	-	49,621
(263)	-	-	-	(263)	
-	-	-	(61)	(61)	
49,358	-	17,165	(61)	(61)	66,462

Fair Value (\$'000)			
Hierarchy			Total
Level 1	Level 2	Level 3	
-	-	-	-
-	-	-	-
2,181	47,178	-	49,359
-	-	-	-
-	-	-	-
2,181	47,178	-	49,359

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Note 21A. Classification and fair value of financial instruments (Continued)

30 June 2017

Financial Assets

Cash and cash equivalents	-	-	12,901	-	12,901
Receivables	-	-	4,879	-	4,879
Investments at Cost	-	21,815	-	-	21,815
Derivative financial assets	-	-	-	-	-
Total Financial Instruments	-	21,815	17,780	-	39,595

Carrying Amount (\$'000)				
Fair value through surplus / (deficit)	Financial Assets		Financial Liabilities	Total
	Held to maturity	Loans and receivables	Liabilities at amortised cost	
-	-	12,901	-	12,901
-	-	4,879	-	4,879
-	21,815	-	-	21,815
-	-	-	-	-
-	21,815	17,780	-	39,595

Fair Value (\$'000)			
Hierarchy			Total
Level 1	Level 2	Level 3	
-	-	-	-
-	-	-	-
21,815	-	-	21,815
-	-	-	-
21,815	-	-	21,815

30 June 2018

Financial Assets

Cash and cash equivalents	-	-	11,101	-	11,101
Receivables	-	-	2,867	-	2,867
Investments at Cost	-	23,811	-	-	23,811
Total Financial Instruments	-	23,811	13,968	-	37,779

Carrying Amount (\$'000)				
Fair value through surplus / (deficit)	Financial Assets		Financial Liabilities	Total
	Held to maturity	Loans and receivables	Liabilities at amortised cost	
-	-	11,101	-	11,101
-	-	2,867	-	2,867
-	23,811	-	-	23,811
-	-	-	-	-
-	23,811	13,968	-	37,779

Fair Value (\$'000)			
Hierarchy			Total
Level 1	Level 2	Level 3	
-	-	-	-
-	-	-	-
23,811	-	-	23,811
-	-	-	-
23,811	-	-	23,811

NEW ZEALAND RED CROSS INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

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Note 21B: Financial Instrument Risks and Sensitivity Analysis

The New Zealand Red Cross Group's activities expose them to a variety of financial instrument risks, including liquidity risk, interest rate risk and other market risks. The organisation has implemented a series of policies to manage the risks associated with financial instruments, in order to minimise their exposure. New Zealand Red Cross Incorporated is not exposed to financial instrument risk in respect of financial assets and financial liabilities. Specific policies are as follows:

Liquidity Risk

Liquidity risk is the risk that the New Zealand Red Cross Group will encounter difficulty raising liquid funds to meet commitments as they fall due.

In meeting its liquidity requirements, the group maintains an appropriate level of cash available, held with Registered Banks in New Zealand in order to meet all operating commitments as they fall due. Further, the New Zealand Red Cross Group's investments are sufficiently liquid with an open and active market available to realise these investments in cash if required, with the exception of investments in Private Equity funds where investments are locked in until the Manager sells the underlying investments, or a buyer can be found on the secondary market.

Interest Rate Risk

The New Zealand Red Cross Group is exposed to interest rate risk in respect of its fixed interest rate financial assets and financial liabilities. Interest rate risk is managed through SIPO. At times the Trustees invest a proportion of the New Zealand Fixed Interest in a Short Term Duration Fund in order to minimise the adverse effect of rising interest rates.

	Group	
Financial assets at fair value:	2018	2017
Amount of directly held fixed interest exposed to interest rate risk	2,181	2,072
Interest rate + 1.00%	(234)	(209)
Interest rate - 1.00%	234	209

Sensitivity analysis of non-directly held fixed interest investments within products is captured in the note below, relating to "other market risk" sensitivity.

Credit Risk

Credit risk is the risk that a counterparty will default on its contractual obligations resulting in financial loss to the New Zealand Red Cross Group. The maximum exposure to credit risk is considered to be the carrying value of the financial assets. Credit risk is mitigated through the operation of the SIPO that ensures that the New Zealand Red Cross Group only deals with counterparties with sufficient credit worthiness and the exposure to any one counterparty is limited.

NEW ZEALAND RED CROSS INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

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Note 21B: Financial Instrument Risks and Sensitivity Analysis (Continued)

	% Held	Group	
		2018	2017
AAA to A-	87%	19,074	16,656
BBB+ to BBB	9%	1,866	1,850
BB+ to CCC	3%	720	654
Not Rated	1%	277	144
Total Financial Assets and Cash	100%	21,937	19,304

Foreign Currency Risk

The New Zealand Red Cross Group is exposed to foreign currency risk in respect of its financial assets and liabilities. As a result of its investments being traded in different currencies, the group's balance sheet is subject to movements in exchange rates.

Risk is assessed on an on-going basis and forward exchange contracts are taken up from time to time as deemed appropriate by the trustees assessment of the prevailing risks relative to the expected returns. As at 30 June 2018 approximately 50% (2017: 50%) of global equities exposure was hedged back to New Zealand Dollars.

The holdings in foreign currency denominated investments at the reporting date are shown below:

	Group	
	2018	2017
Carrying amount exposed to currency risk (net of hedges)	8,336	7,693
FX +10%	(758)	(699)
FX -10%	926	855

Other Market risk

Other market price risk represents the risk that the value of a financial instrument will fluctuate because of changes in market prices other than interest rates and foreign currency rates.

Other market risk sensitivity analysis

The analysis below shows the effect on profit or loss and equity that would result in reasonable changes in market fluctuations where a fund has invested in managed investment funds or directly in equity securities. Market risk is managed through diversification, by investing in multiple asset classes, with bond and equity exposure covering numerous countries, sectors and securities.

Financial assets at fair value through surplus or deficit

	Group	
	2018	2017
Amount exposed to market risk	49,103	44,495
Market -10%	(4,910)	(4,450)
Market +10%	4,910	4,450

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

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Note 22: Adoption Status of Relevant International Public Sector Accounting Standards (IPSAS)

Standards, Exposure drafts and Interpretations on issue not yet adopted - Public Benefit Entities (PBEs)

PBE FRS 48 Service Performance Reporting was issued in November 2017 and establishes a requirement for PBE's to select and present service performance information. The effective date of the standard is 1 January 2021.

PBE IFRS 9 Financial Instruments replaces most of the requirements for PBE IPSAS 29 and is effective from 1 January 2021.

Exposure draft 64 on leases has closed for comment on 30 June 2018. ED 64 proposes a single right-of-use model for lease accounting that will replace the risks and rewards incidental to ownership model in IPSAS 13, Leases.

Note 23: Events after Balance Date

Bequests of \$0.75m were received after 30 June 2018, which have been recognised as revenue with a corresponding receivable for the year ended 30 June 2018 (2017: \$2.95m).