

SAVING  
LIVES  
IT'S IN  
OUR  
BLOOD



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COVER STORY

# Brian

I give thanks to 46 anonymous but generous strangers for me being here today – most of me at least.

My story goes back to 22 February 2011, a day all Cantabrians have etched in their memory. It was sunny, so at lunchtime I decided to leave the office for some fresh air. As I got to the stairs, the shaking started and the building fell around me.

The next thing I knew, I was lying on my back, covered in debris. My legs were pinned under a concrete beam. It had all but severed my right leg and I could feel the blood flowing down.

It is hard to believe that the human body can endure such pain.

Miraculously, after several hours, someone reached me. The only option was to amputate my legs above the knees. Using a leatherman tool, an anaesthetist, a urologist and

a policeman took turns performing the grisly task.

When I finally arrived at Christchurch Hospital, more than seven hours after the quake, I had lost virtually all of my blood. The doctors debated whether to resuscitate me or not. Thankfully they did.

I knew from my wife Helen's community nursing experience that there was only one way to get through this. As a team; Helen and I, working together with the medical teams, physiotherapists and prosthetists.

I decided at the outset that there was no point saying 'What if...?', no point asking 'Why me?'. It had happened, and I needed to put my energy into getting as much of our old lives back as possible.

I can now walk with the aid of two walking sticks. Maintaining my fitness, though, is an ongoing commitment. I go to the rehab gym several times a week and swim with Helen. One of my biggest achievements was competing in the 100-strong hand cycle section of the 2013 New York Marathon. I came 18th, with a time of two hours and nine minutes over the 43km course.

I am thankful for all of the people that have helped us along the way but none more so than the 46 blood donors without whom none of these subsequent six years would have been possible.

Read the full story at [www.nzblood.co.nz/news/2017/brian-and-helens-survival-story/](http://www.nzblood.co.nz/news/2017/brian-and-helens-survival-story/)

# The Year in Review

New Zealand donors gave blood 164,000 times this year, improving over 27,000 people's lives.

It has been a busy and productive year for NZBS. This year we have honoured our commitment to provide high quality blood and blood products, when and where needed for the people of New Zealand. Our wonderful donors have given blood more than 164,000 times, saving or enhancing the lives of 27,000 people.

This year we continued to strengthen our collections and laboratory facilities. We relocated our Dunedin collection centre to larger and brighter premises. This allows us to offer more appointments for plasma collection so growing our capacity to collect this amazing blood component. Our loyal donors have welcomed the move to more suitable premises and we are pleased to be able to fill the demand for our donors who wish to donate plasma.

Plasma remains a critical component of our collections and processing activity. Whilst growth in demand has tapered over the past couple of years, we need to maintain current capacity and increase it over time. This year we agreed a new five year contract with CSL Behring Global, based in Melbourne, for our plasma fractionation services. NZBS and its predecessors have had a 50 year relationship with CSL and we are pleased that this partnership will continue to develop.

We are establishing the capability to process human progenitor cells (HPC) – cells from which other specific cells originate, or ancestor cells – in our Wellington laboratory. This will supplement the growing national HPC programme and allow us to better support the central region's cancer and cell therapy programmes.

We continue to invest in new technologies to improve our productivity and ensure our ongoing adherence to the highest safety standards. This year we migrated our blood testing platforms to the Panther technologies supplied by Grifols. This technology has allowed us to process donations faster and at greater volumes and will also provide considerable savings over its lifetime.

This year has seen the final stages of the implementation of our major software programme; eTraceline. This purpose-built blood bank software will improve how all 34 blood banks operate nationally and in the future allow us to introduce innovative blood banking solutions to assist hospital clinicians in their day to day work with transfusions.

In the second half of 2016 we were proud to be part of an international donor recruitment initiative called 'Missing Type'. We partnered with some of New Zealand's biggest companies to publicise the idea that if the O's and A's (the most needed blood groups) disappeared from everyday life then things would be somewhat difficult. For a week in August, companies lost the Os and As from their digital and physical signage and social media was full of the campaign. We set ourselves the audacious target of recruiting an additional 10,000 donors by the end of the year – a target we only fell short of by 80.

Our staff are our most important asset and we have listened hard to the results of our staff engagement survey. Whilst our staff are overwhelmingly engaged with the organisation and what we do, there are some things that staff

would like to see change. We have focussed this year on what makes a good day and a bad day here at NZBS. Our refreshed values created by the staff are a very good way for all of us to create the best possible work environment that we can.

Finally this year, as we noted last year, we welcomed three new Board members. Dr Bart Baker from Palmerston North, Cathryn Lancaster and Fiona Pimm from Christchurch. They have been a fantastic addition to the team and you can read more about them further on in this report.

So in conclusion thank you to all of our wonderful staff, thank you to the dedicated hospital teams and thank you to our amazing donors – the lifeblood of our organisation, for again contributing to a fabulous year for NZBS.



*David Chamberlain*  
**Board Chairman**



*Sam Cliffe*  
**Chief Executive**

# New Zealand Blood Service in numbers

600  
staff in total



OUR  
YOUNGEST  
DONOR



was born in  
2001, our  
oldest in 1941



881 MOBILE  
BLOOD  
DRIVES  
in 2016/17



109,751  
ACTIVE DONORS  
as at 30 June 2017



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.

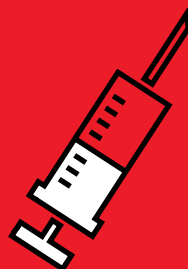


111,146

whole blood units collected in 2016/17

3,400

average number of  
DONATIONS per week

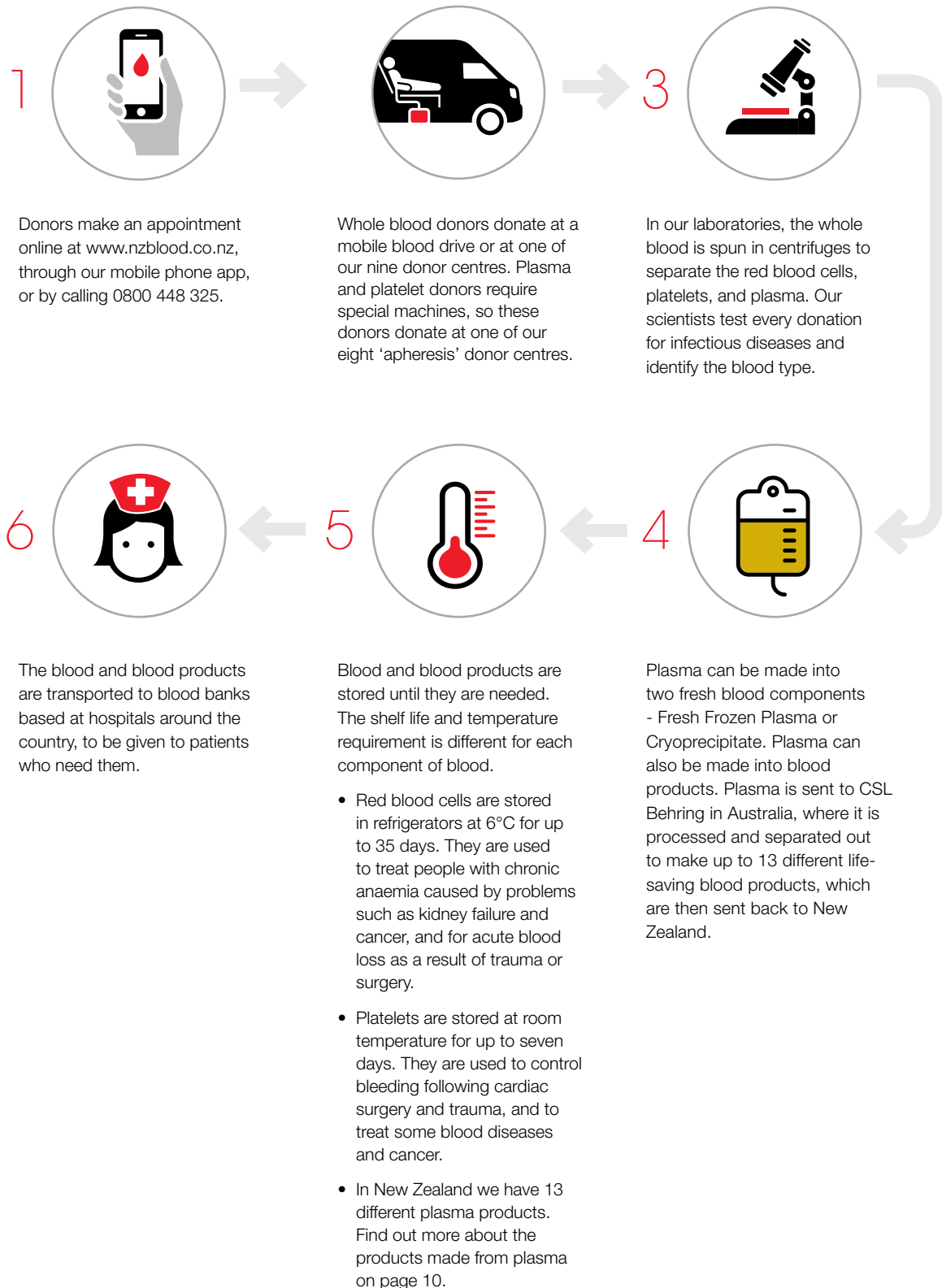


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PROCESSING  
SITES

# How to Save a Life



# Who Needs My Blood?

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

28%

Cancer patients



24%

Other medical conditions and surgical treatments



19%

Accident victims



13%

Liver, kidney and heart disease



6%

Bone surgery



5%

Pregnant women and babies



3%

Children, including those with cancer



# Can I Donate?

If you are 16-65 years old, healthy and feeling well, and weigh over 50kg, you may be able to give blood. To become a plasma donor you will need to already be a blood donor and meet additional height and weight criteria.

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](http://www.nzblood.co.nz)



## Saving Lives with Laughter

In our busy Epsom Donor Centre the changes made this year to decrease waiting times and improve safety had an unexpected bonus; laughter. As you approach the donation room you can hear the thrum of conversation, with nurses and donors enjoying themselves while they save lives.

First, changes were made to the registration process so that our receptionists could focus on welcoming, registering and looking after donors. Next dedicated zones were created for staff, who are now better able to provide their full attention and care to donors. Finally the previous day's waiting times are now posted on a board for staff to check each morning.

Sharing this information and reinforcing good performance has motivated the team to identify and reflect on areas for improvement, and to own and acknowledge their positive contributions in making the donation journey a rewarding one. Our nurses and receptionists feel empowered to be part of a positive change and enjoy providing donors with a better experience. We hope that donors are loving the positive energy at the Donor Centre too and are coming back to donate again as a result.



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Donors, too, are loving the positive energy at the Donor Centre and are coming back to donate again.

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# Thank you for helping us to fill the gaps

In August 2016, New Zealand Blood Service took part in the largest ever global donor recruitment campaign. 25 blood services across 21 countries used one simple idea – removing the letters A and O from logos, brand names and social media accounts – to highlight the need for more donors with these

blood types. The Kiwi response to the campaign was overwhelming. In just 10 days, online registrations increased by 7,400%. Over 90 companies supported the campaign, and by the end of the year nearly 10,000 first-time new donors had donated blood to help save lives.

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...by the end of the year  
10,000 first-time new  
donors had donated  
blood to help save lives.

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# Book your next appointment anywhere, anytime

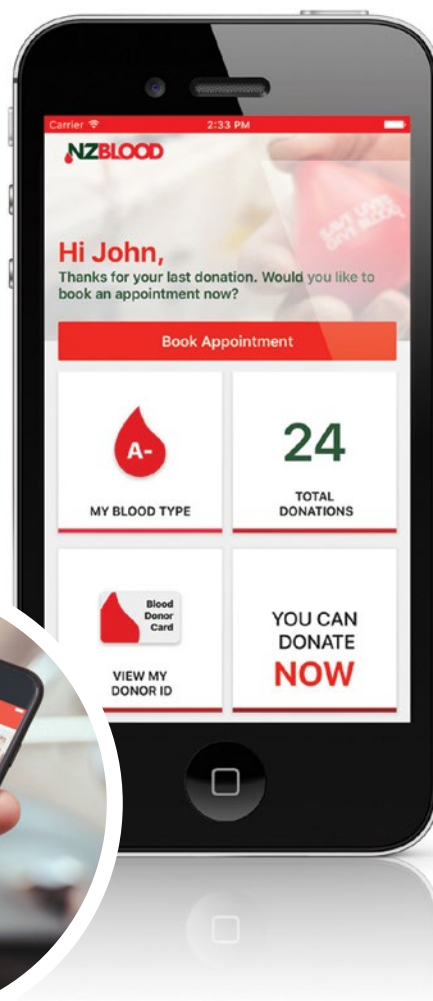
Today, we use our phones, tablets and laptops seamlessly in our lives. From paying bills and finding our way from A to B, to checking the news and sports results. Now, the power to save lives is at your fingertips too. You can find and book your next appointment using New Zealand Blood Service's mobile phone app or going online at [www.nzblood.co.nz](http://www.nzblood.co.nz). Anywhere, anytime.

With everything you need all in one place, you can see your blood type, total number of donations, upcoming appointments and much more. Found a time that suits you? Add it to your calendar in just a couple of clicks.

We have also made it easy to save lives. For app users you can choose to receive notifications when your blood is urgently needed or when your local blood drive dates have

been confirmed. For whole blood donors the experience is made even more personal, with a notification to let you know when your blood has been used to help save a life.

Download our free app for iOS and Android or go online to [www.nzblood.co.nz](http://www.nzblood.co.nz) to manage your life-saving schedule today.



# Liquid Gold



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...we have increased the amount of plasma donated by nearly 60% in just two years.

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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 13 life-saving 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 amount of plasma donated by nearly 60% in just two years. Our marketing, recruitment and collection 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.

There have also been two recent changes that have relieved some pressure. The surge in demand for plasma has slowed over the last year. Additionally, in late 2015 New Zealand began importing Privigen® to supplement Intragam® P, a product made from plasma collected in New Zealand.

The current forecast is for the demand for plasma products to continue to grow, although not as fast as we have seen in recent years. Our teams will continue to work hard to find more plasma donors, aiming to take the pressure off existing donors to donate frequently.

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



# Plasma

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



# 9,108

plasma donors  
in 2016/17

# 9%



of all our donors are plasma donors

# 8

donor centres

in New Zealand where you can donate plasma



# 13

life-saving products made from plasma



# 90

minutes

total appointment time to give plasma (approx.)



## 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.

You can give plasma every  
**2 to 3**  
weeks



## 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.

# 53,081

units of plasma collected in 2016/17

## Cryoprecipitate

Plasma that's 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 13 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.



