

CONTENTS

PART 1

OVERVIEW

Our vision and mission	6
Our values	7
Foreword by the Chair	8
Message from the Chief Executive	9
Why we donate: Australia's Champions	10
How your donated red cells are used	11
Thank you for my life-blood	12
Measuring our performance: KPIs	13
Changing patterns of blood collection	14

PART 2

OUR ORGANISATION

How we are governed	18
About the Blood Service Board	19
Board committees	20
The Board	21
The Executive	24
Our organisation	26
Our locations	26
From donor to patient	28

PART 3

OUR PERFORMANCE

Clinical Services and Research	32
Donor Services	34
Finance	36
Human Resources	38
Information Services	40
Manufacturing	42
Strategy and Quality	44

PART 4

OUR CORPORATE SOCIAL RESPONSIBILITY

Community	49
Employee environment	54
Safety and quality	60
Environment	62
Australian Red Cross	64

PART 5

OUR FINANCES

Finance report	68
----------------	----

2014/
15

ANNUAL REPORT



Australian Red Cross
BLOOD SERVICE

NEXT PAGE

CONTENTS

PART 1

OVERVIEW

Our vision and mission	6
Our values	7
Foreword by the Chair	8
Message from the Chief Executive	9
Why we donate: Australia's Champions	10
How your donated red cells are used	11
Thank you for my life-blood	12
Measuring our performance: KPIs	13
Changing patterns of blood collection	14

PART 2

OUR ORGANISATION

How we are governed	18
About the Blood Service Board	19
Board committees	20
The Board	21
The Executive	24
Our organisation	26
Our locations	26
From donor to patient	28

PART 3

OUR PERFORMANCE

Clinical Services and Research	32
Donor Services	34
Finance	36
Human Resources	38
Information Services	40
Manufacturing	42
Strategy and Quality	44

PART 4

OUR CORPORATE SOCIAL RESPONSIBILITY

Community	49
Employee environment	54
Safety and quality	60
Environment	62
Australian Red Cross	64

PART 5

OUR FINANCES

Finance report	68
----------------	----

PREVIOUS PAGE

NEXT PAGE



Many drops make a donation, and many people ensure the donation saves lives.

CONTENTS

PART 1

OVERVIEW

Our vision and mission	6
Our values	7
Foreword by the Chair	8
Message from the Chief Executive	9
Why we donate: Australia's Champions	10
How your donated red cells are used	11
Thank you for my life-blood	12
Measuring our performance: KPIs	13
Changing patterns of blood collection	14

PART 2

OUR ORGANISATION

How we are governed	18
About the Blood Service Board	19
Board committees	20
The Board	21
The Executive	24
Our organisation	26
Our locations	26
From donor to patient	28

PART 3

OUR PERFORMANCE

Clinical Services and Research	32
Donor Services	34
Finance	36
Human Resources	38
Information Services	40
Manufacturing	42
Strategy and Quality	44

PART 4

OUR CORPORATE SOCIAL RESPONSIBILITY

Community	49
Employee environment	54
Safety and quality	60
Environment	62
Australian Red Cross	64

PART 5

OUR FINANCES

Finance report	68
----------------	----



CONTENTS

PART 1

OVERVIEW

Our vision and mission	6
Our values	7
Foreword by the Chair	8
Message from the Chief Executive	9
Why we donate: Australia's Champions	10
How your donated red cells are used	11
Thank you for my life-blood	12
Measuring our performance: KPIs	13
Changing patterns of blood collection	14

PART 2

OUR ORGANISATION

How we are governed	18
About the Blood Service Board	19
Board committees	20
The Board	21
The Executive	24
Our organisation	26
Our locations	26
From donor to patient	28

PART 3

OUR PERFORMANCE

Clinical Services and Research	32
Donor Services	34
Finance	36
Human Resources	38
Information Services	40
Manufacturing	42
Strategy and Quality	44

PART 4

OUR CORPORATE SOCIAL RESPONSIBILITY

Community	49
Employee environment	54
Safety and quality	60
Environment	62
Australian Red Cross	64

PART 5

OUR FINANCES

Finance report	68
----------------	----

"To the people who are the heart of our organisation and our loyal blood donors, thank you for your support and generosity. Patients receive the vital blood, platelets and plasma they need thanks to our remarkable donors."

JENNIFER WILLIAMS

CHIEF EXECUTIVE

CONTENTS

PART 1

OVERVIEW

Our vision and mission	6
Our values	7
Foreword by the Chair	8
Message from the Chief Executive	9
Why we donate: Australia's Champions	10
How your donated red cells are used	11
Thank you for my life-blood	12
Measuring our performance: KPIs	13
Changing patterns of blood collection	14

PART 2

OUR ORGANISATION

How we are governed	18
About the Blood Service Board	19
Board committees	20
The Board	21
The Executive	24
Our organisation	26
Our locations	26
From donor to patient	28

PART 3

OUR PERFORMANCE

Clinical Services and Research	32
Donor Services	34
Finance	36
Human Resources	38
Information Services	40
Manufacturing	42
Strategy and Quality	44

PART 4

OUR CORPORATE SOCIAL RESPONSIBILITY

Community	49
Employee environment	54
Safety and quality	60
Environment	62
Australian Red Cross	64

PART 5

OUR FINANCES

Finance report	68
----------------	----

PART 1

OVERVIEW

As custodians of Australia's blood supply, our job is to collect the blood given freely by more than half a million volunteer blood donors, and transform it into blood products for distribution across the nation. We play an important role in the healthcare system by ensuring that patients in Australian hospitals receive life-saving biological products. We also deliver world-class research and provide expertise in diagnostic, transplantation and other clinical services.

WE PLAY AN
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CONTENTS

PART 1

OVERVIEW

Our vision and mission	6
Our values	7
Foreword by the Chair	8
Message from the Chief Executive	9
Why we donate: Australia's Champions	10
How your donated red cells are used	11
Thank you for my life-blood	12
Measuring our performance: KPIs	13
Changing patterns of blood collection	14

PART 2

OUR ORGANISATION

How we are governed	18
About the Blood Service Board	19
Board committees	20
The Board	21
The Executive	24
Our organisation	26
Our locations	26
From donor to patient	28

PART 3

OUR PERFORMANCE

Clinical Services and Research	32
Donor Services	34
Finance	36
Human Resources	38
Information Services	40
Manufacturing	42
Strategy and Quality	44

PART 4

OUR CORPORATE SOCIAL RESPONSIBILITY

Community	49
Employee environment	54
Safety and quality	60
Environment	62
Australian Red Cross	64

PART 5

OUR FINANCES

Finance report	68
----------------	----

OUR VISION AND MISSION

OUR VISION

TO IMPROVE THE LIVES OF PATIENTS THROUGH THE POWER OF HUMANITY.

Our vision expresses the belief that unifies everyone at the Blood Service: that improving the lives of patients brings us together as one organisation. In short, 'one organisation, one direction'.

OUR MISSION

To perform a critical role in healthcare by providing a safe, secure and cost-effective supply of quality blood products, essential services and leading edge research to meet the needs of patients.



OUR VALUES SET OUT HOW WE WILL BEHAVE IN THE PURSUIT OF OUR VISION, MISSION AND STRATEGIC OBJECTIVES.

OUR VALUES



ACCOUNTABILITY
We take ownership of our actions and behaviours to achieve our goals.



COLLABORATION
We work together to achieve our goals.



EXCELLENCE
We strive to be the best at what we do.



INTEGRITY
We act honestly and ethically at all times.



SAFETY AND QUALITY
We make safety and quality part of everything we do.



SERVICE
We focus on meeting the needs of patients, the community, customers, donors, stakeholders and colleagues.



CONTENTS

PART 1 OVERVIEW

Our vision and mission	6
Our values	7
Foreword by the Chair	8
Message from the Chief Executive	9
Why we donate: Australia's Champions	10
How your donated red cells are used	11
Thank you for my life-blood	12
Measuring our performance: KPIs	13
Changing patterns of blood collection	14

PART 2 OUR ORGANISATION

How we are governed	18
About the Blood Service Board	19
Board committees	20
The Board	21
The Executive	24
Our organisation	26
Our locations	26
From donor to patient	28

PART 3 OUR PERFORMANCE

Clinical Services and Research	32
Donor Services	34
Finance	36
Human Resources	38
Information Services	40
Manufacturing	42
Strategy and Quality	44

PART 4 OUR CORPORATE SOCIAL RESPONSIBILITY

Community	49
Employee environment	54
Safety and quality	60
Environment	62
Australian Red Cross	64

PART 5 OUR FINANCES

Finance report	68
----------------	----



FOREWORD BY THE CHAIR

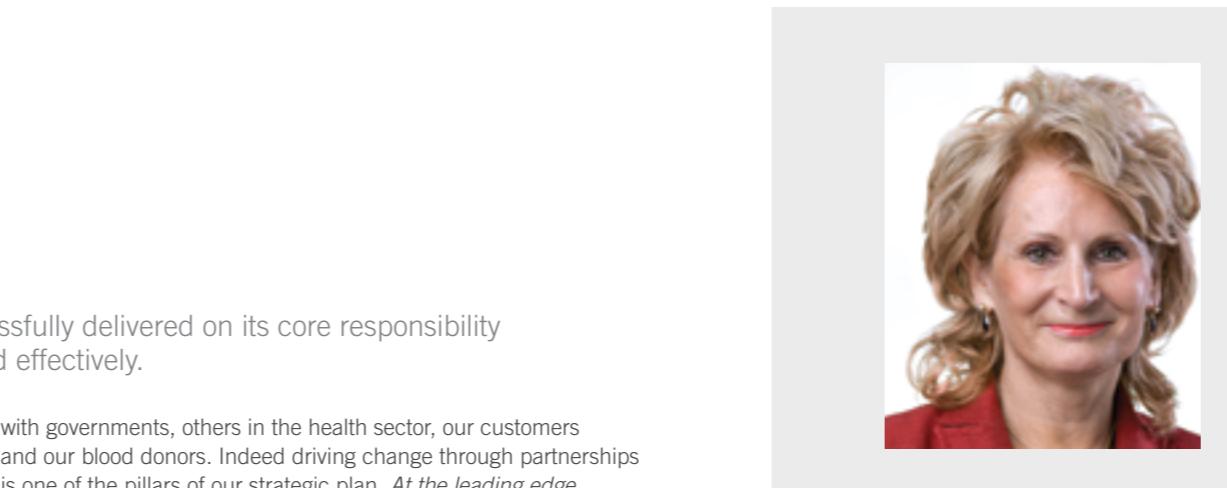
The Australian Red Cross Blood Service has again successfully delivered on its core responsibility of meeting the nation's blood requirements efficiently and effectively.

The last 12 months mark my last full financial year as Chair of the Australian Red Cross Blood Service Board. I joined the Board in March 2004, was appointed Chair in April 2007, and my term finishes in a few months' time – at the end of January 2016. It has been an honour and a privilege to chair the Board of the Blood Service and work with former chief executive, Robert Hetzel, and, of course, our current Chief Executive, Jennifer Williams, during a significant period of growth and consolidation, where our substantial investment in world-class infrastructure supports one of the safest blood services in the world.

The achievements of the Blood Service over this period have been numerous. I have seen the Blood Service continue to progress from disparate, state-based organisations, to a national professional operation that is highly regarded both nationally and around the world. We are now an agile organisation which reacts swiftly to customer changes. Our response to the decline in red blood cell demand and the corresponding increase in the collection of plasma for fractionation is a clear example. The 2014-15 financial result is the sixth consecutive substantial surplus, which is further evidence that the Blood Service is a robust and well managed organisation.

The Board places a high priority on our relationship with our stakeholders and working collaboratively with them. We have in place strong leadership and robust governance arrangements within the Blood Service and report regularly to our 'parent', Australian Red Cross.

For the Blood Service overall, a focus on collaboration with stakeholders has resulted in an improvement in our relationship



MESSAGE FROM THE CHIEF EXECUTIVE

30 June marks the end of another successful financial year for the Australian Red Cross Blood Service (Blood Service). We fulfilled our obligations to governments, responding quickly to the continued shift in demand from the collection of whole blood towards the collection of plasma for fractionation, and implementing initiatives to achieve our *At the leading edge* strategic objectives.

We continue to seek out ways to make the best use of taxpayer funding by delivering leaner operations for a more efficient blood sector. We delivered a total surplus of \$33.5 million in 2014-15, our sixth consecutive operating surplus generated through improved efficiencies, returning most of those funds to government.

Red blood cell demand continues to decline yet the demand for intravenous immunoglobulin, a product derived from plasma, continues to grow at 11 per cent per annum. The decline in red blood cell demand is an international phenomenon that is having a significant impact on many blood services around the world.

The Hon. Dr David Hamill AM
Chair

Fortunately, unlike many of our international peers, we have a significant role in the collection of plasma for fractionation, and this is influencing our future strategic direction.

Our commitment to deliver 572 tonnes of plasma for fractionation to CSL Behring was met, which was a growth of five per cent. Plasma is used to manufacture 18 different products, including intravenous immunoglobulin. Australians are amongst the highest users of immunoglobulin in the world, and the commitment of our donor centre staff to educate our generous donors about the importance of plasma donation has meant many blood donors are now regularly donating plasma.

Our 495,000 volunteer donors remain our highest priority and this year we saw a 2.4 minute reduction in the average time our donors wait – from when they arrive at the donor centre for their appointment to when the blood collection commences. Furthermore, donor satisfaction in June 2015 was 91.2 per cent, an increase of five per cent on the previous year, and the safety and quality of our products continues to be among the world's best. A number of strategies to improve our efficiency has led to an improvement in testing efficiency by 46 per cent and an improvement in processing efficiency by 14.4 per cent.

We achieved the best match of red cell inventory to patient demand on record, with supplies remaining in our inventory sufficiency bands for 329 days. Engagement with customers and a robust analytical approach ensured demand forecast accuracy was consistently within 3.4 per cent of actual demand throughout the year. We also mitigated risk through increased monitoring and the implementation of improved processes and systems to effectively reduce labelling errors by 35 per cent over 2014-15.

Importantly, system availability targets were met for monitored critical IT systems such as our National Blood Management System, Finance and National Contact Centre systems and the data network, with our telephony infrastructure system availability being 99.9 per cent.

Pleasingly, our employee engagement improved three per cent on last year to 68 per cent (which compares well with a 67 per cent average across 350 organisations). I'm also delighted to say that due to our support for, and inclusion of, lesbian, gay, bisexual, transgender and intersex employees, we won two awards at the 2015 Pride in Diversity's Annual Australian Workplace Equality Index event. We were also named 13th in the top 20 Australian employers and we were awarded the highest ranking not-for-profit organisation for the second consecutive year.

The 2014-15 financial year completes the first in our five-year strategic plan, *At the leading edge*. We have made a strong start and will continue to focus on delivering lean operations, producing products and services that are fit-for-purpose, as well as maximising the impact of our infrastructure and skills.

Ms Jennifer Williams
Chief Executive



CONTENTS

PART 1 OVERVIEW

Our vision and mission	6
Our values	7
Foreword by the Chair	8
Message from the Chief Executive	9
Why we donate: Australia's Champions	10
How your donated red cells are used	11
Thank you for my life-blood	12
Measuring our performance: KPIs	13
Changing patterns of blood collection	14

PART 2 OUR ORGANISATION

How we are governed	18
About the Blood Service Board	19
Board committees	20
The Board	21
The Executive	24
Our organisation	26
Our locations	26
From donor to patient	28

PART 3 OUR PERFORMANCE

Clinical Services and Research	32
Donor Services	34
Finance	36
Human Resources	38
Information Services	40
Manufacturing	42
Strategy and Quality	44

PART 4 OUR CORPORATE SOCIAL RESPONSIBILITY

Community	49
Employee environment	54
Safety and quality	60
Environment	62
Australian Red Cross	64

PART 5 OUR FINANCES

Finance report	68
----------------	----

WHY WE DONATE: AUSTRALIA'S CHAMPIONS

Sydney retirees Jack and Mary Champion have collectively made more than 900 blood donations. They give blood fortnightly, without fail, always together and at the Chatswood Blood Donor Centre.

To the 2,700 cancer patients, pregnant mums, and trauma victims whose lives they've helped save, the Champions are a blood product in the right place at the right time.

To the Blood Service staff who see them fortnightly, the Champions are the centre's 'grandparents'. They celebrate the arrival of children, birthdays and other festivities as though it was their own family.

To each other, the Champions are loved ones and team mates. They do nearly everything together, be it a trip to the movies, holidays, exercise, eating out – and most importantly – donating blood.

And to all Australians, although the Champions might not know it, they're quite possibly the nation's most generous couple, having given more than 900 blood donations together over their 40-year marriage. It's a journey that began 55 years ago when Jack, now 73, was an 18-year-old staying at a YMCA.

"Some Red Cross people came around, gave us a lecture about blood donation, suggested we give blood, and so I did," he explains.

Mary, who began her blood donation journey after meeting Jack, said the couple was aiming to reach 1,000 collective donations – a milestone they're expecting to hit next year. She speaks about her motivation to keep donating, a habit that is less common among donors half her age.

"You think you've got problems – I moan and groan all the time, just ask Jack," she says with a laugh. "But then you go to an event [a donor milestone ceremony] and see the poor little children who have to go to Westmead [Children's Hospital] every day."

"It's really terrible, and it makes you sit up and take notice and think, 'it's not that bad after all'."

The road ahead is full of exercise, holidays and blood donations. Jack points out that the Champions are making the most of their retirement. In his own words, they're "too busy for work right now". But they are never too busy for a blood donation.

So just who are the Champions? Heroes and friends to many Australians, no doubt, but impossible to define by one label alone, given the number of lives they touch in various ways.

According to Mary, the definition is less complicated than that: "We're just two old fogies together, and this is what we've always done. For us, it's the enjoyment of helping other people be able to live their lives".



HOW YOUR DONATED RED CELLS ARE USED



34% Cancer and blood diseases



19% Other causes of anaemia



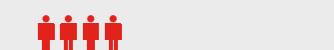
18% Surgical patients including open heart surgery and burns



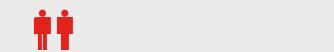
13% Other medical problems including heart, stomach and kidney disease



10% Orthopaedic patients including fractures and joint replacements



4% Obstetrics, including pregnant women, new mothers and young children



2% Trauma including road accidents

Source: Bloodhound Study Monash Institute of Health Services Research 2007



CONTENTS

PART 1 OVERVIEW

Our vision and mission	6
Our values	7
Foreword by the Chair	8
Message from the Chief Executive	9
Why we donate: Australia's Champions	10
How your donated red cells are used	11
Thank you for my life-blood	12
Measuring our performance: KPIs	13
Changing patterns of blood collection	14

PART 2 OUR ORGANISATION

How we are governed	18
About the Blood Service Board	19
Board committees	20
The Board	21
The Executive	24
Our organisation	26
Our locations	26
From donor to patient	28

PART 3 OUR PERFORMANCE

Clinical Services and Research	32
Donor Services	34
Finance	36
Human Resources	38
Information Services	40
Manufacturing	42
Strategy and Quality	44

PART 4 OUR CORPORATE SOCIAL RESPONSIBILITY

Community	49
Employee environment	54
Safety and quality	60
Environment	62
Australian Red Cross	64

PART 5 OUR FINANCES

Finance report	68
----------------	----



"In a way, I look forward to my blood transfusions now. By the end of the month I'm so tired that when I finally receive it, I start to feel myself again and have enough energy to catch up with my friends."

