

Annual Report 2017-18

SAVING LIVES It's in our blood.

NGĀ KAI OROTO

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Tania and Mareko Ratu

My family give thanks to the many, anonymous donors who helped my son to live.

My son Mareko was diagnosed with neuroblastoma at just five days old. As a newborn, he underwent five sessions of chemotherapy and a number of blood transfusions. He was so tiny and already going through so much, it was terrifying but he was a tough little thing.

The chemotherapy targeted a tumour that was invading Mareko's liver and although he had spent less than two weeks in the world, doctors compared his liver function to that of a 70 year-old alcoholic. The damage was so severe that it caused a form of jaundice and the only way to treat this was by blood transfusion. If the blood had not been available, it would honestly have been the difference between life and death for him as there is no synthetic substitute for blood.

Something we learned early on about our son is that he is

a fighter. His body fought so hard against the cancer that at three months old, he was officially in remission, which was an incredible relief but at the same time, his fight wasn't over. Unfortunately, the port site for Mareko's chemotherapy treatment kept getting infected, which meant that he needed further treatment with antibiotics and a number of additional blood transfusions.

After just six months of life, my tiny baby had endured a total of five chemotherapy sessions and a staggering 35 blood transfusions before I could bring him home from the hospital. It's hard to believe, looking at my happy, healthy, adventurous 10-year-old that he went through all of this when he was born but he has been a fighter since day one.

Although he doesn't remember the treatment, the cancer will

affect him for the rest of his life. He still requires ongoing oncologist appointments, ultrasounds and heart checks, he'll never be able to drink alcohol and he has permanent partial hearing loss as a result of his treatment but Mareko marches on. He has adopted all things 'survival' as a hobby and a minor obsession with the well-known adventurer, Bear Grylls. He has built his own survival shelter in a gully at the back of the house, which he spends a lot of time in.

My family and I are incredibly grateful for everyone who donates. I wish I knew who the donors were who helped save my son, I am forever in their debt. I am now a regular blood donor myself and I regularly remind friends and family to donate too, a donation is the gift of life for someone in need.

TIROHANGA WHAKAMURI

The Year in Review

Blood donors across New Zealand donated **172,666** times this year which helped over **28,500** people. It has been a busy year for NZBS.

Plasma continued to be a critical component of our activity and we now have 10,195 regular plasma donors. Thawed Fresh Frozen Plasma (FFP) is used in trauma situations as part of the Massive Transfusion Protocols (MTP), with the aim of achieving a 1:1 ratio of red cells to plasma during initial treatment. Time spent thawing FFP can delay the availability of plasma to those in need, so in order to improve availability and control expiry, we have worked to be able to extend the shelf life of thawed plasma from 24 hours to five days (120 hours).

We have established the capability to process Haematopoietic Progenitor Cells (HPC) at our Wellington laboratory – cells from which other specific cells originate or ‘ancestor cells’. This supplements the growing national HPC programme and allows us to better support the Central Region’s cancer and cell therapy programmes.

We continue to invest in new technologies to improve productivity and ensure ongoing adherence to the highest safety standards. This year, we launched eTraceline, a specialised system which supports the operation of all hospital blood banks in the country. eTraceline allows NZBS to track testing of blood samples from patients and issue appropriate blood products for transfusion to patients and for other uses. Our vein-to-vein structure means that we can track blood from donor to recipient. We are focused on the

safety of all the blood products we manufacture and any new systems are equally focused on this goal. Almost as soon as eTraceline launched, we began seeing the benefits and aids to safety. Safety is our cornerstone and underpins everything that we do.

In February, we launched Team Red – our new group donation programme which replaced Partners for Life. Team Red gives people the opportunity to get together with their friends and colleagues and donate blood to those in need. This campaign has not only helped us grow our donor numbers but discover inspirational stories from people who donate, like Hayley and Allan Mundy. They lost their son Harrison last year to a rare bone disease and this year, alongside friends and family they visited Tauranga Blood Centre to mark the anniversary and turn their sadness into something positive. Stories like theirs are just one of the many reasons that NZBS staff look forward to coming to work every day, we can and do make a difference to the lives of our fellow New Zealanders and that is something we will always be proud of.

As a high-performing organisation continually striving to improve, we felt that it was important to think about futureproofing ourselves. We identified the potential challenges we could encounter and identified that our internal structure needed to be realigned to redefine organisational functions and objectives. The Executive team

was restructured, with three new roles created. This year we have looked at the management roles within each of these new Directors’ divisions and implemented new structures. By doing this, we have reduced duplication of roles, streamlined reporting lines and improved the opportunity for consistency of processes. We feel that our new structure better meets our needs now and for the future, and will ensure that we can continue to evolve as an organisation to continue to be the leading “little” blood service in the world. We will also continue to honour our commitment to provide high-quality blood and blood products, when and where needed, for the people of New Zealand.

As always, thank you to our wonderful staff, to the dedicated hospital teams and to our amazing donors – truly the lifeblood of our organisation, for contributing to another fabulous year for NZBS.



David Chamberlain
Board Chairman



Sam Cliffe
Chief Executive

New Zealand Blood Service in Numbers

604
staff in total



OUR
YOUNGEST
DONOR
was born in
2002, our
oldest in 1942



836 MOBILE
BLOOD
DRIVES
in 2017/18



107,210
ACTIVE DONORS
as at 30 June 2018



Founded in 1998

9 DONOR
CENTRES
IN NEW ZEALAND



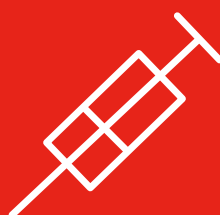
The only blood
service in
New Zealand,

collecting all of the blood
donations Kiwis use in
hospitals each year.



111,588
whole blood units collected in 2017/18

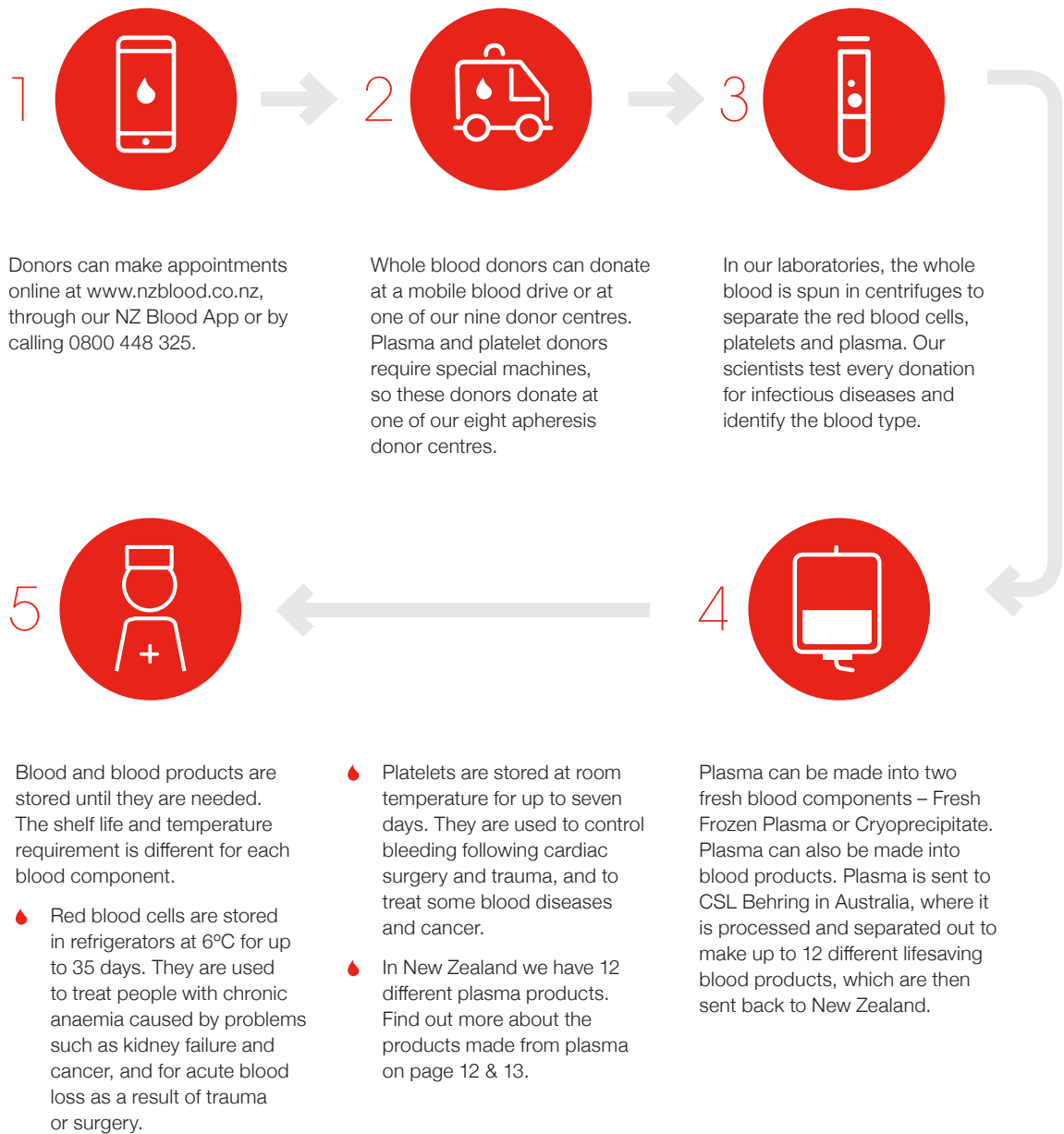
3,320
average number of
DONATIONS per week



4
PROCESSING
SITES

MAHERE HEI KAIORA TANGATA

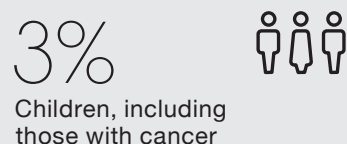
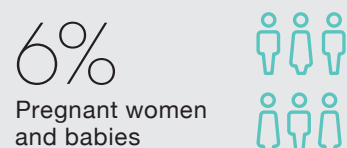
How to save a life



KO WAI E HIAHIA TŌKU TOTO?

Who needs my blood?

Whether you give whole blood, plasma or platelets, your donation saves and improves the lives of people across New Zealand.



Can I Donate?

If you are 16-65 years old, in good health, and weigh over 50kg, you may be able to give blood.

Before booking your appointment, take a look at some of the most common reasons why you might not be able to donate:



You have a cold, flu, sore throat, cold sore, stomach bug or any other infection.



You have had a tattoo or body piercing in the last 6 months.



You have recently visited the dentist.



Your lifestyle or behaviour puts you at an increased risk of coming into contact with major blood borne infections such as HIV or hepatitis C infection.



You lived in the United Kingdom, France or the Republic of Ireland for a total of 6 months or more between 1980 and 1996, or received a blood transfusion in ANY of these countries since 1980.

Eligibility criteria are subject to change. For additional eligibility criteria, visit our website: www.nzblood.co.nz

Clinical Update

The NZBS Clinical Team, led by Dr Peter Flanagan, focuses on ensuring that the right blood product is provided to the right patient at the right time.

To do this, the team work closely with doctors and nurses in the hospitals around New Zealand and provide a range of clinical support systems to ensure easy access to relevant clinical information. In addition, the team is responsible for ensuring that the NZBS blood component portfolio is updated in line with international practice.

Two major changes have been implemented during the last year. The first involved an extension to the shelf life of thawed Fresh Frozen Plasma (FFP). This is used in the management of patients with major trauma and massive haemorrhage. Extending the shelf life of the thawed component to five days will improve accessibility and avoid unnecessary expiry of the component. The second change involves the development of a frozen platelet component (cryopreserved platelets). Initially this component will be used in a clinical study to evaluate the relative benefit of the frozen component against the current standard liquid component. The ability to freeze platelets will also provide additional opportunities for patients who do not respond to standard platelets because of the presence of antibodies and potentially will support storage at smaller hospitals with only occasional need for platelet transfusion. This will improve access and avoid unnecessary expiry.



Another Perspective

Haemophilia is a mostly-inherited genetic disorder that impairs the body's ability to make blood clots, which is a process needed to stop bleeding. When blood can't clot properly, excessive bleeding (both internal and external) occurs after any injury or damage.

Aged just 15 months, Mike Carnahan was admitted to Nelson Hospital after a fall.

"...fell on his face and had bleeding from the upper lip for several days. Bleeding continued and a transfusion was carried out with success on 10 April 1947 because of severe anaemia."

In the late 1940s, haemophilia was a very rare condition affecting just 1:5000 male births and predicting a life expectancy of barely 21 years. Life was usually cut short as a consequence of a prolonged internal bleeding episode. Being so young however, Mike was referred to specialists in Wellington who diagnosed him with haemophilia.

This was the era of no blood service but to this day, Mike recalls the blood transfusion process.

"I was set up with a 13 gauge needle inserted through a cut down along with a ligature to tie the vein off on completion. My father in the adjacent room was bled into a jug which was then simply poured through a glass funnel into a glass reservoir bottle, through somewhat thick rubber tubing and then into the vein."

Mike told us that his father William made it a condition of appointment for his apprentices

to be blood donors and received tremendous support from the community when blood was needed.

Mike continued to receive whole blood treatment throughout the 1950s until he was finally diagnosed with factor IX deficiency in 1957. Fresh frozen plasma appeared in 1963 and the first of the fractionated blood products in 1975. Despite all of this progress, in the early 1980s, it was discovered that HIV and hepatitis C (HCV) were being transmitted in fractionated blood products and many haemophiliacs were infected. This tragedy dramatically hastened the appearance of safer products, recombinants in 1993 and prophylaxis in 1998.

After 71 years of reliance on blood products, Mike has now moved from plasma-derived fractionated factor IX to recombinant products but remains forever grateful to the voluntary donors and organisations that have provided such wonderful service.

His great nephew also has severe haemophilia and has been on prophylaxis from birth. Now aged 14 he has had only one joint bleed, never missed a day of school and is able to participate in surfing and other sports.

Mike's incredible story illustrates the progress made in just one clinical speciality over his lifetime.



Mike as a young boy in 1953



Improving Donor Experience

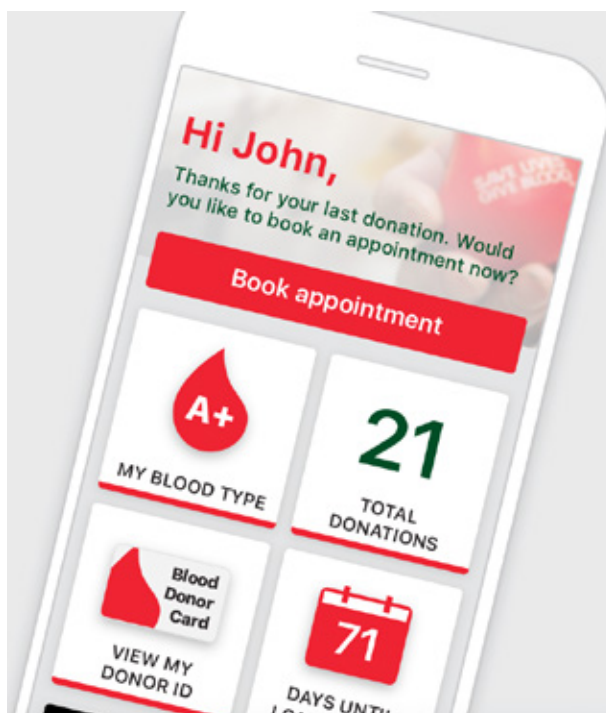
Our donors are at the heart of everything we do so we are keen to build on the 93% donor satisfaction rate that we currently have by improving donor experience at all stages. We are trialling a new process for our regular plasma donors to significantly reduce their wait times, we are also reviewing our opening hours including Saturdays and extended evening clinics. We are keen to review our refreshment areas from the layout of the rooms to the food and drink we provide.

We are reliant on the generosity and commitment of our donors to save lives, with less than 3% of the population being donors, our need to recruit and retain donors continues to be a key challenge for us.

NZ Blood App

Currently over 65,000 of our donors use our award-winning mobile app to book appointments, find a place nearby to donate, check donation history and even reschedule or cancel appointments. We also notify our donors when their blood has been used by someone in need.

This year we updated the app to include the following additional features:



Push locations

Save top 5 favourite donation locations and receive push notifications when drives are in their area.



Appointments made easy

Refreshed appointment booking screen to show timeslots of all appointment times even if there are zero spaces available as indication for times that donors can book at that site in the future.



Donate directly to Team Red groups

Aligned mobile app with website experience for Team Red so that donors can contribute their donations to a Team Red group or Challenge and see information about how many donations have been made and how many lives have been saved by the group.



Social sharing

Social media frames and filters to encourage people to share the notification that their blood was used or that they've just made an appointment to give blood to increase social media engagement and raise awareness.

Carol's Donor Story

Carol Hackshaw has been donating blood for over 50 years. She completed her first blood donation when she was working at the Post Office in Wellington. Working for a government department meant that she was given time off to donate blood, so Carol and her team would regularly head off to the hospital to give blood together. You could say that they were one of the first Team Red groups!

For all the changes that she has seen over the years, one thing has remained constant – the promise of a biscuit and cup of tea after every donation. Now living in Napier, Carol continues to donate whole blood when the mobile blood drive comes to town.



"Go ahead and do it", she says, "You never know when you might need blood yourself."



GIVE RED FOR NZ



Team Red Launch

In February 2018, we launched Team Red, our new group donation programme which replaced Partners for Life. Team Red gives people an incredible opportunity to get together with their friends and workmates to donate blood to those in need.

We make it easy for people to participate by offering a variety of ways for people to donate. In addition to booking appointments in the usual way, we offer a donor shuttle service where we pick teams up from their work and drop them back afterwards, and the option for on-site collection, where a team from New Zealand Blood Service would come to your organisation and set up in a suitable room to collect the donations on-site.

If you're interested in joining Team Red, please visit www.nzblood.co.nz/teamred/ for more information.

Liquid Gold

Plasma is used to treat people who have lost a lot of blood from accidents or other trauma, and patients who have severe bleeding during surgery.



It is also used to create up to 12 lifesaving blood products that help people with bleeding disorders or weakened immune systems. Over the last decade it has been a challenge to increase donations to meet a significant growth in demand for plasma. However, New Zealand Blood Service is now in a strong position.

With the combined effort of our donors and staff we have increased the number of plasma donors by 84% in the last five years. Our marketing and recruitment teams have worked hard to attract new donors and to encourage whole

blood donors to switch to plasma. In late 2015 we also began using a more precise measurement to calculate the amount of plasma each donor could give. This allowed us to collect slightly more plasma, on average, per donation.

Thank you to all donors and staff who have helped us to guarantee plasma products supplies for New Zealand patients.

As the demand for plasma continues to increase, NZBS is looking for another 2000 donors to become plasma donors at one of our eight donor centres.

... we have
increased the
number of
plasma donors by
84% in five years.

For more information about becoming a plasma donor, please visit:

[www.nzblood.co.nz/
give-blood/heart-of-gold](http://www.nzblood.co.nz/give-blood/heart-of-gold)

HAVE YOU GOT A HEART OF GOLD?

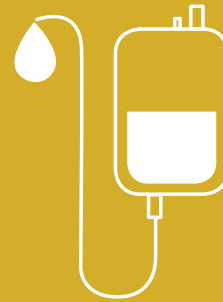
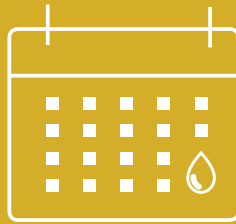


Plasma

also known as 'liquid gold', plasma is the gold coloured liquid part of blood that carries blood cells around the body

You can give plasma every

2 to 3
weeks



10,195
plasma donors
in 2017/18

58,441

units of plasma collected in 2017/18



90
minutes

total appointment time to
give plasma (approx.)

8

donor
centres

in New Zealand
where you can
donate plasma



Plasma

The liquid part of blood which contains all of the clotting, immune and other proteins. It is a very versatile source of blood proteins for manufacture of specialised blood components and products.

Fresh Frozen Plasma

Plasma that has been frozen and carefully thawed before use. It is used to replace clotting factors when a patient is bleeding after major surgery or a serious accident.

Cryoprecipitate

Plasma that has been specially treated to produce a concentrated dose of clotting factors. It is mostly used for treatment of trauma patients and during cardiac and transplant surgery.

How Plasma Saves Lives

Plasma is the liquid part of blood which contains clotting factors, immunoglobulins (antibodies) and proteins albumin and fibrinogen.

It is a very versatile source of blood proteins for manufacture of specialised blood components and products.

Fresh Frozen Plasma: plasma that has been frozen and carefully thawed before use. It is used to replace clotting factors when a patient is bleeding after major surgery or a serious accident.

Cryoprecipitate: plasma that has been specially treated to produce a concentrated dose of clotting factors. It is mostly used for treatment of trauma patients and during cardiac and transplant surgery.

Plasma products: New Zealand plasma is also used to create 12 other products, by CSL Behring at its plasma fractionation plant in Melbourne, Australia. Where necessary, these may be supplemented by imported commercial plasma products.



Albumex® 4

Can be used to treat shock due to blood loss, and in plasma exchange treatment, where plasma is removed from the blood and a plasma substitute returned in its place.