### 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.



### 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.



### 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.



### 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.



### MonoFIX®-VF (Factor IX)

Used to treat some people with the inherited bleeding disorder haemophilia B (also known as Christmas disease or Factor IX deficiency) by replacing this clotting protein.



### Intragam® P, Evogam®, and Priven®

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.





## Business Improvement

If you regularly give blood at Hamilton, Wellington or Christchurch Donor Centre, you may have noticed things have moved around this year. The changes aim to improve our donors' experience and make the way we work smoother, safer and more efficient.

What you might not know is that these visible changes in the donor areas are just one benefit of a much bigger initiative, now in its

third year. Business improvement is about striving for excellence and empowering New Zealand Blood Service's staff and leaders to continually and sustainably, improve the way we work.

In 2016/17 staff focus groups around the country streamlined and futureproofed laboratory workspaces and made inventory management more efficient. Through these projects, NZBS staff are developing

new knowledge and skills, including change management and coaching. Nurturing talent, encouraging critical thinking and giving staff the opportunity to drive change from the frontline has also been a key benefit of the projects.

Developing an improvement culture is a priority for the organisation and will continue into the future.



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the right blood is given to the  
right patient, at the right time  
and in the right place.

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## Clinical Excellence

The NZBS Clinical Team, led by National Medical Director Dr Peter Flanagan, assures the right blood or blood product is given to the right patient, at the right time and in the right place. To do this, the team works closely with doctors and nurses in hospitals around New Zealand and provides a range of clinical support systems to ensure easy access to relevant clinical information.

Our online transfusion resource hub, developed by Dr Richard Charlewood, ensures that hospital staff can easily access information and NZBS policies on safe transfusion practice. In 2016 we published the third edition of the Transfusion Medicine Handbook. This pocket-sized reference book complements the website resource, and is free of charge for hospital staff and other health professionals.

The NZBS medical team also provide a 24/7 national on-call system to help management of more complex clinical cases. The NZBS Clinical Team also gives strategic input into hospitals' transfusion practice. This includes annual clinical audits, overseen by Dr Richard Charlewood and undertaken by the NZBS Clinical team. At a policy level, we also have a key role on the hospital transfusion committees. This includes working with hospitals to resolve issues and concerns, as well as discussing new initiatives, such as eTraceline.



## eTraceline

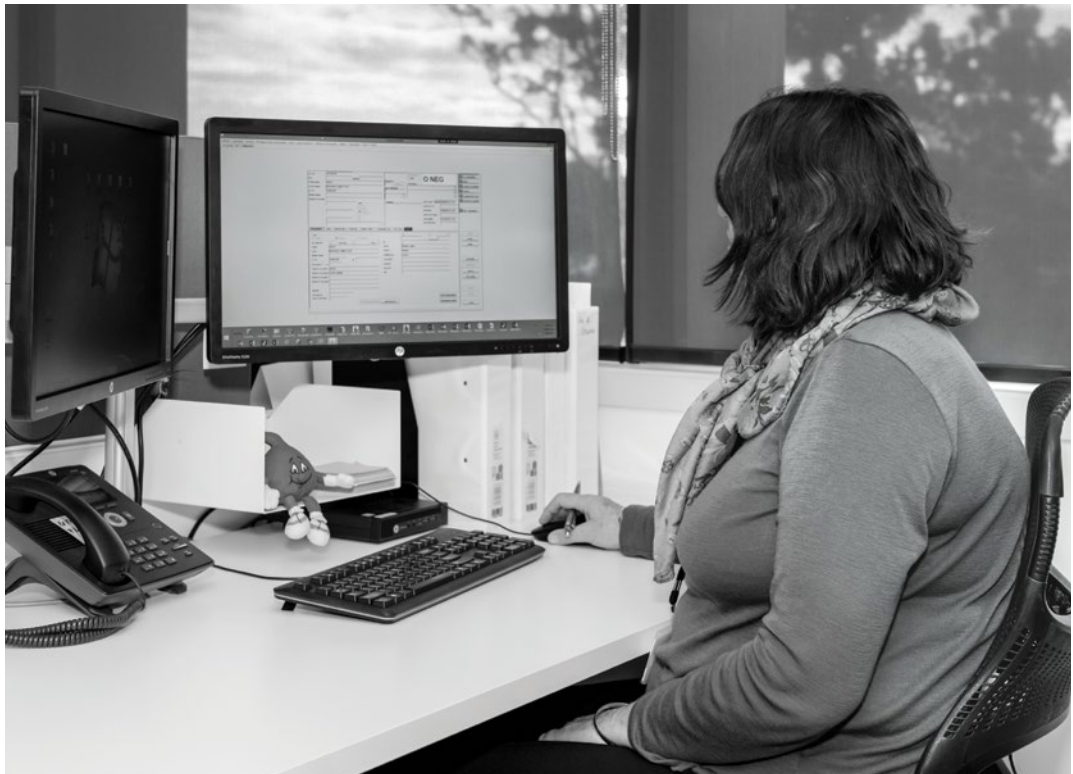
What do you do when part of the software your organisation relies on is no longer being improved? At NZBS we used it as an opportunity to implement something that works even better for patients. eTraceline is our patient-focused state-of-the-art new blood bank software. This purpose-built information system has been specifically designed for blood banks, the hospital-based sites where blood is stored, prepared and issued to patients. NZBS runs six of New Zealand's blood banks, with 28 others run by local District Health Boards (DHBs).

Amongst its many features, eTraceline enables blood banks to share patient data with DHB databases. This offers improved safety for patients. The software also allows blood bank staff to quickly find and issue cross-matched red cells and other blood products in

an emergency. Additional safety features include a back-up offline patient database in case of an outage and a visible, auditable record of all changes made to patient data.

The eTraceline project has been no small undertaking, taking 18 months to configure the application and a team of 20 to prepare it for use at 41 sites around New Zealand. In-house expert Kathy Clark visited users at sites twice over and attended team meetings and conferences, demonstrating the system and learning about what it needed to do. In 2017, 500 people will be trained in its use through an innovative eLearning system.

eTraceline is making it even safer for patients to receive blood products in New Zealand.



## No Bones About It

During hip replacement operations, the ball of the hip's ball and socket joint would ordinarily be discarded. But – if eligible – patients can choose to put it to good use instead. Femoral head bones are used to treat patients with bone cancers, as well as people undergoing joint or spinal reconstruction.

Donating the bone has no impact on surgery. Instead of being discarded, the femoral head bone is collected and transported to a New Zealand Blood Service (NZBS) Tissue Bank, where it goes in the deep freezer at -80°C. A blood sample is collected during the operation and sent to NZBS along with the bone donation to be tested for infectious diseases such as hepatitis B, hepatitis C and HIV.

In 2016 a pilot was conducted in Christchurch and Dunedin, interviewing potential donors over the phone about their eligibility to donate their hip bone during hip replacement surgery. The pilot improved consistency and efficiency, when compared to interviews done by patient-focused orthopaedic surgeons and nurses, and is now being rolled out nationwide.



## Nationwide HPC Service

Since NZBS was founded, almost twenty years ago, we have been responsible in most areas of the country for collecting, transporting, processing and storing hematopoietic progenitor cells (HPCs).

These blood-forming cells can be used for stem cell transplants to treat cancers and immune system disorders.

In 2014, NZBS began taking on responsibility for HPC services in the Capital and Coast region, becoming fully responsible for HPC services nationwide from July 2016.

A project team, trained in Lean management, was formed to establish whether we could safely add HPC processing to our existing Wellington laboratory space. Using process excellence and Lean

principles, the team gathered and analysed data and ran a series of pilots. By reconfiguring the laboratory, the team increased processing productivity and made the workspace more flexible. Furthermore, by condensing the footprint of existing laboratory work, the team confirmed that NZBS could safely incorporate HPC processing into our Wellington site.

# New Technology



## Panther

Safety is our cornerstone. It is our overarching value at NZBS and drives all that we do. Our Donation Accreditation Laboratories in Auckland and Christchurch are a key example of this, where we test every single donation for its blood group and screen for infection.

In April 2017 we replaced and upgraded the nucleic acid testing (NAT) systems – highly sensitive machines that test donated blood for infection – in the Donation Accreditation Laboratories. After a competitive tender process we selected the Grifols Procleix Panther System ('Panther'). Panther automates NAT testing, improving efficiency with fewer demands on time, space and resources.

Panther's successful launch required an enormous cross-team effort, led by the Donation Accreditation teams with support from manufacturer Grifols and our IT services company Datacom. From transportation, handled by Logistics, updating a significant amount of documentation by the Document Control Team, and the submission to Medsafe coordinated by the Clinical and Quality Teams, to the extensive IT testing by the Information Services Team. Thank you to everyone involved for your dedication and achievement.



## Architect

A further testing method we use to ensure the safety of the blood supply is serological testing, which tests for markers of infections such as Hepatitis B, Hepatitis C and HIV. In 2017 we upgraded from the Abbott 'Prism' to the 'Architect' system. The new machine provides a more efficient workflow, which enables our Donation Accreditation staff to work more flexibly.



## Spectra Optia

As our Wellington staff took on new HPC responsibilities, colleagues around the country also learned new skills with the introduction of new technology.

In 2016 the Spectra Optia replaced an older machine for HPC collections and therapeutic plasma exchanges. Manufacturers Terumo BCT trained NZBS registered nurses in its use. As Lisa Hall, Nurse Educator, explains, 'As a registered nurse trained in therapeutic apheresis the idea of learning a whole new machine almost felt like learning to drive again! However, we were well supported by the trainers at Terumo BCT and NZBS. I am immensely proud of my colleagues who took this change in their stride. They adapted quickly, identifying ways the new technology would make procedures safer and more comfortable for our patients. I saw great teamwork and support amongst our registered nurses, along with passion and a drive to learn and embrace change.'



# Jake

## Jake's Quest for a Cure

'What lengths would you go to, to save your child's life?' Renee asks. It's a question that Renee, mother to Jake and Jacinta, faces every day.

When he was just 10 years old, Jake was diagnosed with acute myeloid leukaemia (AML), an extremely rare form of blood cancer rarely seen in children. But cancer doesn't care how old you are. 14 year old Jake has had to grow up fast, taking things in his stride that would crush most adults.

Jake's only chance of a cure is a bone marrow (stem cell) transplant. Sadly, a search for a match in the worldwide database of donors has come up blank. His mixed heritage of Samoan, German, English and Australian makes it harder to find a genetic match. Renee is leading the charge to find someone who can help save Jake's life, promoting 'Jake's Quest for a Cure' and pleading for people from the Samoan community to step up.

If you meet the blood donor eligibility criteria, you can join the NZ Bone Marrow Donor Registry while you give your blood donation simply by filling in a form and having two extra small tubes of blood taken. You could be the only match, the one hope, for a family like Jake's.

Jake's recent check-up showed an increase in the level of cancerous cells in his bone marrow. It's not good news for the family, but Renee remains resolute. 'My heart is broken but not defeated. We will keep pushing on and find my boy a match.'

If you are male and your ancestors were Māori, Pacific Island, or any other New Zealand ethnic minority, please consider joining the NZ Bone Marrow Donor Registry. Find out more at [www.bonemarrow.org.nz](http://www.bonemarrow.org.nz).

# Investing in our People

In 2016/17 our focus was firmly on our 600 staff, as we renewed our commitment to support our people to be the best they can be.

## Creating our Culture

In October 2016 we began a project to improve our organisational culture. It was essential to involve all our staff and a selection of our donors, patients and volunteers in co-creating the culture, developing our vision, and refreshing our values. The first stage was a staff survey, followed by two-hour workshops, with all employees given the time away from the office, lab or donor floor to attend. We also conducted surveys with other key stakeholders to gather their important insights into our culture and identity. In a second round of workshops in February 2017, we launched our co-created, refreshed values and top four priorities to improve our colleagues' experience at work, which translates into even better service to our donors and customers.

## Vital

We launched Vital, our refreshed and expanded employee appreciation programme, in August 2016. Through Vital we appreciate each other's hard work and achievements (Vital Deeds), give our colleagues a helping hand to feel their best, mentally and physically (Vital Signs) and invest in their career (Vital Growth).

13 energetic volunteer 'Vitalisers' around the country keep their colleagues updated about events and activities, inspiring them to get involved. We thank our colleagues throughout the year through Labs are Vital week, International Nurses Day, and many more celebration days. Our employees are also motivated and inspired by award, scholarship and sister site visit opportunities, which give them the

opportunity to learn more about the organisation, the sector and their specific area of expertise. The newly introduced Vital Awards recognise individuals and teams who show commitment in their service to others and who bring excellence and innovation to their work.

## Tracksuit-Inc®

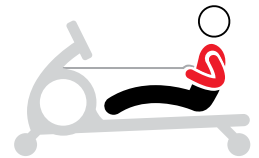
This year we launched a staff wellness programme, motivating our colleagues to achieve their health and fitness goals. 45 teams signed up for the inaugural health challenge. Along with regular team challenges, all staff have access to a bank of resources and individual challenges.

8.6 years  
Average length of service

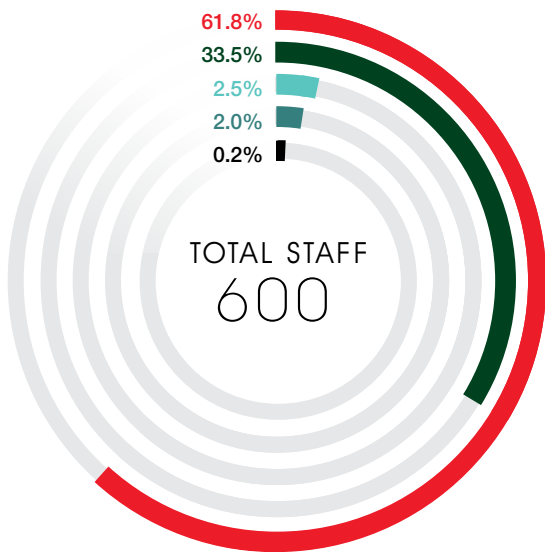


270

Team fitness participants

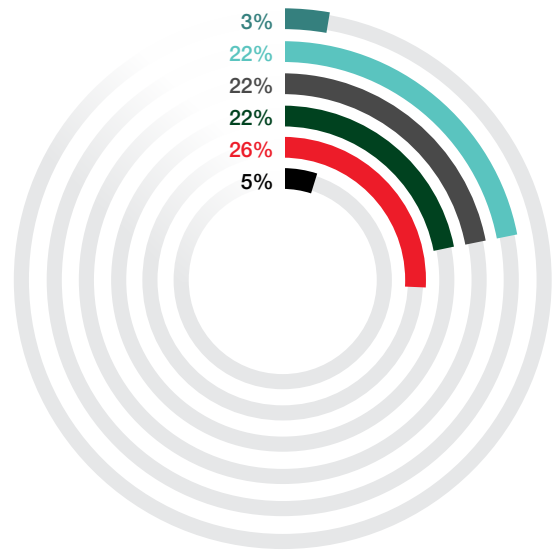


9 Staff completing further education



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

### AGE DISTRIBUTION



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

### GENDER



### ETHNICITY



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

### DISABILITY





# Our People





## Being a Good Employer – Elements of NZBS Activity in 2016 / 2017

New Zealand Blood Service (NZBS) is proud to be committed to being a great employer and providing our people with an excellent place to work and grow. Ensuring we have a sustainable, competent and engaged workforce is crucial to ensure we continue to achieve our core purpose, supporting all stakeholders, including our volunteers, donors, patients and the New Zealand health sector.