ZWEWE

THANK YOU FOR MY LIFE-BLOOD

Every day donated blood is used to help patients for varying reasons. For some, this precious gift of life is a one-off. For others, like 18-year-old Zewe Kanangu, a life-long supply of blood is needed.

To date, Zewe has received 50 blood transfusions for the treatment of sickle-cell anaemia, a genetic condition she and her younger brother Izuka inherited. Their red blood cells are shaped like crescents instead of the normal disc-shape, which means they're unable to produce enough haemoglobin and the cells die up to ten times faster than normal red blood cells. This leads to anaemia, and means both Zewe and Izuka need monthly blood transfusions.

Zewe was first diagnosed with sickle-cell anaemia in Zambia as an eight month old. She moved to Perth with her family when she was eight, but it wasn't until age 14 that she needed her first blood transfusion in Australia.

"I was quite scared at first of having a transfusion, but I met a friend who needed them too and she comforted me. We had our transfusions at the same time," Zewe said.

"In a way, I look forward to my blood transfusions now. By the end of the month I'm so tired that when I finally receive it, I start to feel myself again and have enough energy to catch up with my friends."

"I'm so grateful for everyone that gives blood. A lot of people don't know how life-changing it can be. I'm thankful for everything blood donors do to help me."

Zewe's mother Catherine is also very appreciative of blood donors.

"If there wasn't enough blood, it would probably mean lots of complications for my children. Blood is life for them," said Catherine.

MEASURING OUR PERFORMANCE

Our key performance indicators are reported to the Blood Service Board, which monitors our performance monthly.

MEASURE	ACTUAL 14/15	TARGET 14/15
Business processes		
Employee engagement	68	67
Lost time injury frequency rate	8.8	≤7.83
Number of process related recalls per 10,000 (37 process failure recalls)	0.84	≤0.65
Number of days the total red cell blood stocks for group O provides less than five days' coverage	0	0
Percentage of supply plan met		
% Red cell yield	90.1%	≥89.0%
Age at issue (days)	6.8	≤8.0
Red cell supply figure (units)	668,553	676,054 (forecast) *
Total platelet supply figures (equivalent adult doses)	128,536	129,094 (forecast) *
Clinical FFP supply figures (equivalent adult doses)	122,817	124,950 (forecast) *
Total IVIg supply (kg)	4,435	4,503 *
% CSL Behring plasma supply met	100%	100%
CSL Behring plasma supply figures (kg)	571,948	571,800
Donor Management		
Donor satisfaction (score of ≥ 8 out of 10)	91.2%	90%
Time to couch (minutes between appointment time and bleed start)	28.4	28
Customer Satisfaction (Health Providers)		
Overall service provided by Blood Service (average score out of 10)	8.9	≥8.7
Finance		
Main Operating Program financial result	\$33.5M**	\$5M

* There is no target because our aim is to meet demand. The comparison is to forecast.

** Main Operating Program result prior to the return of \$28.2 million to the National Blood Authority.



CONTENTS

PART 1 OVERVIEW

Our vision and mission	6
Our values	7
Foreword by the Chair	8
Message from the Chief Executive	9
Why we donate: Australia's Champions	10
How your donated red cells are used	11
Thank you for my life-blood	12
Measuring our performance: KPIs	13
Changing patterns of blood collection	14

PART 2 OUR ORGANISATION

How we are governed	18
About the Blood Service Board	19
Board committees	20
The Board	21
The Executive	24
Our organisation	26
Our locations	26
From donor to patient	28

PART 3 OUR PERFORMANCE

Clinical Services and Research	32
Donor Services	34
Finance	36
Human Resources	38
Information Services	40
Manufacturing	42
Strategy and Quality	44

PART 4 OUR CORPORATE SOCIAL RESPONSIBILITY

Community	49
Employee environment	54
Safety and quality	60
Environment	62
Australian Red Cross	64

PART 5 OUR FINANCES

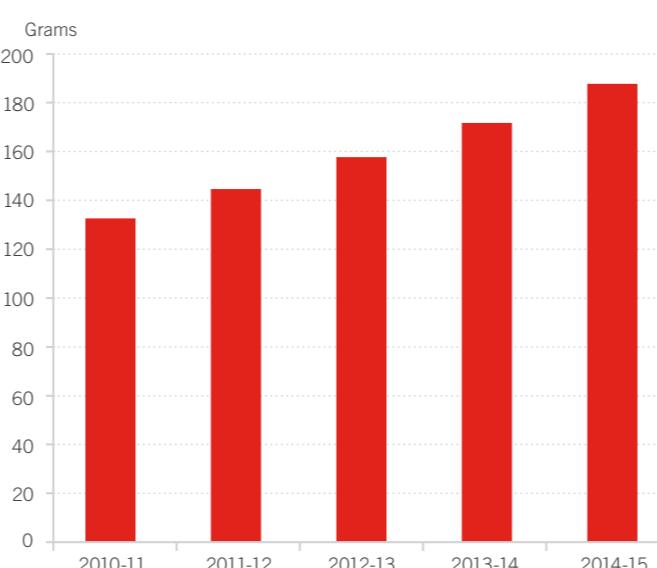
Finance report	68
----------------	----

THE CHANGING PATTERNS OF BLOOD COLLECTION

This year we collected five per cent more plasma than the previous year, while the demand for red blood cells continued to decline. The demand for plasma is rising across the world due to the expanding number of clinical indications where the use of plasma is beneficial. The most versatile component of your blood, plasma can be used to make 18 different products. It carries the red blood cells, white blood cells and platelets around the body and has important proteins, nutrients and clotting factors that help prevent or stop bleeding. It can be processed into life-saving products to treat people with bleeding disorders, immune deficiency disorders, burns and many other conditions. Plasma from some donors can be processed to provide antibodies that protect against common diseases such as measles, rubella and hepatitis A, and anti-D that is used to prevent Haemolytic disease in newborn babies.

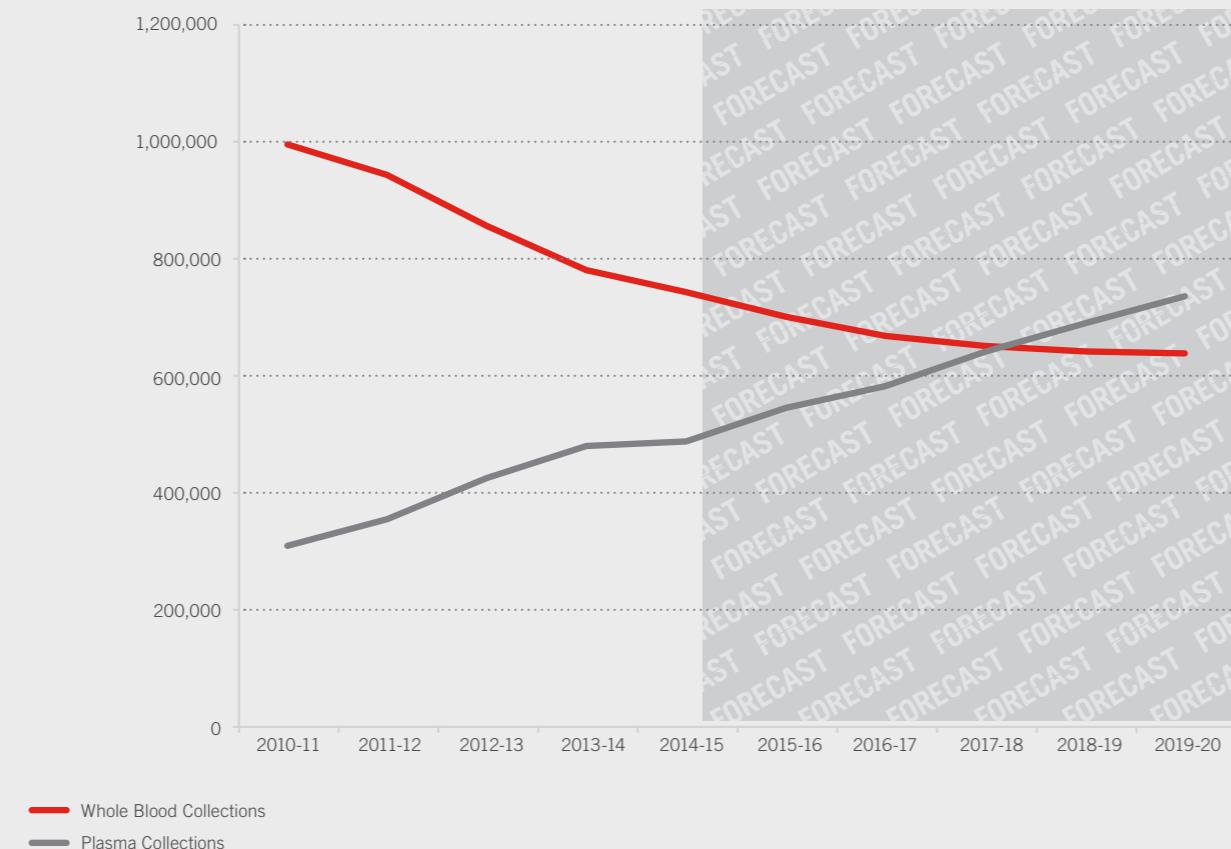
The two trends shown in the graphs on this page – the growing issue of immunoglobulin (IVIg), derived from plasma, for treatment of Australian patients and the declining demand for red blood cells – are impacting blood services around the world. Here in Australia, we are well placed to meet the challenge as collecting plasma for fractionation is already an established part of our operations. We are shaping our future strategic direction to meet these changing demands for blood products.

ISSUES OF IVIG PER 1,000 HEAD OF POPULATION



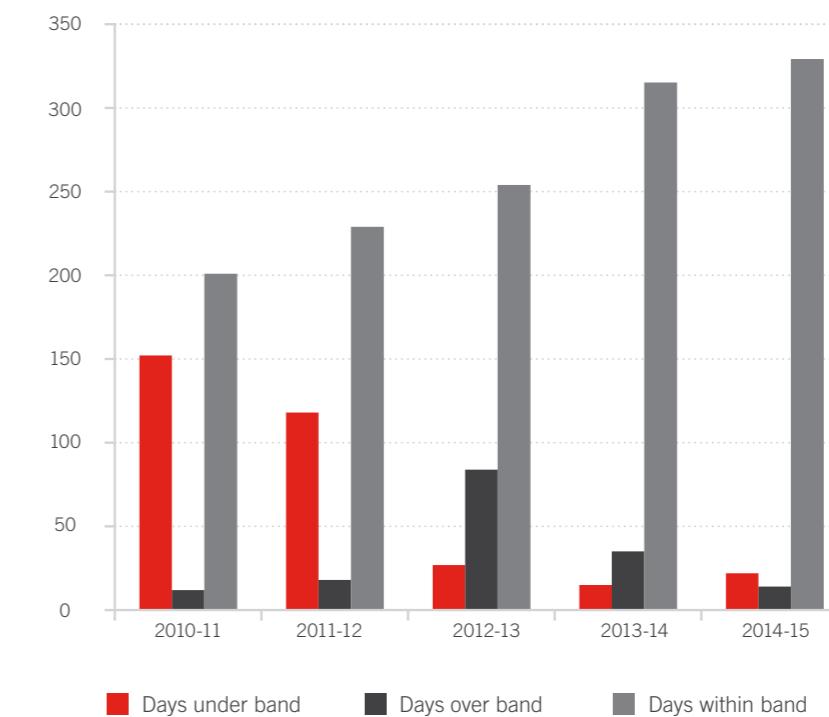
Source: National Blood Authority

WHOLE BLOOD AND PLASMA COLLECTIONS



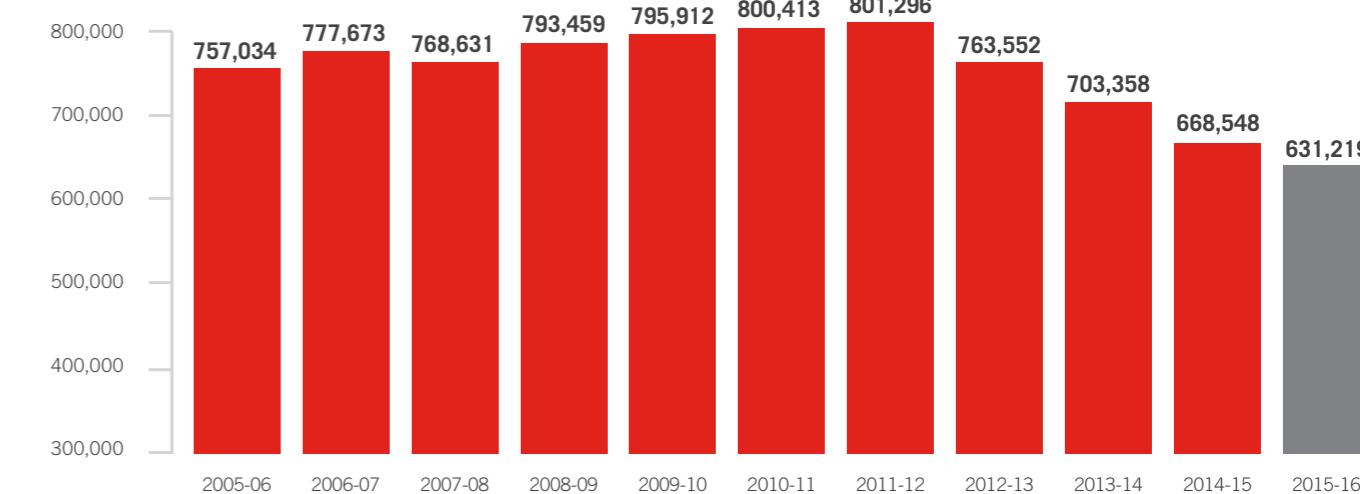
BETTER MATCHING OF SUPPLY TO DEMAND

In 2010-11 we introduced inventory sufficiency bands to track how we are meeting blood supply demand. We have continually increased the number of days we meet the bands, achieving a record of 329 days within the bands in 2014-15.



AUSTRALIA - NATIONAL RED CELL DEMAND

Like other countries, Australia has seen a reduction in the demand for red blood cells. This is good news as it means fewer patients are having blood transfusions, but it also highlights the need for the Blood Service to adapt to changing patterns of demand. This year we issued 34,810 fewer red cells than last year, a drop of 5 per cent. In 2015-16 we predict demand will fall by a further 5.6 per cent.



CONTENTS

PART 1

OVERVIEW

Our vision and mission	6
Our values	7
Foreword by the Chair	8
Message from the Chief Executive	9
Why we donate: Australia's Champions	10
How your donated red cells are used	11
Thank you for my life-blood	12
Measuring our performance: KPIs	13
Changing patterns of blood collection	14

PART 2

OUR ORGANISATION

How we are governed	18
About the Blood Service Board	19
Board committees	20
The Board	21
The Executive	24
Our organisation	26
Our locations	26
From donor to patient	28

PART 3

OUR PERFORMANCE

Clinical Services and Research	32
Donor Services	34
Finance	36
Human Resources	38
Information Services	40
Manufacturing	42
Strategy and Quality	44

PART 4

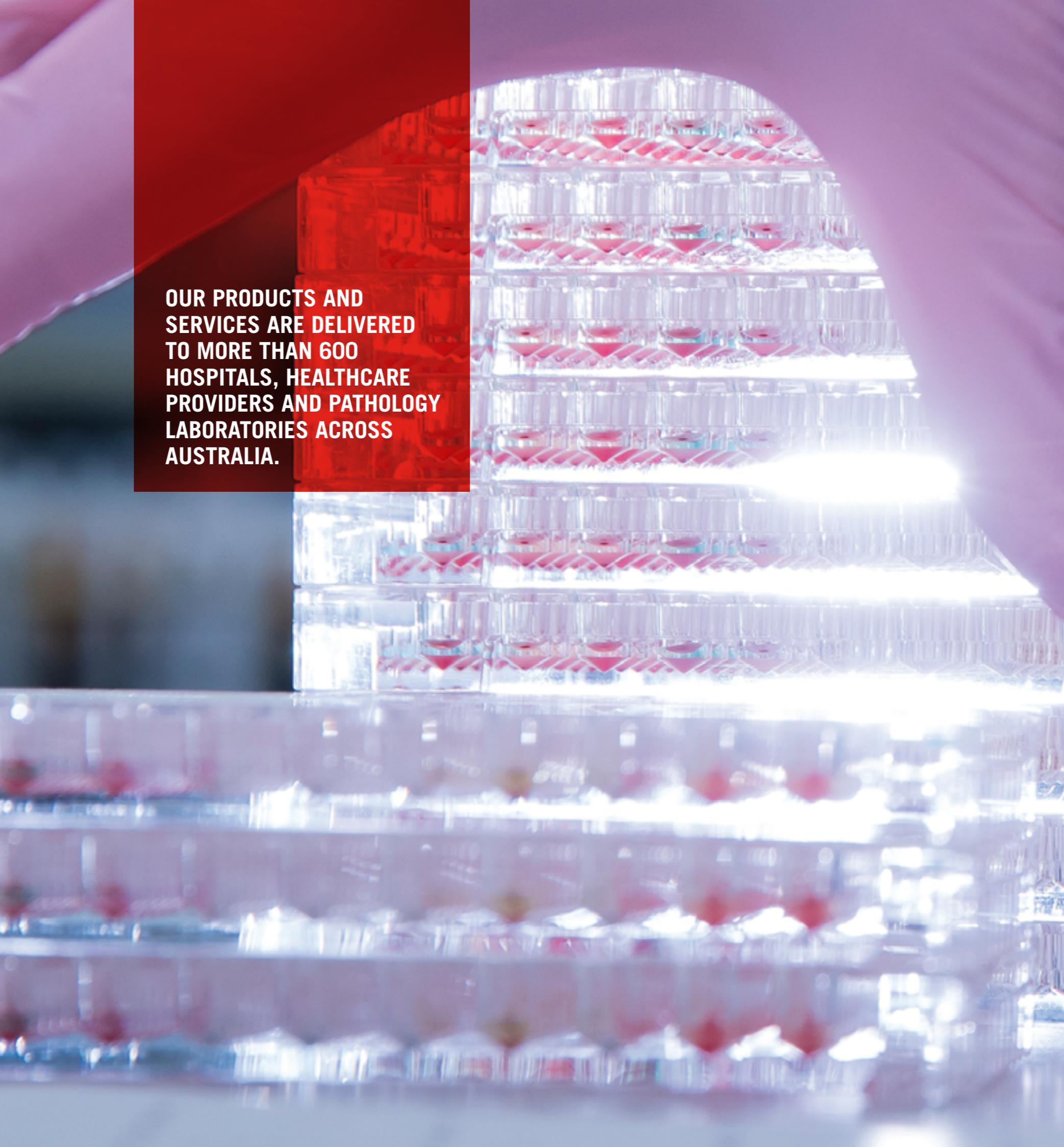
OUR CORPORATE SOCIAL RESPONSIBILITY

Community	49
Employee environment	54
Safety and quality	60
Environment	62
Australian Red Cross	64

PART 5

OUR FINANCES

Finance report	68
----------------	----



PART 2

OUR ORGANISATION

We are a major Australian manufacturer of biological products. Over 75 blood donation centres across the country and state-of-the-art manufacturing facilities in Brisbane, Sydney, Melbourne and Perth provide a safe, secure and cost effective blood supply. Our products and services are delivered to more than 600 hospitals, healthcare providers and pathology laboratories across Australia.