Albumex® 20

Given to critically ill patients with a very low level of albumin in the blood, or for resuscitation in shock due to acute loss of blood or plasma, in extensive burns, respiratory distress syndrome, and occasionally in haemodialysis (blood purification) and plasma exchange.



Rh(D) Immunoglobulin-VF (Anti-D)

Given to women after childbirth and sometimes during pregnancy where the baby's RhD blood type is, or may be, incompatible with the mother's blood type. The antibodies in Anti-D help prevent an immune response which could cause complications in their baby, and future babies. These complications vary from jaundice to serious anaemia or even death.



Hyperimmune Globulins

Provide temporary protection against a specific infection, such as chickenpox, tetanus or hepatitis B.



Intragam® P, Evogam®, and Privigen®

Used to treat some immune deficiencies by replacing antibodies and providing protection against many infections. They are also used to treat patients with overactive immune systems causing some autoimmune disorders.



Thrombotrol

Used before surgery or during pregnancy and childbirth in patients with an inherited deficiency of antithrombin III who might be at risk of blood clots.



Prothrombinex™-VF (Factors II, IX & X)

Used to prevent bleeding during emergency surgery and to treat acute bleeding in patients who use the anti-coagulant medicine warfarin.

Normal Immunoglobulin

Provides antibodies to help protect people against hepatitis A, measles and other viruses, for example, when travelling overseas to high risk areas, if active immunisation is not possible or not appropriate.



Biostate® (Factor VIII and von Willebrand Factor)

Contains factor VIII or von Willebrand factor, two proteins which are essential for normal blood clotting. It is used to replace factor VIII in some people with haemophilia A, and to provide von Willebrand factor for some people who have low levels or an abnormal form of this factor. The treatment is used to prevent bleeding during surgery or after injury.

What's happening in Technical Services?



eTraceline

Last year we reported about the implementation of eTraceline, the state-of-the-art software we were rolling out to our NZBS and DHB blood banks.

This software went live nationwide in September 2017. We are continuing to realise the full functionality and have a dedicated team to address emerging issues and to roll out the functionality. Our in-house expert, Kathy Clark, has continued to visit blood banks and attend regional meetings to ensure we understand customer needs and issues. We believe the roll-out has been well received.



Facility upgrades

We are working closely with Auckland District Health Board (DHB) to build an extension to our existing blood bank which supports Auckland City and Starship Hospitals.

This is a major piece of work to improve facilities and service to these hospitals. We expect to be in our expanded lab in December 2018. We are also investing in clean room facilities in our Wellington laboratory to enable HPC processing to take place locally. This will avoid these valuable cells being sent to Auckland for processing which will improve local clinical service.



Technology updates

Over the last year we have continued to upgrade our automated testing platforms in our Donation Accreditation departments at Auckland and Christchurch.

This year we installed Evolyser analysers which are used for haemolysin screening of blood donations and for malaria, Herpes zoster and tetanus screening. We are looking to update the analysers in our blood banks and are evaluating two platforms with a view to installing these in all six of NZBS blood banks in FY18/19. This will result in fully automated testing for blood grouping and antibody screening being available for the first time in our smaller blood banks.



Remote release of red cells

The NZBS Blood Bank at Auckland City Hospital provides transfusion support for surgery to several private hospitals in the Auckland area.

There have been some instances where the provision of blood components to the private hospital has been unacceptably delayed due to gridlocked traffic. We have now developed a system for the secure electronic remote release of red cells to patients at MercyAscot Private Hospital. This system

requires a blood refrigerator with an electronic remote release lock, label printer and barcode scanner. The staff member onsite at MercyAscot is guided to select an unallocated unit from the fridge whilst in telephone contact with the blood bank. The blood unit is then labelled and the label remotely verified by the blood management system (eTraceline). Label verification is the critical step in the system to provide cross matched blood to the named patient. Emergency O Rh (D) negative and crossmatched units will also be available remotely using the new system.

An Update on Tissue Typing

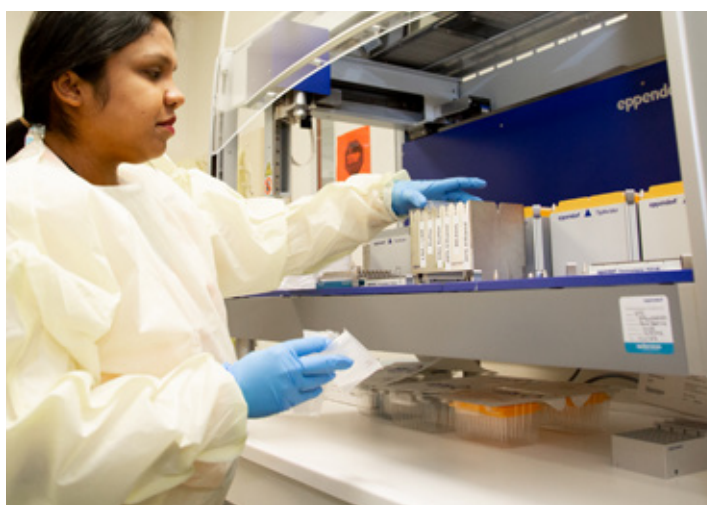
The National Tissue Typing Laboratory is responsible for the tissue typing of all patients and potential donors prior to kidney, pancreas, heart, lung or haematopoietic cell transplantation in New Zealand.

Tissue typing is an essential component of donor compatibility assessment and selection prior to transplantation, and involves the characterisation of the human leucocyte antigen (HLA) genes and proteins. The HLA proteins are expressed on nearly all cells in the body and are part of the human immune system. Differences in HLA proteins between transplant patients and donors can lead to either rejection of the transplanted organ, or graft versus host disease after haematopoietic cell transplantation.

In addition to the transplant-related work, the Tissue Typing Laboratory types:

1. patients who are suspected of having an illness which is associated with a particular HLA type
2. patients who need medications where there may be a hyper-sensitive drug reaction if the patient has a particular HLA type
3. patients who are refractory to platelet transfusions
4. donors joining the New Zealand Bone Marrow Donor Registry (NZBMDR)
5. NZBS apheresis donors.

In July, we introduced a major change in technology, moving to next generation sequencing (NGS) as the main HLA typing method for transplant patients and donors. Before this, a combination of different methods was used, requiring multiple assays for each sample, to type five HLA genes at a medium to high resolution level.



The new variants have never been reported by any other lab in the world...

NGS technology enables the typing of eleven HLA genes, all at a high resolution level in one assay. This is much more efficient and meets the clinical needs for transplantation.

During the last nine months, 2652 samples have been typed by NGS and 30 potentially new HLA variants have been identified. The new variants have never been reported by any other laboratory in the world and would not have been detected by previous typing methods. NGS has improved the efficiency of the Tissue Typing Laboratory, the NGS repeat testing rate is ~2.5% compared to ~10% with previous testing methods; the number and length of tissue typing patient reports has been more than halved;

and the New Zealand Bone Marrow Donor Registry (NZBMDR) has reported that searches for matched unrelated donors for NZ patients needing haematopoietic cell transplants are now approximately two weeks faster.

Tissue typing is now meeting international best practice for HLA typing for transplantation. To reduce the risk associated with equipment failure with only one instrument, we installed and validated a second NGS instrument and associated robotics with final approval for use being granted in April 2018. The additional instrumentation will speed up the NGS typing procedure by a day taking completion of results from four to three days.

Keeping NZBS Moving

As part of the Executive restructure, a new national function called Planning and Supply Chain was formed, which has brought together the planning, logistics, and procurement teams across New Zealand. This team is responsible for ensuring we have the right blood and blood products in the right place, at the right time, at the right cost. They meet this goal by ensuring NZBS collect the right mix of blood types and plasma, adjusting daily to meet ever-changing patient and collection demands. This function manages the movement of blood and blood products across New Zealand on a daily basis, and maintain a 24/7 logistics network of both external and internal transport partners. Planning and Supply Chain are focused on improving our customers' needs and experiences and work closely with the Donor Services, Technical Services and Business Improvement teams on key projects.

The Business Improvement and Partnership Team has supported NZBS to improve processes, workflow and practices in many different areas of the organisation. With a key philosophy of engaging and empowering our frontline employees to identify opportunities, there has been a focus on our Blood Processing laboratories, while also reaching into many other parts of the business. From supporting process redesign to reduce the footprint of our Wellington Blood Processing laboratory, which freed up space to construct a purpose-built Stem Cell Processing facility; to streamlining administration tasks releasing time to provide additional and



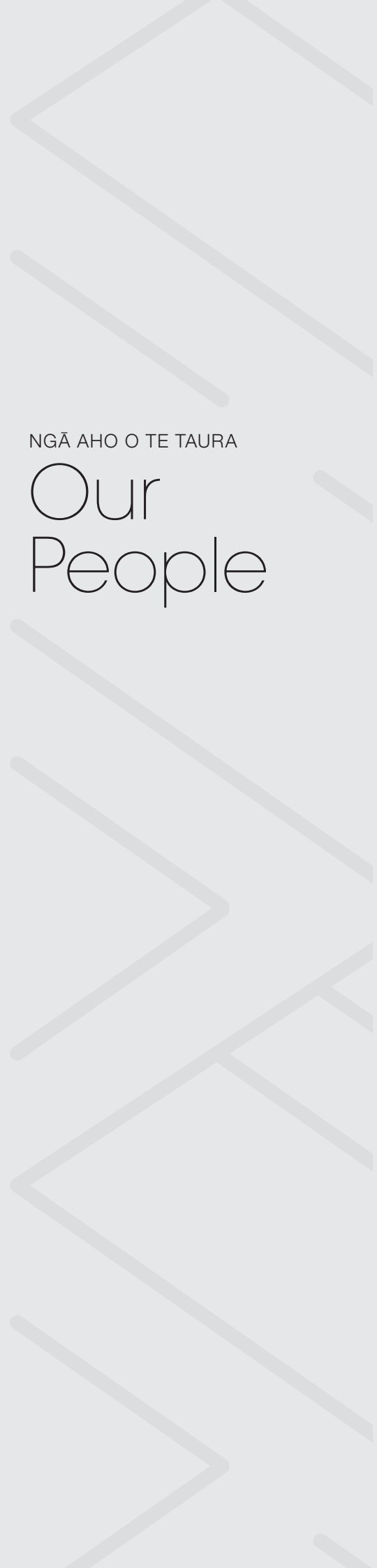
improved customer service to our valuable donors; the team have supported and guided our colleagues through a structured, data enabled process to provide improvements in quality, efficiency and service.

Key to increasing Project Management capability within NZBS has been the design and development of a suite of NZBS-specific, scalable, Project Management tools for use across all areas of the organisation, together with training and support in their use.

As a member of the Asia Pacific Blood Network, NZBS partners with Blood Services from across the Asia/Pacific region,

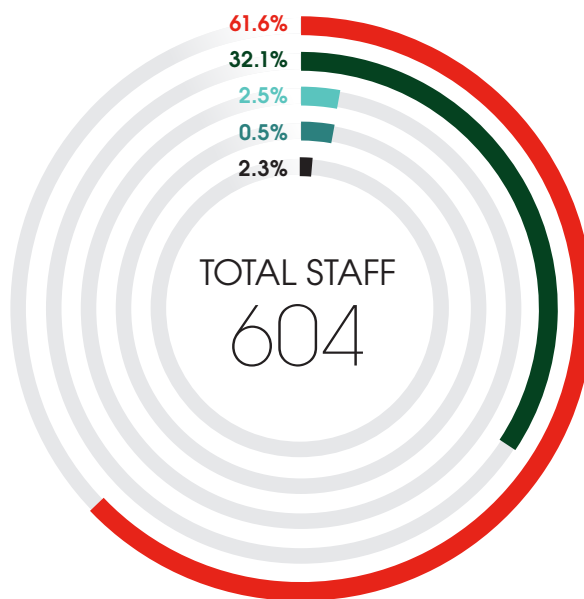
collaborating in Comparison of Practice (CoP) activity, providing data to support discussion of operational activities and identification of areas for further analysis at both a local and regional level. Together with our participation in the Alliance of Blood Operators Cost Management Working Group, these relationships allow us to benchmark our processes and efficiency against other leading international Blood Services.

Closer to home we are working with the Pacific Paramedical Training Centre to support their activities training laboratory personnel from across the pacific in the practical blood banking procedures.



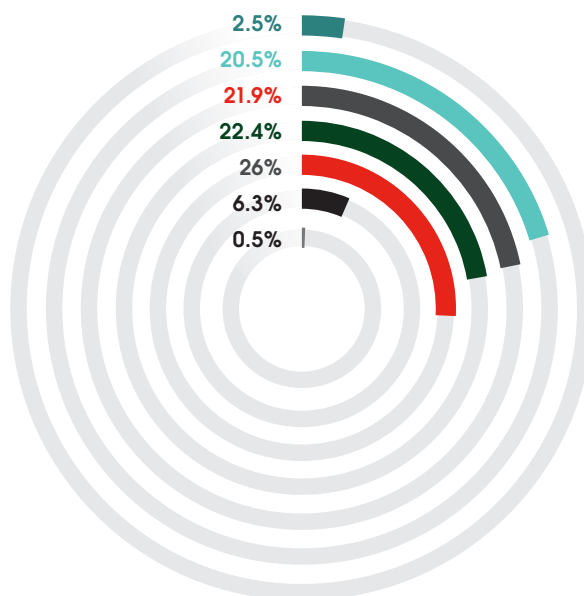
NGĀ AHO O TE TAURA

Our People



- Full time
- Temporary full time
- Part time
- Temporary part time
- Casual

AGE DISTRIBUTION



- Under 25 years
- 55 - 64 years
- 25 - 34 years
- 65 years and over
- 35 - 44 years
- unknown
- 45 - 54 years

8.4
YEARS

AVERAGE
LENGTH OF
SERVICE



- New Zealand European
- Other Asian
- Other European
- Chinese
- Indian
- Southeast Asian
- Māori
- Samoan/other Pacific people
- African (or African origin)
- Fijian

GENDER



76%
Female

24%
Male

DISABILITY



88%
Without disability

9%
Not stated

3%
With disability

Being a Good Employer

Elements of NZBS Activity in 2017 / 2018

In July 2018 we will be celebrating our 20 year anniversary of formation. We are proud of what we have accomplished and the national team of committed employees and volunteers that form the foundation of our organisation, performing vital work every day. The healthcare needs that we support and the community in which we operate is complex and challenging. The dedication, commitment, talent and energy of our people is crucial to ensuring that we can continue to meet our core purpose and rise to the current and new challenges we face.

Our People Plan sets out the strategy and work program required to ensure that NZBS has the organisational and people capability required to achieve our strategic plans and the achievement of our vision and purpose. We will enable this next generation of NZBS by investing in our people, planning and acting for today and the future, increasing leadership capability, improving how we work, supporting a strong safety culture and building pride.

Within the context of our overarching strategy over the past 12 months a range of key people centric activities occurred, described for the purposes of this report under the seven elements of the 'Good Employer' framework.

Leadership, Accountability and Culture

- In 2016/17 we undertook an extensive organisation wide process to refresh our values. We continue to focus on bringing these values to life every day through how we behave, interact and serve each other and our customers.
- In late 2018 we plan to undertake a further organisation wide workplace culture and engagement survey.
- In the last 12 months we have consolidated the new executive team structure, progressing associated structural, functional and accountability reviews, ensuring roles, responsibilities and accountabilities are clarified and people are focusing on the 'right things'. This includes reinforcing the mind-set of a national integrated collaborative team rather than regional, local or functional silos.
- During 2018/19 we will be embracing the SSC Leadership & Talent Framework, and using it to develop our leadership capability.
- In conjunction with staff, work process and facility improvement projects have been undertaken leveraging business improvement and lean methodologies, these are described further down.
- Ensuring we are providing quality safe services, means we have a key attention and accountability for 'getting the basics right in all we do', maintaining a keen focus on compliance, standards and protocols whilst also empowering people at appropriate levels. Current initiatives include:
 - Simplifying core processes, policies and forms and reducing document burden;
 - Developing and refreshing agreed business tools and resources across NZBS, and ensuring people know how to use them. In this regard a project management toolbox has been released.
 - Training key staff in Human Centred Design to build on business improvement.
- Building on our continued focus on business improvement, we are developing national KPIs to improve metrics and support smart decision making.
- NZBS continues to benchmark with other international blood services to collaboratively share information on various initiatives and activities, driving changes in our respective blood services including leveraging information for the betterment of all our services.

Recruitment, Selection and Induction

- Building on our recruitment applicant tracking tool we are in the process of implementing a software module that will assist automating new start documentation, providing a more streamlined and time positive candidate experience, whilst reducing administration burden for managers and HR.
- An extensive development and refresh of the NZBS induction and on-boarding framework is nearing completion, focused on providing a fantastic welcoming start for new people, harnessing their commitment, engagement and ensuring people can start contributing in their role as soon as possible in their career with NZBS.
- NZBS continues to work collaboratively with District Health Board (DHB) colleagues on the Kiwi Health Jobs website and associated recruitment initiatives demonstrating an impressive increase in the profile and usage of this sector-wide job board.
- Our NZBS careers website ensures prospective employees can view role-specific videos and have information about the key professions at NZBS.

Employee Development, Promotion and Exit

- We continue to invest in our employee training and development, to ensure a safe, sustainable, high quality service. We provide staff with on-the-job training, which includes one-to-one support from frontline workforce trainers, eLearning, journals, education sessions, workshops and conferences. We also support a number of staff with external tertiary education and development.

- Staff scholarships are judged and awarded annually. Recipients use the award funding to visit and study in international blood services and laboratories and to attend conferences.
- Leveraging our current Learning Management System (LMS) we are investing in a digital learning strategy and roadmap – to create a mobile-friendly learning management system that ‘knows’ each learner and can provide tailored learning pathways for our various groups of staff as needed.
- A highlight in August 2017 and planned for August 2018 is the NZBS staff conference, ‘TRACE’. Held in Auckland, the programme is focused on providing industry-related educational and inspirational content to frontline staff; and this year will recognise our 20 year anniversary as part of the theme.

Flexibility and Work Design

- Through business improvement projects, staff have had a direct impact on redesigning their work areas and grown in the experience. These projects have provided input into multi-year programmed work investing in facility upgrades for medium and long term viability. This has included key sites; Auckland City Hospital-based Blood Bank, a new special HPC centre in Wellington Hospital Campus based Donor Centre; and the opening of a new Donor Centre in Dunedin.
- There has also been improvements in process and layout at several other sites including the Wellington Donor Centre, Palmerston North Blood Bank and some of our Logistics areas. Staff input via this approach is delivering improvements and efficiency

gains in workflow, throughout, resources, equipment utilisation and space usage.

- As part of a multi-year project NZBS is actively planning for a significant redevelopment of the laboratory areas of the Auckland Donor Centre in Epsom.

Remuneration, Recognition and Conditions

- NZBS adheres to the government’s clearly stated expectations on pay and employment conditions in the State sector. We also collaborate with the DHB employment relations forums on matters of mutual interest, given our connection with the wider public health sector.
- Our ‘Vital’ employee appreciation programme, developed with the assistance of a staff focus group, continues to be a success. Features include benefits, awards, educational opportunities, health and wellbeing, supported by site champions called ‘Vitalisers’, an interactive extensive web portal and regular articles, posters, campaigns and educational sessions.
- In June 2018 we plan to go live with a phased implementation a fully automated electronic Roster to Pay (RTP) solution to integrate with the current NZBS payroll solution. This multi-year project, will ultimately replace lengthy manual processes freeing up time for employees, managers and payroll to all focus on other value add activities.
- NZBS is currently part of a joint DHB sector and Union working party v at Holiday’s Act compliance.

Harassment and Bullying Prevention

- Following on from our culture programme, with staff input we are undertaking an extensive refresh of our framework to build a kind and respectful culture, eradicating bullying and inappropriate behaviours. This is on track to be launched later in 2018.
- NZBS provides a confidential EAP (Employee Assistance Programme), available 24 hours a day, available to all staff.

Safe and Healthy Environment

- NZBS continues to work on initiatives to support the safety and health of our employees and volunteers and to meet our obligations to our donors, patients, contractors and all who visit and interact with our organisation.
- Some of these initiatives include:
 - Regular internal health and safety audits, supported by our elected staff health and safety representatives.
 - Key health and safety projects during 2017/18:
 - Implementation of a contractor induction and sign-in kiosk, currently in the pilot phase before organisation-wide deployment in late 2018
 - Best rostering guidelines, developed with union input have now been published internally and NZBS is seeking to improve rostering practises in line with these.
 - Identification and implementation of a national occupational health service provider

to assist NZBS with the management of complex, Return to Work, rehabilitation programmes following injury or long-term ill-health issues; and to undertake pre-employment screening and regular health monitoring of employees working with NZBS hazards, such as Safety Critical Drivers, manual handling and biological exposure.