Over the past 12 months we have run a range of key people-centric activities, described for the purposes of this report under the seven elements of the 'Good Employer' framework.

### Leadership, Accountability and Culture

The Minister of Health appointed three new members to the NZBS Board during 2016.

In the last quarter of 2016 we undertook a review of the executive management team at NZBS to ensure we are strengthened in key areas to be well positioned for the future, building on the strong platform of knowledge, expertise and excellence in delivering on what we commit to. We are now in the process of implementing a new structure.

Culture and engagement is a major focus at NZBS. We have run an extensive programme of activities over the past 12 months. We know that happier people deliver higher performance, ultimately delivering better service to our donors, patients and each other.

In October 2016 we undertook an organisation-wide workplace culture and engagement survey. 84% of our staff participated, providing rich insights and feeding into plans for improving our culture. Engagement has lifted from 68.5% in 2014 to 71.5% in 2016, and we are committed to lifting this even higher for the benefit of everyone.

We have listened to our staff and with feedback from a selection of donors, volunteers and patients we have refreshed our values together. We are bringing those values to life through a range of activities and interventions including:

- Setting the behaviours we want to see that make a positive difference, and eliminating the ones we don't want to experience.
- Introduction of tools, resources and skills to support everyone to provide appreciative feedback and recognition.
- Introduction of a powerful, simple way of providing 'BUILD' feedback so that we can all learn and grow and be given the gift of insight so inappropriate behaviour is 'nipped in the bud' early.
- Leaders attended development workshops to empower them in values-based leadership.

- Over 400 of our staff attended interactive workshops nationwide.
- Values-based tools, resources and supporting articles are available on Cornerstone (our intranet).
- Values and key tools are being integrated into recruitment, induction, performance and other people practices.

Building on our continued focus on the Process Excellence (PEX) business improvement programme, we are developing improved metrics and methodology to support smart decision making.

In May 2017 we hosted an 'International Costing Model Working Group' with members from other blood services including Australia, United States of America, Canada, England and the Netherlands. The group are focused on collaboratively sharing information on various initiatives and activities, driving changes in our respective blood services, including leveraging international benchmarking for the betterment of all our services.

### Recruitment, Selection and Induction

Building on our culture we have integrated the reinvigorated values into our recruitment practices, and values based recruitment training will be rolled out in the coming 12 months. This builds on our foundation and commitment as a good employer including providing equal employment opportunities (EEO).

An extensive development and refresh of the NZBS induction and on-boarding framework is underway, 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 award funding to visit and study in international blood services and laboratories and to attend conferences.

A highlight in August 2016 and planned for August 2017 is the NZBS staff conference, TRACE. Held in Rotorua, the programme is

focused on providing industry-related educational and inspirational content to around 220 members of staff.

In May 2017 we commenced an extensive redesign of the Donor Recruitment Training framework, critical to developing our donor community and individual connections and growing our donor networks.

## Flexibility and Work Design

Through PEx business improvement projects, staff have had a direct impact on redesigning their work areas and have grown from the experience. This year we have focused on Auckland and Wellington based Component Processing, delivering improvements and efficiency gains in workflow, throughput, resources, equipment utilisation and space usage.

Direct quotes from staff reflect their passion for the results, experience and learning:

'I've learnt more than I expected', 'I can see the bigger picture now', 'Collaboration between management and frontline staff produces great results!', 'It is more spacious than I thought we would have', 'I like the layout', 'The pooling process feels calmer', 'I'm so proud of what we have achieved together.'

NZBS is actively planning for a significant redevelopment of the laboratory areas of the Epsom Donor Centre in Auckland. Using Lean and PEx methodologies local staff are taking part in the planning phase identifying ways of using existing space better and providing valuable insight into work and facility design options.

Manual handling is the leading cause of injuries at NZBS. We

have introduced 'Move at Work', a behaviour change programme using strain and sprain injury prevention concepts. This module is part of our manual handling training programme and involves lead staff trainers.

## 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.

With the assistance of a staff focus group we have refreshed the NZBS recognition framework and launched an extensive employee appreciation programme branded 'Vital' with the mission of making our colleagues – the lifeblood of the organisation – feel valued for the life-saving work they do. Features include benefits, awards, educational opportunities, and a focus on health and wellbeing. Supported by site champions called 'Vitalisers', an interactive extensive web portal and regular articles, posters, campaigns and educational sessions have also been developed. The whole programme has been well received by our people.

We are in the process of implementing a fully automated electronic Roster to Pay (RTP) solution to integrate with the current NZBS payroll solution. This will ultimately replace lengthy manual processes freeing up time for employees, managers and payroll to all focus on other value added activities.

NZBS is currently part of a joint DHB sector and union working party looking at Holiday's Act compliance.

## Harassment and Bullying Prevention

Following on from our culture programme we will be undertaking an extensive refresh and co-creation of our framework in August 2017 to build a kind and respectful culture, eradicating bullying and inappropriate behaviours. This co-creation will involve a range of staff, managers, unions and Health and Safety representatives.

NZBS provides a confidential EAP (Employee Assistance Programme), available 24 hours a day to all staff.

## Safe and Healthy Environment

Health and Safety (H&S) governance training was provided to the NZBS Board in February 2017. The Board members ensure they stay connected with what happens at the work sites, by engaging with managers and staff through regular site visits.

We strengthened the H&S team with the addition of two additional staff to support the development, implementation and maintenance of NZBS H&S systems.

NZBS continues initiatives to support the health and safety of our employees and volunteers 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 H&S audits, supported by our elected staff H&S representatives.
- Key H&S projects during 2016/17:
  - Continuing to engage with contractors and landlords through the H&S vetting process to ensure our H&S

responsibilities are met and that NZBS has a robust contractor management process in place.

- Continuing to engage with staff, unions and management through the Good Rostering Project on the impact of the Good Rostering Guidelines on existing work practices. The learning from this was used to support the RATA Project.
- Implementation of vehicle telematics in all NZBS fleet vehicles and the commencement of three-yearly medical assessments of all Safety Critical drivers in the latter half of 2017.
- Collaboration with the Mobile Collections teams and the PEx team to review manual handling practices and equipment on mobile collections.

H&S training throughout the year has included:

- A range of H&S mandatory training, relevant to risks and hazards associated with specific work places and practices, ensuring staff understand potential risks and are safe.
- Training provided to all staff with specific H&S 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 provided to all safety critical drivers, which is refreshed every three years.

In August 2016, NZBS implemented Tracksuit Inc., a comprehensive wellbeing programme for staff as

part of the reinvigorated staff reward and recognition programme 'Vital'. 258 staff (42%) have registered to be part of the programme.

Wellbeing activities are a feature of our Good Employer programme with activities in the past 12 months including:

- Three nationwide team-based staff challenges completed in September 2016, November 2016 and March 2017. 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.

## Coming up in 2017/18

Continued focus on culture, values and engagement, together with 'Vital', our appreciation programme. Planned activities include an 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.

Progression of the integration of PEx business improvement into how we work.

Completion of the redesigned NZBS Induction Framework.

Implementation of a new Leadership and Talent Management 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 25 years' commercial experience in the financial services sector and has advised a wide variety of clients over that time on a wide range of topics.



**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.



**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.



**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.



**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.



**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.



**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.

Find out more about our Board Members at our website: [www.nzblood.co.nz/about-nzbs/nzbs-board-members/](http://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.



**Dr 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**  
**Chief Financial Officer**

John leads the NZBS Finance function with responsibility for all finance related activities as well as the management of procurement related activities.



**Sue Jensen**  
**National Manager Human Resources**

The National Manager HR 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.



**Ray Scott**  
**National Manager Technical Services**

The Technical Services function which Ray leads, is responsible for the processing, testing and supply of blood and blood products to meet clinical requirements in hospitals throughout New Zealand.



**Meredith Smith**  
**National Manager Quality and Regulatory Systems**

The NZBS Quality and Regulatory function is responsible for implementing the quality systems required for regulatory compliance in the manufacturing and diagnostic areas.



**Olive Utiera**  
**National Manager Donor Services**

The Donor Services function which Olive leads is responsible for recruiting and retaining new and existing donors and performing all blood collection activities.



**Christine Van Tilburg**  
**National Manager Operations**

Christine leads the Operations function which provides all routine business activities for NZBS sites in the collection, manufacturing, testing and distribution of more than 180,000 blood donations which are dispensed through NZBS or DHB blood banks around New Zealand.

# 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 25) supports the CEO.

The NZBS Board ensured that the organisational activities supported NZBS to achieve the following seven Strategic Goals for the 2016/17 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.

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## 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

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## 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.

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## 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.



## New Zealand Blood Service

### Statement of Trends - Actual Outcomes and Forward Outlook

COMMENCING 1 JULY 2012 THROUGH TO 30 JUNE 2020

Key indicators	ACTUAL OUTCOMES					FORWARD OUTLOOK		
	Year 2012/13	Year 2013/14	Year 2014/15	Year 2015/16	Year 2016/17	Year 2017/18	Year 2018/19	Year 2019/20
<b>Collections &amp; Production Volumes</b>								
<b>Donor Population</b>								
<b>Active Donors at 30 June each year</b>	121,167	112,744	109,158	110,746	109,751	109,451	108,643	109,592
New Zealand population - stated in 000s	4,442.10	4,509.90	4,565.80	4,696.97	4,797.69	4,857.19	4,905.37	4,954.03
Active donors as a % of the total population	2.73%	2.50%	2.39%	2.36%	2.29%	2.25%	2.21%	2.21%
<b>Collection Volumes</b>								
Donation collection volumes	169,527	157,314	164,973	175,138	167,079	168,330	169,052	171,835
Donor to donation ratio - average donation frequency per donor	1.40	1.40	1.51	1.58	1.52	1.54	1.56	1.57
<b>Production Volumes</b>								
Red cells - units	120,683	110,483	111,750	111,365	105,293	104,120	102,860	103,396
Platelets - adult doses	20,519	19,202	18,625	17,917	17,686	17,083	17,346	17,509
Cryoprecipitate - units	4,413	4,979	5,123	5,572	5,252	5,280	5,330	5,382
Plasma - units	19,767	15,675	16,367	16,521	15,682	15,670	15,859	16,041
Source plasma Issued for fractionation manufacturing - kgs	52,941	52,881	59,333	67,152	66,785	68,150	68,362	70,960
<b>Key Product &amp; Service Demand Volumes</b>								
<b>Key Blood Product Volumes - as issued</b>								
<b>Fresh Products</b>								
Total red cells - units	114,773	108,653	107,992	106,389	101,228	101,470	100,985	101,503
Total platelets - adult doses	14,535	14,672	13,996	14,408	15,018	15,245	15,500	15,665
Cryoprecipitate - units	4,216	4,753	4,996	5,358	5,048	5,100	5,150	5,200
Total clinical FFP plasma - units	17,980	14,799	16,673	15,720	14,790	14,500	14,625	14,805
Total Fresh Product units issued per 1000 head of population	34.11	31.68	31.46	30.21	28.36	28.06	27.78	27.69
<b>Fractionated Product</b>								
Immunoglobulin - intragam - grams	265,779	274,836	300,219	295,134	272,871	302,040	319,350	329,340
Immunoglobulin - privigen - grams	790	1,300	1,540	36,698	40,643	22,400	13,485	16,505
Immunoglobulin - evogam - grams	10,744	22,434	33,255	25,095	41,860	40,080	40,800	41,800
Total Immunoglobulin product issues - grams	277,313	298,570	335,014	356,927	355,374	364,520	373,635	387,645
Total Immunoglobulin product issued per 1000 head of population - grams	62.43	66.20	73.37	75.99	74.07	75.05	76.17	78.25
Albumin issues - grams	396,098	452,640	530,360	491,570	485,212	468,300	483,350	494,400
Biostate (Factor VIII) - 500iu equivalent vials	7,310	7,233	8,567	8,227	7,065	7,250	7,250	7,250
<b>Key Service Volumes - as supplied</b>								
Patient antibody screens	144,267	144,998	142,972	143,030	146,060	146,000	147,000	148,000
Patient blood groupings	148,382	149,151	147,375	147,791	151,831	152,500	154,000	155,000
Patient compatibility testing	114,418	109,302	111,857	111,469	111,923	112,000	112,500	113,000
Antibody screens for patients awaiting organ transplants	7,941	7,883	8,329	8,358	6,710	7,075	7,215	7,360
Tissue typing associated with transplant patients / donors	5,410	5,384	6,081	6,582	5,657	6,013	6,179	6,348
<b>NZBS Pricing Trendline versus CPI Benchmark – Based Off June 2007 Position</b>								
Compound all groups CPI % movement	15.29%	17.16%	17.65%	18.14%	20.20%	22.06%	24.71%	27.45%
Compound NZBS price % movement (net any price rebate paid)	9.66%	9.59%	8.00%	8.47%	10.52%	12.69%	14.97%	17.30%
Compound NZBS price differential versus the compound CPI index	(5.63%)	(7.57%)	(9.65%)	(9.67%)	(9.68%)	(9.37%)	(9.74%)	(10.15%)