CONTENTS

PART 1

OVERVIEW

Our vision and mission	6
Our values	7
Foreword by the Chair	8
Message from the Chief Executive	9
Why we donate: Australia's Champions	10
How your donated red cells are used	11
Thank you for my life-blood	12
Measuring our performance: KPIs	13
Changing patterns of blood collection	14

PART 2

OUR ORGANISATION

How we are governed	18
About the Blood Service Board	19
Board committees	20
The Board	21
The Executive	24
Our organisation	26
Our locations	26
From donor to patient	28

PART 3

OUR PERFORMANCE

Clinical Services and Research	32
Donor Services	34
Finance	36
Human Resources	38
Information Services	40
Manufacturing	42
Strategy and Quality	44

PART 4

OUR CORPORATE SOCIAL RESPONSIBILITY

Community	49
Employee environment	54
Safety and quality	60
Environment	62
Australian Red Cross	64

PART 5

OUR FINANCES

Finance report	68
----------------	----



THE BLOOD SERVICE BOARD PLAYS A VITAL ROLE IN ENSURING THE GOOD GOVERNANCE OF THE BLOOD SERVICE.

HOW WE ARE GOVERNED

THE BLOOD SERVICE BOARD

The Blood Service is governed by a board currently comprising nine non-executive members and one executive member, the Chief Executive.

The Chief Executive and Board Secretary report to the Blood Service Board.

The Blood Service Board is accountable to donors, the Australian community, Australian Red Cross and state and federal governments. The responsibility of our Board is to oversee the strategic direction, financial and operational activities and risk management of the organisation. The Board is assisted in its deliberations by committees, which may include external members to provide specialist input.

AUSTRALIAN RED CROSS

The Australian Red Cross Blood Service is a division of Australian Red Cross. The Blood Service Board reports to the Red Cross Board, which has overall responsibility and oversight and appoints all non-executive board members.

The Australian Red Cross is part of the world's largest humanitarian organisation, with more than 100 million volunteers in 186 countries. It is independent of government and has no political, religious or cultural affiliation.

NATIONAL BLOOD AUTHORITY

The National Blood Authority is a statutory agency within the Australian Government health portfolio that manages and coordinates arrangements for the supply of blood and blood products and services on behalf of the Australian Government and state and territory governments.

Australian governments fully fund the Blood Service for the provision of blood products and services to the Australian community. Consequently, we have specific financial and other reporting obligations to the National Blood Authority.

DEED OF AGREEMENT

A Deed of Agreement has been signed between the National Blood Authority and the Australian Red Cross Society. It outlines the obligations of the Australian Red Cross Society regarding the collection, processing, testing and distribution of blood throughout Australia by the Australian Red Cross Blood Service.

JURISDICTIONAL BLOOD COMMITTEE

All Australian governments are represented on the Jurisdictional Blood Committee. It is the conduit between all Australian governments and the National Blood Authority. It oversees the National Blood Authority's role in blood supply contracting. It is also the primary body responsible for providing advice and support on these matters to Australian health ministers.

THERAPEUTIC GOODS ADMINISTRATION

The Therapeutic Goods Administration is the regulating body which licenses the Blood Service to manufacture blood and blood products. It is responsible for administering the provisions of the *Therapeutic Goods Act 1989*. To meet the requirements of this Act, the Blood Service must comply with the *Australian Code of Good Manufacturing Practice for Human Blood and Blood Components, Human Tissues and Human Cellular Therapy Products*.

ABOUT THE BLOOD SERVICE BOARD

Board members are selected on the basis of their skills and experience and are generally appointed for a three-year term, but may be eligible for reappointment. In addition to the generic skills that are required for most boards, our Board's skills matrix includes knowledge and experience of the health sector, transfusion medicine, manufacturing in a highly regulated environment and government relations and policy. There are no gaps against the skills matrix with the current Board membership.

The Blood Service Board plays a vital role in ensuring the good governance of the Blood Service. It is responsible for the organisation's efficient operation and takes the lead in setting the culture of operating in a responsible way within the community. Our Good Governance Principles Policy is available on our website, donateblood.com.au, and provides more detail.

The Blood Service Code of Conduct describes our expectations of how we behave and breaches of this are managed and reported through our governance framework. During the year there were no serious breaches requiring reporting to the Board.

Board meetings are held monthly at various locations around the country to enable interaction with staff and stakeholders.

The Blood Service Board has an induction and training program, which focuses on organisation and sector specific development, supplemented with periodic whole-of-board governance activities.

It undertakes an annual review of its own performance, which is externally facilitated on alternate years. This year we used the Australian Institute of Company Directors Governance Assessment Tool with an externally facilitated workshop. The conclusion from this session was that the board was functioning well. Areas of focus to achieve ongoing improvement included periodic review of the structure of the governance arrangements for the organisation, as well as board succession planning, particularly recruitment of a new chair. There was also a peer review evaluation undertaken by Oppeus International, with the outcome of this review confirming that the Board is a high functioning team. Points for consideration included the importance of acknowledging and celebrating the organisation's successes and achievements, plus ensuring the time spent at board meetings is used most effectively. Each board member also discussed with the Chair the report of their colleagues' feedback on their own performance, to identify any individual areas for improvement.



CONTENTS

PART 1

OVERVIEW

Our vision and mission	6
Our values	7
Foreword by the Chair	8
Message from the Chief Executive	9
Why we donate: Australia's Champions	10
How your donated red cells are used	11
Thank you for my life-blood	12
Measuring our performance: KPIs	13
Changing patterns of blood collection	14

PART 2

OUR ORGANISATION

How we are governed	18
About the Blood Service Board	19
Board committees	20
The Board	21
The Executive	24
Our organisation	26
Our locations	26
From donor to patient	28

PART 3

OUR PERFORMANCE

Clinical Services and Research	32
Donor Services	34
Finance	36
Human Resources	38
Information Services	40
Manufacturing	42
Strategy and Quality	44

PART 4

OUR CORPORATE SOCIAL RESPONSIBILITY

Community	49
Employee environment	54
Safety and quality	60
Environment	62
Australian Red Cross	64

PART 5

OUR FINANCES

Finance report	68
----------------	----

BOARD COMMITTEES

The Blood Service Board is assisted in its deliberations by its committees, which may include external members to provide specialist input.

ADVISORY COMMITTEE

This committee comprises mainly external membership and provides independent advice to the Blood Service Board and Red Cross on medical and scientific aspects of the blood program. It has a formal monitoring process for donor, blood product and patient safety issues and blood sector projects, to ensure the committee's input and endorsement of the Blood Service approach in each case.

Members: Associate Professor Larry McNicol (Chair), Associate Professor Craig French, Professor James Isbister, Dr George Kotsiou, Associate Professor Robert Lindeman, Dr Darryl Maher, Dr Ellen Maxwell, Associate Professor David Roxby, Associate Professor Alison Street, Mr Daryl Teague and Professor John Zalcberg.

ETHICS COMMITTEE

While not a Board committee, the Ethics Committee plays an important role in our governance framework. This is an independent body operating as a Human Research Ethics Committee. It is fully compliant with the National Statement on Ethical Conduct in Human Research. The committee also considers broader ethical issues affecting the organisation as required.

Members: Professor Douglas Joshua (Chair), Professor Tony Cunningham (term finished June 2015), Ms Kaye Hogan (term finished June 2015), Ms Debra Holder, Associate Professor Robert Lindeman, Mr Elton McKay, Professor John Rasko, Ms Frances Wheelahan, Mr Malcolm Wood and Reverend Greg Woolnough.

THE BLOOD SERVICE BOARD HAS AN INDUCTION AND TRAINING PROGRAM, WHICH FOCUSES ON ORGANISATION AND SECTOR SPECIFIC DEVELOPMENT.



FINANCE AND AUDIT COMMITTEE

This committee ensures appropriate financial policies and controls have been established and are being implemented. It reviews and recommends to the Board the annual financial statements, and undertakes appointment of internal auditors, evaluation of financial aspects of risk and monitoring of the resolution of issues raised by internal and external auditors. During the year a new sub-committee was established, the Investment Committee, to assist with oversight of our investment strategy. Our external auditor is Deloitte and the internal audit function is carried out by Ernst & Young.

Members: Ms Hannah Crawford (Chair), Mr Nigel Ampherlaw, Ms Sandhya Chakravarty, the Hon. Dr David Hamill and Ms Jan West.

NOMINATION AND REMUNERATION COMMITTEE

This committee assists the Board in its deliberations on executive remuneration, management succession planning and matters relating to employee policies. It also provides advice on Board performance, succession planning and recruitment of Board members. During the year it liaised closely with its Red Cross counterpart committee on recruitment of our new Chair.

Members: The Hon. Dr David Hamill (Chair), Mr Ron Berenholtz, Associate Professor Larry McNicol, Mr Ross Pinney and Ms Jennifer Williams.

RISK COMMITTEE

This committee assists the Board in assuring that risk is managed in accordance with its risk management plan and that compliance obligations are managed appropriately. The committee also monitors the Information Technology strategy and major IT projects.

Members: Dr David Graham (Chair) (term ended May 2015), Mr Nigel Ampherlaw, Mr Adrian Bootes (from June 2015), Ms Kelly Jones (term ended May 2015), Ms Jenni Mack (from June 2015), Mr Ross Pinney (Chair from June 2015), Mr Jim Swinden and Ms Jennifer Williams.

THE BOARD

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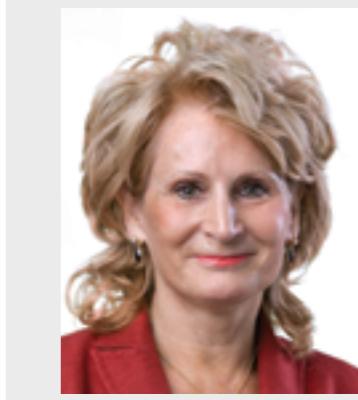
THE HON. DR DAVID HAMILL AM CHAIR

PhD, MA, BA (Hons), FCIT, FAICD
Former Treasurer of Queensland
Director, Brookfield Infrastructure Partners LP
Chair, Gladstone Airport Corporation
Chair, Ensham Workers' Entitlements Fund Pty Ltd
Chair, UQ College
Member, the Australian Red Cross Board

MS JENNIFER WILLIAMS CHIEF EXECUTIVE

BEc, MSc, FAICD

Chief Executive, Australian Red Cross Blood Service since March 2009
Councillor, La Trobe University Council since 2009
Former Chief Executive, Austin Health
Former Chief Executive, Alfred Health
Former Director, Goulburn Valley Health Board
Former Commissioner, Australian Commission on Safety and Quality in Health Care
Former Director, Mental Health Research Institute
1995 Victorian Business Woman of the Year - Public Sector Category



CONTENTS

PART 1 OVERVIEW

Our vision and mission	6
Our values	7
Foreword by the Chair	8
Message from the Chief Executive	9
Why we donate: Australia's Champions	10
How your donated red cells are used	11
Thank you for my life-blood	12
Measuring our performance: KPIs	13
Changing patterns of blood collection	14

PART 2 OUR ORGANISATION

How we are governed	18
About the Blood Service Board	19
Board committees	20
The Board	21
The Executive	24
Our organisation	26
Our locations	26
From donor to patient	28

PART 3 OUR PERFORMANCE

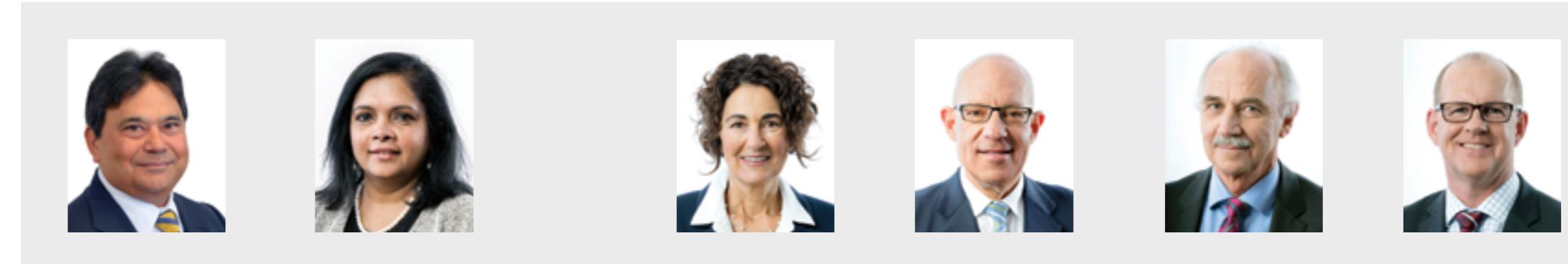
Clinical Services and Research	32
Donor Services	34
Finance	36
Human Resources	38
Information Services	40
Manufacturing	42
Strategy and Quality	44

PART 4 OUR CORPORATE SOCIAL RESPONSIBILITY

Community	49
Employee environment	54
Safety and quality	60
Environment	62
Australian Red Cross	64

PART 5 OUR FINANCES

Finance report	68
----------------	----



THE BOARD

MR NIGEL AMPHERLAW
BCom, FCA, MAICD

Director, CUA Ltd - Chair Audit Committee, member of Risk Committee and Remuneration and Nominations Committee

Director, Quickstep Technologies Ltd - Chair of Audit and Risk Committee

Director, Elanor Investors Ltd – Chair Audit and Risk Committee, Member of Remuneration and Nominations Committee

Director, Grameen Foundation Australia

Former Partner of PwC for 22 years

MS SANDHYA CHAKRAVARTY
CPA, MBA, MEcon, BEcon, MAICD

Chief Financial Officer of the Australian Red Cross Society

Former Head of Asia-Pacific Finance and Global Field Operation and International Controller of The Boston Consulting Group

Former Vice President Asia -Pacific of Ingersoll Rand

Former Finance Director of Bristol - Myers Squibb (Australia and Asia)

MS JENNI MACK
M Admin Law and Policy, BA Journalism, Grad Cert International Food Law and Regulation, GAICD

Chair CoACT

Director, Sunsuper

Director Food Standards Australia and New Zealand

Trustee Travel Compensation Fund

Chair dRx Standards Council

Member ASIC External Advisory Committee

Member Health Star Rating Advisory Committee

Former Chair CHOICE

Former Chief Medical Officer and Executive Director Cancer Medicine, Peter MacCallum Cancer Centre

Former Chair, Australasian Gastro-Intestinal Trials Group

Past Director, Board of Cancer Trials Australia

Former Member, Consultative Council of the Victorian Cancer Agency

Former Member, Board of Cancer Institute NSW

PROFESSOR JOHN ZALCBERG OAM
MB BS, PhD, FRACP, FRACMA, FAHMS, FAICD

Head, Cancer Research Program, School of Public Health and Preventive Medicine, Monash University

Co-Chair of the Cancer Drugs Alliance

Chair of the Australian Clinical Trials Alliance

Honorary Associate of the Clinical Trials Centre, School of Public Health, University of Sydney

Former Director, Division of Cancer Medicine, Peter MacCallum Cancer Centre

Former Chief Medical Officer and Executive Director Cancer Medicine, Peter MacCallum Cancer Centre

Former Chair, Australasian Gastro-Intestinal Trials Group

Past Director, Board of Cancer Trials Australia

Former Member, Consultative Council of the Victorian Cancer Agency

Former Member, Board of Cancer Institute NSW

ASSOCIATE PROFESSOR LARRY MCNICOL
MBBS (Hons), FRCA, FANZCA

Director of Anaesthesia, Austin Health

Medical Director, Anaesthesia, Perioperative and Intensive Care Clinical Service Unit, Austin Health

Life Member ARCS Australia awarded 2009

Former Manager, Regulatory Affairs, Roche Products Pty Ltd

Former Manager, Clinical Research, Roche Products Pty Ltd

Former Board member, ARCS Australia Ltd

Former Advisor, Australian Clinical Trials Website

Member of the ANZCA Safety and Quality Committee

ARCS Certified Fellow, Clinical Research

Member of the Expert Working Group for the National Blood Authority Patient Blood Management (PBM) Guidelines Review

Member of the Australian Society of Association Executives

Chairman of the Clinical Reference Group for the Critical Bleeding/Massive Transfusion and Perioperative Modules of the PBM Guidelines



MR ROSS PINNEY

MBA, B Comm, FCA, FCPA, FFin, FAICD

Former senior executive of National Australia Bank Ltd

Deputy President, Australian Red Cross

Member, Finance Commission of the International Federation of Red Cross and Red Crescent Societies

Chair, Rural Bank Ltd

MS HANNAH CRAWFORD

BCom, LLB, CA, FFin

Former Director, Grant Samuel & Associates Pty Ltd

Former Board Member, Alfred Health

Former Board Member, Queen Elizabeth Centre

Former Manager, Arthur Andersen Corporate Finance

Former Tax Consultant, Ernst & Young

MRS GABRIELLE HEWITSON
SECRETARY

BSc, Grad Dip Bus Admin, GAICD, ACIS, ACSA

Australian Red Cross Blood Service Board Secretary

Previous appointments in Australian Red Cross Blood Service include Assistant Secretary and Distribution Manager, Victoria