- Scope up options for technology to support and streamline health & safety processes
- Continued Health and Safety (H&S) training throughout the year has included:
 - A range of health and safety mandatory training, relevant to risks and hazards associated with specific work places and practises, ensuring staff understand potential risks and are safe.
 - Training provided to all staff with specific Health & Safety responsibilities. This includes H&S Representatives, Fire Wardens, Workplace First Aiders and H&S Workplace Trainers.
 - Managers 'Foundations for Safety Leadership' training.
 - Advanced Driver Training of all Safety Critical Drivers, now refreshed every 3 years.
- Wellbeing activities are a feature of our good employer programme with activities in the past 12 months including:
 - Three nationwide team-based staff challenges were completed in the last 12 months.

The challenges focused on physical fitness, good diet, adequate sleep and mental wellbeing.

- An annual free influenza vaccination programme for all staff. In winter 2017, 384 (63%) staff took up a free flu jab, protecting themselves and their families.
- Hepatitis B screening and immunisation programme.
- Mental Health training provided to managers so that they were better equipped to recognise, relate and respond to staff who need support for their mental health and wellbeing.

Coming up in 2018/19

- Continued focus on culture, values, engagement together with 'Vital' our appreciation programme. Planned activities include launching the extensive refresh and co-creation of our framework to build a kind and respectful culture, eradicating bullying and inappropriate behaviours; and a further workplace culture and engagement survey in late 2018.
- To support leadership capability we will refresh and implement a Managers Toolbox aligned to NZBS priorities to ensure all managers have the foundational skills to manage and lead well, including core NZBS business tools.
- Commencing the implementation of a new Leadership and Talent Management framework, utilising the SSC leadership framework.

We look forward to reporting back on these and many other activities in next year's report.

Meet the Board Members



David Chamberlain - Board Chairman

David is a Principal and Actuary at Melville Jessup Weaver Limited (MJW), a leading firm of consulting actuaries in New Zealand. David has over 30 years' commercial experience in the financial services sector and has advised a wide variety of clients over that time on a broad range of topics. David is also Chairman of the Board of Trustees of the Medical Research Institute of New Zealand.



Ian Ward – Deputy Board Chairman

Ian has considerable governance and senior management experience across a number of large and diverse New Zealand businesses particularly the Health sector. At the end of 2016 Ian completed a nine year term as a Board member of the Auckland District Health Board where he chaired the Finance, Risk and Assurance committee. He is a former Chief Financial Officer and General Manager of Corporate Services of that health board. Ian is a director of the consultancy C4 Consulting Limited and has a number of directorships and trusteeship positions.



Dr Bart Baker

Bart is a Consultant Haematologist and Clinical Director of the Regional Cancer Treatment Service at Palmerston North Hospital. He chairs the Medical and Scientific Committee of Leukaemia and Blood Cancer New Zealand and is a member of the Haematology Society of Australia and New Zealand and of the American Society of Haematology.



Cathryn Lancaster

Cathryn is the General Manager and Director of Change Healthcare in Australia and New Zealand. She has held leadership roles in several large healthcare consulting and IT firms including GE Healthcare, Ernst and Young, and IBM. She has deep experience in manufacturing, health system optimisation, customer relationship management and healthcare consulting. Cathryn is as an Associate of the Chartered Institute of Management Accountants, a trustee of the Rangī Ruru Girls School Foundation and a member of the New Zealand Institute of Directors



Fiona Pimm

Fiona originally trained as an MRT and worked in hospital settings for 12 years before moving in to Health Management. After many years in various Executive Management roles Fiona has now moved onto her third career in the governance and consulting fields. Fiona's governance roles include organisations involved in health service delivery, workforce development, education research and iwi development.



Prof Peter Browett

Peter is a Consultant Haematologist at Auckland City Hospital and Professor of Molecular Medicine and Pathology within the Faculty of Medical and Health Sciences at the University of Auckland. Peter is currently a Committee Member of the Auckland City Hospital Transfusion Advisory Committee and a Board Member and Medical Advisor to Leukaemia and Blood Cancer New Zealand. Peter is also a member of the Auckland Medical Research Foundation Board and chairs their medical committee, and is on the Board of the Cancer Society of New Zealand Auckland Division.



Victoria Kingi

Victoria is the Managing Director of her own consultancy company specialising in property asset development working with Māori land trusts and post Treaty settlement entities.

Find out more about our Board Members at our website:

www.nzblood.co.nz/about-nzbs/nzbs-board-members/

Meet the Executive Management Team



Sam Cliffe

Chief Executive Officer

As the Chief Executive Officer (CEO), Sam leads the Executive Team and is accountable to the NZBS Board. She has overall responsibility for organisational performance including delivery of both its Annual and Strategic Plans.



Peter Flanagan

National Medical Director

Peter leads the NZBS Clinical Services team which plays a key role in ensuring that clinically appropriate blood and blood products are provided to patients in need, wherever and whenever they are required.



John Harrison

Director Finance and Corporate Services

John leads and is accountable for the Finance and Corporate Services function delivering effective financial management, financial strategy, policy development and operational analysis. Additionally, John drives business improvement and enhanced performance through analytics and business intelligence practices.



Sue Jensen

Director Human Resources and Organisational Development

Sue is responsible for providing strategic human resource leadership, ensuring policies, programs and HR services support a high-performing culture supportive of the enduring outcome, vision and values of NZBS.



Justin Scott

Director Planning and Supply Chain

Justin is accountable for managing relationships across the organisation to ensure the Planning and Supply Chain function works with other parts of NZBS to ensure effective collection and distribution of blood and blood products.



Ray Scott

Consultant Director

Ray supports and guides transition of technical activities and systems by providing expert technical knowledge, advice and mentoring to support the future sustainability of NZBS and development of talent and capability.



Meredith Smith

Director Quality and Regulatory Affairs

Meredith is responsible for developing, maintaining, managing and leading effective and co-ordinated quality and regulatory compliance processes. Her team also support continuous business improvement activity within NZBS.



Mandy Suddes

Director Technical Services

Mandy is accountable for operational service delivery of technical and laboratory services within NZBS, ensuring that the clinical demand for products and services and performance are met in line with clinical requirements.



Delaine Wilson

Director Donor Services

Delaine leads and is accountable for the Donor Services function from strategy development through to operational service delivery to ensure that collection targets are achieved to ensure clinical demand for products and services are met.



Christine Van Tilburg

Director Business Improvement and Partnerships

Christine develops capability across the organisation in effective project management and business improvement practices. She also leads the development of partnerships with external organisations to create value for both the NZBS and the wider health sector.

Structure and Governance

NZBS is a Crown entity established in 1998 under the New Zealand Public Health and Disability Act 2000.

Its legislated primary purpose and core activity is the safe, timely, high quality and efficient provision of blood, blood products and services to clinicians for the people of New Zealand. In addition to this, NZBS provides services for matching of patients and donors prior to organ/tissue transplantation, tissue banking (skin and bone) and stem cell services. These activities, which are provided free of charge to all people of New Zealand, contribute to achievement of the organisation's single Enduring Outcome:

Health needs of people in New Zealand are supported by the availability of safe and appropriate blood and tissue products and related services.

NZBS is required under the Crown Entities Act 2004 (the Act) to give effect to Government policy as directed by the responsible Minister, the Minister of Health. The NZBS Board is appointed by and responsible to the Minister of Health and performs strategic and governance functions for the organisation in accordance with the Act. The collective duties of the Board under the Act include ensuring that NZBS acts consistently with its objectives, functions, Statement of Intent and Annual Statement of Performance Expectations; performs its functions efficiently, effectively and consistently with the spirit of service to the public; and operates in a financially responsible manner.

Board members who have a range of appropriate and complementary skills and experience to govern this complex collections, manufacturing and distribution organisation also have individual duties to: comply with the Act (including with respect to disclosure of information); act

with honesty and integrity; act in good faith and not at the expense of NZBS's interests; and act with reasonable care, diligence and skill. The NZBS Board appoints the Chief Executive Officer (CEO) who reports directly to them. An Executive Management Team (see page 24) supports the CEO.

The NZBS Board ensured that the organisational activities supported NZBS to achieve the following seven Strategic Goals for the 2017/18 year:

1. NZBS builds on core capabilities to provide a range of products and services which are appropriate to New Zealand health needs and priorities.
2. NZBS achieves the highest possible Safety and Quality standards in all that it does.
3. NZBS manages a sustainable donor population capable of supporting ongoing product demand in New Zealand.
4. NZBS's relationships with other health sector entities are mutually supportive and productive.
5. NZBS has a sustainable, competent and engaged workforce.
6. NZBS uses international best practices and internal Research & Development capabilities to improve and develop products and services for the New Zealand health and disability sector.
7. NZBS is a financially sustainable organisation operating effectively and efficiently.



Our Vision

As the provider of blood services for New Zealand, New Zealand Blood Service will be recognised for excellence in meeting the needs of donors, patients, its staff and the wider healthcare community.



Our Values

Safety is our Cornerstone

Ko te haumarū tā mā tau mātapono taketake

Everything that we do contributes to the safety of our donors, products and the recipients of the services that we provide to New Zealanders.

In doing this we commit to the following values:

Striving for Excellence

Kia tau kite Tihi

Teamwork

Te Mahi Ngātahi

Integrity & Respect

Te Pono me Te Tika

Open Communication

Te Whakawhitiwhiti Whakaaro i runga i te Māharahara

Safety for All

Te haumarū hoki te katoa



Commitment to the Treaty of Waitangi

(Te Herenga ki te Tiriti o Waitangi)

NZBS recognises the particular relationship of Māori, as tangata whenua, with the Crown and is committed to its obligations to Māori under the Treaty of Waitangi.



Our Enduring Outcome

Health needs of people in New Zealand are supported by the availability of safe and appropriate blood and tissue products and related services. As the provider of blood services for New Zealand, New Zealand Blood Service will be recognised for excellence in meeting the needs of donors, patients, its staff and the wider healthcare community.

Key Indicators	ACTUAL OUTCOMES					FORWARD OUTLOOK		
	Year 2013/14	Year 2014/15	Year 2015/16	Year 2016/17	Year 2017/18	Year 2018/19	Year 2019/20	Year 2020/21
COLLECTIONS & PRODUCTION VOLUMES								
Donor Population								
Active Donors at 30 June each year	112,744	109,158	110,746	109,751	107,210	106,250	106,250	106,700
New Zealand population – stated in 000s	4,536.08	4,597.67	4,690.51	4,789.45	4,882.21	4,975.00	5,045.00	5,100.00
Active donors as a % of the total population	2.50%	2.37%	2.36%	2.29%	2.20%	2.14%	2.11%	2.09%
Collection Volumes								
Donation collection volumes	157,314	164,973	175,138	167,079	172,666	173,100	176,150	180,590
Donor to donation ratio – average donation frequency per donor	1.40	1.51	1.58	1.52	1.61	1.63	1.66	1.69
Production Volumes								
Red cells – units	110,483	111,750	111,365	105,293	105,209	103,440	102,664	102,171
Platelets adult – doses	19,202	18,625	17,917	17,686	18,998	17,876	18,033	18,174
Cryoprecipitate – units	4,979	5,123	5,572	5,252	5,750	5,124	5,149	5,201
Plasma – units	15,675	16,367	16,521	15,682	15,582	15,102	15,015	15,036
Source plasma Issued for fractionation manufacturing – kgs	52,881	59,333	67,152	66,785	68,868	71,377	74,062	77,605
KEY PRODUCT & SERVICE DEMAND VOLUMES								
Key Blood Product Volumes – as issued								
Fresh Products								
Total red cells – units	108,653	107,992	106,389	101,228	101,837	100,358	99,622	99,136
Total platelets – adult doses	14,672	13,996	14,408	15,018	15,374	15,542	15,648	15,766
Cryoprecipitate – units	4,753	4,996	5,358	5,048	5,589	4,950	4,975	5,025
Total clinical FFP – plasma units	14,799	16,673	15,720	14,790	14,488	14,210	14,123	14,135
Total Fresh Product units issued per 1000 head of population	31.68	31.25	30.21	28.41	28.12	27.15	26.63	26.29
Fractionated Product								
Immunoglobulin – intragam – grams	274,836	300,219	295,134	272,871	301,914	319,644	336,420	354,078
Immunoglobulin – privigen – grams	1,300	1,540	36,698	40,643	45,250	47,457	48,829	52,319
Immunoglobulin – evogam – grams	22,434	33,255	25,095	41,860	44,630	47,120	48,535	49,985
Total Immunoglobulin product issues – grams	298,570	335,014	356,927	355,374	391,794	414,221	433,784	456,382
Total Immunoglobulin product issued per 1000 head of population – grams	65.82	72.87	76.10	74.20	80.25	83.26	85.98	89.49
Albumin issues – grams	452,640	530,360	491,570	485,212	544,488	544,100	546,180	549,250
Biostate (Factor VIII) – 500iu equivalent vials	7,233	8,567	8,227	7,065	7,393	7,500	7,500	7,500
Key Service Volumes – as supplied								
Patient antibody screens	144,998	142,972	143,030	146,060	150,427	150,000	152,000	155,000
Patient blood groupings	149,151	147,375	147,791	151,831	156,353	156,000	156,500	156,700
Patient compatibility testing	109,302	111,857	111,469	111,923	111,787	110,500	110,250	110,250
Antibody screens for patients awaiting organ transplants	7,883	8,329	8,358	6,710	7,074	7,020	7,027	7,032
Tissue typing associated with transplant patients / donors	5,384	6,081	6,582	5,657	5,329	5,326	5,341	5,355
NZBS PRICING TRENDLINE versus CPI BENCHMARK Based off June 2007 Position								
Compound all groups CPI % movement	17.16%	17.65%	18.14%	20.20%	21.96%	23.92%	26.08%	28.24%
Compound NZBS price % movement (net any price rebate paid)	10.37%	8.57%	9.15%	11.69%	14.37%	20.05%	25.92%	30.10%
Compound NZBS price differential versus the compound CPI index	(6.79%)	(9.08%)	(8.99%)	(8.51%)	(7.59%)	(3.87%)	(0.16%)	1.86%

Key Indicators	ACTUAL OUTCOMES					FORWARD OUTLOOK		
	Year 2013/14	Year 2014/15	Year 2015/16	Year 2016/17	Year 2017/18	Year 2018/19	Year 2019/20	Year 2020/21
EARNINGS PERFORMANCE								
Total blood product revenue (\$000s)	83,903	89,946	92,065	90,285	96,087	101,296	107,472	112,615
Total services revenue (\$000s)	19,864	21,155	21,918	22,772	23,995	24,834	25,746	26,579
Overseas revenue (\$000s)	1,693	675	1,052	966	1,115	952	1,240	1,351
Other revenue (including interest earned) (\$000s)	535	779	558	404	427	315	339	387
Total revenues – pre DHB price rebates (\$000s)	105,995	112,555	115,592	114,427	121,624	127,397	134,797	140,932
Revenue growth %	1.05%	6.19%	2.70%	(1.01%)	6.29%	10.21%	5.81%	4.55%
Full time equivalent employees with vacancy allowance – FTEs	471.49	508.64	514.20	512.36	533.16	559.38	553.38	553.38
Revenue per full time equivalent employee (\$000s)	224.81	221.29	224.80	223.33	228.12	227.75	243.59	254.67
Reported surplus / (deficit) before DHB price rebates (\$000s)	2,864	8,256	(2,345)	(73)	(567)	(1,426)	(594)	358
Price rebates to DHBs (\$000s)	2,000	3,550	–	–	–	–	–	–
Reported surplus / (deficit) after DHB price rebates (\$000s)	864	4,706	(2,345)	(73)	(567)	(1,426)	(594)	358
FINANCIAL POSITION (\$000s)								
Total equity	37,111	41,817	39,472	39,399	38,832	37,231	36,636	36,995
Total non-current borrowings	4,150	4,069	7,075	8,280	7,847	11,672	14,476	17,284
Total assets	61,555	68,506	72,330	73,961	76,533	80,509	84,790	89,948
Working capital	31,183	36,992	35,243	32,302	30,920	28,410	28,011	28,554
Inventory stock turn (times per annum)	4.58	4.09	3.32	2.97	3.23	3.45	3.65	3.80
Receivables – days sales outstanding (days)	37.73	35.83	35.18	34.61	33.23	31.90	30.29	30.56
DEBT / EQUITY GEARING								
Equity ratio %	89.94%	91.13%	84.36%	81.80%	82.34%	81.90%	82.88%	83.95%
Debt ratio %	10.06%	8.87%	15.64%	18.20%	17.66%	18.10%	17.12%	16.05%
CASH FLOWS (\$000s)								
Cash flow derived from operating activities	8,160	5,803	(968)	3,870	5,835	4,855	6,763	6,240
Investing activities – investments & capital expenditure	(7,399)	(2,943)	(5,285)	(3,492)	(5,313)	(8,271)	(8,686)	(7,771)
Financing related activities – borrowing & debt repayment	(316)	(276)	(426)	(364)	(494)	3,284	2,965	2,512
Cash movement in the financial year – (xxx) = cash reduction	445	2,584	(6,679)	13	29	(1,811)	(131)	1,042
Cash position at balance date (\$000s)	8,014	10,598	3,919	3,932	3,961	2,150	2,019	3,061
BANKING COVENANT COMPLIANCE								
Adjusted total tangible assets (TTA) (\$000s)	56,387	63,902	65,612	64,836	66,787	71,608	76,863	82,983
Calculated bank equity – (TTA minus total liabilities) (\$000s)	31,943	37,213	32,754	30,275	29,086	28,329	28,710	30,029
Bank equity ratio % – requirement of a minimum 30% of adjusted TTA	56.65%	58.23%	49.92%	46.69%	43.55%	39.56%	37.35%	36.19%
Surplus before interest, depreciation & DHB price rebates (EBITDA) – (\$000s)	6,904	12,116	8,686	6,452	4,708	6,355	8,158	9,609
Interest cover ratio – minimum 1 times cover of EBITDA	31.51	41.79	7.89	7.82	5.58	6.81	7.16	7.98

Your Board Members take pleasure in presenting their Annual Report including the Financial Statements of New Zealand Blood Service for the year ended 30 June 2018. The presented Annual Report is also published on the New Zealand Blood Service website – www.nzblood.co.nz.

Principal Activity

New Zealand Blood Service (NZBS) was established in 1998 to ensure the supply of safe blood and blood products to the New Zealand health sector and has responsibility for all aspects of the transfusion process in New Zealand; from the collection of blood from volunteer donors to the transfusion of blood components and products to recipients; a 'vein to vein' transfusion service.

Financial Performance

The Board of NZBS sets financial targets for the entity at the beginning of the 2017/18 financial year and continuously monitors actual performance against these targets during the course of the year. The 2017/18 year witnessed an overall growth in volumes of 4.2% compared with last year's decline of 2.6%. Volume growth was modest for blood products after a number of years of decline. In addition, immunoglobulin product saw strong volume growth of 10.25% compared with last year's 0.4% volume decline for this major product category.

NZBS is reporting a deficit of -\$567k for the 2017/18 financial year. At the operational level the result was in line with budget indicating that despite the lift in revenues the operating environment through out the year was generally challenging. The reported result continues to be buffeted by 'mark to market' unrealised foreign exchange movements, as required under international financial reporting standards, that in the 2017/18 financial year represented a favourable movement of \$1.46m effectively masking the difficult operating environment reflected at the operational earnings level being a reported deficit of -\$1.25m.

Key financial performance indicators for the 2017/18 financial year are set out below.

	2017/18	2017/18	2016/17
Financial Performance Indicators	Actual	Budget	Last Year
Total Revenue pre DHB Price Rebates (\$000s)	121,624	118,445	114,427
Operational Earnings (\$000s)	(1,248)	(1,287)	22
Declared Price Rebate to District Health Boards (\$000s)	–	–	–
Total Expenses (\$000s)	122,191	120,300	114,500
Reported Surplus / (Deficit) (\$000s)	(567)	(1,855)	(73)
Capital charge (6% on equity) paid to the Crown (\$000s)	2,434	2,620	2,561
Total Assets (\$000s)	76,533	73,058	73,961
Cash generated from Operating Activities (\$000s)	5,835	4,268	3,870
Capital investment excluding capitalised finance leases (\$000s)	5,569	4,878	5,088
Equity plus total borrowings (\$000s)	47,162	45,496	48,164
Equity Ratio %	82.34%	80.22%	81.80%
Debt Ratio % (based on total external borrowings)	17.66%	19.78%	18.20%
Banking Ratio – times EBITDA (minimum 1 times) *	5.58	7.46	7.82
Banking Ratio – Bank defined Equity to Total Tangible Assets (minimum 30%)	43.55%	42.16%	46.69%

Auditor

Audit New Zealand on behalf of the Auditor-General is appointed in accordance with Sections 14 and 15 of the Public Audit Act 2001 and Section 156 of the Crown Entities Act 2004. Remuneration of the auditor was as follows:

Description	Audit Year	30 June 2018	30 June 2017
Audit fees for financial statement audit	2018	111,443	
Audit fees for financial statement audit	2017	–	108,904

Board Members

All Board Members are appointed by the Crown.