Key indicators	ACTUAL OUTCOMES					FORWARD OUTLOOK		
	Year 2012/13	Year 2013/14	Year 2014/15	Year 2015/16	Year 2016/17	Year 2017/18	Year 2018/19	Year 2019/20
<b>Earnings Performance</b>								
Total blood product revenue (\$000s)	84,668	83,903	89,946	92,065	90,285	92,545	94,090	96,364
Total services revenue (\$000s)	17,921	19,864	21,155	21,918	22,772	22,877	23,955	25,015
Overseas revenue (\$000s)	1,315	1,693	675	1,052	966	732	1,039	1,165
Other revenue (including interest earned) (\$000s)	986	535	779	558	404	291	302	325
Total revenues - pre DHB price rebates (\$000s)	104,890	105,995	112,555	115,592	114,427	116,445	119,386	122,869
Revenue growth %	(0.58%)	1.05%	6.19%	2.70%	(1.01%)	0.74%	2.53%	2.92%
Full time equivalent employees with vacancy allowance- FTEs	490.25	471.49	508.64	514.20	512.36	523.99	522.39	522.41
Revenue per full time equivalent employee (\$000s)	213.95	224.81	221.29	224.80	223.33	222.23	228.54	235.20
Reported surplus / (deficit) before DHB price rebates (\$000s)	(2,105)	2,864	8,256	(2,345)	(73)	(1,855)	(875)	15
Price rebates to DHBs (\$000s)	-	2,000	3,550	-	-	-	-	-
Reported surplus / (deficit) after DHB price rebates (\$000s)	(2,105)	864	4,706	(2,345)	(73)	(1,855)	(875)	15
<b>Financial Position (\$000s)</b>								
Total equity	36,247	37,111	41,817	39,472	39,399	37,544	36,669	36,684
Total non-current borrowings	4,495	4,150	4,069	7,075	8,280	8,457	7,858	7,284
Total assets	59,082	61,555	68,506	72,330	73,961	74,456	76,641	77,963
Working capital	28,788	31,183	36,992	35,243	32,302	30,174	30,264	30,743
Inventory stock turn (times per annum)	3.98	4.58	4.09	3.32	2.97	3.28	3.37	3.30
Receivables - days sales outstanding (days)	32.28	37.73	35.83	35.18	34.61	33.80	33.96	33.86
<b>Debt / Equity Gearing</b>								
Equity ratio %	88.97%	89.94%	91.13%	84.36%	81.80%	80.63%	81.26%	82.36%
Debt ratio %	11.03%	10.06%	8.87%	15.64%	18.20%	19.37%	18.74%	17.64%
<b>Cash Flows (\$000s)</b>								
Cash flow derived from operating activities	4,180	8,160	5,803	(968)	3,870	4,268	6,298	4,664
Investing activities - investments & capital expenditure	(7,370)	(7,399)	(2,943)	(5,285)	(3,492)	(4,618)	(3,603)	(4,499)
Financing related activities - borrowing & debt repayment	753	(316)	(276)	(426)	(364)	(521)	(562)	(599)
Cash movement in the financial year - (xxx) = cash reduction	(2,437)	445	2,584	(6,679)	13	(871)	2,133	(434)
Cash position at balance date (\$000s)	7,569	8,014	10,598	3,919	3,932	3,061	5,194	4,760
<b>Banking Covenant Compliance</b>								
Adjusted total tangible assets (TTA) (\$000s)	53,204	56,387	63,902	65,612	64,836	66,028	69,157	71,923
Calculated bank equity - (TTA minus total liabilities) (\$000s)	30,369	31,943	37,213	32,754	30,275	29,116	29,186	30,644
Bank equity ratio % - requirement of a minimum 30% of adjusted TTA	57.08%	56.65%	58.23%	49.92%	46.69%	44.10%	42.20%	42.61%
Surplus before interest, depreciation & DHB price rebates (EBITDA) - (\$000s)	1,968	6,904	12,116	8,260	6,999	5,959	6,726	7,637
Interest cover ratio - minimum 1 times cover of EBITDA	11.90	31.51	41.79	7.89	7.82	6.95	9.43	12.91

Your Board Members take pleasure in presenting their Annual Report including the Financial Statements of the New Zealand Blood Service for the year ended 30 June 2017. The presented Annual Report is also published on the New Zealand Blood Service website – [www.nzblood.co.nz](http://www.nzblood.co.nz).

### Principal Activity

The 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 the New Zealand Blood Service sets financial targets for the entity at the beginning of the 2016/17 financial year and continuously monitors actual performance against these targets during the course of the year. The 2016/17 year witnessed an overall decline in volumes of -2.6% compared with last year's growth of 2.0%. Volume decline occurred in the blood products area in particular fresh products down by -2.7%. Given the very challenging demand patterns evidenced in 2016/17 the Board considered the reported deficit of -\$73k a resilient outcome.

While reporting a small deficit of -\$73k for the 2016/17 financial year, at the operational level NZBS performed creditably in what was a difficult environment reporting an operational earnings surplus of \$22k which was \$516k favourable to budget. 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 2016/17 financial year represented a favourable movement of \$621k.

Key financial performance indicators for the 2016/17 financial year are set out below.

	2016/17	2016/17	2015/16
<b>Financial Performance Indicators</b>	<b>Actual</b>	<b>Budget</b>	<b>Last Year</b>
Total Revenue pre DHB Price Rebates (\$000s)	114,427	119,050	115,592
Operational Earnings (\$000's)	22	(494)	516
Declared Price Rebate to District Health Boards (\$000s)	–	–	–
Total Expenses (\$000s)	114,500	120,090	117,937
Reported Surplus/(Deficit) (\$000s)	(73)	(1,040)	(2,345)
Capital charge (7% on equity) paid to Crown (\$000s)	2,561	3,228	3,363
Total Assets (\$000s)	73,961	67,397	72,330
Cash generated from Operating Activities (\$000s)	3,870	7,207	(968)
Capital investment excluding capitalised finance leases (\$000's)	5,088	6,101	5,649
Equity plus total Borrowings (\$000s)	48,164	44,628	46,788
Equity Ratio %	81.80%	89.25%	84.36%
Debt Ratio % (based on total external borrowings) *	18.20%	10.75%	15.64%
Banking Ratio – times EBITDA (minimum 1 times) *	7.82	13.50	7.89
Banking Ratio – Bank defined Equity to Total Tangible Assets (minimum 30%)	46.69%	51.24%	49.92%

\* **Note:** the reduction in interest cover and the increase in Debt % ratio as against budget is a consequence of NZBS electing to recognise certain operating leases as finance leases from the 2015/16 financial year onwards but post the 2016/17 budget preparation.

## 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 2017	30 June 2016
Audit fees for financial statement audit	2017	108,904	–
Audit fees for financial statement audit	2016	–	106,170

## 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 2017	30 June 2016
Mr David Chamberlain (Chairman)	Appointed 1 October 2009	32,000	32,000
Mr Ian Ward (Deputy Chair)	Appointed 19 August 2011	20,000	16,178
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	711
Ms Cathryn Lancaster	Appointed 15 June 2016	16,000	711
Ms Fiona Pimm	Appointed 15 June 2016	16,000	711
Mr David Wright (Fmr Deputy Chairman)	Retired 14 June 2016	–	19,111
Ms Raewyn Idoine	Retired 14 June 2016	–	15,289
<b>Total Board Members' remuneration</b>		<b>132,000</b>	<b>116,711</b>

### 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 new 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

The New Zealand Blood Service received one NZBS ministerial directive in the 2016/17 financial year. A directive dated 17 August 2016 under s107 of the Crown Entities Act 2004 to support a whole of government approach to the public sector implementation of the New Zealand business number (NZBN). NZBS is now operating under two ministerial directives.

## Donations

Donations were made by the entity during the year ended 30 June 2017 totalling \$388. (2016: \$2,402).

## Insurance

The New Zealand Blood Service 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

Employee Remuneration range	30 June 2017	30 June 2016
	No. Employees	No. Employees
\$100,000 – 109,999	16	12
\$110,000 – 119,999	5	7
\$120,000 – 129,999	5	6
\$130,000 – 139,999	5	5
\$140,000 – 149,999	2	–
\$150,000 – 159,999	1	3
\$160,000 – 169,999	1	1
\$170,000 – 179,999	3	–
\$180,000 – 189,999	–	1
\$190,000 – 199,999	1	1
\$200,000 – 209,999	2	3
\$210,000 – 219,999	1	1
\$220,000 – 229,999	1	–
\$230,000 – 239,999	–	–
\$240,000 – 249,999	1	–
\$250,000 – 259,999	1	1
\$260,000 – 269,999	1	2
\$270,000 – 279,999	1	–
\$280,000 – 289,999	–	1
\$290,000 – 299,999 *	–	1
\$300,000 – 309,999 *	1	–
\$330,000 – 339,999	–	1
\$340,000 – 349,999	1	–
	<b>49</b>	<b>46</b>

\* Chief Executive Officer

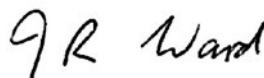
Employee remuneration includes the following elements; base salary, cash allowances, bonuses and incentive payments, non-monetary benefits, any Fringe Benefit tax paid on any element of the remuneration package and any termination, severance or end of contract payments.

## Termination Payments

During the year ended 30 June 2017 two termination payments were made totalling \$58,785. (2016:Nil).



David Chamberlain  
Board Chairman  
31 August 2017



Ian Ward  
Board Deputy Chairman  
31 August 2017



# financial statements

FOR THE YEAR ENDED 30 JUNE 2017

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	Note	Actual 2017	Budget 2017	Actual 2016
<b>Revenue</b>				
Revenue from supplying blood products		90,285,230	95,791,300	92,064,775
Revenue from supplying services		22,771,833	21,947,300	21,917,535
Revenue from overseas sales	2	966,595	926,810	1,052,130
Interest revenue		318,871	378,350	490,963
Other revenue	2	84,902	6,500	66,891
<b>Total revenue</b>		<b>114,427,431</b>	<b>119,050,260</b>	<b>115,592,294</b>
<b>Expenditure</b>				
Cost of consumables and changes in inventory	3	41,466,907	45,861,413	41,674,627
Employee benefit expense	4	42,464,744	42,981,900	42,046,435
Depreciation and amortisation	13 & 14	3,350,971	3,413,298	3,730,350
Other expenses	5	27,301,446	27,679,530	27,620,966
Finance costs	6	537,152	291,300	734,837
Revaluation of derivative financial instruments	7	(620,800)	(137,181)	2,129,932
<b>Total expenses</b>		<b>114,500,420</b>	<b>120,090,260</b>	<b>117,937,147</b>
<b>Surplus/(deficit) for the period</b>		<b>(72,989)</b>	<b>(1,040,000)</b>	<b>(2,344,853)</b>
Other comprehensive revenue and expense		-	-	-
<b>Total other comprehensive revenue and expense</b>		<b>-</b>	<b>-</b>	<b>-</b>
<b>Total comprehensive revenue and expense for the period</b>		<b>(72,989)</b>	<b>(1,040,000)</b>	<b>(2,344,853)</b>

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

The accompanying notes form part of these financial statements



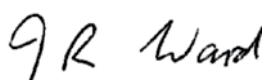
	Note	Actual 2017	Budget 2017	Actual 2016
<b>Assets</b>				
<b>Current assets</b>				
Cash and cash equivalents	8	3,932,283	1,441,220	3,919,311
Trade and other receivables	9	12,065,121	13,168,786	12,287,553
Investments	10	7,000,000	7,000,000	8,000,000
Inventories	11	29,688,759	27,263,216	31,055,304
<b>Total current assets</b>		<b>52,686,163</b>	<b>48,873,222</b>	<b>55,262,168</b>
<b>Non-current assets</b>				
Property, plant and equipment	13	12,150,280	7,654,040	10,349,568
Intangible assets	14	9,124,265	10,869,606	6,718,048
<b>Total non-current assets</b>		<b>21,274,545</b>	<b>18,523,646</b>	<b>17,067,616</b>
<b>Total assets</b>		<b>73,960,708</b>	<b>67,396,868</b>	<b>72,329,784</b>
<b>Liabilities</b>				
<b>Current liabilities</b>				
Trade and other payables	15	12,710,180	11,736,983	13,423,981
Premises reinstatement provision	16	82,106	–	84,061
Employee benefit entitlements	17	6,240,381	5,460,491	5,739,729
Derivative financial instruments	12	841,676	–	530,857
Lease Incentive Liability	19	25,955	–	–
Borrowings	20	483,904	296,500	240,589
<b>Total current liabilities</b>		<b>20,384,202</b>	<b>17,493,974</b>	<b>20,019,217</b>
<b>Non-current liabilities</b>				
Derivative financial instruments	12	83,833	–	1,015,452
Premises reinstatement provision	16	2,120,710	1,865,481	2,001,471
Employee benefit entitlements	17	1,589,789	1,884,300	1,608,213
Rent accrued	18	1,821,272	1,821,268	1,138,292
Lease Incentive Liability	19	281,184	–	–
Borrowings	20	8,280,334	4,499,620	7,074,766
<b>Total non-current liabilities</b>		<b>14,177,122</b>	<b>10,070,669</b>	<b>12,838,194</b>
<b>Total liabilities</b>		<b>34,561,324</b>	<b>27,564,643</b>	<b>32,857,411</b>
<b>Net assets</b>		<b>39,399,384</b>	<b>39,832,225</b>	<b>39,472,373</b>
<b>Equity</b>				
	21			
Crown equity		15,716,696	15,716,696	15,716,696
Accumulated comprehensive revenue and expense		19,682,688	21,115,529	20,755,677
Adverse fractionation event reserve		4,000,000	3,000,000	3,000,000
<b>Total equity</b>		<b>39,399,384</b>	<b>39,832,225</b>	<b>39,472,373</b>

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



David Chamberlain

Board Chairman  
31 August 2017



Ian Ward

Board Deputy Chairman  
31 August 2017

The accompanying notes form part of these financial statements

	Note	Actual 2017	Budget 2017	Actual 2016
<b>Opening balance</b>		39,472,373	40,872,225	41,817,226
Transfer from accumulated comprehensive reserve and expense to adverse fractionation event reserve		(1,000,000)	–	–
Total comprehensive revenue and expense for the year ended 30 June		(72,989)	(1,040,000)	(2,344,853)
Adverse fractionation event reserve		1,000,000	–	–
Contribution from owners		–	–	–
<b>Closing balance</b>	<b>21</b>	<b>39,399,384</b>	<b>39,832,225</b>	<b>39,472,373</b>

The accompanying notes form part of these financial statements

	Note	Actual 2017	Budget 2017	Actual 2016
<b>Cash flows from operating activities</b>				
Receipts from blood products and services revenue		114,281,574	117,889,181	115,265,929
Interest received		56,515	172,796	169,344
Receipts from other revenue		106,160	6,500	40,210
Payments to employees		(42,455,269)	(42,406,620)	(42,011,161)
Payments to suppliers		(64,959,579)	(64,778,978)	(66,886,255)
Distribution of price rebate to District Health Boards		–	–	(3,550,000)
Interest paid		(557,893)	(233,500)	(697,636)
Capital charge payments		(2,561,455)	(3,228,177)	(3,362,600)
Net GST received from/(paid to) IRD		(40,393)	(214,490)	63,856
<b>Net cash from operating activities</b>	<b>22</b>	<b>3,869,660</b>	<b>7,206,712</b>	<b>(968,313)</b>
<b>Cash flows from investing activities</b>				
Interest received		284,103	205,554	350,054
Acquisition of investments – term deposits		(11,000,000)	(6,000,000)	(12,000,000)
Receipts from maturity of investments – term deposits		12,000,000	5,000,000	12,000,000
Proceeds from sale of property, plant and equipment		100	–	13,832
Receipts from Landlord for contribution to fitout of premises		311,465	–	–
Purchase of intangible assets		(2,890,258)	(4,337,000)	(3,296,705)
Purchase of property, plant and equipment		(2,197,645)	(1,763,500)	(2,352,079)
<b>Net cash from investing activities</b>		<b>(3,492,235)</b>	<b>(6,894,946)</b>	<b>(5,284,898)</b>
<b>Cash flows from financing activities</b>				
Proceeds from borrowings – finance lease		–	–	–
Repayment of borrowings – finance lease		(364,453)	(272,900)	(425,884)
Repayment of equity		–	–	–
<b>Net cash from financing activities</b>		<b>(364,453)</b>	<b>(272,900)</b>	<b>(425,884)</b>
<b>Net (decrease)/increase in cash, cash equivalents and bank overdraft</b>		<b>12,972</b>	<b>38,866</b>	<b>(6,679,095)</b>
<b>Cash, cash equivalents and bank overdraft at the beginning of the year</b>		<b>3,919,311</b>	<b>1,402,354</b>	<b>10,598,406</b>
<b>Cash, cash equivalents and bank overdraft at the end of the year</b>	<b>8</b>	<b>3,932,283</b>	<b>1,441,220</b>	<b>3,919,311</b>

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

The 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 2017, and were approved by the Board on 31 August 2017.