Former Manager, Arthur Andersen Corporate Finance

Former Tax Consultant, Ernst & Young

Member of the Governance Institute of Australia

MS KELLY JONES
MBA, BSc, FAICD

BPharm, FPS, PhD, FAICD

DR DAVID GRAHAM
BPharm, FPS, PhD, FAICD

Board members who retired during the year:

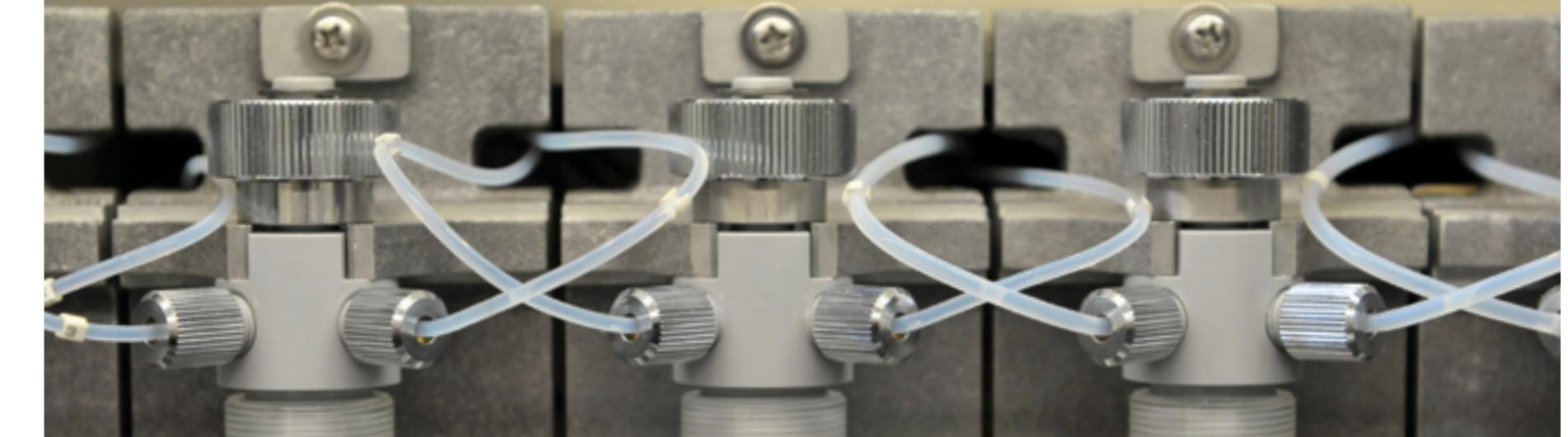


CONTENTS

PART 1

OVERVIEW

Our vision and mission	6
Our values	7
Foreword by the Chair	8
Message from the Chief Executive	9
Why we donate: Australia's Champions	10
How your donated red cells are used	11
Thank you for my life-blood	12
Measuring our performance: KPIs	13
Changing patterns of blood collection	14



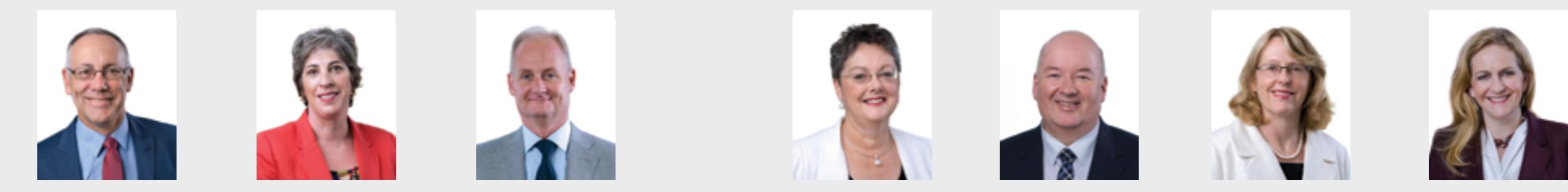
THE EXECUTIVE

The Executive team is led by Ms Jennifer Williams.

PART 2

OUR ORGANISATION

How we are governed	18
About the Blood Service Board	19
Board committees	20
The Board	21
The Executive	24
Our organisation	26
Our locations	26
From donor to patient	28



PART 3

OUR PERFORMANCE

Clinical Services and Research	32
Donor Services	34
Finance	36
Human Resources	38
Information Services	40
Manufacturing	42
Strategy and Quality	44

**MR JOHN
BROWN**

EXECUTIVE DIRECTOR,
FINANCE AND CHIEF
FINANCIAL OFFICER
CPA, BBus (Accounting),
GAICD

Executive Director, Finance
and Chief Financial Officer,
Australian Red Cross Blood
Service since July 2011

**MRS JACQUELINE
CAULFIELD**

EXECUTIVE DIRECTOR,
MANUFACTURING
B. Bus (Accounting),
M. Bus (Manufacturing
Management), GAICD

Executive Director,
Manufacturing, Australian
Red Cross Blood Service
since September 2011

**MR MARK
GARDINER**

EXECUTIVE DIRECTOR,
INFORMATION SERVICES
AND CHIEF INFORMATION
OFFICER
M. Bus (Management)

Executive Director,
Information Services and
Chief Information Officer,
Australian Red Cross Blood
Service since January 2013

**MS ANNE
HEYES**

EXECUTIVE DIRECTOR,
HUMAN RESOURCES
BA (Hons), M.Com, GAICD

Executive Director,
Human Resources,
Australian Red Cross
Blood Service since 2004

**MR PETER
MCDONALD**

EXECUTIVE DIRECTOR,
STRATEGY AND QUALITY
BA (Economics), MPA, FCPA,
MAICD, FHFM

Executive Director, Strategy
and Quality, Australian Red
Cross Blood Service since 2009

**DR JOANNE
PINK**

EXECUTIVE DIRECTOR,
CLINICAL SERVICES AND
RESEARCH AND CHIEF
MEDICAL OFFICER
MBBS, FRACP, FRCPA

Executive Director, Donor
Services, Australian Red
Cross Blood Service since
June 2011

**MS JANINE
WILSON**

EXECUTIVE DIRECTOR,
DONOR SERVICES
BSc (Physio), MBA

Executive Director, Donor
Services, Australian Red
Cross Blood Service since
June 2011

PART 4

OUR CORPORATE SOCIAL RESPONSIBILITY

Community	49
Employee environment	54
Safety and quality	60
Environment	62
Australian Red Cross	64

PART 5

OUR FINANCES

Finance report	68
----------------	----



CONTENTS

PART 1 OVERVIEW

Our vision and mission	6
Our values	7
Foreword by the Chair	8
Message from the Chief Executive	9
Why we donate: Australia's Champions	10
How your donated red cells are used	11
Thank you for my life-blood	12
Measuring our performance: KPIs	13
Changing patterns of blood collection	14

PART 2 OUR ORGANISATION

How we are governed	18
About the Blood Service Board	19
Board committees	20
The Board	21
The Executive	24
Our organisation	26
Our locations	26
From donor to patient	28

PART 3 OUR PERFORMANCE

Clinical Services and Research	32
Donor Services	34
Finance	36
Human Resources	38
Information Services	40
Manufacturing	42
Strategy and Quality	44

PART 4 OUR CORPORATE SOCIAL RESPONSIBILITY

Community	49
Employee environment	54
Safety and quality	60
Environment	62
Australian Red Cross	64

PART 5 OUR FINANCES

Finance report	68
----------------	----

OUR ORGANISATION

CHIEF EXECUTIVE



CLINICAL SERVICES AND RESEARCH

- Medical Services
 - Regional Medical Services
 - Donor and Product Safety Policy Unit
 - Transfusion Practice and Education
 - Medical Specialist Services
- Transplantation and Immunogenetics Services
- Research and Development
 - Donor health and behaviour
 - Product development and storage
 - Product safety
 - Product usage
 - National Library Services
- Affiliated Agencies
- External Services



DONOR SERVICES

- Collection Services
- Marketing and Community Relations
- National Contact Centre
- Strategy, Performance, Planning and Change Management



FINANCE

- Capital and Strategic Investment
- Financial Control
- Financial Performance
- Financial Planning and Analysis
- Procurement
- Property Services
- Corporate Shared Services

GENERAL COUNSEL

General Counsel provides advice on legal matters, including reviewing major contracts. The General Counsel is also our Chief Privacy Officer, providing advice on privacy legislation to ensure the organisation does not breach its obligations in relation to personal information.

SECRETARIAT

The Board Secretariat administers Board affairs, and is responsible for ensuring appropriate corporate governance systems are in place, and provides advice on governance issues.



INFORMATION SERVICES

- Business Partnerships
- Strategy and Governance
- Project Services
- Enterprise Systems
- Operations and Infrastructure



STRATEGY AND QUALITY

- Business Process Improvement
- Government Relations and Communication
- International Services
- Performance and Analysis
- Quality Services
- Strategic Planning



MANUFACTURING

- Production
- Customer Service Delivery
- Building Services
- Administration Services
- Scientific Services
- National Supply Chain
- National Lean Manufacturing

* This structure represents the organisation as at 30 June 2015

HUMAN RESOURCES

- Employee Relations
- Human Resources Consulting
- Organisational Development and Capability
 - Learning and Development
 - Organisational Development
 - Recruitment
- Work Health and Safety

OUR LOCATIONS

- Blood Donor Centres
- Major Cities



AUSTRALIAN POPULATION BY BLOOD GROUP COMPARED WITH THE PERCENTAGE WE SUPPLIED TO HOSPITALS



This graph shows the red cells we supplied in 2014-15 by blood group. We show how it compares with the split of blood groups across Australia's population. The demand for O negative is rising disproportionately, and this year accounted for 14.4 per cent of the red cells supplied. With only nine per cent of Australia's population being O negative (the universal blood type that can be given to anyone), the increase in O negative demand means these donors are relied upon heavily.



CONTENTS

PART 1

OVERVIEW

Our vision and mission	6
Our values	7
Foreword by the Chair	8
Message from the Chief Executive	9
Why we donate: Australia's Champions	10
How your donated red cells are used	11
Thank you for my life-blood	12
Measuring our performance: KPIs	13
Changing patterns of blood collection	14

PART 2

OUR ORGANISATION

How we are governed	18
About the Blood Service Board	19
Board committees	20
The Board	21
The Executive	24
Our organisation	26
Our locations	26
From donor to patient	28

PART 3

OUR PERFORMANCE

Clinical Services and Research	32
Donor Services	34
Finance	36
Human Resources	38
Information Services	40
Manufacturing	42
Strategy and Quality	44

PART 4

OUR CORPORATE SOCIAL RESPONSIBILITY

Community	49
Employee environment	54
Safety and quality	60
Environment	62
Australian Red Cross	64

PART 5

OUR FINANCES

Finance report	68
----------------	----



FROM DONOR TO PATIENT

COLLECTION

Our job is to ensure we collect the right amount of red cells, platelets and plasma to meet demand.

- Our marketing activities ensure the public knows when we need blood donations
- Our National Contact Centre helps blood donors make an appointment at one of our 76 centres or 22 mobile units
- Our Collection and Medical Services teams ensure our donors feel valued and can donate safely, and
- Our Community Relations team is involved in awareness, engagement and encouraging community groups to donate.

MANUFACTURING

Our job is to efficiently and reliably deliver the right product to the right place at the right time.

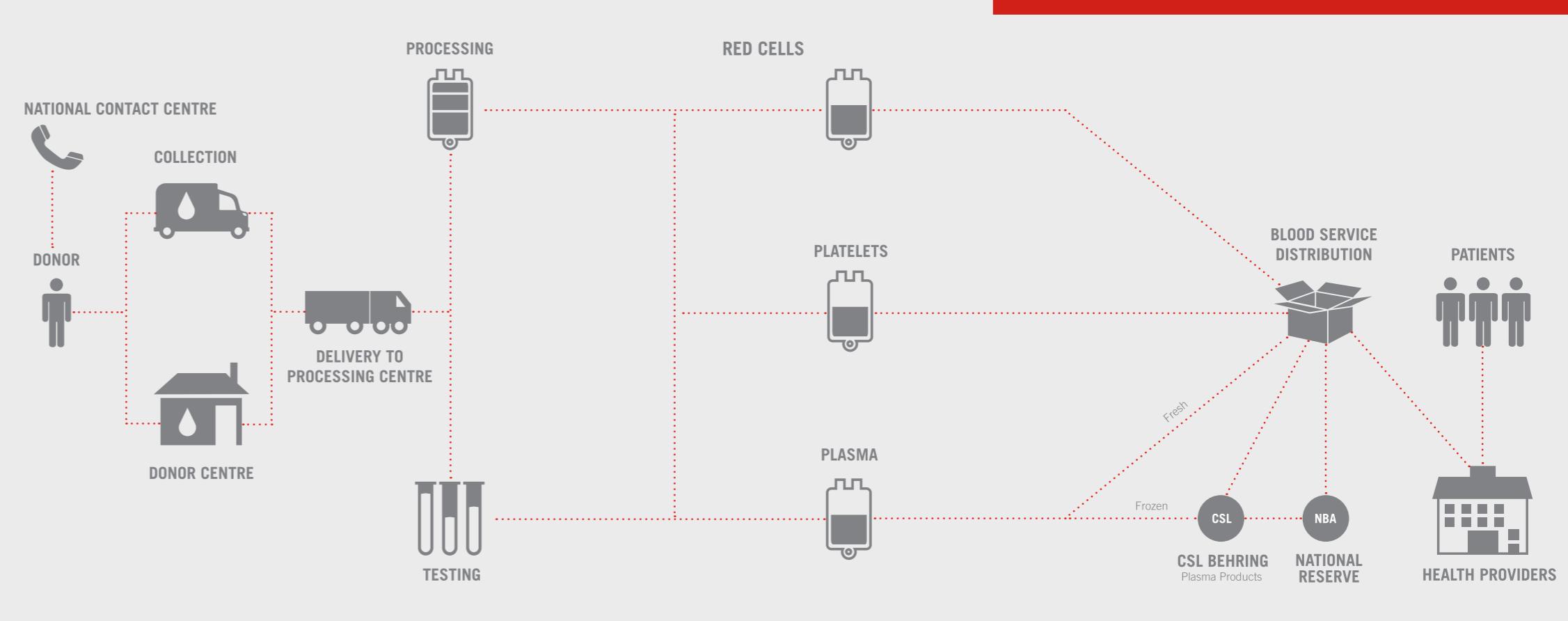
- Our manufacturing centres receive the blood and samples for processing and testing
- Our rigorous testing and pathology oversight ensure the quality and safety of every donation, and
- A significant portion of the plasma we collect is sent to CSL Behring for fractionation and returned to the Blood Service in the form of life-saving products.

CUSTOMER SERVICE DELIVERY

Our job is to efficiently and reliably distribute blood products to our customers.

- Our Customer Service teams take orders for blood products daily, and
- Our Order Fulfilment teams then select the stock and dispatch the blood products to our customers, including hospitals, laboratories and medical centres.

**AUSTRALIA NEEDS OVER 26,000
DONATIONS PER WEEK TO KEEP
THE BLOOD SUPPLY FLOWING.**



CONTENTS

PART 1

OVERVIEW

Our vision and mission	6
Our values	7
Foreword by the Chair	8
Message from the Chief Executive	9
Why we donate: Australia's Champions	10
How your donated red cells are used	11
Thank you for my life-blood	12
Measuring our performance: KPIs	13
Changing patterns of blood collection	14

PART 2

OUR ORGANISATION

How we are governed	18
About the Blood Service Board	19
Board committees	20
The Board	21
The Executive	24
Our organisation	26
Our locations	26
From donor to patient	28

PART 3

OUR PERFORMANCE

Clinical Services and Research	32
Donor Services	34
Finance	36
Human Resources	38
Information Services	40
Manufacturing	42
Strategy and Quality	44

PART 4

OUR CORPORATE SOCIAL RESPONSIBILITY

Community	49
Employee environment	54
Safety and quality	60
Environment	62
Australian Red Cross	64

PART 5

OUR FINANCES

Finance report	68
----------------	----



PART 3

OUR PERFORMANCE

In this section we describe our performance and achievements in 2014-15. Our work is guided by our five-year strategic plan, *At the leading edge*, which outlines our future focus and goals and how we need to work to achieve our vision of improving the lives of patients through the power of humanity.



CONTENTS

PART 1 OVERVIEW

Our vision and mission	6
Our values	7
Foreword by the Chair	8
Message from the Chief Executive	9
Why we donate: Australia's Champions	10
How your donated red cells are used	11
Thank you for my life-blood	12
Measuring our performance: KPIs	13
Changing patterns of blood collection	14

PART 2 OUR ORGANISATION

How we are governed	18
About the Blood Service Board	19
Board committees	20
The Board	21
The Executive	24
Our organisation	26
Our locations	26
From donor to patient	28

PART 3 OUR PERFORMANCE

Clinical Services and Research	32
Donor Services	34
Finance	36
Human Resources	38
Information Services	40
Manufacturing	42
Strategy and Quality	44

PART 4 OUR CORPORATE SOCIAL RESPONSIBILITY

Community	49
Employee environment	54
Safety and quality	60
Environment	62
Australian Red Cross	64

PART 5 OUR FINANCES

Finance report	68
----------------	----

CLINICAL SERVICES AND RESEARCH

The newly formed Clinical Services and Research division supports the organisation to maintain and improve the safety and quality of our blood supply, while also managing risk through research and science and advising healthcare providers in best practice use of blood products and in tissue and organ transplantations.

RESPONDING TO EMERGING THREATS

Using our clinical, scientific and research expertise, the division played an integral role in guiding the Blood Service's response to emerging threats this year. Formal risk assessments and management plans were submitted to the Therapeutic Goods Administration (TGA) following the hepatitis A outbreak from contaminated frozen berries in February and the probable case of transfusion-transmitted Ross River virus in March to ensure Australia's blood supply remains one of the safest in the world. In response to the Ebola outbreak in parts of Africa in late 2014 protocols were developed, if required, for the collection and supply of convalescent plasma, the antibody-rich plasma collected from people who have recovered from Ebola.

TRANSLATING RESEARCH INTO IMPROVED PRACTICE

In line with the strategic plan, the division has focused on increasing the translation of our research into improved organisational practice. This year, Research and Development has had over 50 articles published in peer-reviewed journals – our highest number ever – as well as over 75 abstracts accepted for presentation at national and international conferences. We also had the outcomes of four research projects applied to the manufacturing process, including the cryopreservation of plasma, red cells and platelets for the Australian Defence Force, which marked the successful translation of five years' work.