Remuneration of Board Members

The following Board Members held office during the period under review and were paid fees accordingly:

Board Members' Remuneration	Date of Original Appointment	30 June 2018	30 June 2017
Mr David Chamberlain (Chairman)	Appointed 1 October 2009	32,000	32,000
Mr Ian Ward (Deputy Chair)	Appointed 19 August 2011	20,000	20,000
Professor Peter Browett	Appointed 1 October 2009	16,000	16,000
Mrs Victoria Kingi	Appointed 26 February 2014	16,000	16,000
Dr Bart Baker	Appointed 15 June 2016	16,000	16,000
Ms Cathryn Lancaster	Appointed 15 June 2016	16,000	16,000
Ms Fiona Pimm	Appointed 15 June 2016	16,000	16,000
Total Board Members' remuneration		132,000	132,000

Board Members' Interests – Related Party Transactions

NZBS operates an Interest Register under a continuous disclosure regime with the Register reviewed at every Board meeting. NZBS has three Board Members with a relationship to organisations that NZBS transacts business with. The Board has assessed these potential related party transactions under the International Public Sector Accounting Standards (IPSAS) and concluded the transactions do not satisfy the 'control' requirement as defined in those Standards, consequently disclosure is not required.

Board Members' Interests

No Board Member of the entity has received or become entitled to receive a benefit other than a benefit included in the total remuneration received or due and receivable by Board Members shown in Remuneration of Board Members.

Statement of Use of Entity Information

There were no notices from Board Members of the entity requesting to use entity information received in their capacity as Board Members which would not otherwise have been available to them.

Directions issued by Ministers

NZBS received no ministerial directives under s107 of the Crown Entities Act 2004 in the 2017/18 financial year. NZBS continues to operate under two ministerial directives namely; (1) mandatory compliance with Procurement rules of sourcing (2015) and (2) the public sector implementation of the New Zealand business number (2016).

Donations

Donations were made by the entity during the year ended 30 June 2018 totalling \$1,104. (2017:\$388).

Disclosure of 'Ultra Vires' Transactions

NZBS confirms in accordance with Section 151 (1) of the Crown Entities Act 2004 that no 'ultra vires' transactions occurred in the 2017/18 financial year.

Insurance

NZBS carries insurance cover to protect Board Members and its employees from legal liability arising from the carrying out of their duties. NZBS has provided Board Members with a Deed of Indemnity when acting in pursuance of the functions of the organisation. The issuing of Deeds of Indemnity has been recorded in each Board Member's Interests Register.

Employee Remuneration Range

	30 June 2018	30 June 2017
Employee Remuneration range	No. Employees	No. Employees
\$100,000 – 109,999	18	16
\$110,000 – 119,999	5	5
\$120,000 – 129,999	1	5
\$130,000 – 139,999	6	5
\$140,000 – 149,999	4	2
\$150,000 – 159,999	—	1
\$160,000 – 169,999	4	1
\$170,000 – 179,999	2	3
\$180,000 – 189,999	—	—
\$190,000 – 199,999	—	1
\$200,000 – 209,999	2	2
\$210,000 – 219,999	2	1
\$220,000 – 229,999	2	1
\$230,000 – 239,999	1	—
\$240,000 – 249,999	—	1
\$250,000 – 259,999	—	1
\$260,000 – 269,999	1	1
\$270,000 – 279,999	2	1
\$280,000 – 289,999	—	—
\$290,000 – 299,999	—	—
\$300,000 – 309,999 *	1	1*
\$340,000 – 349,999	—	1
\$350,000 – 359,999 *	2*	—
	53	49

* Chief Executive Officer

Employee remuneration includes the following elements; base salary, cash allowances, bonuses and incentive payments, non-monetary benefits, any Fringe Benefit tax paid on any element of the remuneration package and any termination, severance or end of contract payments.

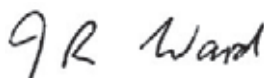
Termination Payments

During the year ended 30 June 2018 six termination payments were made totalling \$141,576. (2017:\$58,785).



David Chamberlain

Board Chairman
30 August 2018



Ian Ward

Board Deputy Chairman
30 August 2018

PŪRONGO PŪTEA

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	Note	Actual 2018	Budget 2018	Actual 2017
Revenue				
Revenue from supplying blood products		96,087,755	93,387,995	90,285,230
Revenue from supplying services		23,994,629	23,934,105	22,771,833
Revenue from overseas sales	2	1,114,764	825,636	966,595
Interest revenue		304,410	291,284	318,871
Other revenue	2	122,548	6,500	84,902
Total revenue		121,624,106	118,445,520	114,427,431
Expenditure				
Cost of consumables and changes in inventory	3	45,506,424	43,125,642	41,466,907
Employee benefit expense	4	45,599,185	44,894,125	42,464,744
Depreciation and amortisation	13 & 14	3,832,399	4,447,082	3,350,971
Other expenses	5	28,126,566	27,329,628	27,301,446
Finance costs	6	591,447	537,410	537,152
Revaluation of derivative financial instruments	7	(1,464,943)	(33,367)	(620,800)
Total expenses		122,191,078	120,300,520	114,500,420
Surplus / (deficit) for the period		(566,972)	(1,855,000)	(72,989)
Other comprehensive revenue and expense		–	–	–
Total other comprehensive revenue and expense		–	–	–
Total comprehensive revenue and expense for the period		(566,972)	(1,855,000)	(72,989)

Explanations of significant variances against budget are detailed in Note 35.

The accompanying notes form part of these financial statements.

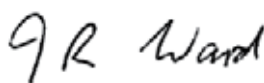
	Note	Actual 2018	Budget 2018	Actual 2017
Assets				
Current assets				
Cash and cash equivalents	8	3,961,045	513,961	3,932,283
Trade and other receivables	9	12,738,598	12,668,578	12,065,121
Investments	10	7,000,000	7,000,000	7,000,000
Inventories	11	29,815,866	28,030,418	29,688,759
Derivative financial instruments	12	417,037	53,622	–
Total current assets		53,932,546	48,266,579	52,686,163
Non-current assets				
Derivative financial instruments	12	122,397	–	–
Property, plant and equipment	13	12,732,099	14,943,224	12,150,280
Intangible assets	14	9,746,231	9,848,397	9,124,265
Total non-current assets		22,600,727	24,791,621	21,274,545
Total assets		76,533,273	73,058,200	73,960,708
Liabilities				
Current liabilities				
Trade and other payables	15	15,471,344	14,407,433	12,710,180
Premises reinstatement provision	16	76,549	–	82,106
Employee benefit entitlements	17	6,956,212	6,278,396	6,240,381
Derivative financial instruments	12	–	–	841,676
Lease Incentive Liability	19	25,955	24,996	25,955
Borrowings	20	482,156	561,640	483,904
Total current liabilities		23,012,216	21,272,465	20,384,202
Non-current liabilities				
Derivative financial instruments	12	–	–	83,833
Premises reinstatement provision	16	2,336,949	2,283,602	2,120,710
Employee benefit entitlements	17	1,826,924	1,899,872	1,589,789
Rent accrued	18	2,422,342	2,422,339	1,821,272
Lease Incentive Liability	19	255,228	245,794	281,184
Borrowings	20	7,847,202	8,436,756	8,280,334
Total non-current liabilities		14,688,645	15,288,363	14,177,122
Total liabilities		37,700,861	36,560,828	34,561,324
Net assets		38,832,412	36,497,372	39,399,384
Equity				
	21			
Crown equity		15,716,696	15,716,696	15,716,696
Accumulated comprehensive revenue and expense		19,115,716	17,780,676	19,682,688
Adverse fractionation event reserve		4,000,000	3,000,000	4,000,000
Total equity		38,832,412	36,497,372	39,399,384

For and on behalf of the Board Members of New Zealand Blood Service.



David Chamberlain

Board Chairman
30 August 2018



Ian Ward

Board Deputy Chairman
30 August 2018

The accompanying notes form part of these financial statements.

	Note	Actual 2018	Budget 2018	Actual 2017
Opening balance		39,399,384	38,352,372	39,472,373
Transfer from accumulated comprehensive reserve and expense to adverse fractionation event reserve		–	–	(1,000,000)
Comprehensive income for the year		(566,972)	(1,855,000)	(72,989)
Adverse fractionation event reserve		–	–	1,000,000
Contribution from owners		–	–	–
Closing balance	21	38,832,412	36,497,372	39,399,384

The accompanying notes form part of these financial statements.

	Note	Actual 2018	Budget 2018	Actual 2017
Cash flows from operating activities				
Receipts from blood products and services revenue		120,439,736	117,812,983	114,281,574
Interest received		57,359	30,391	56,515
Receipts from other revenue		117,125	6,500	106,160
Payments to employees		(44,602,621)	(44,296,395)	(42,455,269)
Payments to suppliers		(67,192,814)	(66,192,512)	(64,959,579)
Distribution of price rebate to District Health Boards		–	–	–
Interest paid		(592,225)	(488,809)	(557,893)
Capital charge payments		(2,433,930)	(2,619,748)	(2,561,455)
Net GST received from/(paid to) IRD		42,796	15,837	(40,393)
Net cash from operating activities	22	5,835,426	4,268,247	3,869,660
Cash flows from investing activities				
Interest received		255,924	259,493	284,103
Acquisition of adverse fractionation event reserve – term deposits		–	–	–
Acquisition of investments – term deposits		(9,000,000)	(4,000,000)	(11,000,000)
Receipts from maturity of investments – term deposits		9,000,000	4,000,000	12,000,000
Proceeds from sale of property, plant and equipment		43	–	100
Receipts from Landlord for contribution to fitout of premises		–	–	311,465
Purchase of intangible assets		(2,232,626)	(978,000)	(2,890,258)
Purchase of property, plant and equipment		(3,336,081)	(3,900,000)	(2,197,645)
Net cash from investing activities		(5,312,740)	(4,618,507)	(3,492,235)
Cash flows from financing activities				
Proceeds from borrowings – finance lease		–	–	–
Repayment of borrowings – finance lease		(493,924)	(520,838)	(364,453)
Repayment of equity		–	–	–
Net cash from financing activities		(493,924)	(520,838)	(364,453)
Net (decrease) / increase in cash, cash equivalents and bank overdraft		28,762	(871,098)	12,972
Cash, cash equivalents and bank overdraft at the beginning of the year		3,932,283	1,385,059	3,919,311
Cash, cash equivalents and bank overdraft at the end of the year	8	3,961,045	513,961	3,932,283

The GST (net) component of operating activities reflects the net GST paid to and received from the Inland Revenue Department.

The GST (net) component has been presented on a net basis, as the gross amounts do not provide meaningful information for financial statement purposes and to be consistent with the presentation basis of the other primary financial statements.

The accompanying notes form part of these financial statements.

1. Statement Of Accounting Policies

(1) Reporting Entity

New Zealand Blood Service (NZBS) is an appointed entity pursuant to section 63 of the Human Tissue Act 2008, primarily responsible for the performance of functions in relation to blood and controlled human substances in New Zealand.

NZBS is a Crown entity under the New Zealand Public Health and Disability Act 2000, and, more specifically, a Statutory Entity under the Crown Entities Act 2004. NZBS's ultimate parent is the New Zealand Crown.

NZBS is a public benefit entity as its primary objective is to support the New Zealand healthcare community through managing the collection, processing and supply of blood, controlled human substances and related services. Accordingly, NZBS has designated itself as a public benefit entity (PBE) for the purposes of applying the Public Benefit Entities Accounting Standards (PBE Standards), issued by the External Reporting Board (XRB).

The financial statements for NZBS are for the year ended 30 June 2018, and were approved by the Board on 30 August 2018.

(2) Basis Of Preparation

The financial statements of NZBS have been prepared in accordance with the requirements of the Crown Entities Act 2004 and the New Zealand Public Health and Disability Act 2000.

These financial statements have been prepared in accordance with New Zealand generally accepted accounting practice (NZ GAAP), in accordance with Tier 1 PBE Standards. They comply with PBE Standards, as appropriate for PBEs.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

The financial statements have been prepared on an historical cost basis, with the exception of certain items identified in specific accounting policies.

The financial statements are presented in New Zealand dollars. The functional currency of NZBS is New Zealand dollars.

(3) Standards And Interpretations Issued And Not Yet Adopted

Standards and amendments, issued but not yet effective that have not been early adopted, and which are relevant to NZBS are:

Financial instruments

In January 2017, the External Reporting Board issued PBE IFRS 9 Financial Instruments. This replaces PBE IPSAS 29 Financial Instruments : Recognition and Measurement. PBE IFRS 9 is effective for annual periods beginning on or after 1 January 2021, with early application permitted.

The main changes under the standard are:

- New financial asset classification requirements for determining whether an asset is measured at fair value or amortised cost.
- A new impairment model for financial assets based on expected losses, which may result in the earlier recognition of impairment losses.
- Revised hedge accounting requirements to better reflect the management of risks.

NZBS has elected to early adopt PBE IFRS 9 Financial Instruments (2014) ("IFRS 9") from 1 July 2018 without restatement, in accordance with the transition requirements and the Treasury's guidance. NZBS has assessed the effects of the new standard and the changes to accounting policies due to application of IFRS 9 as follows;

Classification and measurement of financial assets

NZBS classifies its financial assets as subsequently measured at either amortised cost or fair value depending on NZBS's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. On adoption of IFRS 9, investments previously classified as loans and receivables will now be classified as financial assets at amortised cost. However there is no material impact as these are still measured at amortised cost.

Classification and measurement of financial liabilities

Classification of financial liabilities remain unchanged for NZBS. Financial liabilities continue to be measured at either amortised cost or at fair value through profit and loss.

Changes to impairment of financial assets

The PBE IFRS 9 impairment requirements are based on an expected credit loss model, replacing the incurred loss methodology under PBE IAS 39. NZBS applies the simplified approach for trade and other receivables, which requires the lifetime expected credit losses to be applied when measuring the loss allowance. The impact of adopting IFRS 9 has been assessed as not having a material impact on the loss allowance.

(4) Significant Accounting Policies

Revenue

Revenue is measured at the fair value of consideration received or receivable.

The specific accounting policies for significant revenue items are explained below:

1. Statement Of Accounting Policies (continued)

Sale of products

Revenue from the sale of products is recognised at the time the risk and effective ownership transfers to the customer.

Provision of services

Revenue from the rendering of services is recognised as the services are provided.

Price rebate to District Health Boards

NZBS also considers annually in accordance with its financial guidelines policy, price rebates to District Health Boards which, if elected by the Board to be paid, are recognised at the point of decision and deducted from the amount of revenue received or receivable.

Interest income

Interest income is recognised using the effective interest method.

Capital charge

The capital charge is recognised as an expense in the financial year to which the charge relates.

Leases

Finance leases

A finance lease is a lease that transfers to the lessee substantially all the risks and rewards incidental to ownership of an asset, whether or not title is eventually transferred.

At the commencement of the lease term, NZBS recognises finance leases as assets and liabilities in the statement of financial position at the lower of the fair value of the leased item or the present value of the minimum lease payments.

The amount recognised as an asset is depreciated over its useful life. If there is no certainty as to whether NZBS will obtain ownership at the end of the lease term, the asset is fully depreciated over the shorter of the lease term or its useful life.

Operating leases

An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset. Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term.

Cash and cash equivalents

Cash and cash equivalents include cash in 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 shown within borrowings in current liabilities in the statement of financial position.

Trade and other receivables

Trade and other receivables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment.

A provision for impairment of receivables is established when there is objective evidence that NZBS will not be able to collect all amounts due according to the original terms of receivables.

Inventories

Inventories are measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (i.e. donated goods) for no cost or for a nominal cost, the cost of the inventory is its fair value at the date of acquisition. However, as NZBS is not legally permitted to purchase blood from the public, the fair value for accounting purposes of blood from donors is considered to be nil. Therefore the cost of inventories comprise all costs of collection, costs of conversion, and any other costs incurred in bringing the inventories to their present location and condition.

After initial recognition, inventory is measured at the lower of cost and net realisable value. The cost of inventory is determined using the FIFO or weighted average methods. The valuation includes allowance for slow moving items. Obsolete inventories are written off.

The write-down from cost to net realisable value is recognised in the surplus or deficit except for fractionated derived products manufactured from New Zealand sourced plasma (refer below).

Inventories are recognised as an expense when deployed for utilisation or consumption in the ordinary course of NZBS's operation.

Fractionated derived products manufactured from a principal plasma pool

Fractionated derived products are manufactured into finished blood products by a third party manufacturer on a "toll" manufacturing basis using NZBS provided source plasma. Fractionated derived products in the 2018 financial year onwards in the main are manufactured from plasma pools ranging in size from a minimum 10.4 tonne pool through to a maximum 13.0 tonne plasma pool (prior years fixed as either 7.8 tonne or 10.4 tonne plasma pools). The increase in the plasma pool size over prior years is due to changes in the manufacturing facility of the third party manufacturer. The NZBS rolling manufacturing programme generally allows for between 5 and 6 production pools in a financial year. The driver product group within the manufacturing process is the immunoglobulin product represented by Intragam P and Evogam product.

1. Statement Of Accounting Policies (continued)

The principal pool work in progress (WIP) is included at full standard cost, as the final output that the manufacturer must produce is locked in via the agreed production plan for a pool and contract yields per the toll manufacturing agreement. This high level of certainty enables the WIP to be viewed in the same light as finished fractionation product for the purposes of inventory valuation.

Valuation of fractionated derived products from these plasma pools, both finished goods and WIP, is based on allocating the actual input cost of manufacturing a plasma pool (NZBS source plasma input plus third party toll fractionation manufacturing fee) to prorated finished/WIP product output using actual product plasma yield, reported by the manufacturer.

Post this product cost allocation, if there are any products where cost exceeds the net realisable value, then that cost excess is reallocated to the driver product group.

Financial assets

NZBS classifies its financial assets within the scope of PBE IPSAS 29 Financial Instruments: Recognition and Measurement into the following four categories: (1) financial assets at fair value through surplus or deficit, (2) loans and receivables, (3) held-to maturity Investments or (4) available for sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

Financial assets and liabilities are initially measured at fair value plus transaction costs unless they are carried at fair value through surplus or deficit in which case they are initially measured at fair value and the transaction costs are recognised in the surplus or deficit.

Purchases and sales of investments are recognised on trade date, the date on which NZBS commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and NZBS has transferred substantially all the risks and rewards of ownership.

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance date. The quoted market price used is the current bid price.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. NZBS uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

The subsequent measurement of financial assets depends on their classification. The four categories of financial assets are:

Category (1) Financial assets at fair value through surplus or deficit

This category has two sub-categories: financial assets held for trading, and those designated at fair value through surplus or deficit at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management.

Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the balance date.

After initial recognition they are measured at their fair values. Gains or losses on re-measurement are recognised in the surplus or deficit.

Category (2) Loans and receivables

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

After initial recognition they are measured at amortised cost using the effective interest method, less impairment. Gains and losses when the asset is impaired or derecognised are recognised in the surplus or deficit. Loans and receivables are classified as "trade and other receivables" in the statement of financial position.

Category (3) Held to maturity investments

Held to maturity investments are assets with fixed or determinable payments and fixed maturities that NZBS has the positive intention and ability to hold to maturity. After initial recognition they are measured at amortised cost using the effective interest method, less impairment. Gains or losses when the asset is impaired or derecognised are recognised in surplus or deficit. Currently, NZBS does not hold any financial assets in this category.

Category (4) Available for sale financial assets

Non-derivative financial assets that are designated as available for sale or are not classified as either category (1) financial assets at fair value through surplus or deficit, category (2) loans and receivables or category (3) held to maturity investments. This encompasses derivatives that are designated hedges. After initial recognition these investments are measured at their fair value.

If impairment evidence exists for derivatives that are designated hedges at fair value through other comprehensive revenue and expense, the cumulative loss recognised in other comprehensive revenue or expense is reclassified from equity to the surplus or deficit.

Impairment of financial assets

At each balance date NZBS assesses whether there is any objective evidence that a financial asset or group of financial assets is impaired. Any impairment losses are recognised in the surplus or deficit.

1. Statement Of Accounting Policies (continued)

Financial liabilities

NZBS classifies its financial liabilities within the scope of PBE IPSAS 29 Financial instruments: Recognition and Measurement as either financial liabilities at fair value through surplus or deficit or loans and borrowings at amortised cost. The classification of financial liabilities are determined on initial recognition.

All financial liabilities are recognised initially at fair value, and in the case of loans and borrowings, plus directly attributable transaction costs.

NZBS's financial liabilities include trade and other payables, loans and borrowings.

Foreign currency translation

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Transactions denominated in foreign currency are reported at the reporting date by applying the exchange rate on that date. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in the surplus or deficit.

Accounting for derivative financial instruments and hedging activities

NZBS uses derivative financial instruments to manage exposure to foreign exchange risks arising from operational activities. In accordance with its treasury management policy, NZBS does not hold or issue derivative financial instruments for trading purposes. NZBS has not adopted hedge accounting.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value at each balance date. The resulting gain or loss is recognised in the surplus or deficit.

Property, plant and equipment

Property, plant and equipment consists of operational assets which include plant and equipment, computer hardware, motor vehicles, furniture and fittings / office equipment and leasehold improvements.

Property, plant and equipment is shown at cost less accumulated depreciation and impairment losses.

Additions

The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to NZBS and the cost of the item can be measured reliably.

Property, plant and equipment is initially recognised at cost. Where an asset is acquired at no cost, or for a nominal cost, it is recognised at fair value as at the date of acquisition.