### (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 a 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.

The timing of NZBS adopting PBE IFRS 9 will be guided by the Treasury's decision on when the Financial Statements of Government will adopt PBE IFRS 9. NZBS has not yet assessed the effects of the new standard.

### (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:

#### *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.

## 1. Statement Of Accounting Policies (continued)

### 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 main are manufactured from either 7.8 or 10.4 tonne plasma pools and the NZBS rolling manufacturing plan generally allows for 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.

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.

## 1. Statement Of Accounting Policies (continued)

### 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 remeasured 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 5 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.

## 1. Statement Of Accounting Policies (continued)

### 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.

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

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.

## 1. Statement Of Accounting Policies (continued)

### 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.

### 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 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 2017	30 June 2016
Revenue from overseas sales – exchange revenue	955,204	1,024,355
Revenue from overseas sales – non-exchange revenue	11,391	27,775
<b>Total revenue from overseas sales</b>	<b>966,595</b>	<b>1,052,130</b>

The non-exchange revenue from overseas sales relates to sponsorship of conferences by overseas domiciled suppliers.

Other revenue – exchange revenue	36,324	30,862
Other revenue – non-exchange revenue	48,578	36,029
<b>Total other revenue</b>	<b>84,902</b>	<b>66,891</b>

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 2017	30 June 2016
Consumables *	20,952,166	22,530,214
Changes in inventory **	17,743,083	16,006,074
Expired product ***	2,771,658	3,138,339
<b>Total cost of consumables and changes in inventory</b>	<b>41,466,907</b>	<b>41,674,627</b>

\* Consumables – the cost of consumables for the period ending 30 June 2017 at \$20,952,166 was \$1,578,048 lower than the June 2016 cost of \$22,530,214. This was mainly due to purchasing 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 2017 at \$17,743,083 was \$1,737,009 higher than the June 2016 cost of \$16,006,074 and was primarily due to lower fresh product demand resulting in lower production recoveries.

\* 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 2017 year was mainly due to lower expiry of fresh products, in particular red cells and platelets.

4 Employee benefit expenses	30 June 2017	30 June 2016
Salaries and wages	40,941,566	41,096,493
Defined contribution plan employer contributions	1,040,950	999,163
Increase/(Decrease) in employee benefit liabilities	482,228	(49,221)
<b>Total employee benefit expenses</b>	<b>42,464,744</b>	<b>42,046,435</b>

Employee benefit expenses at 30 June 2017 totalled \$42,464,744 and was \$418,309 higher compared to the June 2016 year of \$42,046,435, mainly due to higher annual leave liabilities.

5 Other expenses	30 June 2017	30 June 2016
Fees to principal auditor:		
Audit fees for financial statement audit 2017	108,904	–
Audit fees for financial statement audit 2016	–	106,170
Audit fees for other services	–	–
Capital charge *	2,561,455	3,362,600
Board members' fees	132,000	116,711
Net foreign exchange losses/(gains) **	866,420	64,242
(Gains)/losses on disposal of property, plant and equipment	13,048	(13,833)
Additions to premises reinstatement provision (note 16)	10,896	–
Changes in premises reinstatement provision (note 16)	43,231	438,028
Changes in impairment of receivables (note 9)	–	–
Impairment of intangible assets (note 14)	–	404,311
Minimum lease payments under operating leases ***	4,948,918	4,733,881
Other operating expenses :		
Distribution	2,032,483	1,964,325
General administration including insurance costs	1,320,671	1,493,629
IT systems and telecommunication	4,708,969	5,066,432
Marketing	2,123,951	2,004,276
Repairs and maintenance	2,285,600	2,190,832
All other operating expenses	6,144,900	5,689,362
Total other operating expenses	18,616,574	18,408,856
<b>Total other expenses</b>	<b>27,301,446</b>	<b>27,620,966</b>

\* The 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 2017 averaged 6.5%, the first payment being charged at 7% and the second payment at 6% (30 June 2016: 8%).

\*\* 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 2017 totalling \$4,948,918 were \$215,037 higher when compared to the June 2016 spend of \$4,733,881. The June 2016 payments included the impact of reclassifying three leases recorded as operating leases in prior financial years, to finance leases in the 2016 financial year (refer note 20). The impact of the reclassified entries from the 2015 financial year and earlier flowing into the 2016 financial year are detailed below:

	30 June 2016
Reversal of minimum lease payments under operating leases	(361,470)
Interest on loan (note 6)	213,715
Depreciation on property, plant and equipment (note 13)	212,435
<b>Net impact expensed to comprehensive revenue and expense</b>	<b>64,680</b>



6 Finance costs	30 June 2017	30 June 2016
Interest on bank borrowings	101,380	124,439
Interest on Dilworth Trust finance leases	54,708	61,928
Interest on Ngāi Tahu Property Limited finance lease	234,557	395,095
Interest on other property, plant and equipment finance leases	99,207	86,441
Provisions: discount unwind (note 16)	63,157	48,322
Interest other	(15,857)	18,612
<b>Total finance costs</b>	<b>537,152</b>	<b>734,837</b>

No borrowing costs were capitalised during the period (2016: nil).

Interest on the Ngāi Tahu Property Limited finance lease reflects the specialist fit-out component relating to the Lester Lane, Christchurch facility, which was reclassified in the 2016 financial year from an operating lease to a finance lease. The 30 June 2016 interest expense of \$395,095 included \$157,882 relating to the 2015 financial year (refer note 5). The 30 June 2016 interest on other property, plant and equipment finance leases included interest relating to two leases reclassified in the 2016 financial year from operating leases to finance leases. Interest of \$55,833 relating to prior financial years as a result of the reclassification is included in the June 2016 year expense (refer note 5).

The Interest Other expense at 30 June 2016 of \$18,612 related to potential interest payable to the Inland Revenue accrued at year end 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.

7 Revaluation of derivative financial instruments	30 June 2017	30 June 2016
Foreign exchange forward selling contracts – (gain)/loss	(620,800)	2,129,932
<b>Total revaluation of derivative financial instruments – (gain)/loss</b>	<b>(620,800)</b>	<b>2,129,932</b>

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 2017	30 June 2016
Cash in hand	4,800	4,800
Cash at bank	3,927,483	3,914,511
<b>Total cash and cash equivalents for the purpose of the statement of cash flows</b>	<b>3,932,283</b>	<b>3,919,311</b>

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 2017	30 June 2016
Trade receivables	10,656,918	10,807,096
Sundry receivables	16,966	145,963
	10,673,884	10,953,059
Less: provision for impairment of receivables	–	–
Net receivables	10,673,884	10,953,059
Prepayments	1,326,813	1,248,324
Interest receivable accrued – term deposits	64,424	86,170
<b>Total trade and other receivables</b>	<b>12,065,121</b>	<b>12,287,553</b>

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 2017 and 2016 all overdue receivables have been assessed for impairment and appropriate provisions applied, as detailed below:

Receivables ageing	2017			2016		
	Gross	Impairment	Net	Gross	Impairment	Net
Current	10,612,172	–	10,612,172	10,808,273	–	10,808,273
Past due :						
31 – 60 days	59,274	–	59,274	143,121	–	143,121
61 – 90 days	559	–	559	(573)	–	(573)
> 90 days	1,879	–	1,879	2,238	–	2,238
<b>Total receivables</b>	<b>10,673,884</b>	<b>–</b>	<b>10,673,884</b>	<b>10,953,059</b>	<b>–</b>	<b>10,953,059</b>

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 2017	30 June 2016
<b>Current portion</b>		
Term deposits	3,000,000	5,000,000
Adverse fractionation event reserve term deposits	4,000,000	3,000,000
<b>Total current portion</b>	<b>7,000,000</b>	<b>8,000,000</b>
<b>Non-current portion</b>		
Term deposits	–	–
Adverse fractionation event reserve term deposits	–	–
<b>Total non-current portion</b>	<b>–</b>	<b>–</b>
<b>Total investments</b>	<b>7,000,000</b>	<b>8,000,000</b>

Term deposits at 30 June 2017 have maturities of eight months from the date of acquisition. Term deposits at 30 June 2016 had maturities ranging between eight and nine 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 2017 have maturities ranging between seven and nine months from the date of acquisition. The adverse fractionation event term deposits at 30 June 2016 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.

11 Inventories	30 June 2017	30 June 2016
Raw materials – fresh frozen plasma	3,619,201	2,591,830
Work in process – fractionated components	7,828,649	7,703,156
Fractionated components	14,405,612	16,471,094
Fresh components	1,984,694	2,420,201
Consumables	2,673,680	2,425,283
	<b>30,511,836</b>	<b>31,611,564</b>
	(823,077)	(556,260)
Provision for expired inventory	<b>(823,077)</b>	<b>(556,260)</b>
<b>Total Inventories</b>	<b>29,688,759</b>	<b>31,055,304</b>

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 2017	30 June 2016
<b>Forward foreign exchange contracts</b>		
Current liabilities portion	841,676	530,857
Term liabilities portion	83,833	1,015,452
<b>Total derivative financial instruments</b>	<b>925,509</b>	<b>1,546,309</b>

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 2015 Cost or valuation	Leasehold improvements	Plant and equipment	Computer equipment	Furniture and fittings	Motor vehicles	Office equipment	Total
Opening balance	8,951,143	21,765,797	6,117,563	1,787,227	276,447	184,437	39,082,614
Additions	3,203,103	1,383,069	869,295	11,532	21,627	12,294	5,500,920
Disposals	(3,000)	(897,782)	(2,557,442)	(2,973)	(51,901)	(2,230)	(3,515,328)
<b>30 June 2016</b>	<b>12,151,246</b>	<b>22,251,084</b>	<b>4,429,416</b>	<b>1,795,786</b>	<b>246,173</b>	<b>194,501</b>	<b>41,068,206</b>

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)
<b>30 June 2017</b>	<b>13,275,649</b>	<b>22,213,214</b>	<b>4,471,998</b>	<b>1,675,212</b>	<b>246,173</b>	<b>150,661</b>	<b>42,032,907</b>

The leasehold improvements addition of \$3,203,103 at 30 June 2016 included \$2,851,379 relating to the specialist fit-out component at the Lester Lane, Christchurch facility, which was reclassified in the 2016 financial year from an operating lease to finance lease (refer note 20).

The plant and equipment addition of \$1,383,069 at 30 June 2016 included \$308,247 relating to two leases reclassified in the 2016 financial year from operating leases to finance leases (refer note 20).

1 July 2015 Accumulated depreciation and impairment losses	Leasehold improvements	Plant and equipment	Computer equipment	Furniture and fittings	Motor vehicles	Office equipment	Total
Opening balance	7,729,274	16,887,256	5,282,292	1,098,790	101,822	141,060	31,240,494
Depreciation	532,648	1,660,016	553,951	198,918	30,591	17,349	2,993,473
Impairment losses	–	–	–	–	–	–	–
Disposals	(3,000)	(897,782)	(2,557,443)	(2,973)	(51,901)	(2,230)	(3,515,329)
<b>30 June 2016</b>	<b>8,258,922</b>	<b>17,649,490</b>	<b>3,278,800</b>	<b>1,294,735</b>	<b>80,512</b>	<b>156,179</b>	<b>30,718,638</b>

<b>1 July 2016 Accumulated depreciation and impairment losses</b>	<b>Leasehold improvements</b>	<b>Plant and equipment</b>	<b>Computer equipment</b>	<b>Furniture and fittings</b>	<b>Motor vehicles</b>	<b>Office equipment</b>	<b>Total</b>
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)
<b>30 June 2017</b>	<b>8,620,033</b>	<b>16,283,022</b>	<b>3,407,349</b>	<b>1,331,321</b>	<b>112,057</b>	<b>128,845</b>	<b>29,882,627</b>

The leasehold improvements depreciation of \$532,648 at 30 June 2016 included depreciation totalling \$158,410 relating to the specialist fit-out component at the Lester Lane, Christchurch facility, which was reclassified in the 2016 financial year from an operating lease to a finance lease (refer note 6). The depreciation of \$158,410 was a combination of the 2016 financial year (\$95,046) and 2015 financial year depreciation (\$63,364).

The plant and equipment depreciation of \$1,660,016 at 30 June 2016 included \$205,651 relating to two leases reclassified in the 2016 financial year from operating leases to finance leases (refer note 6). The depreciation of \$205,651 was a combination of the 2016 financial year (\$56,580) and 2015 and prior financial year depreciation (\$149,071).

<b>Carrying amounts</b>	<b>Leasehold improvements</b>	<b>Plant and equipment</b>	<b>Computer equipment</b>	<b>Furniture and fittings</b>	<b>Motor vehicles</b>	<b>Office equipment</b>	<b>Total</b>
At 30 June and 1 July 2016	3,892,324	4,601,594	1,150,616	501,051	165,661	38,322	10,349,568
At 30 June 2017	4,655,616	5,930,192	1,064,649	343,891	134,116	21,816	12,150,280

<b>Capital work in progress</b>	<b>Leasehold improvements</b>	<b>Plant and equipment</b>	<b>Computer equipment</b>	<b>Furniture and fittings</b>	<b>Motor vehicles</b>	<b>Office equipment</b>	<b>Total</b>
At 30 June and 1 July 2016	976	215,608	563,400	–	–	–	779,984
At 30 June 2017	1,103,402	287,728	690,370	–	–	–	2,081,500

Property, plant and equipment additions include \$2,081,500 of capital work in progress projects at 30 June 2017 (2016: \$779,984). There are no restrictions or pledges over property, plant and equipment.