IMPROVED TRANSPLANTATION TESTING

This year, our team's work on smarter matching strategies for solid organ transplantation has focused on reducing a patient's likelihood of rejecting their transplant by using knowledge of their immune targets (HLA epitopes). The aim of HLA epitope matching is to

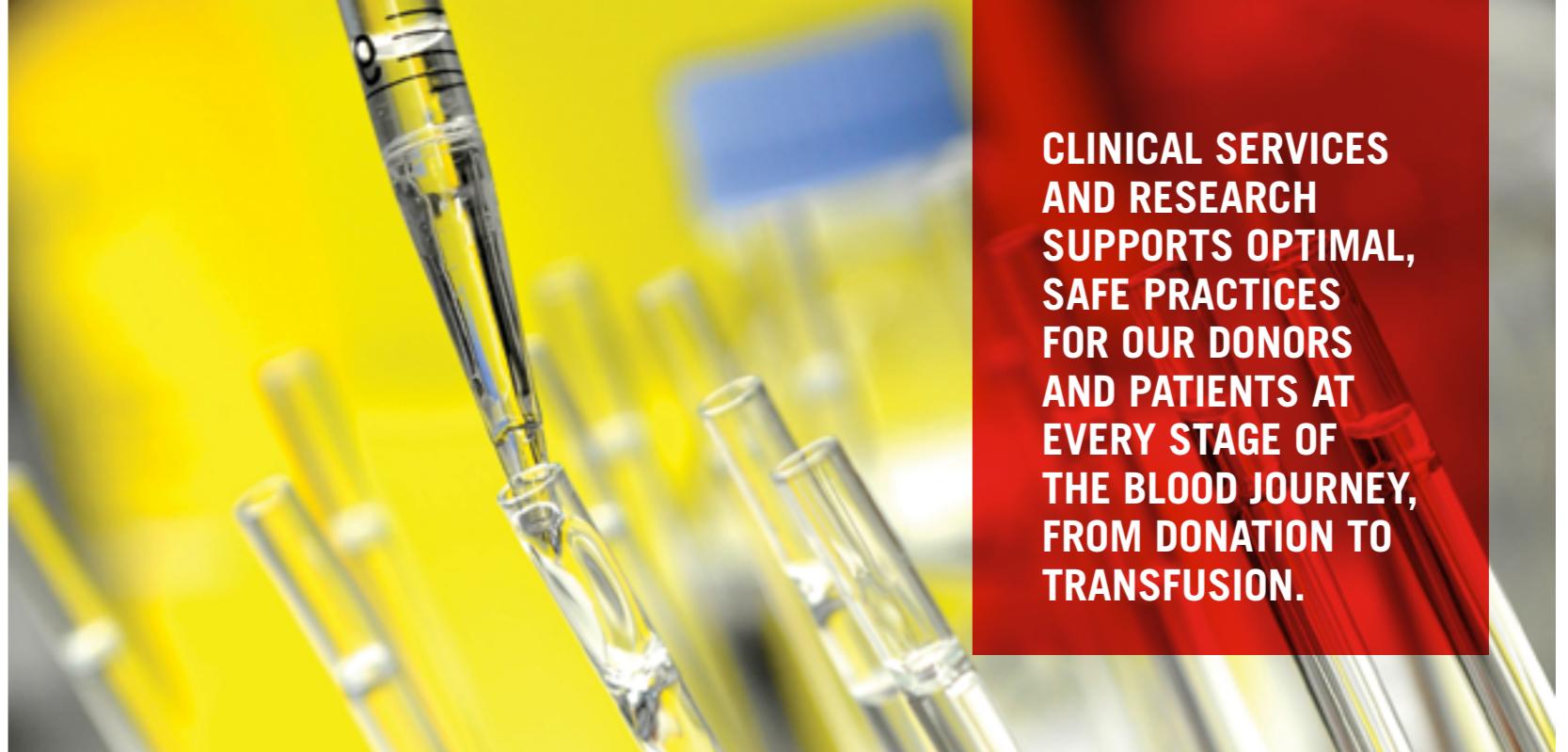
have longer graft survival and to reduce the formation of antibodies to encourage acceptance of the transplant. This is particularly important for paediatric patients who are likely to have three or more kidney transplants in their lifetime, and paediatric units in Melbourne and Sydney are currently using epitope data generated from our laboratories to assess the degree of immunological matching for kidney transplantation.

IMMUNOGLOBULIN POLICY CHANGES

Based on the recommendations of a 2012 review, Australian governments have endorsed a program of work to improve national governance of immunoglobulin supplied under the national blood arrangements. This includes the establishment of nationally consistent roles, responsibilities and processes, a governance committee framework and an ordering database. In response to this, a national policy was implemented, which identifies a range of improvements and changes to the immunoglobulin governance and authorisation arrangements. This year, we've been working closely with government to roll out these changes.

TRANSFUSION MEDICINE EDUCATION TOOLS

Recognised as a leader in transfusion education, the division has continued to design and deliver innovative learning events to improve transfusion medicine knowledge of audiences within the blood sector. This year, we delivered over 50 live activities, making them all accessible via our revised and fully mobile compatible website – transfusion.com.au. Our team also developed several apps for both iOS and Android platforms, one of which helps doctors calculate the right dose of red cells based on patient blood management guidelines.



CLINICAL SERVICES AND RESEARCH SUPPORTS OPTIMAL, SAFE PRACTICES FOR OUR DONORS AND PATIENTS AT EVERY STAGE OF THE BLOOD JOURNEY, FROM DONATION TO TRANSFUSION.



CONTENTS

PART 1

OVERVIEW

Our vision and mission	6
Our values	7
Foreword by the Chair	8
Message from the Chief Executive	9
Why we donate: Australia's Champions	10
How your donated red cells are used	11
Thank you for my life-blood	12
Measuring our performance: KPIs	13
Changing patterns of blood collection	14

PART 2

OUR ORGANISATION

How we are governed	18
About the Blood Service Board	19
Board committees	20
The Board	21
The Executive	24
Our organisation	26
Our locations	26
From donor to patient	28

PART 3

OUR PERFORMANCE

Clinical Services and Research	32
Donor Services	34
Finance	36
Human Resources	38
Information Services	40
Manufacturing	42
Strategy and Quality	44

PART 4

OUR CORPORATE SOCIAL RESPONSIBILITY

Community	49
Employee environment	54
Safety and quality	60
Environment	62
Australian Red Cross	64

PART 5

OUR FINANCES

Finance report	68
----------------	----

DONOR SERVICES

Donor Services continues to work with our generous donors to ensure Australian patients receive the red cells, platelets and plasma products they need. With a better matching of supply to demand, our aim is to provide the right blood products at the right time, when and where they are needed most.

RECRUITING DONORS AND MANAGING DEMAND

We managed another year characterised by declining red cell demand against a growing need for plasma products. We met this challenge by collecting more plasma than we ever have before – a record 490,000 donations across the country. While this was lower than our target, improved yield on each collection meant that we were able to meet the organisational target to deliver 572 tonnes of plasma to CSL Behring.

With this patient demand trend expected to continue, we have identified opportunities for recruiting more new donors in 2015-16 and further educating our existing donors about options for plasma donation.

ENSURING THE SAFETY OF OUR BLOOD

Our blood service has one of the highest safety ratings among our international peers. Over the past year, significant changes were made to further increase the safety of our blood. For example, platelets collected from women who have been pregnant contain factors that may trigger a response in some patients. As a result, we now ask women who have been pregnant to consider donating whole blood or plasma and no longer accept platelet donations from this group. We have also improved the use of our AB whole blood donations to ensure we can improve product availability.

IMPROVING THE EXPERIENCE OF DONORS

We continue to find ways to improve the donor experience, knowing how important this is for our loyal donors. Last year, we introduced a revised framework for managing donor feedback via our National Contact Centre. We also improved processes, reducing wait times in donor centres by an average of 2.4 minutes. These service improvements have led to record donor satisfaction levels.



DONOR SERVICES MANAGES THE END-TO-END EXPERIENCE FOR OUR DONORS, ENSURING AUSTRALIAN PATIENTS RECEIVE THE LIFE-SAVING BLOOD PRODUCTS THEY NEED.

Our fleet of over 22 mobile donor centres was equipped with new technology, providing staff with access to live National Blood Management System data and bookings and supporting a better donor experience.

Our National Contact Centre performed exceptionally, exceeding their appointment targets while delivering a number of impressive technological and process changes throughout the year. This included the introduction of a new decision support system that was developed in conjunction with our Information Services and Medical Services colleagues. The system enables our agents to provide donors with improved service and respond to more complex questions.

Following a successful pilot of the Donor Services Nursing Assistant (DSNA) amended scope of practice, we have introduced this change in most Australian states and territories. Under the amended scope of practice, DSNA's are now able to practice 'needle in' and manage some donor adverse events.

WORKING WITH THE COMMUNITY

Community relations activities included the exciting launch of Red25, a group-based, life-saving social responsibility program. Participating organisations include workplaces, schools and community groups. The Red25 program aims to achieve 25 per cent of all donations and is already well on the way to meeting this target. Marketing activities have focused on conducting complex market segmentation to ensure we reach our donors effectively. The team developed a new donor acquisition campaign and appointed and inducted a new advertising agency.

The Blood Service web presence continues to gain momentum, with a record number of appointments being made via our website last year. This growth is supported by a strong social media strategy which now sees our Facebook following exceeding 150,000.



91.2 per cent of our donors rated their experience as satisfactory or better.



Time donors spend in waiting rooms has improved from 30.8 to 28.4 minutes.



A record 329 days within our inventory sufficiency bands for meeting blood supply demands.

31,336



31,336 new plasma donors made plasma donations to enhance the lives of patients.



150,000

Over 150,000 Facebook 'likes'.



25%

Over 95,500 online appointments made, a new record and a 25 per cent increase on last year.

CONTENTS

PART 1

OVERVIEW

Our vision and mission	6
Our values	7
Foreword by the Chair	8
Message from the Chief Executive	9
Why we donate: Australia's Champions	10
How your donated red cells are used	11
Thank you for my life-blood	12
Measuring our performance: KPIs	13
Changing patterns of blood collection	14

PART 2

OUR ORGANISATION

How we are governed	18
About the Blood Service Board	19
Board committees	20
The Board	21
The Executive	24
Our organisation	26
Our locations	26
From donor to patient	28

PART 3

OUR PERFORMANCE

Clinical Services and Research	32
Donor Services	34
Finance	36
Human Resources	38
Information Services	40
Manufacturing	42
Strategy and Quality	44

PART 4

OUR CORPORATE SOCIAL RESPONSIBILITY

Community	49
Employee environment	54
Safety and quality	60
Environment	62
Australian Red Cross	64

PART 5

OUR FINANCES

Finance report	68
----------------	----

FINANCE

This year the Finance division continued its focus on sharpening fiscal and property management, and providing information, analysis and advice to support effective decision making and improved performance across the organisation.



FINANCE MANAGES OUR ORGANISATION'S FUNDING AND PROVIDES FINANCIAL INFORMATION, REPORTING, ANALYSIS AND ADVICE.

LOOKING AFTER OUR PROPERTIES

Our Property Services team manages the important task of providing clean, safe and modern facilities to conduct the Blood Service's work. The Blood Service now operates a total of 98 sites around Australia. This year we completed the rebranding of our fleet of mobile donor centres. New centres in Perth CBD and Newcastle and a refurbished centre in the Brisbane CBD, have further improved facilities for donors in easily accessible city locations. Four other donor centres in Midland, Maitland, Shepparton and Toowoomba are under construction and will be completed in early 2015-16. In one of the largest projects for 2014-15, the Blood Service is refurbishing the Perth Processing Centre in its drive to improve our efficiency in producing blood products. Now in the stage two construction phase, the project will enable manufacturing to be configured for maximum work flow and efficiency and provide state-of-the-art facilities for our skilled workforce.

Our donor centres are in leased spaces in cities, suburbs and regional towns around the country. This year our property specialists took a strategic approach to negotiating leases in advance, resulting in a net rental increase of 0 per cent for 2014-15.

IMPROVING EFFICIENCY IN OUR PAYROLL SYSTEMS

As part of the Blood Service's drive to align business processes, payroll was moved to the Finance division on 1 March 2015. The transition was achieved with minimum disruption and has given the Finance team the chance to use their financial skills to improve processes within payroll. Two key initiatives have moved ahead this year – myDETAILS, an employee self-service system, and myTIME, a modernised time and attendance system – and both will be rolled out over the next year.

INCREASING SAVINGS THROUGH PROCUREMENT

This year the Procurement team achieved savings for the Blood Service of \$6.6 million. We also continued to improve tender and purchasing systems across the organisation by developing a new suite of user guides in plain English for all staff.

INTERNATIONAL BENCHMARKING

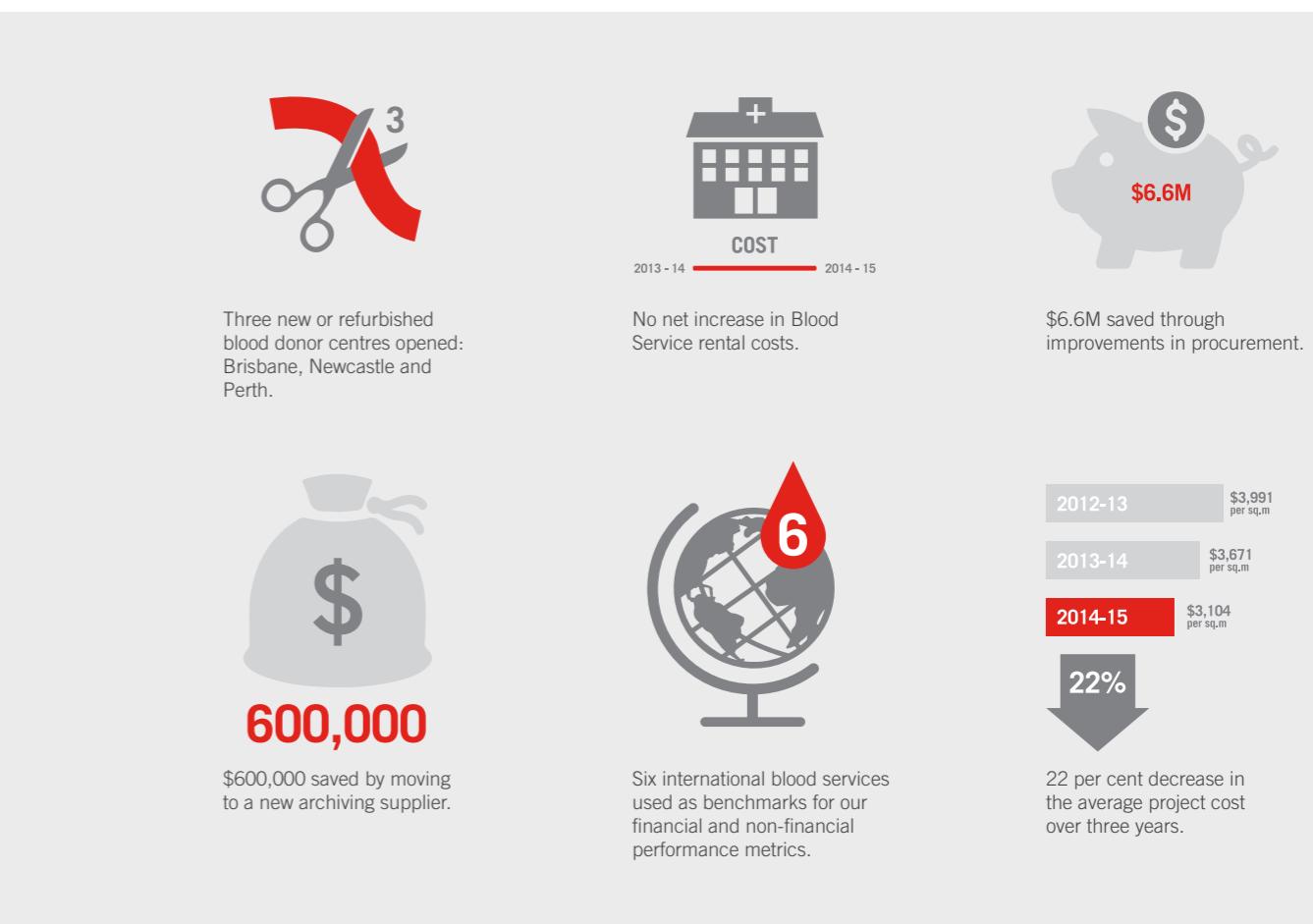
We continued to identify areas for procurement opportunities through our important work with the International Benchmarking Cost Model Working Group, which includes representatives of the American Red Cross and the Canadian, Dutch, New Zealand and English blood services. Now in its fifth year, the group compares costs across the collections and testing process to track changes and identify opportunities for financial savings. One of the areas reviewed this year was the feasibility of donating double red cells – where new technology allows the safe donation of two units of red blood cells during one donation session – and this is now being investigated.

MANAGING OUR RECORDS

This year we commenced a new contract for managing the Blood Service's archives, which is saving the organisation \$600,000 annually. We are also improving our archival management systems for the future retention of documents, while working systematically through existing records to identify those for retention and those for disposal.

FORECASTING

Hyperion Planning, our financial budget and forecast tool, was successfully rolled out to the Manufacturing and Donor Services divisions to forecast product demand and collections on a monthly basis and for 48 months into the future. This project integrates further the Aligning Supply with Demand process with budgeting and forecasting.



CONTENTS

PART 1

OVERVIEW

Our vision and mission	6
Our values	7
Foreword by the Chair	8
Message from the Chief Executive	9
Why we donate: Australia's Champions	10
How your donated red cells are used	11
Thank you for my life-blood	12
Measuring our performance: KPIs	13
Changing patterns of blood collection	14

PART 2

OUR ORGANISATION

How we are governed	18
About the Blood Service Board	19
Board committees	20
The Board	21
The Executive	24
Our organisation	26
Our locations	26
From donor to patient	28

PART 3

OUR PERFORMANCE

Clinical Services and Research	32
Donor Services	34
Finance	36
Human Resources	38
Information Services	40
Manufacturing	42
Strategy and Quality	44

PART 4

OUR CORPORATE SOCIAL RESPONSIBILITY

Community	49
Employee environment	54
Safety and quality	60
Environment	62
Australian Red Cross	64

PART 5

OUR FINANCES

Finance report	68
----------------	----

HUMAN RESOURCES

The Human Resources (HR) division has a strategic objective to attract and retain the best staff. We continue to deliver against this objective through numerous initiatives, with key achievements in the following areas.

SUPPORTED CHANGE INITIATIVES IN MANUFACTURING

HR provided the Manufacturing division with support while undergoing significant change during 2014-15. We partnered with Manufacturing to provide a framework to support the restructure of Inventory and Customer Service areas, including recruitment, cultural change and creating associated development programs. This meant we aligned skills and behaviours required to assist the Blood Service in becoming a great manufacturer, while also achieving a positive outcome for our people.