Work in progress is recognised at cost less impairment and is not depreciated.

Disposals

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposals are included in the surplus or deficit.

Subsequent costs

The cost of replacing or improving part of an item of property, plant and equipment is recognised in the carrying amount of an item. The costs of day-to-day servicing of property, plant and equipment are recognised as incurred in the surplus or deficit.

Depreciation

Depreciation is provided on a straight-line basis on all property, plant and equipment, at rates that will write off the cost of the assets to their estimated residual values over their useful lives.

The useful lives of major classes of assets have been estimated as follows:

Computer equipment	3 to 6 years
Furniture and fittings	5 to 10 years
Motor vehicles	3 to 4 years
Plant and equipment	5 to 10 years
Leasehold improvements	Shorter of term of lease or useful life

The residual value and useful life of an asset is reviewed, and adjusted if applicable, at each financial year end.

Intangible Assets

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Costs associated with maintaining computer software are recognised as an expense when incurred.

Amortisation

The carrying value of an intangible asset with a finite life is amortised on a straight-line basis over its useful life. Amortisation begins when the asset is available for use and ceases at the date that the asset is derecognised. The amortisation charge for each period is recognised in the surplus or deficit.

1. Statement Of Accounting Policies (continued)

The useful lives of major classes of intangible assets have been estimated as follows:

Computer software	3 years
Computer software – blood management system (eProgesa)	10 years
Computer software – blood bank system (eTraceline)	10 years

Changes in the expected useful life or the expected pattern of consumption are treated as changes in accounting estimates.

Intangible assets with a finite useful life are assessed for impairment whenever there is an indication that the asset may be impaired.

Impairment of non-financial assets

NZBS does not hold any cash-generating assets. Assets are considered cash-generating where their primary objective is to generate a commercial return.

Non-cash-generating assets

Property, plant, and equipment and intangible assets held at cost that have a finite useful life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable service amount. The recoverable service amount is the higher of an asset's fair value less costs to sell and value in use.

Value in use is determined using an approach based on either a depreciated replacement cost approach, restoration cost approach, or a service units approach. The most appropriate approach used to measure value in use depends on the nature of the impairment and availability of information.

If an asset's carrying amount exceeds its recoverable service amount, the asset is regarded as impaired and the carrying amount is written-down to the recoverable amount. The total impairment loss is recognised in the surplus or deficit.

The reversal of an impairment loss is recognised in the surplus or deficit.

Creditors and other payables

Creditors and other payables are stated at cost.

Employee benefits

Short-term benefits

Employee benefits that NZBS expects to be settled within 12 months of balance date are measured at nominal values based on accrued entitlements at current rates of pay. These include salaries and wages accrued up to balance date, annual leave earned to, but not yet taken at balance date, retiring and long service leave entitlements expected to be settled within 12 months, and sick leave.

NZBS recognises a liability for sick leave to the extent that absences in the coming year are expected to be greater than the sick leave entitlements earned in the coming year. The amount is calculated based on the unused sick leave entitlement that can be carried forward at balance date, to the extent that NZBS anticipates it will be used by staff to cover those future absences.

NZBS recognises a liability and an expense for bonuses where contractually obliged or where there is a past practice that has created a constructive obligation.

Long-term benefits

Long service leave and retirement leave

Entitlements that are payable beyond 12 months, such as long service leave and retirement gratuities, have been calculated on an actuarial basis. The calculations are based on:

- likely future entitlements accruing to staff, based on years of service years to entitlement, the likelihood that staff will reach the point of entitlement and contractual entitlements information; and
- the present value of the estimated future cash flows. The discount rate is based on the weighted average of Government interest rates for stock with terms to maturity similar to those of the relevant liabilities. The inflation factor is based on the expected long-term increase in remuneration for employees.

Superannuation schemes

Defined contribution schemes

Obligations for contributions to defined contribution superannuation schemes are recognised as an expense in the surplus or deficit.

Defined benefit schemes

NZBS belongs to the Defined Benefit Plan Contributors Scheme (the scheme), which is managed by the Board of Trustees of the National Provident Fund. The scheme is a multi-employer defined benefit scheme.

Insufficient information is available to use defined benefit accounting, as it is not possible to determine from the terms of the scheme, the extent to which the surplus/deficit will affect future contributions by individual employers, as there is no prescribed basis for allocation. The scheme is therefore accounted for as a defined contribution scheme. Further information on this scheme is disclosed in note 24 – Contingencies.

1. Statement Of Accounting Policies (continued)

Provisions

NZBS recognises a provision for future expenditure of uncertain amount or timing when there is a present obligation (either legal or constructive) as a result of a past event, it is probable that expenditures will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time, value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as an interest expense.

Borrowings

Borrowings are initially recognised at their fair value. After initial recognition, all borrowings are measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless NZBS has an unconditional right to defer settlement of the liability for at least 12 months after balance date.

Adverse fractionation event reserve and matching investment fund

NZBS collects source plasma and contracts a third party to manufacture that source plasma, via a complex series of processes known as fractionation, to produce a range of derived fractionation products for use within the New Zealand health sector. The manufacturing contract clearly defines the party's respective risks and responsibilities inclusive of financial risk attribution should certain of those risks inherent in the manufacturing process actually occur. NZBS attributed financial risks have, based on historical performance, been classified as being of low frequency but with a potentially high financial impact if an event did occur.

Accordingly NZBS has elected to mitigate this manufacturing financial risk with the establishment of the adverse fractionation event policy that mandates the establishment of an adverse fractionation event reserve within the equity section of the statement of financial position that is complemented by a matching term deposit fund to ensure access to liquidity in the event of an adverse fractionation related event occurring.

Under this policy NZBS is required to assess, on an annual basis, the upper level of potential financial risk, the current level of the reserve and whether further funds should be transferred to the reserve with matching liquidity also required to then be set aside.

Equity

Equity is the Crown's interest in NZBS.

The components of equity are:

- Crown equity – Crown equity is the net asset and liability position at the time NZBS was established plus any subsequent equity injections.
- Accumulated comprehensive revenue and expense – is the accumulated surplus/deficit since NZBS establishment.
- Adverse fractionation event reserve – is the transfer from accumulated comprehensive revenue and expense commencing financial year ending 30 June 2015. The reserve has been established to mitigate the financial manufacturing risk associated with the production of fractionated derived products.

Goods and services tax (GST)

All items in the financial statements are stated exclusive of GST, except for receivables and payables, which are stated on a GST inclusive basis. Where GST is not recoverable as input tax then it is recognised as part of the related asset or expense.

The net amount of GST recoverable from, or payable to, the Inland Revenue Department (IRD) is included as part of receivables or payables in the statement of financial position. The net GST paid to, or received from the IRD, including the GST relating to investing and financing activities, is classified as an operating cash flow in the statement of cash flows.

Commitments and contingencies are disclosed exclusive of GST.

1. Statement Of Accounting Policies (continued)

Taxation

NZBS is a statutory entity (pursuant to the New Zealand Public Health & Disability Act 2000 and schedule 1 of the Crown Entities Act 2004) and is exempt from income tax under Section CW38 of the Income Tax Act 2007.

Budget figures

The budget figures are those approved by the Board of NZBS at the beginning of the year as presented in the Annual Statement of Performance Expectations. The budget figures have been prepared in accordance with NZ GAAP and comply with NZ GAAP, using accounting policies that are consistent with those adopted by the Board for the preparation of the financial statements.

Critical accounting estimates and assumptions

In preparing these financial statements NZBS has made estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations or future events that are believed to be reasonable under the circumstances. Where this is the case the basis of those assumptions are detailed in the relevant accounting policy.

Critical judgements in applying the NZBS accounting policies

In preparing these financial statements NZBS management has made judgements in applying the NZBS accounting policies. These judgements have been applied consistently to all periods presented in these financial statements. There are no material judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities that need disclosing.

Changes in accounting policy

There have been no changes in Accounting Policy.

2	Revenue from overseas sales and other revenue	30 June 2018	30 June 2017
	Revenue from overseas sales – exchange revenue	1,099,341	955,204
	Revenue from overseas sales – non-exchange revenue	15,423	11,391
	Total revenue from overseas sales	1,114,764	966,595
	The non-exchange revenue from overseas sales relates to sponsorship of conferences by overseas domiciled suppliers.		
	Other revenue – exchange revenue	71,352	36,324
	Other revenue – non-exchange revenue	51,196	48,578
	Total other revenue	122,548	84,902

The non-exchange 'Other revenue' relates mainly to donated products and services covering groceries, venue hire for whole blood donations, advertising and conference / course fees.

3	Cost of consumables and changes in inventory	30 June 2018	30 June 2017
	Consumables *	21,221,942	20,952,166
	Changes in inventory **	21,888,075	17,743,083
	Expired product ***	2,396,407	2,771,658
	Total cost of consumables and changes in inventory	45,506,424	41,466,907

* Consumables – the cost of consumables for the period ending 30 June 2018 at \$21,221,942 was \$269,776 higher than the June 2017 cost of \$20,952,166. This was mainly due to higher source plasma collection costs driven by higher collection volumes needed to meet increased fractionated product demand, higher costs associated with the implementation of a new Tissue Typing platform, off set by a full year of procurement savings made on consumable kits used in the new donation testing platforms installed in the Auckland and Christchurch donor accreditation functions during the 2017 financial year.

** Changes in inventory – is an aggregated reporting figure comprising 'cost of goods sold, production recoveries and inventory valuation adjustments' consistent with the application of manufacturing standard costing methodologies and generally accepted inventory valuation principles. Changes in inventory for the period ending 30 June 2018 at \$21,888,075 was \$4,144,992 higher than the June 2017 cost of \$17,743,083 and was primarily due to a combination of higher fractionated product demand, in particular immunoglobulin (IVIg) product sales being 10.25% higher plus a higher cost of production for fractionated products overall. The higher cost of production for fractionated products was driven mainly by an increase in "toll" manufacturing fee charged by the third party manufacturer and from plasma pool production mix.

*** Expired product – to guarantee the supply of product for any situation NZBS must maintain levels of stocks in excess of normal usage. Though NZBS carefully manages its inventory of products to minimise expiry, due to the short life of the fresh products in particular, there will be a certain amount of product that will expire before it can be utilised. The lower cost of expiry in the 2018 year was mainly due to lower expiry of fresh products, in particular red cells and lower expiry of fractionated products.

4	Employee benefit expenses	30 June 2018	30 June 2017
	Salaries and wages	43,546,773	40,941,566
	Defined contribution plan employer contributions	1,099,446	1,040,950
	Increase/(Decrease) in employee benefit liabilities	952,966	482,228
	Total employee benefit expenses	45,599,185	42,464,744

Employee benefit expenses at 30 June 2018 totalled \$45,599,185 and was \$3,134,441 higher compared to the June 2017 year of \$42,464,744. The main reasons for the increase in employee benefits are as follows;

(1) Salary and Wages \$2,605,207 higher due to a combination of the following; (a) year on year salary increases driving from a combination of automatic increment increases per collective agreements, staff mix changes and settlement of Individual Employment agreements, (b) higher staff levels overall including the Executive team increasing by 2 members and (c) higher spend on Call Centre costs relating to booking appointments for Donors to donate at collection sites.

(2) Increase in employee benefit liabilities movement of \$470,738 due to the following; (a) higher accrued salary and wages at 30 June 2018 (timing on the fortnightly payment cycles at year-end), (b) an increase in Long Service Leave and Gratuities Leave liabilities mainly due to movement in discount rates and inflation factor used by the external actuary to calculate the estimated liability at balance date. In addition provisioning for a potential change in Long Service Leave entitlement relating to a particular employer collective agreement and (c) increase in sick leave and annual leave entitlements.

5 Other expenses	30 June 2018	30 June 2017
Fees to principal auditor:		
Audit fees for financial statement audit 2018	111,443	–
Audit fees for financial statement audit 2017	–	108,904
Audit fees for other services	–	–
Capital charge *	2,433,930	2,561,455
Board members' fees	132,000	132,000
Net foreign exchange losses / (gains) **	339,361	866,420
(Gains) / losses on disposal of property, plant and equipment	1,368	13,048
Additions/Releases to premises reinstatement provision (note 16)	(10,896)	10,896
Changes in premises reinstatement provision (note 16)	154,739	43,231
Changes in impairment of receivables (note 9)	–	–
Minimum lease payments under operating leases ***	5,158,450	4,948,918
Other operating expenses:		
Distribution	2,177,974	2,032,483
General administration including insurance costs	1,518,039	1,320,671
IT systems and telecommunication	5,771,305	4,708,969
Marketing	2,154,643	2,123,951
Repairs and maintenance	2,147,660	2,285,600
All other operating expenses	6,036,550	6,144,900
Total other operating expenses	19,806,171	18,616,574
Total other expenses	28,126,566	27,301,446

* New Zealand Blood Service pays a capital charge to the Crown twice a year. The first payment is based on its actual closing equity from the prior June financial year and the second payment is based on the actual closing equity from the current year December six monthly result. The capital charge rate for the period ended 30 June 2018 was 6.0%. The capital charge rate for the period ended 30 June 2017 averaged 6.5%, the first payment being charged at 7% and the second payment at 6%.

** Net foreign exchange losses / (gains) reflect foreign exchange losses / (gains) excluding the impact of the revaluation of derivative financial instruments (refer note 7).

*** Minimum lease payments in June 2018 totalling \$5,158,450 were \$209,532 higher when compared to the June 2017 spend of \$4,948,918.

6	Finance costs	30 June 2018	30 June 2017
	Interest on bank borrowings	93,168	101,380
	Interest on Dilworth Trust finance leases	47,966	54,708
	Interest on Ngāi Tahu Property Limited finance lease	232,336	234,557
	Interest on other property, plant and equipment finance leases	151,138	99,207
	Provisions: discount unwind (note 16)	66,839	63,157
	Interest other	–	(15,857)
	Total finance costs	591,447	537,152

No borrowing costs were capitalised during the period (2017: nil).

The Interest Other expense at 30 June 2017 of – \$15,857 related to potential interest payable to the Inland Revenue accrued at year end 30 June 2016 relating to Voluntary Disclosures made by NZBS for short paid PAYE and FBT. The Voluntary Disclosure amounts were settled with the Inland Revenue in the 30 June 2017 year resulting in actual interest paid of \$2,755 whereas the Interest Other expense accrued at 30 June 2016 was \$18,612.

7	Revaluation of derivative financial instruments	30 June 2018	30 June 2017
	Foreign exchange forward selling contracts – (gain) / loss	(1,464,943)	(620,800)
	Total revaluation of derivative financial instruments – (gain) / loss	(1,464,943)	(620,800)

The revaluation of derivative financial instruments gain/(loss) reflects the movement between the opening and closing balance date positions of derivative financial instruments as shown in the statement of financial position.

8	Cash and cash equivalents	30 June 2018	30 June 2017
	Cash in hand	4,800	4,800
	Cash at bank	3,956,245	3,927,483
	Short term deposit	–	–
	Total cash and cash equivalents for the purpose of the statement of cash flows	3,961,045	3,932,283

Cash at bank is deposited with counterparties with Standards & Poor's credit rating of AA – or better. The carrying value of cash at bank, cash on hand and short-term deposits with maturities less than three months from the date of acquisition approximates their fair value.

9	Trade and other receivables	30 June 2018	30 June 2017
	Trade receivables	11,173,819	10,656,918
	Sundry receivables	219,097	16,966
		11,392,916	10,673,884
	Less: provision for impairment of receivables	–	–
	Net receivables	11,392,916	10,673,884
	Prepayments	1,290,132	1,326,813
	Interest receivable accrued – term deposits	55,550	64,424
	Total trade and other receivables	12,738,598	12,065,121

Trade and other receivables from non-exchange transactions relate to sponsorship of a NZBS annual conference. The carrying value of receivables approximates their fair value.

As at 30 June 2018 and 2017 all overdue receivables have been assessed for impairment and appropriate provisions applied, as detailed below:

Receivables ageing	2018			2017		
	Gross	Impairment	Net	Gross	Impairment	Net
Current	11,268,654	–	11,268,654	10,612,172	–	10,612,172
Past due :						
31 – 60 days	86,162	–	86,162	59,274	–	59,274
61 – 90 days	37,472	–	37,472	559	–	559
> 90 days	628	–	628	1,879	–	1,879
Total receivables	11,392,916	–	11,392,916	10,673,884	–	10,673,884

All receivables greater than 30 days in age are considered to be past due.

Provision for impairment is calculated based on expected non-payment of long outstanding or disputed invoices. Expected losses are determined based on an analysis of NZBS's losses in previous periods, and review of specific debtors.

10 Investments	30 June 2018	30 June 2017
Current portion		
Term deposits	3,000,000	3,000,000
Adverse fractionation event reserve term deposits	4,000,000	4,000,000
Total current portion	7,000,000	7,000,000
Non-current portion		
Term deposits	–	–
Adverse fractionation event reserve term deposits	–	–
Total non-current portion	–	–
Total investments	7,000,000	7,000,000

Term deposits at 30 June 2018 have maturities ranging between three and six months from the date of acquisition. Term deposits at 30 June 2017 had maturities of eight months from the date of acquisition. The carrying amounts of term deposits with maturities less than 12 months approximate their fair value.

The adverse fractionation event term deposits is an investment portfolio established in the financial year ended 30 June 2015 to match the adverse fractionation event reserve balance (refer note 21).

The adverse fractionation event term deposits at 30 June 2018 have maturities ranging between three and eight months from the date of acquisition. The adverse fractionation event term deposits at 30 June 2017 had maturities ranging between seven and nine months from the date of acquisition. The carrying amounts of term deposits with maturities less than 12 months approximate their fair value.

11 Inventories	30 June 2018	30 June 2017
Raw materials – fresh frozen plasma	4,969,611	3,619,201
Work in process – fractionated components	5,627,487	7,828,649
Fractionated components	15,045,176	14,405,612
Fresh components	2,039,029	1,984,694
Consumables	2,625,863	2,673,680
	30,307,166	30,511,836
Provision for expired inventory	(491,300)	(823,077)
	(491,300)	(823,077)
Total Inventories	29,815,866	29,688,759

No inventories are pledged as security for liabilities nor are any inventories subject to retention of title clauses.

No NZBS inventory is carried at fair value less cost to sell.

12	Derivative financial instruments	30 June 2018	30 June 2017
	Forward foreign exchange contracts		
	Current liabilities portion	–	841,676
	Term liabilities portion	–	83,833
	Total liability portion	–	925,509
	Forward foreign exchange contracts		
	Current assets portion	417,037	–
	Term assets portion	122,397	–
	Total asset portion	539,434	–

The fair values of forward foreign exchange contracts have been determined using a discounted cash flow valuation technique based on quoted market prices ruling at balance date. The inputs into the valuation model are from independently sourced market parameters such as currency rates. Most market parameters are implied from derivative financial instrument prices.

13

Property, plant and equipment							
1 July 2016 Cost or valuation	Leasehold improvements	Plant and equipment	Computer equipment	Furniture and fittings	Motor vehicles	Office equipment	Total
Opening balance	12,151,246	22,251,084	4,429,416	1,795,786	246,173	194,501	41,068,206
Additions	1,166,903	2,766,708	421,583	31,080	–	–	4,386,274
Disposals	(42,500)	(2,804,578)	(379,001)	(151,654)	–	(43,840)	(3,421,573)
30 June 2017	13,275,649	22,213,214	4,471,998	1,675,212	246,173	150,661	42,032,907

1 July 2017 Cost or valuation	Leasehold improvements	Plant and equipment	Computer equipment	Furniture and fittings	Motor vehicles	Office equipment	Total
Opening balance	13,275,649	22,213,214	4,471,998	1,675,212	246,173	150,661	42,032,907
Additions	875,842	1,909,059	229,049	34,103	–	3,498	3,051,551
Disposals	–	(437,180)	–	(3,270)	–	(2,786)	(443,236)
30 June 2018	14,151,491	23,685,093	4,701,047	1,706,045	246,173	151,373	44,641,222

1 July 2016 Accumulated depreciation and impairment losses	Leasehold improvements	Plant and equipment	Computer equipment	Furniture and fittings	Motor vehicles	Office equipment	Total
Opening balance	8,258,922	17,649,490	3,278,800	1,294,735	80,512	156,179	30,718,638
Depreciation	403,611	1,435,810	507,550	188,240	31,545	16,506	2,583,262
Impairment losses	–	–	–	–	–	–	–
Disposals	(42,500)	(2,802,278)	(379,001)	(151,654)	–	(43,840)	(3,419,273)
30 June 2017	8,620,033	16,283,022	3,407,349	1,331,321	112,057	128,845	29,882,627

1 July 2017 Accumulated depreciation and impairment losses	Leasehold improvements	Plant and equipment	Computer equipment	Furniture and fittings	Motor vehicles	Office equipment	Total
Opening balance	8,620,033	16,283,022	3,407,349	1,331,321	112,057	128,845	29,882,627
Depreciation	548,566	1,303,948	433,268	143,784	25,719	13,035	2,468,320
Impairment losses	–	–	–	–	–	–	–
Disposals	–	(436,130)	–	(3,270)	–	(2,424)	(441,824)
30 June 2018	9,168,599	17,150,840	3,840,617	1,471,835	137,776	139,456	31,909,123

	Leasehold improvements	Plant and equipment	Computer equipment	Furniture and fittings	Motor vehicles	Office equipment	Total
Carrying amounts							
At 30 June and 1 July 2017	4,655,616	5,930,192	1,064,649	343,891	134,116	21,816	12,150,280
At 30 June 2018	4,982,892	6,534,253	860,430	234,210	108,397	11,917	12,732,099
	Leasehold improvements	Plant and equipment	Computer equipment	Furniture and fittings	Motor vehicles	Office equipment	Total
Capital work in progress included in property, plant and equipment additions							
At 30 June and 1 July 2017	1,103,402	287,728	690,370	–	–	–	2,081,500
At 30 June 2018	730,918	682,718	107,985	–	–	–	1,521,621

There are no restrictions or pledges over property, plant and equipment.