The net carrying amount of assets held under finance leases is \$3,102,669 (2016: \$3,403,053) for leasehold improvements, \$63,374 (2016: \$143,622) for furniture and fittings and \$1,945,941 for plant and equipment (2016: \$411,682). The increase in the net carrying amount under finance leases for plant and equipment mainly relates to new donation testing platforms (\$1,475,008) installed in the Auckland and Christchurch donor accreditation functions.

<b>14 Intangible assets</b>	<b>30 June 2017</b>	<b>30 June 2016</b>
<b>Computer software cost</b>		
<b>Balance at beginning of year</b>	12,940,030	9,946,637
Additions	3,173,926	3,254,821
Disposals	(8,413)	(261,428)
<b>Balance at end of year</b>	<b>16,105,543</b>	<b>12,940,030</b>
<b>Accumulated amortisation expense and impairment losses</b>		
<b>Balance at beginning of year</b>	6,221,982	5,342,222
Amortisation expense	767,709	736,877
Impairment losses	–	404,311
Disposals	(8,413)	(261,428)
<b>Balance at end of year</b>	<b>6,981,278</b>	<b>6,221,982</b>
<b>Carrying amounts</b>		
At beginning of year	6,718,048	4,604,415
<b>At year end</b>	<b>9,124,265</b>	<b>6,718,048</b>

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

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 5 years.

Intangible asset additions include \$3,132,634 of capital work in progress projects at 30 June 2017 (2016: \$3,009,197). The majority of the 2017 and 2016 capital work in progress relates to the eTraceline blood bank software implementation project. The total intangible asset spend on this project to 30 June 2017 was \$6,048,429. The original go-live date was estimated to be April 2017 however due to the complexity of the project the date is now projected to be September 2017.

Impairment losses of \$404,311 in the year 30 June 2016 relates to the assessed proportion of functionality that will become redundant within the existing blood management system eProgesa when the new eTraceline blood bank software goes live (refer note 23).

<b>15 Trade and other payables</b>	<b>30 June 2017</b>	<b>30 June 2016</b>
Trade payables	8,332,123	9,028,074
Accrued expenses	3,199,276	2,770,265
Capital charge accrued	–	–
Board members' fees payable	4,000	3,378
Taxes payable – PAYE and FBT	431,108	855,708
Taxes payable – GST	542,918	583,311
Other	200,755	183,245
<b>Total trade and other payables</b>	<b>12,710,180</b>	<b>13,423,981</b>

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

<b>16 Premises reinstatement provision</b>	<b>30 June 2017</b>	<b>30 June 2016</b>
Balance as at 1 July	2,085,532	1,599,182
Additions (note 5)	10,896	–
Changes in provisions made during the year (note 5)	43,231	438,028
Discount unwind (note 6)	63,157	48,322
<b>Total premises reinstatement provision</b>	<b>2,202,816</b>	<b>2,085,532</b>
<b>Comprising:</b>		
Current	82,106	84,061
Non-current	2,120,710	2,001,471
<b>Total premises reinstatement provision</b>	<b>2,202,816</b>	<b>2,085,532</b>

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 27 years. The 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.

<b>17 Employee benefit entitlements</b>	<b>30 June 2017</b>	<b>30 June 2016</b>
Accrued salaries and wages	1,130,440	1,023,381
Annual leave	4,487,918	4,156,965
Long service leave	1,019,757	971,587
Retirement gratuities	1,042,055	1,065,006
Sick leave	150,000	131,003
<b>Total employee benefit entitlements</b>	<b>7,830,170</b>	<b>7,347,942</b>
<b>Comprising:</b>		
Current	6,240,381	5,739,729
Non-current	1,589,789	1,608,213
<b>Total employee benefit entitlements</b>	<b>7,830,170</b>	<b>7,347,942</b>

Liabilities for retirement gratuities and long service leave at 30 June 2017 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 2016.

The discount rates used by the external actuary to calculate the estimated liabilities existing at balance date are as follows; long service leave 2.90% (2016: 2.42%), retirement leave 3.20% (2016: 2.80%), and an inflation factor of 2.5% (2016: 2.5%).



18 Rent accrued	30 June 2017	30 June 2016
Rent accrued	1,821,272	1,138,292
<b>Total rent accrued</b>	<b>1,821,272</b>	<b>1,138,292</b>

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 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. 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 2017	30 June 2016
Current	25,955	–
Non-current	281,184	–
<b>Total Lease Incentive Liability</b>	<b>307,139</b>	<b>–</b>

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 2017	30 June 2016
<b>Current borrowings are represented by:</b>		
Finance lease	483,904	240,589
Term credit facility	–	–
<b>Total current portion</b>	<b>483,904</b>	<b>240,589</b>
<b>Non-current borrowings are represented by:</b>		
Finance lease	4,980,334	3,774,766
Term credit facility	3,300,000	3,300,000
<b>Total non-current portion</b>	<b>8,280,334</b>	<b>7,074,766</b>
<b>Total borrowings</b>	<b>8,764,238</b>	<b>7,315,355</b>

	Carrying amount		Fair value	
	30 June 2017	30 June 2016	30 June 2017	30 June 2016
<b>Total borrowings</b>	<b>8,764,238</b>	<b>7,315,355</b>	<b>11,284,811</b>	<b>9,421,816</b>

In the 2016 financial year the New Zealand Blood Service reclassified three leases recorded as operating leases in prior financial years to finance leases. The leases related to the specialist fit-out component of the purpose-built facility at Lester Lane, Christchurch plus two plant and equipment leases. The corresponding assets relating to these finance leases was recorded within each class of property, plant and equipment (refer note 13). An overview of the reclassification entries relating to borrowings is summarised as follows;

	Borrowing at commencement of lease	Repayments to 30 June 2015	Borrowing at 1 July 2016
Leasehold improvements – Lester Lane facility, Christchurch – Ngāi Tahu Property Limited	2,851,379	(15,498)	2,835,881
Plant and equipment – two leases	308,247	(132,257)	175,990
<b>Total finance leases previously recorded as operating leases</b>	<b>3,159,626</b>	<b>(147,755)</b>	<b>3,011,871</b>

#### 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 2017 has been determined using contractual cash flows discounted using a rate based on the NZBS market borrowing rate at balance date of 2.91% (2016: 3.33%).

Maturity analysis:	30 June 2017	30 June 2016
<b>The following is a maturity analysis of the NZBS finance lease component of borrowings:</b>		
Total minimum lease payments payable		
Less than one year	964,542	559,664
Later than one year but not more than five years	3,648,937	2,348,409
Later than five years	5,854,226	5,949,798
Total minimum lease payments	10,467,705	8,857,871
Future finance charges	(5,003,467)	(4,842,516)
Present value of minimum lease payments	5,464,238	4,015,355
Present value of minimum lease payments payable		
Less than one year	483,904	240,589
Later than one year but not more than five years	2,114,014	1,015,498
Later than five years	2,866,320	2,759,268
<b>Total present value of minimum lease payments</b>	<b>5,464,238</b>	<b>4,015,355</b>
<b>The following is a maturity analysis of the NZBS term credit facility:</b>		
Less than one year	-	-
Later than one year but not more than five years	3,300,000	3,300,000
Later than five years	-	-
<b>Total term credit facility</b>	<b>3,300,000</b>	<b>3,300,000</b>
<b>Total borrowings</b>	<b>8,764,238</b>	<b>7,315,355</b>

Weighted average effective interest rate for the Westpac term credit facility is 3.06% (2016: 3.77%), the original Dilworth Trust Board loan was repaid in full in the 2016 financial year, 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% (2016: 8.375%) and the finance leases relating to plant and equipment range from 7.15% to 9.40% (2016: range from 7.59% to 9.24%).

Finance leases are classified as current for the balance repayable within 12 months and non-current for the remaining balance for both the 2017 and 2016 years. In 2017 and 2016 the Westpac borrowing is classified as non-current liabilities as the balance repayable is greater than 12 months.

The original Dilworth Trust Board borrowing relates to the finance lease element within the property lease for 71 Great South Road, Newmarket, Auckland. The lessor funded \$2.6 million of the specialist fit-out costs. This borrowing was repaid in full by September 2015.

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 with the balance uncommitted funding, all on a term facility (2016: \$8,300,000).

The specific requirements of the negative pledge are stated below.

- (a) The 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.
- (b) The 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).
- (c) The 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 the New Zealand Blood Service breaches any of the obligations under the negative pledge undertaking. The 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 2018 with a renewal offer through to 30 September 2019.

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

21 Equity	30 June 2017	30 June 2016
<b>Crown equity</b>		
<b>Total crown equity</b>	<b>15,716,696</b>	<b>15,716,696</b>
<b>Accumulated comprehensive revenue and expense</b>		
As at 1 July	20,755,677	23,100,530
Surplus for the year	(72,989)	(2,344,853)
Transfer to adverse fractionation event reserve	(1,000,000)	–
<b>Total accumulated comprehensive revenue and expense</b>	<b>19,682,688</b>	<b>20,755,677</b>
<b>Adverse fractionation event reserve</b>		
As at 1 July	3,000,000	3,000,000
Additional funds received	1,000,000	–
Funds utilised – net of recoveries	–	–
<b>Total adverse fractionation event reserve</b>	<b>4,000,000</b>	<b>3,000,000</b>
<b>Total equity as at 30 June</b>	<b>39,399,384</b>	<b>39,472,373</b>

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 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. In the 2016 year the board elected not to increase the reserve.

22 Reconciliation of net surplus/(deficit) to net cash from operating activities	30 June 2017	30 June 2016
<b>Net surplus/(deficit) from the statement of comprehensive income</b>	<b>(72,989)</b>	<b>(2,344,853)</b>
<b>Add/(less) non-cash items:</b>		
Depreciation and amortisation	3,350,971	3,730,350
Changes in premises reinstatement provision	117,284	486,350
Changes in lease incentive liability	(4,326)	–
<b>Add/(less) items classified as investing or financing activities:</b>		
Interest received on investments	–	–
Investment other	–	–
(Gains)/losses on disposal of property, plant and equipment	13,048	(13,833)
Impairment losses (note 14)	–	404,311
Interest received on investments – term deposits	(284,103)	(350,054)
<b>Add/(less) movements in working capital items:</b>		
Trade and other receivables	222,431	223,590
Inventories	1,366,546	(6,688,705)
Trade and other payables	(700,630)	1,503,820
Employee benefit liabilities	482,228	(49,221)
Revaluation of derivative financial instruments	(620,800)	2,129,932
<b>Net cash from operating activities</b>	<b>3,869,660</b>	<b>(968,313)</b>

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 2017	30 June 2016
<b>Capital commitments</b>		
Leasehold improvements	8,720	1,869
Plant and equipment	388,020	312,437
Computer equipment	3,267	103,950
Furniture and fittings	–	–
Motor vehicles	–	–
Office equipment	–	–
Intangible assets	1,864,874	3,927,326
<b>Capital expenditure contracted for at balance date but not yet incurred for property, plant and equipment plus intangibles</b>	<b>2,264,881</b>	<b>4,345,582</b>

Intangible assets include \$1.6 million (2016 : \$3.9 million) relating to the implementation of the eTraceline blood bank software which is expected to go live in September 2017. This includes both the contracted price for the purchase of the software and a forecast of the expected contractor costs to be incurred in completing the project/implementing the software.

#### 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 2017	30 June 2016
Not later than one year	4,362,777	4,220,999
Later than one year and not later than five years	17,056,579	16,307,625
Later than five years	71,826,042	71,026,356
<b>Total non-cancellable operating leases</b>	<b>93,245,398</b>	<b>91,554,980</b>

The 30 June 2016 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 2016 and 2017 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 \$16.8 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.

The increase between the 2017 and 2016 year total non-cancellable operating leases is due to the new donor centre at 170 Crawford Street, Dunedin.

NZBS has not entered into any sublease arrangements as at 30 June 2017.

## 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 2017 the surplus was \$8.0 million (6.2% of the liabilities) and at 31 March 2016 the surplus was \$11.7 million (7.4% of the liabilities). As at 31 March 2015, the Scheme had a past service surplus of \$20.9 million (11.4% 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 NZ IAS 19 for 31 March 2015 and PBE IPSAS25 for 31 March 2016 and 2017.

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 2017 (2016: 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 chief financial officer 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 7 members of the Executive team.

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

	30 June 2017	30 June 2016
<b>Board members</b>		
Remuneration	\$132,000	\$116,711
Full-time equivalent members	0.38	0.35
<b>Leadership team</b>		
Remuneration	\$1,979,207	\$1,902,620
Full-time equivalent members	8.00	8.00
<b>Total Board and leadership</b>		
<b>Total key management personnel remuneration</b>	<b>\$2,111,207</b>	<b>\$2,019,331</b>
<b>Total full time equivalent personnel</b>	<b>8.38</b>	<b>8.35</b>

### (c) Related party transactions

#### Capital charge

During the period the New Zealand Blood Service paid the Ministry of Health a capital charge of \$2,561,455 (2016: \$3,362,600). The amount outstanding at the end of the period was nil (2016: Nil).

#### Equity injection

During the period the New Zealand Blood Service did not receive any equity injection from the Ministry of Health (2016: 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 2017	30 June 2016
<b>Mr David Chamberlain</b>	Appointed 1 October 2009, appointed Chairman 15 August 2011	32,000	32,000
<b>Mr Ian Ward</b>	Appointed 19 August 2011, appointed Deputy Chairman 15 June 2016	20,000	16,178
<b>Professor Peter Browett</b>	Appointed 1 October 2009	16,000	16,000
<b>Mrs Victoria Kingi</b>	Appointed 26 February 2014	16,000	16,000
<b>Dr Bart Baker</b>	Appointed 15 June 2016	16,000	711
<b>Cathryn Lancaster</b>	Appointed 15 June 2016	16,000	711
<b>Fiona Pimm</b>	Appointed 15 June 2016	16,000	711
<b>Mr David Wright</b>	Deputy Chairman appointed 15 August 2008, retired 14 June 2016	–	19,111
<b>Ms Raewyn Idoine</b>	Appointed 1 October 2012, retired 14 June 2016	–	15,289
<b>Total Board members' remuneration</b>		<b>132,000</b>	<b>116,711</b>

27 Employee remuneration range	30 June 2017	30 June 2016
	No. Employees	No. Employees
\$100,000 – 109,999	16	12
\$110,000 – 119,999	5	7
\$120,000 – 129,999	5	6
\$130,000 – 139,999	5	5
\$140,000 – 149,999	2	–
\$150,000 – 159,999	1	3
\$160,000 – 169,999	1	1
\$170,000 – 179,999	3	–
\$180,000 – 189,999	–	1
\$190,000 – 199,999	1	1
\$200,000 – 209,999	2	3
\$210,000 – 219,999	1	1
\$220,000 – 229,999	1	–
\$240,000 – 249,999	1	–
\$250,000 – 259,999	1	1
\$260,000 – 269,999	1	2
\$270,000 – 279,999	1	–
\$280,000 – 289,999	–	1
\$290,000 – 299,999 *	–	1
\$300,000 – 309,999 *	1	–
\$330,000 – 339,999	–	1
\$340,000 – 349,999	1	–
	<b>49</b>	<b>46</b>

\* 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 2017 2 employees received termination payments totalling \$58,785. There were no termination payments made to employees in 2016.