EMPLOYEE ENGAGEMENT SURVEY (EES)

Once again our EES results were pleasing. On the back of strong results last year, we enjoyed another increase in overall engagement to 68 per cent, exceeding our target of 67. This puts us in a great position to achieve our strategic objective of being in the top quartile for employee engagement scores. This year we achieved a 78.1 per cent response rate which equates to 2,733 employees completing the survey – a slight uplift of 0.1 per cent on the previous year.

GOOD NEWS ON SAFETY

Our time lost to workplace injury dropped 26 per cent to 5,228 hours from 7,555 hours last year. The employee satisfaction score for safety and working conditions improved one point to 85 per cent and our average workers' compensation premium dropped to \$671 per employee from \$846 in 2013-14. 107 internal WHS compliance audits were conducted that demonstrated an excellent understanding of policy and accountability among managers. We are also pleased that during a recent external audit, Ernst & Young described our safety management system as robust.

EMPLOYEE AWARDS PROGRAM

Participation in our Employee Awards Program increased 77 per cent from the previous year, with close to 1,100 nominations. Ceremonies were held to recognise winners and present Red Cross awards to 174 employees with significant length of service.

DONOR SERVICES WORKFORCE PLANNING PROJECT (PHASE TWO)

Building on the work completed in the previous financial year, we continued to support the implementation of the Donor Services Nursing Assistant (DSNA) amended scope into Queensland, Victoria and Tasmania. This initiative is designed to provide a sustainable workforce model, ensuring there is a sufficient workforce to collect blood over the coming years. We are very pleased with our success as we continue to future-proof our blood collection workforce.

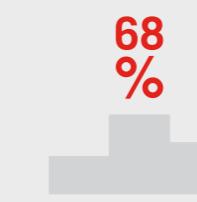
DIVERSITY STRATEGY ACHIEVES EXTERNAL RECOGNITION

The Blood Service further improved its ranking in the Australian Workplace Equality Index from 20 to 13, and was again recognised as the highest ranking not-for-profit organisation. During 2014-15 we created our diversity strategy which is designed to build an inclusive workplace culture where diversity is recognised, respected, celebrated and individual differences are valued, as well as supporting employees to balance their work and life commitments. Our focus has been on consolidating work done to support our lesbian, gay, bisexual, transgender or intersex (LGBTI) colleagues, as well as implementing an age diversity project and a focus on mental health and wellbeing. We are proud of the work we have done in the diversity space which was also recognised at the Australian HR Awards this year.

LEADERSHIP AND CAREER DEVELOPMENT FRAMEWORK

This year our team developed a new leadership and career development framework, consisting of 22 capabilities identified as critical to helping the organisation achieve leading edge outcomes. The framework is built around three themes: leading self, leading others and leading the organisation. An online portal supports this framework enabling our workforce to self-select development activities to achieve their professional goals.

HUMAN RESOURCES WORKS TO IMPROVE THE SUSTAINABILITY OF OUR LABOUR SUPPLY, ALIGN OUR STRUCTURE, WORK AND CULTURE WITH OUR ORGANISATIONAL OBJECTIVES AND BUILD A SAFER WORKPLACE.



Employee pride continued to drive employee engagement positively to 68 per cent.



75 per cent of our workforce is female and representation at leadership levels is above the Australian norm.



5,228 hours lost to workplace injury, reduced from 7,555 hours last year.



1,100 employees nominated in our Awards Program.



30 per cent increase in the reporting of hazards by our employees using our new system (IQ), helping us to prevent injuries before they happen.

CONTENTS

PART 1

OVERVIEW

Our vision and mission	6
Our values	7
Foreword by the Chair	8
Message from the Chief Executive	9
Why we donate: Australia's Champions	10
How your donated red cells are used	11
Thank you for my life-blood	12
Measuring our performance: KPIs	13
Changing patterns of blood collection	14

PART 2

OUR ORGANISATION

How we are governed	18
About the Blood Service Board	19
Board committees	20
The Board	21
The Executive	24
Our organisation	26
Our locations	26
From donor to patient	28

PART 3

OUR PERFORMANCE

Clinical Services and Research	32
Donor Services	34
Finance	36
Human Resources	38
Information Services	40
Manufacturing	42
Strategy and Quality	44

PART 4

OUR CORPORATE SOCIAL RESPONSIBILITY

Community	49
Employee environment	54
Safety and quality	60
Environment	62
Australian Red Cross	64

PART 5

OUR FINANCES

Finance report	68
----------------	----

INFORMATION SERVICES

Information Services (IS) is the custodian of technology platforms that enable the Blood Service to provide safe, secure and high quality blood products. The team focuses on delivery of projects and day-to-day operation of systems and services that support the life-saving work of our organisation.

DELIVERING PROJECTS TO SUPPORT OUR LIFE-SAVING WORK

The IS team completed 33 projects last year, and another 40 are in progress. Among the completed projects was the National Blood Management System (NBMS) 'Technical Stack', which upgraded infrastructure to support the critical system that manages the Blood Service supply chain. Successful completion of this activity was a pre-requisite for another major project to upgrade the NBMS application software, which is now well underway and is currently undergoing validation prior to production.

Another notable project completed this year was the Decision Support System in the National Contact Centre (NCC). This system was designed and built in-house. It is used by NCC agents who interact with our donors in the complex area of donor eligibility.

A Sample Management Tool that supports Manufacturing operations was developed, in response to an emerging business need to better manage the requests and results for supplemental and external testing of donors.

A three-year IS Disaster Recovery Program was introduced last year, which required a new network and the migration of over 50 enterprise applications onto upgraded infrastructure. This program will significantly improve our capability in this area, ensuring we are able to continue our operations quickly and efficiently following an unplanned, adverse event.

IMPROVING THE PERFORMANCE OF OUR TECHNOLOGY

In 2014-15 we continued to build relationships with technology partners. This successful strategy is already delivering benefits and allows IS to broker services and technology more rapidly while providing financial benefits.

System availability targets were met for monitored critical systems such as NBMS, Finance and NCC systems, the data network and telephony infrastructure.

The division continues to explore opportunities to improve performance and service delivery. Operating in a regulated environment and delivering services critical to the provision of life-saving products means that the testing and qualification of our software and supporting systems must be effective and delivered efficiently. External consultants were engaged to review our testing capability and establish a standardised testing framework. This framework is aimed at improving capability, reducing risk and streamlining the introduction of system changes and enhancements. The results are already shaping changes in the structure of the division, and the benefits will continue to be realised over the next 12 months.

Last year, the Blood Service Board approved the NBMS Future State project which will replace the computing infrastructure that underpins the National Blood Management System. This vital project will be a major focus for Information Services in the coming year.



CONTENTS

PART 1

OVERVIEW

Our vision and mission	6
Our values	7
Foreword by the Chair	8
Message from the Chief Executive	9
Why we donate: Australia's Champions	10
How your donated red cells are used	11
Thank you for my life-blood	12
Measuring our performance: KPIs	13
Changing patterns of blood collection	14

PART 2

OUR ORGANISATION

How we are governed	18
About the Blood Service Board	19
Board committees	20
The Board	21
The Executive	24
Our organisation	26
Our locations	26
From donor to patient	28

PART 3

OUR PERFORMANCE

Clinical Services and Research	32
Donor Services	34
Finance	36
Human Resources	38
Information Services	40
Manufacturing	42
Strategy and Quality	44

PART 4

OUR CORPORATE SOCIAL RESPONSIBILITY

Community	49
Employee environment	54
Safety and quality	60
Environment	62
Australian Red Cross	64

PART 5

OUR FINANCES

Finance report	68
----------------	----

MANUFACTURING

The Manufacturing division is aiming to be 'A Great Manufacturer' – to efficiently and reliably deliver the right product, to the right place, at the right time. In order to become a truly great manufacturer, this year the division completed structural changes in both the production and customer service functions. These structural changes have set us up to deliver the efficiencies promised in the organisation's strategic plan and to improve career development opportunities for the 650 staff who work in the division.

OUR PERFORMANCE

Despite many structural changes being embedded during the year, our employee engagement and performance enablement scores both improved by 4 per cent compared with last year. This gives us confidence that the changes we've made provide improved clarity of role and career paths for our staff and that they are proud of the work they do.

Our productivity performance improved dramatically in 2014-15, with both processing and testing scores ranking us in the top 30 per cent of international performance of blood services, well on the way to our strategic goal of being in the top 25 per cent. This is an outstanding result.

In addition we met our target of 97 per cent delivery in full and on time to our customers, and our customer satisfaction scores continue to improve as we listen and act on customer feedback.

We also met our commitment to governments in delivering 572 tonnes of plasma for fractionation to CSL Behring.

LEAN MANUFACTURING

Lean manufacturing helps us to improve our processes and eliminate waste. This year all Manufacturing employees received lean awareness training and this has now been built into the divisional induction program for new employees. Additionally, a number of practical problem-solving workshops were run for a wide range of regional and national manufacturing staff. The Manufacturing division now has 15 accredited lean practitioners and two accredited lean coaches spread throughout the regional and national teams. A further five or six people are expected to achieve Lean Coach Accreditation during 2015-16.

Implementing the lean manufacturing method over the last two years has meant enormous change for staff members, who are

now embracing lean thinking and suggesting process improvements to achieve our strategic objectives. At the same time, employees are gaining new skills to improve their own contributions and to open up career development opportunities.

MEETING OUR CUSTOMERS' NEEDS

We recorded our highest levels of customer satisfaction in 2014-15 with an average score of 8.9 out of 10 for overall satisfaction in our quarterly customer satisfaction survey. We improved in a number of categories, including customers' perception of how we manage complaints (which has been a particular focus for us), the speed of complaint resolution, and the manner in which complaints were handled.

CURRENT CHALLENGE

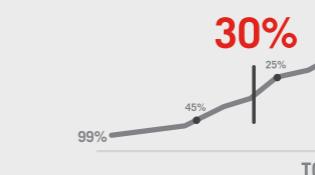
Many customers prefer to hold high inventory levels of O negative (the universal red cell blood type) to manage risk and to reduce waste. In the past three financial years we have seen a 17 per cent cumulative decline in all red cells yet no change in O negative. With our supply constrained due to only nine per cent of the population having this blood group, this will not be sustainable into the future.

MAKING THE SUPPLY CHAIN MORE EFFICIENT

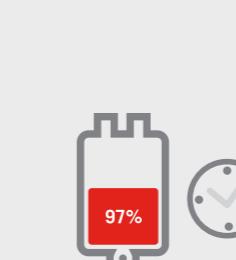
The rate of internal expiry of platelets (both apheresis and pooled platelets combined) improved from six per cent in 2013-14 to three per cent in 2014-15, resulting in around 4,600 fewer platelet units being discarded. By better aligning our supply and demand for platelets, around 12,000 donations were put to optimal use.



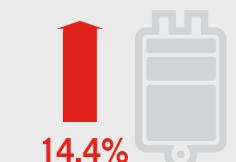
**MANUFACTURING RECEIVES THE BLOOD COLLECTED BY
DONOR SERVICES AND TRANSFORMS IT INTO FINISHED
BLOOD PRODUCTS THAT CAN BE USED BY OUR CUSTOMERS.**



Ranked in the top 30 per cent of international performance of blood services, an improvement from the top 45 per cent in 2013-14.



99%
45%
50%
TOP
1%



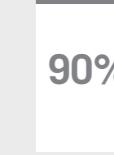
12,151 weighted processed components (blood, plasma and platelets) delivered per full-time equivalent employee, an increase of 14.4 per cent.



97 per cent of our blood products delivered in full and on time.



Our customers rated their satisfaction in our performance as 8.9 out of 10.



90 per cent of days this year we were within our inventory sufficiency bands for meeting blood supply demand.

CONTENTS

PART 1 OVERVIEW

Our vision and mission	6
Our values	7
Foreword by the Chair	8
Message from the Chief Executive	9
Why we donate: Australia's Champions	10
How your donated red cells are used	11
Thank you for my life-blood	12
Measuring our performance: KPIs	13
Changing patterns of blood collection	14

PART 2 OUR ORGANISATION

How we are governed	18
About the Blood Service Board	19
Board committees	20
The Board	21
The Executive	24
Our organisation	26
Our locations	26
From donor to patient	28

PART 3 OUR PERFORMANCE

Clinical Services and Research	32
Donor Services	34
Finance	36
Human Resources	38
Information Services	40
Manufacturing	42
Strategy and Quality	44

PART 4 OUR CORPORATE SOCIAL RESPONSIBILITY

Community	49
Employee environment	54
Safety and quality	60
Environment	62
Australian Red Cross	64

PART 5 OUR FINANCES

Finance report	68
----------------	----

STRATEGY AND QUALITY

The newly formed Strategy and Quality division supports the organisation to drive strategic performance, strengthen our operational decision making, enhance performance monitoring and support the delivery of consistently safe and fit-for-purpose products.

STRATEGIC DIRECTION

In the first year of our five-year strategic plan, we've made great progress in supporting the organisation to meet our targets. We are well on track to achieving this and, in some cases, we have almost met the five-year targets after one year. This year we put a hold on calling for new business plan initiatives to allow us to focus on completing our multi-year projects. A significant change, it gave the organisation an opportunity to concentrate on delivering our existing commitments, rather than creating new initiatives.

HUMAN MILK BANKING

In line with the strategic plan, the division has focused on finding new areas where the Blood Service can have an impact in the health sector by making the most of our scientific, medical and manufacturing experience and capabilities. This year a feasibility study explored the human milk banking sector to assess the level of demand and industry support for the creation of a centralised Human Milk Bank that will collect, manufacture and distribute donor human milk to hospitals. In response to this, seven neonatal intensive care units have submitted letters of intent, outlining their commitment to participate in, and purchase, donor human milk as part of a potential three-year Human Milk Bank pilot.

IMPROVING HOW WE MANAGE ORGANISATIONAL INCIDENTS

To ensure consistently fit-for-purpose, quality products, the division rolled out a national software solution to improve the way we manage and report organisational incidents. Five modules have replaced their paper-based processes this year, with the 'Deviations' module, in particular, gaining notable traction. The module has made it easier for employees to electronically record when they've deviated from their routine work, with a 50 per cent increase in the number of deviations being raised. From this, we can comprehensively investigate the reasons why the deviation has occurred, identify any common trends and proactively manage its resolution.



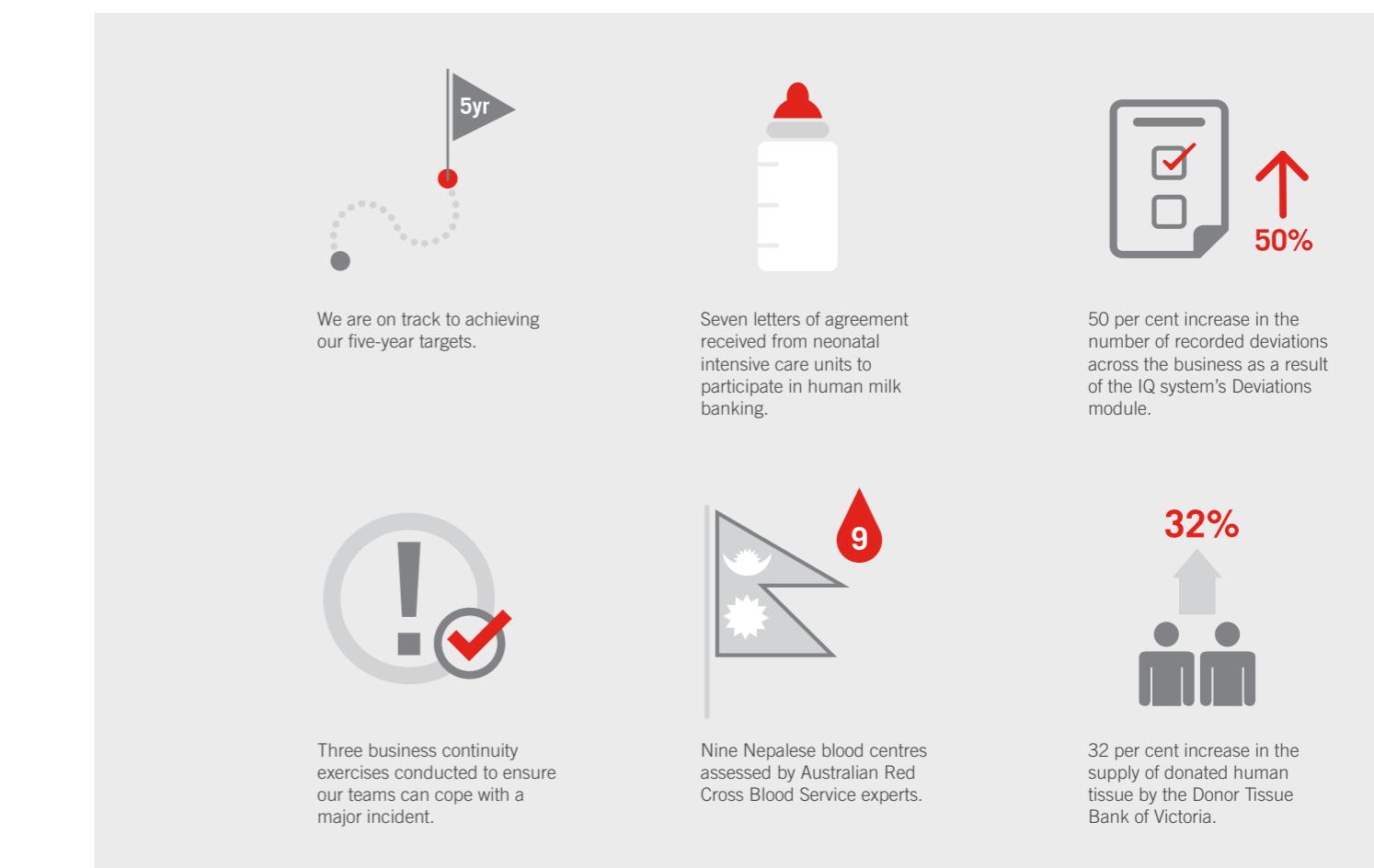
**STRATEGY AND QUALITY
PROVIDES DATA AND
STRATEGIC POLICY
ADVICE TO ASSIST US
IN MAKING OPERATIONAL
DECISIONS, AND IN
PLANNING AND MONITORING
OUR PERFORMANCE.**

ENSURING OUR BUSINESS CONTINUITY

This year, the division developed a business continuity strategy to ensure, in the event of a disruption incident like a power outage, we are able to manage and maintain the key business functions to continue to provide blood and blood-related services. We used two cross-divisional hypothetical exercises, as well as a national exercise with the National Blood Authority, to test our systems. All provided extremely useful data which will help us to further improve our systems.