The net carrying amount of assets held under finance leases is \$2,789,591 for leasehold improvements (2017: \$3,102,669), nil for furniture and fittings (2017: \$63,374) and \$1,590,863 for plant and equipment (2017: \$1,945,941).

14 Intangible assets	30 June 2018	30 June 2017
Computer software cost		
Balance at beginning of year	16,105,543	12,940,030
Additions	1,986,045	3,173,926
Disposals	–	(8,413)
Balance at end of year	18,091,588	16,105,543
Accumulated amortisation expense and impairment losses		
Balance at beginning of year	6,981,278	6,221,982
Amortisation expense	1,364,079	767,709
Disposals	–	(8,413)
Balance at end of year	8,345,357	6,981,278
Carrying amounts		
At beginning of year	9,124,265	6,718,048
At year end	9,746,231	9,124,265

There are no restrictions over the title of the NZBS intangible assets, nor are any intangible assets pledged as security for liabilities.

The eTraceline blood bank software implementation project went live in September 2017 with a total intangible asset cost of \$8,139,631. The total intangible asset spend on this project to 30 June 2017 was \$6,048,429. As previously reported the original go-live date was scheduled to be April 2017 however due to the complexity of the project the go-live date was extended to September 2017.

The remaining amortisation period on computer software ranges from less than 1 year to 3 years with the exception of the blood management system (eProgesa) which is 4 years and the eTraceline blood bank software which is 9 years.

Intangible asset additions include \$540,390 of capital work in progress projects at 30 June 2018 (2017: \$3,132,634). The majority of the 2017 capital work in progress related to the eTraceline blood bank software implementation project.

15 Trade and other payables	30 June 2018	30 June 2017
Trade payables	11,103,204	8,332,123
Accrued expenses	3,128,162	3,199,276
Capital charge accrued	–	–
Board members' fees payable	4,000	4,000
Taxes payable – PAYE and FBT	469,881	431,108
Taxes payable – GST	585,714	542,918
Other	180,383	200,755
Total trade and other payables	15,471,344	12,710,180

Trade and other payables are non-interest bearing and are normally settled on 30 day terms. The carrying value of trade and other payables approximates their fair value.

16 Premises reinstatement provision	30 June 2018	30 June 2017
Balance as at 1 July	2,202,816	2,085,532
Additions/(Releases) (note 5)	(10,896)	10,896
Changes in provisions made during the year (note 5)	154,739	43,231
Discount unwind (note 6)	66,839	63,157
Total premises reinstatement provision	2,413,498	2,202,816
Comprising:		
Current	76,549	82,106
Non-current	2,336,949	2,120,710
Total premises reinstatement provision	2,413,498	2,202,816

The premises reinstatement provision represents the present value of management's best estimate of the future sacrifice of economic benefits that will be required to remove leasehold improvements from leasehold property and reinstate those properties on the expiry of the lease. The estimated cost (using the premises at 71 Great South Road, Newmarket, Auckland as the indicator) has been calculated on a cost per square metre rate for reinstatement based on the advice received from an independent registered valuer.

The unexpired term of the leases concerned ranges from 1 year to 26 years. New Zealand Blood Service leases premises from District Health Boards and commercial landlords. Leases which expire within 1 year for commercial tenancies are classified as current liabilities. District Health Board tenancies expiring within 1 year are classified as non-current on the basis that the leases will be renewed given the essential nature of the service performed within those locations.

17 Employee benefit entitlements	30 June 2018	30 June 2017
Accrued salaries and wages	1,461,836	1,130,440
Annual leave	4,661,242	4,487,918
Long service leave	1,246,104	1,019,757
Retirement gratuities	1,270,454	1,042,055
Sick leave	143,500	150,000
Total employee benefit entitlements	8,783,136	7,830,170
Comprising:		
Current	6,956,212	6,240,381
Non-current	1,826,924	1,589,789
Total employee benefit entitlements	8,783,136	7,830,170

Liabilities for retirement gratuities and long service leave at 30 June 2018 have been calculated by an external actuary resulting in an increase in the estimated liabilities existing at balance date, compared to the position reported at 30 June 2017.

The discount rates used by the external actuary to calculate the estimated liabilities existing at balance date are as follows; long service leave 2.60% (2017: 2.90%), retirement leave 3.00% (2017: 3.20%), and an inflation factor of 3.5% (2017: 2.5%).

18	Rent accrued	30 June 2018	30 June 2017
	Rent accrued	2,422,342	1,821,272
	Total rent accrued	2,422,342	1,821,272

In December 2012, NZBS entered into an agreement to construct and lease with Ngāi Tahu Property Limited, for a new purpose-built facility at Lester Lane, Christchurch, to be occupied by NZBS upon completion by way of lease to accommodate all of the NZBS operations in Christchurch. 10 November 2014 was the operational date of this new facility.

NZBS has determined the lease of the new facility at Lester Lane, Christchurch to be predominately an operating lease. The specialist fit-out component relating to the facility has been classified in the 2016 financial year as a finance lease (refer note 20). Under the leasing arrangement, the initial fixed term of the lease is 30 years, with two further rights of renewal of 12 years each. The agreed lease payment per annum is adjusted every 3 years in line with the greater of the Consumer Price Index (CPI) or a minimum increase of 2.5% at compound rate. At the end of 15 years from the commencement of the lease, there is a market rent review undertaken.

The minimum annual increase of 2.5% compound has been included in the minimum operating lease payment expense recognised in the surplus or deficit. On a straight-line basis this has been determined to be \$601,070 in the 2018 financial year. In the first 15 years of the lease the actual rent payable per annum will be less than the straight-lined amount of expense recognised in the surplus or deficit, creating an accrued rent liability. By year 15 the actual amount of rent payable per annum will exceed the straight-lined amount charged to the surplus or deficit, effectively reversing the accrued rent liability over the remaining 15 year period of the initial lease term.

Any additional increase in the CPI which exceeds the minimum amount of 2.5% increase will be charged to the surplus or deficit as contingent rent expense in the period incurred.

19	Lease incentive liability	30 June 2018	30 June 2017
	Current	25,955	25,955
	Non-current	255,228	281,184
	Total lease incentive liability	281,183	307,139

In May 2017, NZBS opened its new donor centre at 170 Crawford Street, Dunedin. As part of the leasing arrangements the landlord contributed \$311,465 towards the fitout of the premises and this receipt has been recognised as a lease incentive liability which is being released to the minimum operating lease payment expense on a straight-line basis over the initial 12 year term of the lease.

20	Borrowings	30 June 2018	30 June 2017
	Current borrowings are represented by:		
	Finance lease	482,156	483,904
	Term credit facility	–	–
	Total current portion	482,156	483,904
	Non-current borrowings are represented by:		
	Finance lease	4,547,202	4,980,334
	Term credit facility	3,300,000	3,300,000
	Total non-current portion	7,847,202	8,280,334
	Total borrowings	8,329,358	8,764,238

	Carrying amount		Fair value	
	30 June 2018	30 June 2017	30 June 2018	30 June 2017
Total borrowings	8,329,358	8,764,238	10,670,827	11,284,811

Fair Value

Due to interest rates on debt resetting to the market rate every three months, the carrying amount of the term credit facility approximates the fair value.

The fair value of finance leases in 2018 has been determined using contractual cash flows discounted using a rate based on the NZBS market borrowing rate at balance date of 2.87% (2017: 2.91%).

Maturity analysis:	30 June 2018	30 June 2017
The following is a maturity analysis of the NZBS finance lease component of borrowings:		
Total minimum lease payments payable		
Less than one year	875,459	964,542
Later than one year but not more than five years	3,311,462	3,648,937
Later than five years	5,419,267	5,854,226
Total minimum lease payments	9,606,188	10,467,705
Future finance charges	(4,576,830)	(5,003,467)
Present value of minimum lease payments	5,029,358	5,464,238
Present value of minimum lease payments payable		
Less than one year	482,156	483,904
Later than one year but not more than five years	1,884,072	2,114,014
Later than five years	2,663,130	2,866,320
Total present value of minimum lease payments	5,029,358	5,464,238
The following is a maturity analysis of the NZBS term credit facility:		
Less than one year	–	–
Later than one year but not more than five years	3,300,000	3,300,000
Later than five years	–	–
Total term credit facility	3,300,000	3,300,000
Total borrowings	8,329,358	8,764,238

Weighted average effective interest rate for the Westpac term credit facility is 2.82% (2017: 3.06%), the Dilworth Trust Board loan negotiated in the 2012/2013 financial year 7.5%, the Ngāi Tahu Property Limited loan relating to the specialist fit-out component recognised in 2017 financial year 8.375% (2017: 8.375%) and the finance leases relating to plant and equipment range from 2.91% to 9.40% (2017: range from 7.15% to 9.40%).

Finance leases are classified as current for the balance repayable within 12 months and non-current for the remaining balance for both the 2018 and 2017 years. In 2018 and 2017 the Westpac borrowing is classified as non-current liabilities as the facility maturity date is greater than 12 months.

The Westpac New Zealand Limited borrowing is unsecured and operates via a negative pledge undertaking. The maximum amount available to New Zealand Blood Service under this borrowing arrangement is \$8,300,000 of which \$5,300,000 is a committed funding line, all on a term facility (2017: \$8,300,000).

The specific requirements of the negative pledge are stated below.

- New Zealand Blood Service must not grant a security interest over more than 5% of its adjusted tangible assets (defined as total assets less intangible assets) to any third party without the prior consent of Westpac New Zealand Limited.
- New Zealand Blood Service will ensure that it maintains shareholder funds of not less than 30% of adjusted tangible assets (defined as total assets less intangible assets).
- New Zealand Blood Service adjusted surplus must not be less than the cost of funding.

The Westpac New Zealand Limited unsecured loan becomes repayable on demand in the event New Zealand Blood Service breaches any of the obligations under the negative pledge undertaking. New Zealand Blood Service has complied with all negative pledge undertakings and borrowing obligations during the financial year. Current facility arrangements operate to 30 September 2019 with a renewal offer through to 30 September 2020.

The liabilities of New Zealand Blood Service are not guaranteed in any way by the Government of New Zealand.

21	Equity	30 June 2018	30 June 2017
	Crown equity		
	Total crown equity	15,716,696	15,716,696
	Accumulated comprehensive revenue and expense		
	As at 1 July	19,682,688	20,755,677
	Surplus for the year	(566,972)	(72,989)
	Transfer to adverse fractionation event reserve	–	(1,000,000)
	Total accumulated comprehensive revenue and expense	19,115,716	19,682,688
	Adverse fractionation event reserve		
	As at 1 July	4,000,000	3,000,000
	Additional funds received	–	1,000,000
	Funds utilised – net of recoveries	–	–
	Total adverse fractionation event reserve	4,000,000	4,000,000
	Total equity as at 30 June	38,832,412	39,399,384

The adverse fractionation event reserve was established in the financial year ending 30 June 2015 to mitigate those NZBS attributed financial risks deriving from the service's fractionated product manufacturing contract. The level of the reserve is required to be reviewed annually with additions to the reserve balance of \$3.0 million funded through accumulated comprehensive revenue and expense. In the 2018 year the board elected not to increase the reserve. In the 2017 year the board elected to increase the reserve by \$1,000,000 reflecting the updated manufacturing contract with CSL Behring, that came into effect 1 July 2017.

22	Reconciliation of net surplus / (deficit) to net cash from operating activities	30 June 2018	30 June 2017
	Net surplus / (deficit) from the statement of comprehensive income	(566,972)	(72,989)
	Add / (less) non-cash items:		
	Depreciation and amortisation	3,832,399	3,350,971
	Changes in premises reinstatement provision	210,682	117,284
	Changes in lease incentive liability	(25,955)	(4,326)
	Add / (less) items classified as investing or financing activities:		
	(Gains) / losses on disposal of property, plant and equipment	1,368	13,048
	Impairment losses (note 14)	–	–
	Interest received on investments – term deposits	(255,924)	(284,103)
	Add / (less) movements in working capital items:		
	Trade and other receivables	(673,477)	222,431
	Inventories	(127,107)	1,366,546
	Trade and other payables	3,952,389	(700,630)
	Employee benefit liabilities	952,966	482,228
	Revaluation of derivative financial instruments	(1,464,943)	(620,800)
	Net cash from operating activities	5,835,426	3,869,660

Creditors and accruals for capital expenditure are excluded from the trade and other payables increase or decrease.

23	Capital commitments and non-cancellable operating leases	30 June 2018	30 June 2017
	Capital commitments		
	Leasehold improvements	749,450	8,720
	Plant and equipment	394,656	388,020
	Computer equipment	34,754	3,267
	Furniture and fittings	3,150	–
	Motor vehicles	–	–
	Office equipment	–	–
	Intangible assets	44,667	1,864,874
	Capital expenditure contracted for at balance date but not yet incurred for property, plant and equipment plus intangibles	1,226,677	2,264,881

Leasehold improvements in 2018 include \$0.6 million relating to the redevelopment and extension of the existing NZBS blood bank at the Auckland City Hospital to address long standing space constraints. Intangible assets in 2017 included \$1.6 million relating to the implementation of the eTraceline blood bank software which went live in September 2017.

Operating leases as lessee

NZBS leases property, plant and equipment in the normal course of its operations. The future aggregate minimum lease payments to be paid under non-cancellable operating leases are as follows:

Future minimum lease payments	30 June 2018	30 June 2017
Not later than one year	4,886,850	4,362,777
Later than one year and not later than five years	18,227,918	17,056,579
Later than five years	67,792,160	71,826,042
Total non-cancellable operating leases	90,906,928	93,245,398

The 30 June 2018 and 2017 operating lease cost component for premises include rental increases based on rental review dates per contracts and dependent on the lease an assumed market or CPI increase at compound rate.

The 30 June 2017 and 2018 non-cancellable operating leases include the commitment to lease both level 1 and 2 of Dilworth House, 71 Great South Road, in 2018 for an initial period of 10 years. The estimated cost of this lease commitment is \$16.9 million over the 10 year period. NZBS moved into the new Christchurch Blood Centre on 10 November 2014. NZBS has classified the lease of this new facility at Lester Lane, Christchurch as being predominately an operating lease. The specialist fit-out component relating to the facility has been classified in the 2016 financial year as a finance lease (refer note 20). Under the leasing arrangement, the initial fixed term of the lease is 30 years, with two further rights of renewal of 12 years each. The agreed lease payment per annum is adjusted every 3 years in line with the greater of the Consumer Price Index (CPI) or a minimum increase of 2.5% at compound rate. At the end of 15 years from the commencement of the lease, there is a further market rent review undertaken.

The minimum annual increase of 2.5% compound has been included in the minimum operating lease payment expense recognised in the surplus or deficit. On a straight-line basis this has been determined to be \$682,975 per annum. Therefore, we expect in the first 15 years of the lease the actual rent payable per annum will be less than the straight-lined amount of expense recognised in the surplus or deficit, creating an accrued rent liability. However, by year 15 the actual amount of rent payable per annum will exceed the straight-lined amount charged to the surplus or deficit, effectively reversing the accrued rent liability over the balance of the initial 30 year term. Any additional increase in the CPI which exceeds the minimum amount of 2.5% increase will be charged to the surplus or deficit as contingent rent expense in the period incurred.

NZBS has not entered into any sublease arrangements as at 30 June 2018.

24 Contingencies

Contingent liabilities

NZBS is a participating employer in the Defined Benefit Plan Contributors Scheme ("the Scheme") which is a multi-employer defined benefit scheme. If the other participating employers ceased to participate in the Scheme, NZBS could be responsible for the entire deficit of the scheme. Similarly if a number of employers ceased to participate in the scheme, the employer could be responsible for an increased share of the deficit.

At 31 March 2018 the surplus was \$6.6 million (6.1% of the liabilities) and at 31 March 2017 the surplus was \$8.0 million (6.2% of the liabilities). This amount is exclusive of employer superannuation contribution tax. This surplus was calculated using a discount rate equal to the expected return on the assets, but otherwise the assumptions and methodology were consistent with the requirements of PBE IPSAS25 for 31 March 2017 and 2018.

The Actuary to the scheme recommended previously that the employer contributions were suspended with effect from 1 April 2011. In the latest report, the Actuary recommended employer contributions remain suspended.

Contingent assets

There are no contingent assets as at 30 June 2018 (2017: Nil).

25 Related party transactions and key management personnel

(a) Controlled entities

NZBS is controlled by the Crown and it does not control any other for-profit or public benefit entity.

(b) Key management personnel

The key management personnel, as defined by PBE IPSAS 20 Related Party Disclosures, of NZBS are the members of the Board, and the members of the senior management group. The Board consists of members appointed by the Crown; the chief executive officer and the director finance and corporate services attend meetings of the Board but are not members of the Board.

The senior management group consists of NZBS's chief executive officer and the remaining 9 members (2017: 7) of the Executive team.

The aggregate remuneration and the number of members determined on a full-time equivalent basis receiving remuneration are:

Board members	30 June 2018	30 June 2017
Remuneration	\$132,000	\$132,000
Full-time equivalent members	0.42	0.38
Leadership team		
Remuneration	\$2,432,037	\$1,979,207
Full-time equivalent members	10.00	8.00
Total Board and leadership		
Total key management personnel remuneration	\$2,564,037	\$2,111,207
Total full time equivalent personnel	10.42	8.38

(c) Related party transactions

Capital charge

During the period New Zealand Blood Service paid the Ministry of Health a capital charge of \$2,433,930 (2017: \$2,561,455). The amount outstanding at the end of the period was nil (2017: Nil).

Equity injection

During the period New Zealand Blood Service did not receive any equity injection from the Ministry of Health (2017: Nil).

(d) Other

During the reporting period, there were no loans advanced that are not widely available (and/or not widely known) to persons outside the key management personnel that were advanced.

A close family member of a key management personnel member is employed by NZBS. The terms and conditions of this arrangement are no more favourable than NZBS would have adopted if there was no relationship to key management personnel.

26	Board members' remuneration	30 June 2018	30 June 2017
	Mr David Chamberlain Appointed 1 October 2009, appointed Chairman 15 August 2011	32,000	32,000
	Mr Ian Ward Appointed 19 August 2011, appointed Deputy Chairman 15 June 2016	20,000	20,000
	Professor Peter Browett Appointed 1 October 2009	16,000	16,000
	Mrs Victoria Kingi Appointed 26 February 2014	16,000	16,000
	Dr Bart Baker Appointed 15 June 2016	16,000	16,000
	Cathryn Lancaster Appointed 15 June 2016	16,000	16,000
	Fiona Pimm Appointed 15 June 2016	16,000	16,000
	Total Board members' remuneration	132,000	132,000

27	Employee remuneration range	30 June 2018	30 June 2017
		No. Employees	No. Employees
	\$100,000 – 109,999	18	16
	\$110,000 – 119,999	5	5
	\$120,000 – 129,999	1	5
	\$130,000 – 139,999	6	5
	\$140,000 – 149,999	4	2
	\$150,000 – 159,999	–	1
	\$160,000 – 169,999	4	1
	\$170,000 – 179,999	2	3
	\$180,000 – 189,999	–	–
	\$190,000 – 199,999	–	1
	\$200,000 – 209,999	2	2
	\$210,000 – 219,999	2	1
	\$220,000 – 229,999	2	1
	\$230,000 – 239,999	1	–
	\$240,000 – 249,999	–	1
	\$250,000 – 259,999	–	1
	\$260,000 – 269,999	1	1
	\$270,000 – 279,999	2	1
	\$290,000 – 299,999	–	–
	\$300,000 – 309,999 *	1	1*
	\$340,000 – 349,999	–	1
	\$350,000 – 359,999 *	2*	–
		53	49

* Chief Executive Officer

Employee remuneration includes the following elements; base salary, cash allowances, bonuses and incentive payments, non-monetary benefits, any Fringe Benefit Tax paid on any element of the remuneration package and any termination, severance or end of contract payments.

28 Termination payments

During the year ended 30 June 2018 6 employees received termination payments totalling \$141,576. During the year ended 30 June 2017, 2 employees received termination payments totalling \$58,785.

29 Events after the balance date

There were no significant events after balance date.

30 Segmental reporting

New Zealand Blood Service operates solely within New Zealand. This is considered to be one geographical segment for financial reporting purposes.