## 29 Events after the balance date

There were no significant events after balance date.

## 30 Segmental reporting

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

The 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:

<b>FINANCIAL ASSETS</b>	<b>30 June 2017</b>	<b>30 June 2016</b>
<b>Loans and receivables</b>		
Cash and cash equivalents (note 8)	3,932,283	3,919,311
Trade and other receivables (note 9)	12,065,121	12,287,553
Investment – term deposits (note 10)	7,000,000	8,000,000
<b>Total loans and receivables</b>	<b>22,997,404</b>	<b>24,206,864</b>
<b>FINANCIAL LIABILITIES</b>	<b>30 June 2017</b>	<b>30 June 2016</b>
<b>Financial liabilities measured at amortised cost</b>		
Trade and other payables (note 15) – excluding GST payable to the Inland Revenue	12,167,262	12,840,670
Borrowings (note 20)	8,764,238	7,315,355
<b>Total financial liabilities measured at amortised cost</b>	<b>20,931,500</b>	<b>20,156,025</b>
<b>Fair value through surplus or deficit</b>		
Derivative financial instruments (note 12)	925,509	1,546,309
<b>Total fair value through surplus or deficit</b>	<b>925,509</b>	<b>1,546,309</b>

### 32 Fair value hierarchy disclosures

	Total	Quoted market price	Observable inputs	Significant non-observable inputs
<b>30 June 2017</b>				
<b>Financial assets</b>				
Derivatives – forward foreign exchange contracts	–	–	–	–
<b>Financial liabilities</b>				
Derivatives – forward foreign exchange contracts	925,509	–	925,509	–
<b>30 June 2016</b>				
<b>Financial assets</b>				
Derivatives – forward foreign exchange contracts	–	–	–	–
<b>Financial liabilities</b>				
Derivatives – forward foreign exchange contracts	1,546,309	–	1,546,309	–

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

### 33 Financial instruments risks

The 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 rate 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 \$87,640 at 30 June 2017 (2016: \$73,150).

There are no interest rate options or interest rate swap agreements in place as at 30 June 2017 (2016: Nil).

Cash and cash equivalents include deposits at call which are at floating rates and short term deposits at fixed rates totalling \$3,927,483 (2016: \$3,914,511). A movement in interest rates of plus or minus 1% has an effect on interest income of \$39,270 (2016: \$39,150).

#### Currency risk

Trade payables include AUD\$5.75 million of Australian dollar denominated payables (2016: AUD\$6.59 million) in relation to inventory purchases and EUR€155 thousand relating to the eTraceline blood bank software implementation project (2016: Nil). 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 \$276,256 (2016: \$198,343). The NZD equivalent of unhedged amounts owing to NZBS in foreign currency at balance date is nil (2016: \$124,371).

Forward foreign exchange contracts	30 June 2017	30 June 2016
<b>Total forward foreign exchange contracts (stated in NZD)</b>	<b>37,666,705</b>	<b>38,702,579</b>

The foreign currency principal amounts were AUD\$33,828,407 and EUR€705,000 (2016: AUD\$35,188,411).

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

There were no derivative financial assets held for trading at 30 June 2017 (2016: Nil).

#### Financial liabilities

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.

At 30 June 2016 derivative financial liabilities consisted of forward foreign exchange contracts with a fair value totalling \$1,546,309. At 30 June 2016, a movement in foreign exchange rates of plus 10% has an adverse impact of \$3.38 million, and minus 10% has a favourable impact of \$4.13 million, based on a derivative valuation model using hypothetical forward rates.

#### Credit risk

Maximum exposure to credit risk at balance date are:	30 June 2017	30 June 2016
Cash in hand	4,800	4,800
Call deposits and short term deposits	3,927,483	3,914,511
Receivables	10,673,884	10,953,059
Investments – term deposits	7,000,000	8,000,000
Derivative financial instruments	–	–
<b>Total credit risk</b>	<b>21,606,167</b>	<b>22,872,370</b>

#### Credit quality of financial assets

COUNTERPARTIES WITH CREDIT RATINGS	30 June 2017	30 June 2016
<b>Total cash at bank and term deposits</b>		
AA-	10,927,483	11,914,511
COUNTERPARTIES WITHOUT CREDIT RATINGS		
<b>Debtors and other receivables</b>		
Existing counterparty with no defaults in the past	10,673,884	10,953,059
Existing counterparty with defaults in the past	–	–
<b>Total debtors and other receivables</b>	<b>10,673,884</b>	<b>10,953,059</b>

#### 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 99% (2016: 97%) 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 (2016: \$8,300,000) on term facilities of which \$3,300,000 was drawn down at balance date (2016: \$3,300,000). A negative pledge obligation exists with this facility – refer note 20.

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	–	–

30 June 2016	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	12,840,670	12,840,670	12,840,670	–	–	–
Borrowings – finance lease (note 20)	4,015,355	8,857,871	559,664	1,034,713	1,313,696	5,949,798
Borrowings – term credit facility (note 20)	3,300,000	3,438,190	128,857	3,309,333	–	–

#### Contractual maturity analysis of derivative financial instruments

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	–

30 June 2016	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	–	–	38,702,579	4,588,814	5,609,072	27,434,602	1,070,091
inflow	1,546,309	–	37,156,270	4,399,907	5,267,122	26,430,020	1,059,221

#### 34 Capital management

The 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.

The 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.

The 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 -\$0.07 million was influenced by the following factors when compared to the budgeted deficit of -\$1.04 million;

- 1) Gross revenues of \$114.4 million were -\$4.6 million below budget mainly due to weaker demand for blood products -\$5.5 million overall, in particular fractionated products (-\$4.1 million) and ongoing decline in red cell demand (-\$1.03 million) from DHBs. The lower blood product revenue was offset by higher service sales +\$0.8 million (mainly Tissue Typing and blood bank diagnostic testing, +\$383 thousand and +\$484 thousand respectively).
- 2) The cost of consumables and changes in inventory at \$41.5 million was +\$4.4 million favourable to budget. These favourable adjustments arose primarily from lower blood product demand +\$4.2 million overall, in particular fractionated products, with immunoglobulin (IVIg) products being 6.5% below budget. In addition the cost of consumables was +\$1.0 million favourable overall mainly driving from procurement savings made on consumable kits used in the new donation testing platforms installed in the Auckland and Christchurch functions during the 2017 financial year. This was offset by higher product expiry -\$0.8 million mainly red cells, platelets and fractionated products.
- 3) Mark to market revaluation movement of derivative financial instruments was +\$0.48 million favourable overall.
- 4) The balance of other variances were favourable to budget by +\$0.69 million and was represented by a combination of;
  - (i) Lower employee benefit expenses +\$0.5 million overall mainly due to lower call centre costs.
  - (ii) Lower depreciation and amortisation costs +\$0.06 million.
  - (iii) Higher finance charges -\$0.25 million mainly driving from the reclassification of specialist fit-out component relating to the Lester Lane, Christchurch facility from an operating lease to finance lease in the 30 June 2016 financial year (refer note 6) after the 2016/17 budget was set.
  - (iv) Lower Other expenses +\$0.38 million favourable overall being a combination of the following;
    - a lower capital charge (+\$0.67 million) mainly due to the first payment of the year being charged at 7% and the second payment at 6% compared to a budget rate of 8%,
    - lower equipment operating leases costs (+\$0.45 million) mainly due to the reclassification of specialist fit-out component relating to the Lester Lane, Christchurch facility from an operating lease to a finance lease, lower marketing expenditure (+\$0.25 million),
    - lower IT systems and telecommunication costs (+\$0.36 million) offset by higher foreign exchange losses (-\$1.0 million) driving from the strengthening NZD/AUD exchange rate during the 2017 year compared to foreign exchange contracts held to settle the service's fractionated manufactured products, and
    - higher employee expenses (-\$0.37 million) due to higher recruitment and training costs.
    - All Other expense variances +\$0.02 million favourable 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 2016/17 was a slight increase in cash of +\$13 thousand resulting in a closing cash position at 30 June 2017 of \$3.9 million. This figure was +\$2.5 million favourable to budget due primarily to a favourable +\$2.5 million higher opening position, with the +\$3.4 favourable investing cash spend being offset by -\$3.3 million unfavourable operating activity movements as detailed below.

- (a) Cash from Operating Activities at +\$3.87 million was -\$3.34 million unfavourable to budget. Key factors influencing this outcome were:
  - (i) Lower receipts (-\$3.6 million) driving from lower demand in particularly fractionated product.
  - (ii) Lower capital charge payment (+\$0.7 million) mainly due to the first payment of the year being charged at 7% and the second 6% compared to a budget rate of 8%.
  - (iii) Other payments in total being unfavourable to budget by -\$0.4 million, the major contributor being interest paid, mainly due to the reclassification of the specialist fit-out component relating to the Lester Lane, Christchurch facility from an operating lease to finance lease.
- (b) Cash flows from Investing Activities at -\$3.5 million was +\$3.4 million favourable to budget mainly due to timing on capital expenditure relating to the eTraceline blood bank project. In addition +\$0.3 million was received from the landlord of the new donor centre at 170 Crawford Street, Dunedin, as a contribution to the fitout of the premises.
- (c) Cash flows from Financing Activities at -\$0.4 million was unfavourable to budget by -\$0.1 million driven in part by the reclassification of three leases recorded as operating leases in prior financial years to finance leases (refer note 20) in the 30 June 2016 financial year after the 2017 budget was set and new finance leases for plant and equipment purchased during the year.

The equity position at 30 June 2017 totalled \$39.4 million (budget \$39.8 million) representing an equity ratio of 81.8% (budget 89.3%) and a debt ratio of 18.2% (budget 10.7%). The adverse variance to budget was driven by an increase in finance leases mainly relating to new testing platforms in the Auckland and Christchurch donation testing functions and also the reclassification in the 2016 year of the specialist fit-out component relating to the Lester Lane facility after the 2017 budget was set. Tangible assets totalled \$64.8 million (budget \$56.5 million) compared to last year's \$65.6 million.

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"> <li>• Donors (and patients)</li> <li>• Products and Services</li> <li>• Demand Management</li> </ul> <p>Each of which collectively contributes to the achievement of the NZBS Outcome.</p>		<p>Health needs of people in New Zealand are supported by the availability of safe and appropriate blood and tissue products and related services.</p>							
Performance Measures stated in Financial Years	Target Set 2016/17	Historical Trend Line of Actual Outcomes						Result 2016/17	Target Set 2017/18
		2010/11	2011/12	2012/13	2013/14	2014/15	2015/16		
<p>Provision of a safe and effective blood service for all New Zealanders through supply and delivery of:</p> <ul style="list-style-type: none"> <li>• Fresh Blood Components;</li> <li>• Fractionated Blood Products; and</li> <li>• Other products and related services.</li> </ul>	<p>Revenue of \$119.05m with no price rebate to DHBs planned.</p> <p>Expenses of \$120.09m</p> <p>Deficit of \$1.04m</p>	\$102.3m	\$105.5m	\$104.9m	\$104.0m	\$109.0m	\$115.6m	<p>Revenue of \$114.42m with no price rebate to DHBs.</p> <p>Expenses of \$114.50m</p> <p>Deficit of \$0.08m</p>	<p>Revenue of \$118.45m with no price rebate to DHBs planned.</p> <p>Expenses of \$120.30m</p> <p>Deficit of \$1.85m</p>
	<p><b>Financial Performance Commentary:</b> The reported deficit of \$0.08m was favourable to both the budgeted deficit of \$1.04m and last year's deficit of \$2.3m. This result was delivered off revenues of \$114.4m which were 3.9% and 1.0% down on budget and last year revenue levels respectively. The reported result was achieved in what was another challenging financial year requiring NZBS to adapt to changing demand patterns that saw continued fresh product volume decline, static immunoglobulin demand and certain sector decisions that adversely impacted the carrying values of product held in inventory.</p> <p>Against that backdrop the reported result is categorised as a resilient outcome being favourable to budget by +\$0.97m and last year by +\$2.27m. The key contributors to the favourable improvement over both budget and last year are further identified in the table below:</p>	<p>Analysis of Key Contributors to Budget and Last Year's Result Variances</p>							
								Variance to Budget \$000's	Variance to L/Year \$000's
								(1,245)	(1,896)
								1,775	363
								(855)	367
								1,830	1,490
								(538)	1,948
								967	2,272
		<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 2016/17 financial year.</p>							
<p><b>Change in Accounting Standards:</b> Please note from the 2014/15 financial year, information has been prepared under <i>International Public Sector Accounting Standards (IPSAS)</i> with all prior reported financial information within this document prepared under <i>International Financial Reporting Standards (NZ IFRS)</i>.</p>									



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
	2016/17	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18		
<b>Product and Service availability</b> 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.	TARGET 0	ACHIEVED 0	NOT ACHIEVED* 1	ACHIEVED 0	ACHIEVED 0	ACHIEVED 0	ACHIEVED 0	ACHIEVED 0	2017/18	
<b>* Comment on non-supply incident in 2012/13</b> 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		Historical Trend Line of Actual Outcomes						Result	Target Set
	2016/17	2011/12 unaudited	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18		
<b>2.1 Planning and Communication with District Health Boards (DHBs)</b> NZBS will demonstrate a productive and supportive relationship with the DHBs, including proactively engaging with them through the Lead DHB CEO to agree pricing for the next financial year, ensuring that this information is provided in sufficient time 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 the timely and relevant provision of information, including issue resolution over the course of the 2016/17 financial year.	Based on Feedback received from Lead DHB CEO	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' performance measure".	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' performance measure in the 2014/15 financial year".	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 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.		