PROVIDING SUPPORT TO NEPAL'S BLOOD SERVICE

Aligning with our strategic objective to assist developing countries, the division has continued to support and collaborate with our neighbours in Nepal to improve the safety, sustainability and quality of their blood supply. This year, as part of our membership of the Global Advisory Panel on Corporate Governance and Risk Management of Blood Services in Red Cross and Red Crescent Societies (GAP), an affiliated global network of Red Cross/Red Crescent blood services, we helped with the development of a blood management strategy and provided on-the-ground support following the earthquake in Nepal in April 2015.



CONTENTS

PART 1

OVERVIEW

Our vision and mission	6
Our values	7
Foreword by the Chair	8
Message from the Chief Executive	9
Why we donate: Australia's Champions	10
How your donated red cells are used	11
Thank you for my life-blood	12
Measuring our performance: KPIs	13
Changing patterns of blood collection	14

PART 2

OUR ORGANISATION

How we are governed	18
About the Blood Service Board	19
Board committees	20
The Board	21
The Executive	24
Our organisation	26
Our locations	26
From donor to patient	28

PART 3

OUR PERFORMANCE

Clinical Services and Research	32
Donor Services	34
Finance	36
Human Resources	38
Information Services	40
Manufacturing	42
Strategy and Quality	44

PART 4

OUR CORPORATE SOCIAL RESPONSIBILITY

Community	49
Employee environment	54
Safety and quality	60
Environment	62
Australian Red Cross	64

PART 5

OUR FINANCES

Finance report	68
----------------	----



PART 4

OUR CORPORATE SOCIAL RESPONSIBILITY

In this section we detail how we have integrated corporate social responsibility into our day-to-day operations and interactions with our stakeholders and the community. This year we continued our work in contributing to local and global communities, creating a positive workplace, moving towards reducing our environmental impact, and ensuring our products are of the highest quality and safe for use by the community.



CONTENTS

PART 1

OVERVIEW

Our vision and mission	6
Our values	7
Foreword by the Chair	8
Message from the Chief Executive	9
Why we donate: Australia's Champions	10
How your donated red cells are used	11
Thank you for my life-blood	12
Measuring our performance: KPIs	13
Changing patterns of blood collection	14

PART 2

OUR ORGANISATION

How we are governed	18
About the Blood Service Board	19
Board committees	20
The Board	21
The Executive	24
Our organisation	26
Our locations	26
From donor to patient	28

PART 3

OUR PERFORMANCE

Clinical Services and Research	32
Donor Services	34
Finance	36
Human Resources	38
Information Services	40
Manufacturing	42
Strategy and Quality	44

PART 4

OUR CORPORATE SOCIAL RESPONSIBILITY

Community	49
Employee environment	54
Safety and quality	60
Environment	62
Australian Red Cross	64

PART 5

OUR FINANCES

Finance report	68
----------------	----



WE WORK WITH AND SUPPORT COMMUNITIES AT A LOCAL, NATIONAL AND GLOBAL LEVEL, FROM OUR VALUED DONORS TO MEDICAL PRACTITIONERS, THE BROADER BLOOD SECTOR, LOCAL AUSTRALIAN COMMUNITIES AND STAKEHOLDERS.

COMMUNITY

We work with and support communities at a local, national and global level. From our valued donors to medical practitioners, the broader blood sector, local Australian communities and international neighbours, we recognise it is important to have a positive relationship with communities and stakeholders to build a safe and more efficient blood sector and a healthier, sustainable society.

CONTRIBUTING TO EMERGING ISSUES IN THE BLOOD SECTOR

The Blood Service hosts the Strategic Blood Forum on an annual basis. The forum allows us to engage stakeholders and public policy makers in open discussions on emerging strategic issues in the blood sector.

This year the Strategic Blood Forum was held in Sydney on 26 November 2014. Participants included government stakeholders from the Commonwealth, as well as states and territories, clinicians in both the public and private sector, and representatives from the colleges of various medical specialties.

The forum discussed current topics of importance across the blood sector, including:

Transfusion support for trauma patients

While it is appropriate to provide O negative red cells in an emergency setting when the patient's blood group is not available, where the patient's group is known, the red cells transfused should be group specific.

Regenerative medicine

There is a need for a strict regulatory environment surrounding the use of new technology and the production of new therapies.

Responding to emerging infectious diseases

Emerging pathogens are expected to remain a challenge due to several factors, including expansion across countries, human population movements and travel, pathogen mutation, and climate and environmental change.

Immunoglobulin governance

There was overall support for a governance framework that will facilitate consistency of practice and usage of immunoglobulin in a cost effective manner.

The Blood Service's clinical research update

The audience showed significant interest in the Blood Service's research on deep frozen red cells, plasma and platelets and, in particular, the potential use of these products in remote and regional settings.

COLLABORATING TO IMPROVE SAFETY

The Blood Service collaborates with the Kirby Institute in New South Wales to produce an annual surveillance report on transfusion-transmissible infections (TTIs) in Australia. In 2014, the fourth edition of this report was delivered. It summarises donation testing data and the incidence of trends for TTIs among Australian blood donors. It also includes data on malaria testing, surveillance activity for emerging infections and bacterial testing for platelets.

Through our collaborative efforts with the Kirby Institute, the report has provided evidence to inform the ongoing assessment of testing algorithms for detecting TTIs as well as evaluation and revision of donor selection guidelines. The overall aim is to minimise the risk of TTIs and thus maximise the safety of the Australian blood supply.



CONTENTS

PART 1

OVERVIEW

Our vision and mission	6
Our values	7
Foreword by the Chair	8
Message from the Chief Executive	9
Why we donate: Australia's Champions	10
How your donated red cells are used	11
Thank you for my life-blood	12
Measuring our performance: KPIs	13
Changing patterns of blood collection	14

PART 2

OUR ORGANISATION

How we are governed	18
About the Blood Service Board	19
Board committees	20
The Board	21
The Executive	24
Our organisation	26
Our locations	26
From donor to patient	28

PART 3

OUR PERFORMANCE

Clinical Services and Research	32
Donor Services	34
Finance	36
Human Resources	38
Information Services	40
Manufacturing	42
Strategy and Quality	44

PART 4

OUR CORPORATE SOCIAL RESPONSIBILITY

Community	49
Employee environment	54
Safety and quality	60
Environment	62
Australian Red Cross	64

PART 5

OUR FINANCES

Finance report	68
----------------	----

COMMUNITY

SHARING OUR KNOWLEDGE

One of the important ways we contribute to advancing knowledge in medical and scientific communities is through clinical education. This year we continued to work with, and educate, health professionals through our clinical education site: transfusion.com.au. This website provides up-to-date information on all aspects of transfusion for doctors, nurses and scientists. It is also useful for school students and those with an interest in knowledge about blood generally.

Our website is a repository that holds a large amount of research and a number of learning tools, including a library of printable materials about blood components. It is a respected education gateway that hosts live webinars and e-learning workshops for both early and advanced careers in areas such as haematology, blood basics and transplantation. Certificates are available for proof of continuous professional development.

Apps are available for early career health professionals, as well as the award-winning High Ferritin app that helps doctors refer patients for therapeutic venesection and donation. The most exciting release in 2015 was the Blood Typing Game, used by science and medical students to learn about ABO blood groups.

Other major projects include the Red Cell Prescriber app and Learning Posts. The Red Cell Prescriber helps junior doctors calculate how much blood to prescribe a patient, and is already being used extensively by some teaching hospitals. Through these initiatives we continue to make a significant contribution to a more efficient blood sector and to advance transfusion knowledge through collaboration.

PARTICIPATING IN INTERNATIONAL NETWORKS

The Blood Service is a member of a number of international blood networks which facilitate the sharing of knowledge and improving practices around the world. One is the Alliance of Blood Operators (ABO) comprising around 90 blood operators located in America, Canada, the United Kingdom and Europe. We are also a member of the Asia Pacific Blood Network (APBN) covering 10 blood operators in the Asia Pacific region.

The ABO and APBN networks facilitate information exchange, horizon scanning, benchmarking and the identification of best practice between members, with the view to enabling all member blood services, including our own Blood Service, to improve local operations. The international awareness gained through the Blood Service's engagement with ABO and APBN also enables our support – both locally and globally – of blood sector policy and strategic development, performance improvement and knowledge management.

One of the ABO's recent achievements is the development of a unique framework to assist all blood service operators worldwide in streamlining the risk-based, decision-making process within the blood sector. Our International Services team provides an important link between the Blood Service and other blood operators through provision of the secretariat function for these networks.

The Blood Service is also a member of the Global Advisory Panel on Corporate Governance and Risk Management of Blood Services in Red Cross and Red Crescent Societies (GAP). This panel advocates and supports the establishment of safe and sustainable blood systems, promotes the adoption of best practice, and facilitates resource mobilisation and knowledge transfer between blood services.

SUPPORTING SERVICES IN THE ASIA PACIFIC REGION

Through our International Humanitarian Blood Program, and together with Australian Red Cross, we provide technical and policy support to blood services in the Asia Pacific region and beyond. We work to help countries develop a safe and reliable blood supply with planning support, community education programs and training.

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HUMANITARIAN ACTIVITIES IN NEPAL

On 25 April 2015, a massive earthquake of 7.8 magnitude struck Nepal followed by numerous aftershocks. The quakes killed more than 8,800 people, injured thousands more and left many homeless.

The Central Blood Transfusion Service headquarters based in Kathmandu sustained extensive damage, forcing the blood service staff to operate from tents which were set up in a nearby police compound. A number of district and regional blood centres were also heavily damaged or destroyed.

The Blood Service is a member of GAP (Global Advisory Panel on Corporate Governance and Risk Management of Blood Services in Red Cross and Red Crescent Societies) which has a specific role in providing coordination support for the post-disaster recovery of affected blood programs.

GAP and the Blood Service have a long association with the Nepal Red Cross Blood Service, including the provision of technical support and training for its staff. The GAP assessment team (comprising experts provided by the Australian Red Cross Blood Service) assessed the facilities affected by the earthquake, and this is informing the plan for the recovery and rebuilding of the blood program in Nepal.

Already a number of key partners have committed funding to assist with specific recovery activities and, together with the coordination of GAP and blood experts from around the world, we look forward to assisting the recovery and strengthening of the Nepal Red Cross Blood Service.



CONTENTS

PART 1

OVERVIEW

Our vision and mission	6
Our values	7
Foreword by the Chair	8
Message from the Chief Executive	9
Why we donate: Australia's Champions	10
How your donated red cells are used	11
Thank you for my life-blood	12
Measuring our performance: KPIs	13
Changing patterns of blood collection	14

PART 2

OUR ORGANISATION

How we are governed	18
About the Blood Service Board	19
Board committees	20
The Board	21
The Executive	24
Our organisation	26
Our locations	26
From donor to patient	28

PART 3

OUR PERFORMANCE

Clinical Services and Research	32
Donor Services	34
Finance	36
Human Resources	38
Information Services	40
Manufacturing	42
Strategy and Quality	44

PART 4

OUR CORPORATE SOCIAL RESPONSIBILITY

Community	49
Employee environment	54
Safety and quality	60
Environment	62
Australian Red Cross	64

PART 5

OUR FINANCES

Finance report	68
----------------	----



**RHIANNON MCBEAN,
THE FIRST PhD STUDENT
TO COMPLETE HER STUDIES
AT THE BLOOD SERVICE UNDER
THE CURRENT PROGRAM.**

SUPPORTING THE NEXT GENERATION OF MEDICAL RESEARCHERS

The Blood Service is committed to sharing our knowledge and expertise to help build skills and expertise in the medical and scientific community. One way we do this is via a program where we train honours, masters and PhD students in blood research.

Earlier this year a Blood Service research team identified a new rare blood group, which has now been officially recognised by the International Society for Blood Transfusion. One of the key people who brought this to fruition was Rhiannon McBean, a doctoral candidate in medicine in our Research and Development division, who came to us as an undergraduate student at the University of Sydney. This year Rhiannon finished her PhD, but not before she helped to identify and characterise two brand new red cell antigens which helped lead to the discovery.

The Blood Service provides talented young researchers with outstanding research training and the opportunity to learn from our senior people. While the brightest and best emerging researchers are able to work with leading practitioners in their field, we also benefit from their contributions and, in turn, help to provide the health workforce with highly skilled medical and scientific researchers.

COMMUNITY

ENGAGING WITH DONOR COMMUNITIES

We place enormous value on the efforts and commitment of our volunteer donor community of more than half a million people across Australia. We listen to our donors and work to give them the best experience possible. This year donor satisfaction continued to improve with the implementation of strategies to enhance the overall donor experience. The donor satisfaction average rating for 2014-15 was 91.2 per cent against a target of 90 per cent, with a year high of 92.4 per cent in November 2014. This represented an overall increase of 1.6 percentage points from the previous year.

A key driver of improved satisfaction has been a focus on reducing wait times in donor centres across the country. During 2014-15, the donor wait time fell from 30.8 minutes to 28.4 minutes.

SUPPORTING OTHER ORGANISATIONS WITH THEIR COMMUNITY EFFORTS

This year in February we launched Red25, the Blood Service's unique giving program which rallies groups and organisations around the country to achieve 25 per cent of all blood donations. While we're confident that 100 per cent of required donations can be met by the community, knowing that a quarter of all our donations will come from our close relationship with organisations helps ensure a strong, sustainable foundation for Australia's blood supply.

Organisations from all sectors of the community, from local footy teams to multinational corporations, have an important role to play. In 2014-15 we worked with over 5,000 organisations, community groups and schools to build their Red25 involvement and work towards the goal of raising 25 per cent of all blood donations.

This year Red25 members made 228,682 blood donations. This accounted for a total of 17.9 per cent of all blood donations, and represented an increase of 47 per cent on collections last year.

THE BLOOD SERVICE'S RED25 GROUP

The Blood Service has its own Red25 group of over 800 members. Between January and June 2015 over 170 of our employees donated on behalf of the group, representing 4.8 per cent of our total employee base. We're aiming to raise this to six per cent by the end of the next financial year.

INVESTING WITH RESPONSIBILITY

One of the ways we work to improve the levels of social and ethical responsibility across the community is to follow ethical practices in our investments. This year we adopted a new investment policy which will ensure the Blood Service makes investments using a screening approach that is in accordance with the Australian

Red Cross Ethical Screening and Investment Policy. This policy seeks to ensure that the investment of funds is consistent with the fundamental principles of Australian Red Cross.

As such, no investment should knowingly be made in companies that engage in activities or services which could be directly viewed as considerably compromising these principles. This includes prohibiting investments in organisations such as those involved in the manufacture and sale of arms, or whose operations run counter to either international humanitarian law principles or international standards of human rights and the protection of health.

MENTORING UP-AND-COMERS

We are serious about playing our part in helping to build the knowledge and expertise of medical and scientific communities here and around the world.

A number of research leaders at the Blood Service mentor medical and scientific research students at Australian universities. Our experts provide mentoring to students from the University of Technology in Sydney, and the University of Queensland and Queensland University of Technology in Brisbane. The students range from those undertaking summer courses, undergraduate degrees, masters and doctorates.

Our mentors support the formal academic training of students by providing a professional link to the blood sector. Through membership of formal mentoring programs developed by some of the tertiary education institutions, mentors also provide academic researchers with guidance on the development of potential new products and how best to take their research from an idea to proof of concept.



CONTENTS

PART 1

OVERVIEW

Our vision and mission	6
Our values	7
Foreword by the Chair	8
Message from the Chief Executive	9
Why we donate: Australia's Champions	10
How your donated red cells are used	11
Thank you for my life-blood	12
Measuring our performance: KPIs	13
Changing patterns of blood collection	14

PART 2

OUR ORGANISATION

How we are governed	18
About the Blood Service Board	19
Board committees	20
The Board	21
The Executive	24
Our organisation	26
Our locations	26
From donor to patient	28

PART 3

OUR PERFORMANCE

Clinical Services and Research	32
Donor Services	34
Finance	36
Human Resources	38
Information Services	40
Manufacturing	42
Strategy and Quality	44

PART 4

OUR CORPORATE SOCIAL RESPONSIBILITY

Community	49
Employee environment	54
Safety and quality	60
Environment	62
Australian Red Cross	64

PART 5

OUR FINANCES

Finance report	68
----------------	----

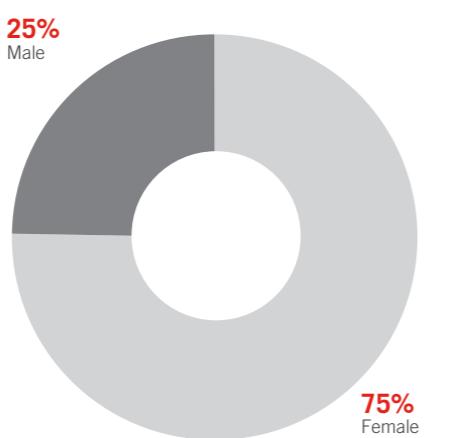
EMPLOYEE ENVIRONMENT

We seek to create a positive working environment for our staff by enhancing employee engagement, developing a diverse workplace, increasing staff morale and improving the general health and wellbeing of our employees.

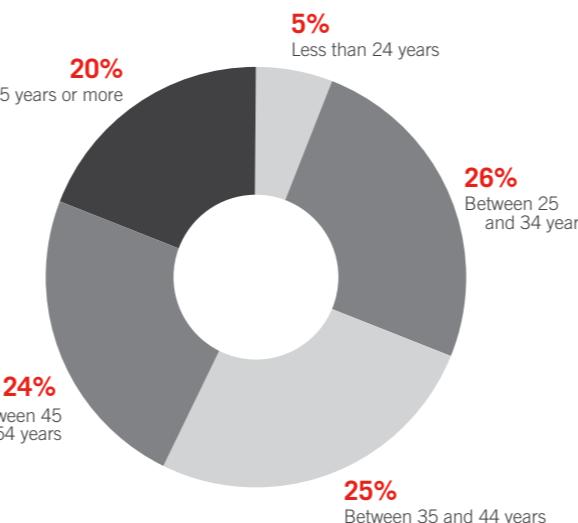
WORKFORCE PROFILE

At the end of the financial year, there were 3,556 people working at the Blood Service. Women remain a majority in our organisation, making up 75 per cent of the workforce. They are also among our leaders, with women occupying 59 per cent of the management roles and 62.5 per cent of the executive roles.