New Zealand Blood Service activities are vertically integrated. These activities include collection, processing, accreditation testing and supply of blood and they are considered to be an integrated segment for reporting purposes.

31 Financial instrument categories

The accounting policies for financial instruments have been applied to the line items below:

FINANCIAL ASSETS	30 June 2018	30 June 2017
Loans and receivables		
Cash and cash equivalents (note 8)	3,961,045	3,932,283
Trade and other receivables (note 9)	12,738,598	12,065,121
Investment – term deposits (note 10)	7,000,000	7,000,000
Total loans and receivables	23,699,643	22,997,404
Fair value through surplus or deficit		
Derivative financial instruments (note 12)	539,434	–
Total fair value through surplus or deficit	539,434	–
FINANCIAL LIABILITIES		
Financial liabilities measured at amortised cost		
Trade and other payables (note 15) – excluding GST payable to the Inland Revenue	14,885,630	12,167,262
Borrowings (note 20)	8,329,358	8,764,238
Total financial liabilities measured at amortised cost	23,214,988	20,931,500
Fair value through surplus or deficit		
Derivative financial instruments (note 12)	–	925,509
Total fair value through surplus or deficit	–	925,509

32 Fair value hierarchy disclosures

	Total	Quoted market price	Observable inputs	Significant non-observable inputs
30 June 2018				
Financial assets				
Derivatives – forward foreign exchange contracts	539,434	–	539,434	–
Financial liabilities				
Derivatives – forward foreign exchange contracts	–	–	–	–
30 June 2017				
Financial assets				
Derivatives – forward foreign exchange contracts	–	–	–	–
Financial liabilities				
Derivatives – forward foreign exchange contracts	925,509	–	925,509	–

There were no transfers between the different levels of the fair value hierarchy.

33 Financial instruments risks

New Zealand Blood Service is party to financial instruments as part of its everyday operations. These include instruments such as bank balances, investments in the form of term deposits, accounts receivable, trade creditors and loans.

The entity has a series of policies providing risk management for interest rates and the concentration of credit. The entity is risk averse and seeks to minimise exposure from its treasury activities. NZBS policies do not allow any transactions which are speculative in nature to be entered into.

Interest rate risk

Fair value interest rate risk

Fair value interest risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. Borrowings and investments issued at fixed rates of interest create exposure to fair value interest rate risk. NZBS manages its interest rate risk through the Treasury Management Committee that meets monthly and considers interest rate risk as part of its agenda.

Cash flow interest rate risk

It is estimated that a general increase or decrease in interest rates on borrowings of 1% would increase or decrease the NZBS surplus / deficit by approximately \$83,290 at 30 June 2018 (2017: \$87,640).

There are no interest rate options or interest rate swap agreements in place as at 30 June 2018 (2017: Nil).

Cash and cash equivalents include deposits at call which are at floating rates and short term deposits at fixed rates totalling \$3,956,245 (2017: \$3,927,483). A movement in interest rates of plus or minus 1% has an effect on interest income of \$39,560 (2017: \$39,270).

Currency risk

Trade payables include AUD\$7.93 million of Australian dollar denominated payables (2017: AUD\$5.75 million) in relation to inventory purchases. In 2017 trade payables included EUR€155 thousand relating to the eTraceline blood bank software implementation project. Currency risk has been mitigated on these payables as they are covered by Fixed Forward Foreign Exchange selling contracts.

The NZD equivalent of unhedged amounts owing in foreign currency at balance date is \$119,897 (2017: \$276,256).

The NZD equivalent of unhedged amounts owing to NZBS in foreign currency at balance date is \$219,097 (2017: nil).

Forward foreign exchange contracts	30 June 2018	30 June 2017
Total forward foreign exchange contracts (stated in NZD)	30,522,950	37,666,705

The foreign currency principal amounts were AUD\$28,494,970 (2017: AUD\$33,828,407 and EUR€705,000).

The fair values of forward exchange contracts have been determined using a discounted cash flows valuation technique based on quoted market prices. The inputs into the valuation model are from independently sourced market parameters such as currency rates. Most market parameters are implied from forward foreign exchange contract prices.

Financial assets

At 30 June 2018 derivative financial assets consisted of forward foreign exchange contracts with a fair value totalling \$539,434. At 30 June 2018, a movement in foreign exchange rates of plus 10% has an adverse impact of \$2.82 million, and minus 10% has a favourable impact of \$3.45 million, based on a derivative valuation model using hypothetical forward rates. There were no derivative financial assets held for trading at 30 June 2017.

Financial liabilities

There were no derivative financial liabilities held for trading at 30 June 2018. At 30 June 2017 derivative financial liabilities consisted of forward foreign exchange contracts with a fair value totalling \$925,509. At 30 June 2017, a movement in foreign exchange rates of plus 10% has an adverse impact of \$3.34 million, and minus 10% has a favourable impact of \$4.09 million, based on a derivative valuation model using hypothetical forward rates.

Credit risk

Maximum exposure to credit risk at balance date are:	30 June 2018	30 June 2017
Cash in hand	4,800	4,800
Call deposits and short term deposits	3,956,245	3,927,483
Receivables	11,392,916	10,673,884
Investments – term deposits	7,000,000	7,000,000
Derivative financial instruments	539,434	–
Total credit risk	22,893,395	21,606,167

Credit quality of financial assets

COUNTERPARTIES WITH CREDIT RATINGS	30 June 2018	30 June 2017
Total cash at bank and term deposits		
AA-	10,956,245	10,927,483
Derivative financial instrument assets		
AA-	539,434	–
COUNTERPARTIES WITHOUT CREDIT RATINGS		
Debtors and other receivables		
Existing counterparty with no defaults in the past	11,392,916	10,673,884
Existing counterparty with defaults in the past	–	–
Total debtors and other receivables	11,392,916	10,673,884

Concentration of credit risk

Concentrations of credit risk from accounts receivable are limited due to the majority of NZBS's revenue being from the 20 District Health Boards (DHBs). The DHBs make up approximately 95.4% (2017: 99%) of the total receivables outstanding at balance date. Collectively the DHBs are assessed to be low risk, high quality entities due to their nature, as government organisations responsible for providing the public health service to New Zealand.

Liquidity risk

The maximum amount available to New Zealand Blood Service under existing banking arrangements is \$8,300,000 (2017: \$8,300,000) on term facilities of which \$3,300,000 was drawn down at balance date (2017: \$3,300,000). A negative pledge obligation exists with this facility – refer note 20.

30 June 2018	Liability carrying amount	Contractual cash flows	Less than 1 year	1-2 years	2-5 years	More than 5 years
Trade and other payables (note 15) – excluding GST	14,885,630	14,885,630	14,885,630	–	–	–
Borrowings – finance lease (note 20)	5,029,358	9,606,188	875,459	1,670,476	1,640,986	5,419,267
Borrowings – term credit facility (note 20)	3,300,000	3,434,435	110,605	3,323,830	–	–

30 June 2017	Liability carrying amount	Contractual cash flows	Less than 1 year	1-2 years	2-5 years	More than 5 years
Trade and other payables (note 15) – excluding GST	12,167,262	12,167,262	12,167,262	–	–	–
Borrowings – finance lease (note 20)	5,464,238	10,467,705	964,542	1,681,069	1,967,868	5,854,226
Borrowings – term credit facility (note 20)	3,300,000	3,437,073	112,868	3,324,205	–	–

Contractual maturity analysis of derivative financial instruments

30 June 2018	Liability carrying amount	Asset carrying amount	Contractual cash flows	Less than 6 months	Between 6 months and 1 year	1-2 years	2-5 years
Forward foreign exchange contracts							
outflow	–	539,434	30,522,950	11,121,684	8,620,064	10,781,202	–
inflow	–	–	31,062,384	11,438,102	8,720,682	10,903,600	–

30 June 2017	Liability carrying amount	Asset carrying amount	Contractual cash flows	Less than 6 months	Between 6 months and 1 year	1-2 years	2-5 years
Forward foreign exchange contracts							
outflow	–	–	37,666,705	7,434,195	15,380,994	14,851,516	–
inflow	925,509	–	36,741,196	7,235,945	14,737,567	14,767,684	–

34 Capital management

New Zealand Blood Service's capital is its equity comprising crown equity, accumulated funds and the adverse fractionation event reserve. Equity is represented by net assets.

New Zealand Blood Service is subject to the financial management and accountability provisions of the Crown Entities Act 2004 which imposes restrictions in relation to borrowings, acquisition of securities, issuing of guarantees and indemnities and the use of derivatives.

New Zealand Blood Service manages its equity by managing revenues, expenses, assets, liabilities, investments and general financial dealings to ensure it effectively achieves its objectives and purpose, whilst behaving in a financially responsible manner in accordance with the financial management obligations imposed by the Crown Entities Act 2004.

35 Explanation of major variances against budget

The reported deficit of -\$0.57 million was influenced by the following factors when compared to the budgeted deficit of -\$1.86 million;

- 1) Gross revenues of \$121.62 million were +\$3.18 million favourable to budget mainly due to stronger demand for blood products +\$2.70 million overall and fractionated products (+\$2.43 million) driving off higher immunoglobulin (IVIg) product sales growth.
- 2) The cost of consumables and changes in inventory at \$45.51 million was – \$2.38 million unfavourable to budget. These unfavourable adjustments were due to higher consumable and 'changes in inventory' costs of \$1.78 million overall, a consequence of higher blood product demand and IVIg fractionated product growth. Product expiry was also elevated by – \$0.60 million relating to red cells, platelets, source plasma for fractionation, femoral heads and fractionated products.
- 3) Mark to market revaluation movement of derivative financial instruments was +\$1.43 million favourable overall mainly due to the movement in the NZD/AUD cross rates ruling at 30 June 2017 and 2018 when compared to foreign exchanges contracts held at balance date. The 2017/18 Budget assumed a closing 30 June 2017 NZD/AUD rate of 0.930 whereas the actual was NZD/AUD 0.949, generating an opening 1 July 2017 favourable movement of +\$0.96 million. In addition at 30 June 2018 a favourable mark to market gain of +\$0.47 million was also recorded against the budgeted position.
- 4) The balance of other variances was unfavourable to budget by – \$0.94 million and was represented by a combination of;
 - i) Higher employee benefit expenses – \$0.71 million in part due to an increase in sick leave and annual leave entitlements, provisioning for a potential change in Long Service Leave entitlement relating to a particular collective agreement and higher call centre costs.
 - ii) Lower depreciation and amortisation costs of +\$0.61 million due to the eTraceline blood bank software go-live being September 2017 (budget assumed April 2017) and timing on general capital spend over the course of the financial year.
 - iii) Higher finance charges of – \$0.05 million.
 - iv) Higher 'Other expenses' being – \$0.79 million unfavourable overall from a combination of the following;
 - higher foreign exchange losses (-\$0.41 million) driving from NZD/AUD foreign exchange contracts held to settle the cost of manufacturing fractionated products, those costs denominated in Australian dollars,
 - higher distribution spend (-\$0.25 million) due mainly to higher sales demand and collection volumes,
 - higher repairs and maintenance spend (-\$0.26 million),
 - a lower capital charge (+\$0.19 million) mainly due to the actual payments being at 6% compared to a budget rate of 7%,
 - Other expense variances – \$0.06 million unfavourable overall.

Note when comparing the Financial Statements to the Statement of Service Performance, the budget numbers shown in the Statement of Service Performance are recorded at an aggregated level whereas budget figures shown in the financial statements are broken out at a more detailed level.

The overall cash flow movement for 2017/18 was a slight reduction in cash of – \$29 thousand resulting in a closing cash position at 30 June 2018 of \$3.96 million. This figure was +\$3.45 million favourable to budget due primarily to a favourable +\$2.55 million higher opening position plus favourable operating activities +\$1.57 million being offset by a higher investing cash spend of -\$0.69 million as detailed below.

- a) Cash from Operating Activities at +\$5.84 million was +\$1.57 million favourable to budget. Key factors influencing this outcome were:
 - i) Higher receipts (+\$2.63 million) driving from higher blood product demand, in particular fractionated product.
 - ii) Higher supplier payments (-\$1.00 million) due to higher demand and corresponding production levels to meet that demand.
 - iii) Other payments in total being unfavourable to budget by – \$0.06 million overall.
- b) Cash flows from Investing Activities at – \$5.31 million were – \$0.69 million unfavourable to budget mainly due to timing on capital expenditure relating to the eTraceline blood bank management software project.
- c) Cash flows from Financing Activities at – \$0.49 million were favourable to budget by \$0.03 million.

The equity position at 30 June 2017 totaled \$38.83 million (budget \$36.50 million) representing an equity ratio of 82.3% (budget 80.2%) and a debt ratio of 17.7% (budget 19.8%). Tangible assets totaled \$68.79 million (budget \$63.21 million) compared to last year's \$64.84.

New Zealand Blood Service Output Class and Outcome											
Output		Outcome									
<p>NZBS has one overall Output Class, comprising three interrelated outputs related to:</p> <ul style="list-style-type: none">• Donors (and patients)• Products and Services• Demand Management <p>Each of which collectively contributes to the achievement of the NZBS Outcome.</p>		Historical Trend Line of Actual Outcomes					Result		Target Set		
		Target Set 2017/18		2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
		Revenue of \$118.45m with no price rebate to DHBs planned. Expenses of \$120.30m Deficit of \$1.85m		\$105.5m	\$104.9m	\$104.0m	\$109.0m	\$115.6m	\$114.42m	Revenue of \$121.62m with no price rebate to DHBs. Expenses of \$122.19m Deficit of \$0.57m	Revenue of \$127.40 with no price rebate to DHBs planned. Expenses of \$128.83m Deficit of \$1.43m
		Financial Performance Commentary: The reported deficit of \$0.57m was favourable to the budgeted deficit of \$1.85m but unfavourable to last year's deficit of \$0.08m. This result was delivered off revenues of \$121.62m which were 2.7% and 6.3% up on budget and last year revenue levels respectively. The reported result was achieved in a financial year characterised as challenging requiring NZBS to constantly adapt to changing demand patterns that saw fresh product volumes largely static overall and a 10.25% lift in immunoglobulin demand that required plasmapheresis collection volumes to be increased by 9.9% to align the collection of source plasma for fractionation with the demand.									
		Against that backdrop the reported result is an acceptable whole of year performance being favourable to budget by +\$1.29m, albeit unfavourable to last year by -\$494k. The key contributors to the movements over both budget and last year are further identified in the table below:									
		Analysis of Key Contributors to Budget and Last Year's Result Variances									
		<p>Higher gross margin off higher revenue levels</p> <p>Net Production and Inventory adjustment outcomes</p> <p>Product expiry and obsolescence provisioning</p> <p>General Expenditures</p> <p>Foreign exchange fluctuations</p> <p>Overall Improvement to Budget and Last Year's result</p> <p>In the current operating environment the Board elected to not declare a price rebate to DHBs for the 2017/18 financial year.</p>									
Change in Accounting Standards: Please note from the 2014/15 financial year, information has been prepared under International Public Sector Accounting Standards (IPAS) with all prior reported financial information within this document prepared under International Financial Reporting Standards (NZ IFRS).											

1. External output measures reported in this section of the Statement of Service Performance relate to key products and services which contribute to achievement of NZBS Enduring Outcome to provide a range of products and services which are appropriate to New Zealanders Health needs and priorities.									
Performance Measures stated in Financial Years	Target Set	Historical Trend Line of Actual Outcomes					Result	Target Set	
	2017/18	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	
Product and Service availability									
1.1 Key products and services are available at all times (24 x 7). Measure is instances when this is not achieved and which could potentially have a negative consequence for patients.	0	1	0	0	0	0	0	0	
*Comment on non-supply incident in 2012/13									
There was 1 occasion in October 2012 when platelets of the right group were not supplied when requested and so were not available when required for a patient. The patient's clinical condition required that he be transferred to Auckland City Hospital for urgent neurosurgery and platelets were transfused in Auckland. The patient's clinician advised that the unavailability of platelets did not contribute to the clinical decision to transfer the patient nor did it cause any harm to the patient. Following surgery the patient made a good recovery and was transferred back to his DHB of domicile for on-going management.									
2. External output measures related to Demand Management and the relationship with DHBs which contribute to achievement of Strategic Goal 4 – NZBS relationships with other health sector entities are mutually supportive and productive.									
Performance Measures stated in Financial Years	Target Set 2017/18	Historical Trend Line of Actual Outcomes					Result	Target Set	
		2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	
2.1 Planning and Communication with District Health Boards (DHBs)									
NZBS will demonstrate a productive and supportive relationship with the DHBs consistent with maintaining a strategic partnership, including proactively engaging with them through the Lead DHB CEO to agree pricing matters in a timely manner in order to inform preparation of DHB Annual Plans. NOTE: Exact measure has changed over recent years.	NZBS to receive favourable feedback from the Lead DHB CEO on maintaining a greater strategic partnership and the timely and relevant provision of information, including issue resolution over the course of the 2017/18 financial year.	Feedback received from the Lead DHB CEO stated: "it would be my assertion that NZBS has met its Planning & Communications with DHB Objective."	Feedback received from the Lead DHB CEO stated: "NZBS has fully met the requirements of its 'Planning and Communications with DHBs'"	Feedback received from the Lead DHB CEO stated: "I can confirm from a DHB point of view NZBS has fully met the requirements of its 'Planning and Communications with DHBs'"	Lead DHB CEO confirmed an open communication process with DHBs over price setting and utilisation patterns to inform the new financial year. To quote: "I believe you have developed an open partnership with me which will hopefully see a greater strategic partnership developed".	NZBS assesses its communication obligations to the DHBs and relationship management were met over the course of the 2016/17 financial year. However the Lead CEO changed twice during the year with an extended period of no Lead CEO. In these circumstances formal feedback could not realistically be expected.	NZBS has received the following feedback from the Lead DHB CEO on meeting this target. NZBS has engaged in a positive and proactive relationship with the DHBs throughout the year, via the nominated lead DHB CEO. NZBS via its CEO has remained accessible, available and attentive to the challenges faced by both NZBS and the DHBs. The pricing discussion was well researched and informed leading to a mutually acceptable outcome for both parties.	NZBS to receive favourable feedback from the Lead DHB CEO on maintaining a greater strategic partnership and the timely and relevant provision of information, including any issue resolution over the course of the 2018/19 financial year.	

Performance Measures stated in Financial Years	Target Set 2017/18	Historical Trend Line of Actual Outcomes					Result	Target Set
		2012/13	2013/14	2014/15	2015/16	2016/17		
2.2 NZBS Reports for DHBs								
Monthly demand management reports outlining purchase volumes by key product line are provided to DHBs to assist them to manage local usage and costs.	Reports are provided to each DHB by the 10th working day of the following month throughout the 2017/18 financial year.	ACHIEVED Monthly reports detailing product use and expiry information provided to all DHBs in 2012/13 financial year.	ACHIEVED Monthly reports detailing product use and expiry information provided throughout 2013/14.	ACHIEVED Monthly reports detailing product use and expiry information provided to all 20 DHBs in 2014/15 financial year.	ACHIEVED Monthly reports detailing product use and expiry information were provided to all 20 DHBs throughout 2015/16	ACHIEVED Monthly reports detailing product use and expiry information were provided to all 20 DHBs throughout 2016/17	SUBSTANTIALLY ACHIEVED* Monthly reports detailing product use & expiry information were provided with 1 exception, within set timeframes to all 20 DHBs throughout 2017/18	Reports are provided to each DHB by the 10th working day of the following month.
* The September 2017 reports were delayed due to problems with extracting data following the implementation of eTraceLine the new national blood banking management system. Over the 2017/18 financial year the average despatch time was 5 working days.								
2.3 Clinical Oversight Programme								
All Blood Banks located in main DHB hospitals (other than the 6 DHBs where NZBS is responsible for Blood Bank provision) will receive at least 1 NZBS Clinical Oversight visit (and audit report) per year in order to enable them to meet the requirements of ISO15189 for IANZ Accreditation.	100% achievement of a minimum one clinical oversight visit and report per year to all non NZBS managed blood banks located in main DHB hospitals.	NOT ACHIEVED 96%	ACHIEVED 100%	ACHIEVED 100%	ACHIEVED 100%	ACHIEVED 100%	ACHIEVED 100%	100% achievement of a minimum one clinical oversight visit and report per year to all non NZBS managed blood banks located in main DHB hospitals.
Haemovigilance – Patient safety (measured in calendar years)	Target Set 2016	CALENDAR YEARS					2016	2017
2.4 Haemovigilance Reporting								
2.4.1 To promote risk awareness and best practice in transfusion, NZBS will publish an annual Haemovigilance Report for each calendar year and will share this information with all DHBs to assist them to reduce the incidence of adverse transfusion related events.	2016 Annual Haemovigilance Report published and provided to all DHBs in the December quarter of 2017.	ACHIEVED 2011 Annual Haemovigilance Report distributed to all DHBs in December 2012 and available on NZBS web-site.	ACHIEVED 2012 Annual Haemovigilance Report distributed to all DHBs in December 2013 and available on NZBS web-site	ACHIEVED 2013 Annual Haemovigilance Report distributed to all DHBs in December 2014 and available on the NZBS web-site.	ACHIEVED 2014 Annual Haemovigilance Report distributed to all DHBs in October 2015 and available on the NZBS web-site.	ACHIEVED 2015 Annual Haemovigilance Report distributed to all DHBs in October 2016 and available on the NZBS web-site.	ACHIEVED 2016 Annual Haemovigilance Report published and provided to all DHBs in the December quarter of 2018.	
2.4.2 Number of transfusion related adverse events occurring as a result of an NZBS “system failure” reported to the National Haemovigilance Programme, with a severity score greater than 1 and an imputability score classified as likely/probable or certain. ¹	Relates to adverse recipient reactions in calendar year 2016. While zero is always the desired outcome it is considered inappropriate to set a target for this measure.	ACHIEVED 0	ACHIEVED 0	ACHIEVED 0	ACHIEVED 0	ACHIEVED 0	ACHIEVED 0	Target is 0
¹ This measure reports adverse events that have occurred as a result of NZBS “system failures” and therefore excludes adverse events resulting from a physiological reaction to the transfusion of a biological product.								