Performance Measures stated in Financial Years	Historical Trend Line of Actual Outcomes						Result	Target Set
	2011/12 unaudited	2012/13	2013/14	2014/15	2015/16	2016/17		
<p><b>2.2 NZBS Reports for DHBs</b> Monthly demand management reports outlining purchase volumes by key product line are provided to DHBs to assist them to manage local usage and costs.</p>	<p><b>ACHIEVED</b> Monthly reports detailing product use and expiry information provided to all DHBs in 2011/12 financial year.</p>	<p><b>ACHIEVED</b> Monthly reports detailing product use and expiry information provided to all DHBs in 2012/13 financial year.</p>	<p><b>ACHIEVED</b> Monthly reports detailing product use and expiry information provided to all 20 DHBs throughout 2013/14.</p>	<p><b>ACHIEVED</b> Monthly reports detailing product use and expiry information provided to all 20 DHBs in 2014/15 financial year.</p>	<p><b>ACHIEVED</b> Monthly reports detailing product use and expiry information provided to all 20 DHBs throughout 2015/16.</p>	<p><b>ACHIEVED</b> Monthly reports detailing product use &amp; expiry information were provided, within set timeframes to all 20 DHBs throughout 2016/17.</p>	<p>Reports are provided to each DHB by the 12th working day of the following month throughout the 2016/17 financial year.</p>	<p>2017/18</p>
<p><b>2.3 Clinical Oversight Programme</b> 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.</p>	<p><b>ACHIEVED</b> 100%</p>	<p><b>NOT ACHIEVED</b> 96%</p>	<p><b>ACHIEVED</b> 100%</p>	<p><b>ACHIEVED</b> 100%</p>	<p><b>ACHIEVED</b> 100%</p>	<p><b>ACHIEVED</b> 100%</p>	<p>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.</p>	<p>2016</p>
<p><b>Haemovigilance – Patient safety</b> (measured in calendar years)</p>	<b>CALENDAR YEARS</b>						<p><b>Target</b></p>	<p><b>Target Set</b></p>
<p><b>2.4 Haemovigilance Reporting</b> 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.</p>	<p><b>ACHIEVED</b> 2010 Annual Haemovigilance Report distributed to DHBs in November 2011 and available on NZBS web-site.</p>	<p><b>ACHIEVED</b> 2011 Annual Haemovigilance Report distributed to all DHBs in December 2012 and available on NZBS web-site.</p>	<p><b>ACHIEVED</b> 2012 Annual Haemovigilance Report distributed to all DHBs in December 2013 and available on NZBS web-site.</p>	<p><b>ACHIEVED</b> 2013 Annual Haemovigilance Report distributed to all DHBs in December 2014 and available on the NZBS web-site.</p>	<p><b>ACHIEVED</b> 2014 Annual Haemovigilance Report distributed to all DHBs in October 2015 and available on the NZBS web-site.</p>	<p><b>ACHIEVED</b> 2015 Annual Haemovigilance Report distributed to all DHBs in October 2016 and available on the NZBS web-site.</p>	<p>2015 Annual Haemovigilance Report published and provided to all DHBs in the December quarter of 2016.</p>	<p>2016</p>
<p>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.<sup>1</sup></p>	<p><b>ACHIEVED</b> 0</p>	<p><b>ACHIEVED</b> 0</p>	<p><b>ACHIEVED</b> 0</p>	<p><b>ACHIEVED</b> 0</p>	<p><b>ACHIEVED</b> 0</p>	<p><b>ACHIEVED</b> 0</p>	<p>Relates to adverse recipient reactions in calendar year 2015. While zero is always the desired outcome it is considered inappropriate to set a target for this measure.</p>	<p>2016 Target is 0</p>

<sup>1</sup>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	Historical Trend Line of Actual Outcomes					Target Set	
	2016/17	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	
<b>3.1 Donation Testing</b> Each donation will be tested prior to use in accordance with the NZBS Manufacturing Standards (as approved by Medsafe).	To maintain 100% tested donation Testing	ACHIEVED 100% tested	ACHIEVED 100% tested	ACHIEVED 100% tested	ACHIEVED 100% tested	ACHIEVED 100% tested	ACHIEVED 100% tested	To maintain 100% donation testing
No product is released for issue to a patient until it has passed all safety tests and associated records are maintained.								
<b>3.2 Regulatory Compliance – Medsafe</b> 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"> <li>NZBS is required to maintain a licence in order to manufacture medicines. The licence requires mandatory compliance with GMP code at all times.</li> </ul>	To maintain 100% GMP Licensing Compliance	ACHIEVED 100% GMP Licensing compliance maintained	ACHIEVED 100% GMP Licensing compliance maintained	ACHIEVED 100% GMP Licensing compliance maintained	ACHIEVED 100% GMP Licensing compliance maintained	ACHIEVED 100% GMP Licensing compliance maintained	ACHIEVED 100% GMP Licensing compliance maintained	To maintain 100% GMP Licensing Compliance
<b>3.3 Regulatory Compliance – IANZ (International Accreditation New Zealand)</b> NZBS will ensure it maintains IANZ accreditation 100% of the time at all of its diagnostic laboratories. <ul style="list-style-type: none"> <li>IANZ is the national authority for accreditation of testing and calibration laboratories, inspection bodies and radiology services.</li> </ul>	To maintain 100% IANZ accredited	ACHIEVED 100% IANZ accreditation maintained	ACHIEVED 100% IANZ accreditation maintained	ACHIEVED 100% IANZ accreditation maintained	ACHIEVED 100% IANZ accreditation maintained	ACHIEVED 100% IANZ accreditation maintained	ACHIEVED 100% IANZ accreditation maintained	To maintain 100% IANZ accredited
<b>3.4 Regulatory Compliance – ASHI (American Society of Histocompatibility and Immunogenetics)</b> NZBS will maintain ASHI accreditation 100% of the time at the national Tissue Typing laboratory. <ul style="list-style-type: none"> <li>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.</li> </ul>	100% ASHI accreditation maintained	MAINTAINED 100% ASHI accredited Biennial on-site audit completed	MAINTAINED 100% ASHI accredited	MAINTAINED 100% ASHI accredited Biennial on-site audit completed	MAINTAINED 100% ASHI accredited	MAINTAINED 100% ASHI accredited Biennial on-site audit completed	MAINTAINED 100% ASHI accredited	100% ASHI accredited Biennial on-site audit completed

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	Historical Trend Line of Actual Outcomes				Target Set
	2016/17	2011/12	2012/13	2013/14	2014/15	2015/16
<b>4.1 Donor Population</b> NZBS maintains a donor population capable of meeting the on-going demand for blood and blood products. <ul style="list-style-type: none"> <li>Active Whole Blood &amp; apheresis donor panels</li> </ul>	106,400	126,041	121,167	112,744	109,158	110,746
These reported donor numbers represent the donor population required to meet demand noting that within any given year is flexed constantly to ensure demand alignment in order to minimise expiry.						
<b>Note:</b> 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.						
<b>4.2 Donor Satisfaction (Old Measure)</b> Measure of Overall Satisfaction with the Quality of Service using the Common Measurement Tool (CMT) questionnaire. <ul style="list-style-type: none"> <li>Aspirational target of greater than 90% of donors surveyed state that they are either "Satisfied" or "Very Satisfied" with the overall quality of service.</li> </ul>	Set at greater than 90% satisfaction	New measure in the 2011/12 financial year	NOT ACHIEVED 88.6%	NOT ACHIEVED 88.3%	NOT ACHIEVED 88.4%	NOT ACHIEVED 87.9%
<b>Note:</b> 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.						
<b>4.2 Donor Satisfaction (new measure)</b> Measure of Overall Satisfaction with the Quality of Service <ul style="list-style-type: none"> <li>90% of donors give an 8 or higher score out of 10 of their experience/satisfaction with the service.</li> </ul>			<b>NEW MEASURE IN 2016/17 FINANCIAL YEAR</b>			Greater than 90% satisfaction with the service  <b>ACHIEVED</b> <b>91.35%</b>
<b>Note:</b> This is ascertained by internal NZBS donor surveys conducted 6 monthly over the financial year. The first survey was conducted in June 2017. The survey results will be benchmarked against the Australian Red Cross Blood Service for comparative purposes.						

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	Historical Trend Line of Actual Outcomes							Result	Target Set
		2016/17	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17		
<b>4.3 Targeted donor recruitment strategies (old measure)</b>										
4.3.1 To increase the percentage of Māori donors on the active donor panel from the level achieved in the prior year. * increase as a result of aligning ethnicity selection to NZ census definitions.	Better than prior year	NOT ACHIEVED 6.6%	ACHIEVED 6.7%	ACHIEVED 7.7%*	ACHIEVED 9.3%	ACHIEVED 9.8%	NOT ACHIEVED 9.6%	NOT ACHIEVED 9.6%	DISCONTINUED MEASURE*	
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. • Attraction of youth donors assists in future proofing the service by encouraging new donors to replace those who are retiring	Better than prior year	NOT ACHIEVED 18.2%	ACHIEVED 18.4%	ACHIEVED 18.8%	NOT ACHIEVED 18.8%	NOT ACHIEVED 18.3%	NOT ACHIEVED 17.5%	NOT ACHIEVED 17.5%	DISCONTINUED MEASURE*	
* <b>Note:</b> 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.										
<b>4.3 Targeted donor recruitment strategies (new measure)</b>										
4.3.1 Recruit 2,900 new and reinstated Māori donors to the active donor panel (each year measure).										Target Set 2017/18 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
<b>Note:</b> 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.										
<b>4.4 Raw Material (Collections) Inputs – based on Demand Outcomes and Forecasts</b>	<b>Target 2016/17</b>	<b>2011/12 Actual</b>	<b>2012/13 Actual</b>	<b>2013/14 Actual</b>	<b>2014/15 Actual</b>	<b>2015/16 Actual</b>	<b>2016/17 Actual</b>	<b>2016/17 Actual</b>	<b>2017/18 Actual</b>	<b>Target Set 2017/18</b>
4.4.1 Total Whole Blood donations.	114,900	144,820	133,255	120,858	120,099	119,967	111,146	111,146	110,365	
4.4.2 Total Plateletpheresis donations.	2,950	6,521	6,066	3,942	3,436	3,145	2,852	2,852	2,965	
4.4.3 Total Plasmapheresis donations.	52,000	30,481	30,206	32,514	41,438	52,026	53,081	53,081	51,842	
<b>4.4.4 Total Donations.</b>	<b>169,850</b>	<b>181,822</b>	<b>169,527</b>	<b>157,314</b>	<b>164,973</b>	<b>175,138</b>	<b>167,079</b>	<b>167,079</b>	<b>165,172</b>	
<b>Note:</b> Collection inputs targets are not fixed. The collection inputs have been/will be flexed over the year to meet demand indications.										

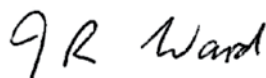
5. Internal measures related to People which contribute to achievement of Strategic Goal 5 – NZBS has a sustainable, competent and engaged workforce.							
Performance Measures stated in Financial Years	Historical Trend Line of Actual Outcomes				Result	Target Set	Target Set
	2011/12	2012/13	2013/14	2014/15			
5.1 Annual Employee turnover.	9.7%	12.4%	10.4%	8.1%	10.6%	12.0%	12.0%
5.2 Employee Engagement Index Score from biennial Staff Engagement Survey.	No survey	No survey	68.5%	No survey	ACHIEVED 71.4% *	No survey	No survey
<b>Comment:</b> *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	Historical Trend Line of Actual Outcomes				Result	Target Set	Target Set
	2011/12	2012/13	2013/14	2014/15			
<b>6.1 Auckland Facility Project</b> Successful completion of key project milestones in accordance with Board approved project plan.	No measure set as the project was deferred in the 2015/16 financial year pending further pre project planning work.				DEFERRED This project was deferred to enable certain work to be completed, such as work having a potential impact on the material nature and scope of the planned project.	No measure as the project was deferred in the 2015/16 financial year pending further pre project planning work.	Business case and associated project plan for the redevelopment of the Auckland site facilities approved by the Board no later than 30 June 2018.
<b>NEW MEASURE IN 2015/16 FINANCIAL YEAR</b>							
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	Historical Trend Line of Actual Outcomes				Result	Target Set	Target Set
	2011/12	2012/13	2013/14	2014/15			
<b>7.2 Financial Management</b> Assure cost efficiency and value for money management through maintenance of financial sustainability 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).	Actual – surplus of \$3.4m on revenue of \$105.5m.	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 \$0.08m on revenue of \$114.4m.	Achievement of Budget. Budgeted deficit of \$1.855m on revenues of \$118.4m.
	No Rebate paid to DHBs.	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 the 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 the 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 the New Zealand Blood Service, the annual Financial Statements for the year ended 30 June 2017 fairly reflect the financial position and operations of the New Zealand Blood Service.
- 4) The Board and Management of the New Zealand Blood Service accept the responsibility for end-of-year performance information provided by the New Zealand Blood Service under section 19A of the Public Finance Act 1989.



**David Chamberlain**  
Board Chairman  
31 August 2017



**Ian Ward**  
Deputy Board Chairman  
31 August 2017



## To the readers of New Zealand Blood Service's financial statements and performance information for the year ended 30 June 2017

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 34–65, that comprise the statement of financial position as at 30 June 2017, 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
- the performance information of New Zealand Blood Service on pages 66–72.

In our opinion:

- the financial statements of New Zealand Blood Service on pages 34–65:
  - present fairly, in all material respects:
    - its financial position as at 30 June 2017; 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.
- the performance information on pages 66–72:
  - presents fairly, in all material respects, New Zealand Blood Service's performance for the year ended 30 June 2017, 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 31 August 2017. 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 1–32, 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

L1b (Hons), Ngā Potiki a Tamapahore, Te Arawa,  
Ngāti Porou, Ngāi Tahu

## NZBS EXECUTIVE MANAGEMENT

### Chief Executive Officer

Sam Cliffe  
BSc (Hons)

### Chief Financial Officer

John Harrison  
BCom, CA

### National Medical Director

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

### National Manager Human Resources

Sue Jensen  
RGON, GDipBus (ER)

### National Manager Operations

Christine Van Tilburg  
NDMLS, RMLS

### National Manager Technical Services

Ray Scott  
NZCS, COPMLT, RMLS

### National Manager Quality and Regulatory Systems

Meredith Smith  
BAppSc, GradDipQualMgt

### National Manager Donor Services

Olive Utiera  
RGON  
Ngāpuhi, Taranaki

## 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](http://www.nzblood.co.nz)  
Facebook: New Zealand Blood Service  
Instagram: [nzbloodservice](https://www.instagram.com/nzbloodservice)  
Twitter: [nzblood](https://twitter.com/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](mailto:info@nzblood.co.nz)