3. Internal measures related to Products and Service Quality which contribute to achievement of Strategic Goal 2 – NZBS achieves the highest possible Safety and Quality standards in all that it does.										
Performance Measures stated in Financial Years		Target Set 2017/18	Historical Trend Line of Actual Outcomes					Result	Target Set	
			2012/13	2013/14	2014/15	2015/16	2016/17			
3.1 Donation Testing		To maintain 100% tested donation Testing	ACHIEVED	ACHIEVED	ACHIEVED	ACHIEVED	ACHIEVED	ACHIEVED	100% tested	To maintain 100% donation testing
Each donation will be tested prior to use in accordance with the NZBS Manufacturing Standards (as approved by Medsafe).			100% tested	100% tested	100% tested	100% tested	100% tested	100% tested		
No product is released for issue to a patient until it has passed all safety tests and associated records are maintained.										
3.2 Regulatory Compliance – Medsafe			ACHIEVED	ACHIEVED	ACHIEVED	ACHIEVED	ACHIEVED	ACHIEVED	100%	To maintain 100% GMP Licensing Compliance
NZBS will ensure it maintains Medsafe licences for its 6 hub sites 100% of the time, to provide an assurance of GMP compliance. <ul style="list-style-type: none">NZBS is required to maintain a licence in order to manufacture medicines. The licence requires mandatory compliance with GMP code at all times.		To maintain 100% GMP Licensing Compliance	100% GMP Licensing compliance maintained	100% GMP Licensing compliance maintained	100% GMP Licensing compliance maintained	100% GMP Licensing compliance maintained	100% GMP Licensing compliance maintained	100% GMP Licensing compliance maintained	100% GMP Licensing compliance maintained	To maintain 100% GMP Licensing Compliance
3.3 Regulatory Compliance – IANZ (International Accreditation New Zealand)			ACHIEVED	ACHIEVED	ACHIEVED	ACHIEVED	ACHIEVED	ACHIEVED	100%	To maintain 100% IANZ accreditation
NZBS will ensure it maintains IANZ accreditation 100% of the time at all of its diagnostic laboratories. <ul style="list-style-type: none">IANZ is the national authority for accreditation of testing and calibration laboratories, inspection bodies and radiology services.		To maintain 100% IANZ accredited	100% IANZ accreditation maintained	100% IANZ accreditation maintained	100% IANZ accreditation maintained	100% IANZ accreditation maintained	100% IANZ accreditation maintained	100% IANZ accreditation maintained	100% IANZ accreditation maintained	To maintain 100% IANZ accreditation
3.4 Regulatory Compliance – ASHI (American Society of Histocompatibility and Immunogenetics)			MAINTAINED	MAINTAINED	MAINTAINED	MAINTAINED	MAINTAINED	MAINTAINED	MAINTAINED	100% ASHI accredited
NZBS will maintain ASHI accreditation 100% of the time at the national Tissue Typing laboratory. <ul style="list-style-type: none">ASHI accreditation is a programme to evaluate laboratory personnel, procedures and facilities to determine compliance with published ASHI standards. Maintaining ASHI accreditation is a mandatory NZBS requirement.		100% ASHI accreditation maintained	100% ASHI accredited	100% ASHI accredited Biennial on-site audit completed	100% ASHI accredited	100% ASHI accredited Biennial on-site audit completed	100% ASHI accredited	100% ASHI accredited Biennial on-site audit completed	100% ASHI accredited	100% ASHI accredited

4. Internal measures related to Donors which contribute to achievement of Strategic Goal 3 – NZBS maintains a sustainable donor population capable of supporting ongoing product demand in New Zealand.									
Performance Measures stated in Financial Years		Target Set 2017/18	Historical Trend Line of Actual Outcomes				Result	Target Set	
			2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
4.1 Donor Population									
NZBS maintains a donor population capable of meeting the on-going demand for blood and blood products. <ul style="list-style-type: none">Active Whole Blood & apheresis donor panels		102,715	121,167	112,744	109,158	110,746	109,751	107,210	106,000
NOTE: NZBS actively manages its donor population of whole blood & apheresis donors at levels required to support ongoing demand meaning the panels may be above or below the original target set. The closing donor panel numbers at 30 June 2018 were primarily the result of growing the plasmapheresis panel to meet the need for source plasma, following a lift in the demand for immunoglobulin product experienced over the 2017/18 financial year. Refer to Section 4.4.									
4.2 Donor Satisfaction (Old Measure)			NOT ACHIEVED	NOT ACHIEVED	NOT ACHIEVED	NOT ACHIEVED	DISCONTINUED MEASURE from 2016/17 FINANCIAL YEAR		
Measure of Overall Satisfaction with the Quality of Service using the Common Measurement Tool (CMT) questionnaire. <ul style="list-style-type: none">Aspirational target of greater than 90% of donors surveyed state that they are either “Satisfied” or “Very Satisfied” with the overall quality of service.		Discontinued Measure	88.6%	88.3%	88.4%	87.9%			
Note: From the 2016/17 reporting year onwards a new measure has been developed that is better suited to blood donation and related activities. The CMT measurement tool was discontinued as its use is primarily for measurement of satisfaction with Government departments not frontline services. The new measure (refer below) more accurately reflects true donor experience.									
4.2 Donor Satisfaction (new measure)		NEW MEASURE IN 2016/17 FINANCIAL YEAR			ACHIEVED		ACHIEVED		Greater than 90% satisfaction with the service
Measure of Overall Satisfaction with the Quality of Service <ul style="list-style-type: none">90% of donors give an 8 or higher score out of 10 of their experience / satisfaction with the service.		Greater than 90% satisfaction with the service				91.35%	92.78%		
Note: This is ascertained by internal NZBS donor surveys conducted 6 monthly over the financial year. The first survey was conducted in June 2017. The surveys over the 2017/18 financial year were undertaken in November 2017 (91.98%) and May 2018 (93.58%). The reported donor satisfaction figure is the average of the two surveys conducted over the financial year.									

4. Internal measures related to Donors which contribute to achievement of Strategic Goal 3 continued – NZBS maintains a sustainable donor population capable of supporting ongoing product demand in New Zealand.											
Performance Measures stated in Financial Years		Target Set 2017/18	Historical Trend Line of Actual Outcomes					Result	Target Set		
		2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19			
4.3 Targeted donor recruitment strategies (old measure)											
4.3.1 To increase the percentage of Māori donors on the active donor panel from the level achieved in the prior year.	Discontinued Measure	ACHIEVED 6.7%	ACHIEVED 7.7%*	ACHIEVED 9.3%	ACHIEVED 9.8%	NOT ACHIEVED 9.6%	DISCONTINUED MEASURE from 2017/18 FINANCIAL YEAR*				
4.3.2 To increase the percentage of youth donors between the ages of 19 – 25 years on the active donor panel from the level achieved in the prior year.	Discontinued Measure	ACHIEVED 18.4%	ACHIEVED 18.8 %	NOT ACHIEVED 18.8%	NOT ACHIEVED 18.3%	NOT ACHIEVED 17.5%	DISCONTINUED MEASURE from 2017/18 FINANCIAL YEAR *				
* Note: From the 2017/18 reporting year a new measure targeting new and reinstated donor levels (refer below) is considered an improved performance monitoring metric for these particular donor categories. These new measures set out below for the 2017/18 financial year provide real targets for performance not a shifting % of the total donor panel which is always dependent on demand profile.											
4.3 Targeted donor recruitment strategies (new measure from 2017/18 Financial Year)	Target 2017/18	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	Target Set 2018/19			
4.3.1 Recruit 2,900 new and reinstated Māori donors to the active donor panel (each year measure).	2,900	NEW MEASURE IN 2017/18 FINANCIAL YEAR						NOT ACHIEVED	2,731 (94%) 2,900		
4.3.2 Recruit 11,000 new and reinstated youth donors between the ages of 16-25 on the active donor panel - attracting youth donors assists in future proofing the service encouraging new donors to replace those retiring.	11,000	NEW MEASURE IN 2017/18 FINANCIAL YEAR						NOT ACHIEVED	10,211 (93%) 11,000		
NOTE: For clarity, the definition of a new donor is a donor who has made a valid donation for the very first time in New Zealand. The definition of a reinstated donor is a person who has made at least two donations of which one blood donation was made within the last 12 months and the interval between that donation and the prior donation is more than 24 months excluding autologous and therapeutic donations. The first year reporting of these new KPI fell just short of target. For the Maori donor target there was no discernible reason other than acknowledging the need to maintain in future a specific campaign focus throughout the year acknowledging the main focus in 2017/18 had been on plasma collection to secure the required quantities of source plasma for fractionation. For the youth target there were fewer actual collections days than had been planned due to pressure on the availability of rooms at the universities. Similarly a number of schools rescheduled their originally planned days to later in the financial year adversely impacting the original planned collection timetable.											
4.4 Raw Material (Collections) Inputs – based on Demand Outcomes and Forecasts ¹⁰	Target 2017/18	2012/13 Actual	2013/14 Actual	2014/15 Actual	2015/16 Actual	2016/17 Actual	2017/18 Actual	Target Set 2018/19			
4.4.1 Total Whole Blood donations.	110,365	133,255	120,858	120,099	119,967	111,146	111,588	109,300			
4.4.2 Total Plateletpheresis donations.	2,965	6,066	3,942	3,436	3,145	2,852	2,637	2,700			
4.4.3 Total Plasmapheresis donations.	51,842	30,206	32,514	41,438	52,026	53,081	58,441	61,100			
4.4.4 Total Donations.	165,172	169,527	157,314	164,973	175,138	167,079	172,666	173,100			
Note: Collection inputs targets are not fixed. The collection inputs have been / will be flexed over the year to meet demand indications.											

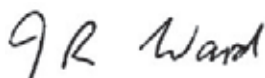
5. Internal measures related to People which contribute to achievement of Strategic Goal 5 – NZBS has a sustainable, competent and engaged workforce.							
Performance Measures stated in Financial Years	Target Set 2017/18	Historical Trend Line of Actual Outcomes				Result	Target Set
		2012/13	2013/14	2014/15	2015/16	2016/17	2017/18
5.1 Annual Employee turnover.	12.0%	12.4%	10.4%	8.1%	9.9%	10.6%	12.5%
5.2 Employee Engagement Index Score from biennial Staff Engagement Survey.	No Survey	No survey	68.5%	No survey	No survey	ACHIEVED 71.4%*	No survey
Comment: * The 2016 Staff Culture Survey was undertaken in October 2016 with 84% of overall staff taking part.							
6. Internal measure related to Development which contributes to achievement of Strategic Goal 6 – NZBS uses international 'best practices' and internal research and development capabilities to improve and develop and services for the New Zealand health and disability sector.							
Performance Measures stated in Financial Years	Target Set 2017/18	Trend Historical Line of Actual Outcomes				Result	Target Set
		2012/13	2013/14	2014/15	2015/16	2016/17	2017/18
6.1 Auckland Facility Project – 71 Great South Road Site Successful completion of key project milestones in accordance with Board approved project plan	Business case and associated project plan for the redevelopment of the Auckland site facilities approved by the Board no later than 30 June 2018.	NEW MEASURE IN 2015/16 FINANCIAL YEAR				No measure as the project was deferred in the 2015/16 financial year pending further redevelopment planning work.	ACHIEVED A comprehensive Redevelopment plan Scoping paper was presented to the May 2018 Board meeting. The Board approved the redevelopment subject to Ministry of Health sanction.
							Key Milestones achieved by 30 June 2019 in accordance with the approved redevelopment Plan for 71 Great South Road.
7. Internal measures related to Financial Sustainability contributing to achievement of Strategic Goal 7 – NZBS is a financially sustainable organisation operating effectively and efficiently.							
Performance Measures stated in Financial Years	Target Set 2017/18	Historical Trend Line of Actual Outcomes				Result	Target Set
		2012/13	2013/14	2014/15	2015/16	2016/17	2017/18
7.1 Financial Management Assure cost efficiency and value for money management through maintenance of financial vvv in an environment which is demand driven (i.e. changes in product demand – mix and volume by the DHBS, impacts on the NZBS financial result).	Achievement of Budget. Budgeted deficit of \$1.855m on revenues of \$118.4m. No rebate planned to DHBS	Actual – Deficit of \$2.1m on revenue of \$104.9m.	Actual – surplus of \$0.86m on revenue of \$106.0m	Actual - surplus of \$4.7m on revenues of \$109.0m.	NOT ACHIEVED – a reported deficit of \$2.3m on revenue of \$115.6m.	ACHIEVED – a reported deficit of \$0.57m on revenue of \$121.62m.	Achievement of Budget. Budgeted deficit of \$1.43m on revenues of \$127.4m.
		No Rebate paid to DHBS.	Rebate paid to DHBS of \$2.0m.	Rebate paid to DHBS of \$3.55m.	No rebate paid to DHBS.	No rebate paid to DHBS.	No rebate planned to DHBS

- 1) The Board and Management of New Zealand Blood Service accept responsibility for the preparation of the annual Financial Statements and Statement of Service Performance and the judgements used in them.
- 2) The Board and Management of New Zealand Blood Service accept the responsibility for establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial and non-financial reporting.
- 3) In the opinion of the Board and Management of New Zealand Blood Service, the annual Financial Statements for the year ended 30 June 2018 fairly reflect the financial position and operations of New Zealand Blood Service.



David Chamberlain

Board Chairman
30 August 2018



Ian Ward

Board Deputy Chairman
30 August 2018

To the readers of New Zealand Blood Service's financial statements and performance information for the year ended 30 June 2018

The Auditor-General is the auditor of New Zealand Blood Service. The Auditor-General has appointed me, Athol Graham, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements and the performance information, of New Zealand Blood Service on his behalf.

Opinion

We have audited:

- the financial statements of New Zealand Blood Service on pages 33 to 63, that comprise the statement of financial position as at 30 June 2018, the statement of comprehensive revenue and expenses, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements including a summary of significant accounting policies and other explanatory information; and
- the performance information of New Zealand Blood Service on pages 64 to 70.

In our opinion:

- the financial statements of New Zealand Blood Service on pages 33 to 63:
 - present fairly, in all material respects:
 - its financial position as at 30 June 2018; and
 - its financial performance and cash flows for the year then ended; and
 - comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Standards; and
- the performance information on pages 64 to 70:
 - presents fairly, in all material respects, New Zealand Blood Service's performance for the year ended 30 June 2018, including:
 - for each class of reportable outputs:
 - its standards of delivery performance achieved as compared with forecasts included in the statement of performance expectations for the financial year; and
 - its actual revenue and output expenses as compared with the forecasts included in the statement of performance expectations for the financial year; and
 - complies with generally accepted accounting practice in New Zealand.

Our audit was completed on 30 August 2018. This is the date at which our opinion is expressed.

The basis for our opinion is explained below. In addition, we outline the responsibilities of the Board and our responsibilities relating to the financial statements and the performance information, we comment on other information, and we explain our independence.

Basis for our opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

We have fulfilled our responsibilities in accordance with the Auditor General's Auditing Standards.

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

Responsibilities of the Board for the financial statements and the performance information

The Board is responsible on behalf of New Zealand Blood Service for preparing financial statements and performance information that are fairly presented and comply with generally accepted accounting practice in New Zealand. The Board is responsible for such internal control as it determines is necessary to enable it to prepare financial statements and performance information that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements and the performance information, the Board is responsible on behalf of New Zealand Blood Service for assessing New Zealand Blood Service's ability to continue as a going concern. The Board is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless there is an intention to merge or to terminate the activities of New Zealand Blood Service, or there is no realistic alternative but to do so.

The Board's responsibilities arise from the Crown Entities Act 2004.

Responsibilities of the auditor for the audit of the financial statements and the performance information

Our objectives are to obtain reasonable assurance about whether the financial statements and the performance

information, 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 carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers, taken on the basis of these financial statements and the performance information.

For the budget information reported in the financial statements and the performance information, our procedures were limited to checking that the information agreed to New Zealand Blood Service's statement of performance expectations.

We did not evaluate the security and controls over the electronic publication of the financial statements and the performance information.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the financial statements and the performance information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of New Zealand Blood Service's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board.
- We evaluate the appropriateness of the reported performance information within New Zealand Blood Service's framework for reporting its performance.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on New Zealand Blood Service's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements and the performance information or, if such disclosures are inadequate, to modify our opinion. Our

conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause New Zealand Blood Service to cease to continue as a going concern.

- We evaluate the overall presentation, structure and content of the financial statements and the performance information, including the disclosures, and whether the financial statements and the performance information represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Our responsibilities arise from the Public Audit Act 2001.

Other information

The Board is responsible for the other information. The other information comprises the information included on pages 1 to 32, but does not include the financial statements and the performance information, and our auditor's report thereon.

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

In connection with our audit of the financial statements and the performance information, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the financial statements and the performance information or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independence

We are independent of New Zealand Blood Service in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1 (Revised): Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board.

Other than in our capacity as auditor, we have no relationship with, or interests, in New Zealand Blood Service.



Athol Graham

Audit New Zealand
On behalf of the Auditor-General
Auckland, New Zealand

Directory

NZBS BOARD MEMBERS

Mr David Chamberlain

(Board Chairman)
BEc, FNZSA, FIAA, CMInstD

Mr Ian Ward

(Deputy Board Chairman)
MComm, BSc

Dr Bartrum Baker

MBChB, FRACP, FRCPA

Ms Cathryn Lancaster

BCom, ACMA

Ms Fiona Pimm

DipAppSci, DPH, MBA

Professor Peter Browett

BMedSc, MBChB, FRACP, FRCPA

Mrs Victoria Kingi

Llb (Hons), Ngā Potiki a Tamapahore, Te Arawa,
Ngā ti Porou, Ngā i Tahu

NZBS EXECUTIVE MANAGEMENT

Chief Executive Officer

Sam Cliffe
BSc (Hons)

National Medical Director

Dr Peter Flanagan
BMedSci, BM, BS, FRCP, FRCPATH, FRCPA

Director Finance and Corporate Services

John Harrison
BCom, CA

Director Human Resources and Organisational Development

Sue Jensen
RGON, GDipBus (ER)

Director Planning and Supply Chain

Justin Scott
B.Com, MInstD, Ngā i Tahu

Consultant Director

Ray Scott
NZCS, COPMLT, RMLS

Director Quality and Regulatory Affairs

Meredith Smith
BAppSc, GradDipQualMgt

Director Technical Services

Mandy Suddes
PhD, PMP

Director Business Improvement and Partnerships

Christine Van Tilburg
NDMLS, RMLS

Director Donor Services

Delaine Wilson
Dip Tching commendation, BCom, CA, FCPA

NATIONAL OFFICE

11 Great South Road, Epsom, Auckland

Tel: +64 (0) 9 523 5744

Fax: +64 (0) 9 523 5754

Website: www.nzblood.co.nz

Facebook: New Zealand Blood Service

Instagram: nzbloodservice

Twitter: nzblood

AUDITOR

Audit New Zealand
(on behalf of the Auditor General)
Level 6, 280 Queen Street
Auckland

PRINCIPAL BANKERS

Westpac New Zealand Limited
Level 6, 16 Takutai Square
Auckland

SOLICITORS

Buddle Findlay
Auckland and Wellington

Where to Find Us

North Shore Donor Centre

441 Lake Road, Takapuna,
Auckland 0622
09 489 8858

Epsom Donor Centre

71 Great South Road, Epsom,
Auckland 1051
09 523 5733

Manukau Donor Centre

Unit B, 116 Cavendish Drive,
Manukau, Auckland 2104
09 263 4667

Hamilton Donor Centre

Gate 1, Waikato Hospital,
21 Ohaupo Road, Hamilton 3204
07 839 3679

Tauranga Donor Centre

154 Cameron Road,
Tauranga 3110
07 578 2194

Palmerston North Donor Centre

50 Ruahine Street, Roslyn,
Palmerston North 4414
06 350 8563

Wellington Donor Centre

Hospital Rd, Newtown,
Wellington 6021
04 380 2243

Christchurch Donor Centre

15 Lester Lane, Addington,
Christchurch 8011
03 343 9040

Dunedin Donor Centre

170 Crawford Street,
Dunedin 9016
03 477 9920

Contact Centre

0800 448 325

info@nzblood.co.nz