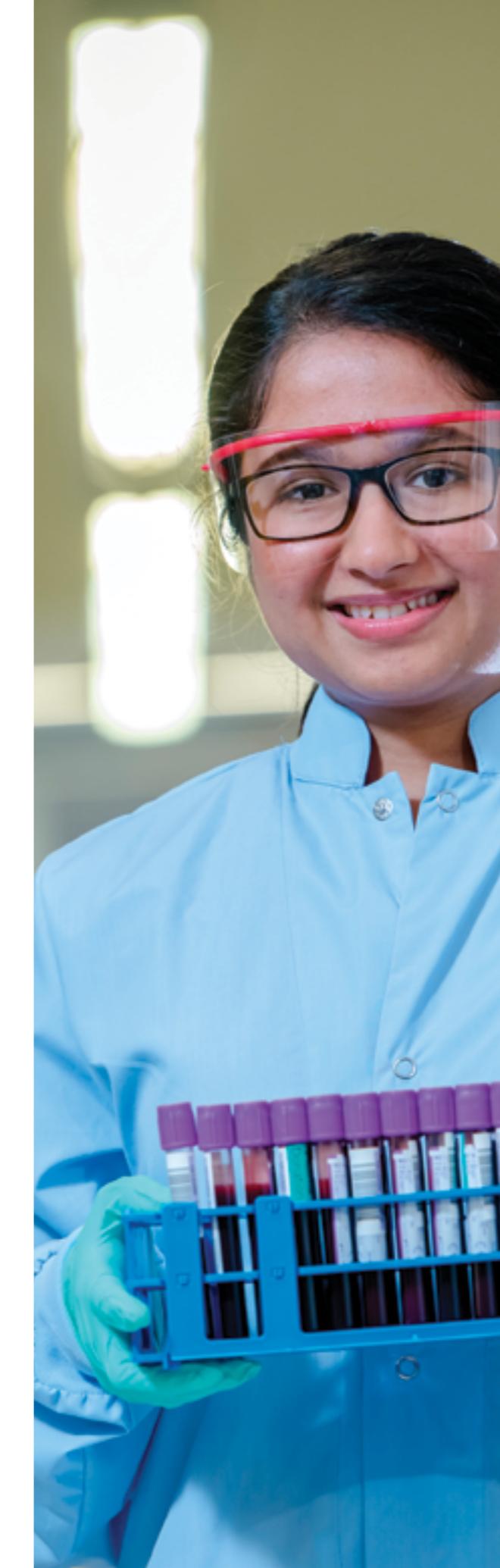
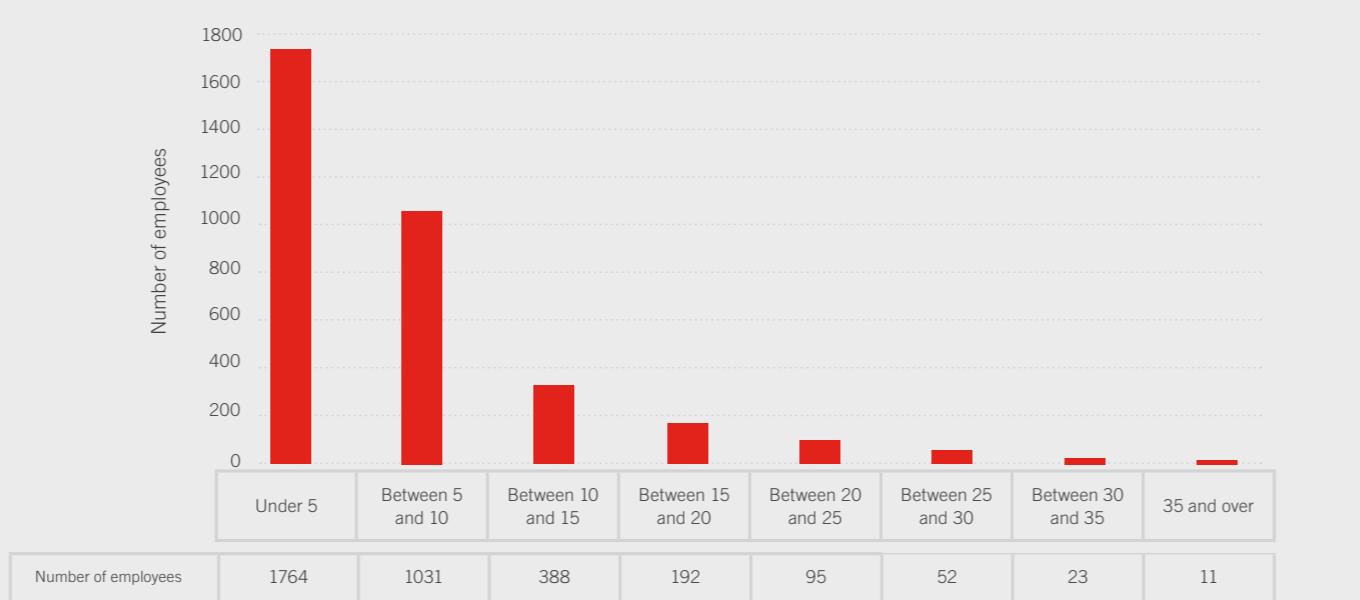
EMPLOYEES BY GENDER



EMPLOYEES BY AGE



EMPLOYEE YEARS OF SERVICE



OUR CODE OF CONDUCT

The way we behave in our workplace and towards each other is guided by the Blood Service Code of Conduct Policy. The policy sets out a number of fundamental standards to inform and educate employees, contractors and volunteers about our expectations of their behaviour. It supports our values by emphasising the principles of responsible governance and is designed to help employees understand their responsibilities and obligations.

HOW WE ENGAGE WITH OUR PEOPLE

Our annual Employee Engagement Survey (EES) provides an opportunity for our people to have their say and to let managers, senior leaders and the Executive team know what it's like to work at the Blood Service. The EES captures important feedback that shapes our strategic plan and future objectives to ensure the Blood Service remains a dynamic and enjoyable place to work.

We have a high participation rate, 78.1 per cent this year, and the results outperformed all three of the targets we set in 2014:

Employee Engagement Index (EEI)

The motivation to achieve. We reached 68 per cent this year.

Performance Enablement Index (PEI)

The ability to succeed. We reached 75 per cent this year.

Leadership

From the Executive to the front line. We reached 63 per cent this year.

OUR ANNUAL EMPLOYEE ENGAGEMENT SURVEY PROVIDES AN OPPORTUNITY FOR OUR PEOPLE TO HAVE THEIR SAY.



CONTENTS

PART 1

OVERVIEW

Our vision and mission	6
Our values	7
Foreword by the Chair	8
Message from the Chief Executive	9
Why we donate: Australia's Champions	10
How your donated red cells are used	11
Thank you for my life-blood	12
Measuring our performance: KPIs	13
Changing patterns of blood collection	14

PART 2

OUR ORGANISATION

How we are governed	18
About the Blood Service Board	19
Board committees	20
The Board	21
The Executive	24
Our organisation	26
Our locations	26
From donor to patient	28

PART 3

OUR PERFORMANCE

Clinical Services and Research	32
Donor Services	34
Finance	36
Human Resources	38
Information Services	40
Manufacturing	42
Strategy and Quality	44

PART 4

OUR CORPORATE SOCIAL RESPONSIBILITY

Community	49
Employee environment	54
Safety and quality	60
Environment	62
Australian Red Cross	64

PART 5

OUR FINANCES

Finance report	68
----------------	----

EMPLOYEE ENVIRONMENT

EMPLOYEE WELLNESS

This year the Blood Service offered employees a range of wellness and wellbeing programs through our Diversity and Wellness calendar to promote changes in health behaviour under the 'Be well @ Work' slogan. In February 2015, 15 per cent of our workforce participated in an online health survey to establish a national baseline of employee health. Our annual 10,000 steps challenge was offered again in November 2014 with 628 employees participating. Other wellness activities included a four-week nutrition challenge as part of Diabetes Awareness Week in July 2014 and National Safety Week in October 2014 with a focus on housekeeping to reduce workplace hazards.

BEING A MINDFUL EMPLOYER

As an organisation, we play a vital role in creating a safe and healthy workplace for our people, including support for those experiencing a mental health issue and those who may need support.

We piloted the Mindful Employer Program facilitated by SANE Australia for the Victoria and Tasmania regions in March 2015 and, due to the success, rolled out an additional nine workshops. The program aimed to provide participants with appropriate information on mental illness, the knowledge to recognise early warning signs and the skills for early intervention.

HEALTH AND SAFETY

We are committed to providing a workplace that is physically safe and supports the wellbeing of our staff. In 2014-15 our efforts saw fewer employees incurring an injury serious enough to prevent them from coming to work. There were 45 lost-time events resulting in a worker's compensation claim. Our time lost to workplace injury decreased by 30.8 per cent (2,327 hours) in 2014-15. As a percentage, this injury absence equates to 0.14 per cent.

We are at the forefront of quality and safety management systems and this year we introduced a new module to our Incident and Quality (IQ) Management System that has improved our health and safety performance. The new IQ Incidents module provides the benefits of improved timeliness and quality of incident reporting which means that we can identify and correct hazards prior to an injury occurring. Following the move from paper-based to electronic incident reporting there has been a 30 per cent increase in the number of incidents reported, providing more visibility of injury causation and incident outcomes and more timely and consistent hazard control actions. We now use the same platform for staff incidents, donor adverse incidents, product defects and other quality-related applications, so access for our employees is both standardised and simplified.

OUR PARTNERSHIPS

To build our employee knowledge and diversity, we have established a number of memberships and key partnerships with external organisations. The Blood Service is a member of the Diversity Council Australia which is Australia's only independent, not-for-profit workplace diversity advisor to business. As a member, we have access to a knowledge bank of research, practice and expertise and diversity events. We have also partnered with the National Disability Recruitment Coordinator, an Australian Government support service for employers to build disability knowledge and confidence, and to help businesses break down barriers to employment for people with disability. With gender being one of our diversity streams, the Blood Service is also a member of the Victorian Information Communication Technology for Women Network, which is an inclusive networking forum for entry, retention and progression of urban and regional women in the information technology industry.

We also continued our corporate private health partnership with Bupa which gave our employees the option of receiving a corporate rate discount on private health insurance.

RECOGNISING OUR EMPLOYEES' ACHIEVEMENTS

Retaining and attracting the best staff is a strategic objective for the Blood Service, and recognising their achievements is an important part of this. We have 10, 20 and 30-year Length of Service Awards to applaud our employees and their milestone achievements as part of our Employee Awards Program. Divisional recognition of employees has also been formalised and winners are acknowledged nationally via our intranet.

EXTERNAL RECOGNITION

This year we improved our rank in the Australian Workplace Equality Index from number 20 in 2014 to number 13 in 2015. We were also named the highest ranking not-for-profit employer for the second year in a row, which is something we're really proud of. These awards are an incredible acknowledgement of the progress the Blood Service has made in supporting our diversity program, and are a testament to our continued commitment to creating an inclusive workplace.



**AS AN ORGANISATION,
WE BELIEVE WE HAVE
AN OPPORTUNITY TO
PLAY A VITAL ROLE IN
CREATING A SAFE AND
HEALTHY WORKPLACE.**



CONTENTS

PART 1

OVERVIEW

Our vision and mission	6
Our values	7
Foreword by the Chair	8
Message from the Chief Executive	9
Why we donate: Australia's Champions	10
How your donated red cells are used	11
Thank you for my life-blood	12
Measuring our performance: KPIs	13
Changing patterns of blood collection	14

PART 2

OUR ORGANISATION

How we are governed	18
About the Blood Service Board	19
Board committees	20
The Board	21
The Executive	24
Our organisation	26
Our locations	26
From donor to patient	28

PART 3

OUR PERFORMANCE

Clinical Services and Research	32
Donor Services	34
Finance	36
Human Resources	38
Information Services	40
Manufacturing	42
Strategy and Quality	44

PART 4

OUR CORPORATE SOCIAL RESPONSIBILITY

Community	49
Employee environment	54
Safety and quality	60
Environment	62
Australian Red Cross	64

PART 5

OUR FINANCES

Finance report	68
----------------	----

EMPLOYEE ENVIRONMENT

DIVERSITY STRATEGY

This year we launched our Diversity Strategy 2014-19, which directly supports our strategic plan, *At the leading edge*. The Blood Service has a strong foundation in relation to diversity. Female representation at leadership levels is above the Australian norm and 75 per cent of our workforce is female. The Blood Service offers a high degree of flexibility in comparison to other industries and we have a culturally diverse workforce that is reflective of the Australian population.

Our diversity vision is to create a high-performance workplace culture that values individual differences, attracts and retains the best employees and delivers a supportive system of work for all staff.

The strategy has three main components which include:

- Attracting and retaining a high calibre, diverse workforce in order to meet our strategic and operational objectives
- Building an inclusive workplace culture where diversity is recognised, respected and celebrated, and
- Developing adaptable and accessible work practices that meet business needs and support employees to balance their work and life commitments.

Our annual Diversity Action Plan supports and complements the Diversity Strategy and outlines our actions in relation to the six identified diversity areas:

- cultural and linguistic diversity
- work-life fit
- disability and mental health
- generational
- gender, and
- lesbian, gay, bisexual, transgender and intersex (LGBTI)

An Executive sponsor was assigned to each of the diversity areas and is responsible for playing an active role in championing and driving our diversity initiatives.

BUILDING DIVERSITY IN OUR WORKPLACE AND BEYOND

This year we've implemented a number of initiatives:

- We provided a range of in-house and externally facilitated training to build our capabilities in managing a more diverse workforce and to raise awareness of the organisation's commitment to diversity
- We updated our Service and Supply Deeds to ensure the suppliers we work with fulfil their own obligations as an employer and service provider and don't discriminate on the basis of age, gender, sexual orientation, ethnicity, religious belief, family status or disability, or any other attribute protected by legislation, and
- Our Chief Executive, Jennifer Williams, participated in a number of speaking engagements over the year where she also shared our knowledge and learnings on diversity. These have included a breakfast series with La Trobe University's alumni and the Australasian College of Health Service Management breakfast forum.

THIS YEAR WE SAW AN OPPORTUNITY TO MAKE A DIFFERENCE IN OUR COMMUNITY BY LINKING WITH CATERING PROVIDERS THAT PROVIDE SOCIAL ENTERPRISE SERVICES.

SUPPORTING LGBTI EMPLOYEES IN THE WORKPLACE

One of the highlights of our Diversity Action Plan this year was the achievements made in the area of LGBTI inclusion.

- We continued our partnership with Pride in Diversity (PID) to help us ensure LGBTI employees are adequately supported in the workplace. Our employee network, Gay, Lesbian and Other Workmates (GLOW), has grown to more than 160 members nationally and we have improved the delivery of training and communication to support LGBTI inclusion
- Our GLOW network produced an online video for the international 'It Gets Better' campaign which was aimed at supporting young people based on their sexual orientation, and
- We worked with PID to develop an e-learning module on LGBTI inclusion in 2015. The module was funded by the Blood Service and the content was based on PID's current training programs and publications. In addition to being used internally, the module has been made available to PID members.

This work is a great example of collaboration and will significantly contribute to broadening our training reach. We are proud that our employees are advocates for diversity and share this know-how with the wider community.



CATERING FOR DIVERSITY

This year we saw an opportunity to make a difference in our community by linking with catering providers that provide social enterprise services.

We undertook an analysis of commonly used catering providers at our national office and Melbourne Processing Centre. Three additional Melbourne-based caterers with a social enterprise focus were identified and engaged: UCAN Café and Catering, HEAT Catering and Asylum Seeker Resource Centre Catering.

Social enterprise businesses have a focus on creating social impact or supporting community causes, rather than maximising benefits for shareholders or owners. UCAN Café provides employment for young people with disability. HEAT Catering supports the St Kilda Youth Service by reinvesting profits into services for disadvantaged or homeless young people, while Asylum Seeker Resource Centre Catering provides employment for asylum seekers who have the right to work.

We are encouraging our regions to review their own catering options and also identify opportunities to partner with local social enterprise services.

CONTENTS

PART 1

OVERVIEW

Our vision and mission	6
Our values	7
Foreword by the Chair	8
Message from the Chief Executive	9
Why we donate: Australia's Champions	10
How your donated red cells are used	11
Thank you for my life-blood	12
Measuring our performance: KPIs	13
Changing patterns of blood collection	14

PART 2

OUR ORGANISATION

How we are governed	18
About the Blood Service Board	19
Board committees	20
The Board	21
The Executive	24
Our organisation	26
Our locations	26
From donor to patient	28

PART 3

OUR PERFORMANCE

Clinical Services and Research	32
Donor Services	34
Finance	36
Human Resources	38
Information Services	40
Manufacturing	42
Strategy and Quality	44

PART 4

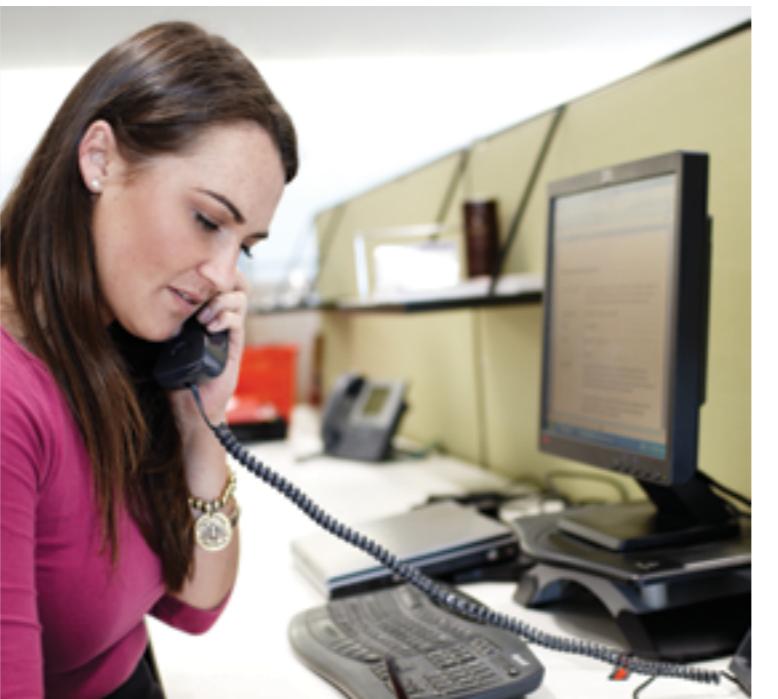
OUR CORPORATE SOCIAL RESPONSIBILITY

Community	49
Employee environment	54
Safety and quality	60
Environment	62
Australian Red Cross	64

PART 5

OUR FINANCES

Finance report	68
----------------	----



HEPATITIS A AND FROZEN BERRIES

Responding to public health risks is part of our work in ensuring that the Australian community has access to one of the safest blood supplies in the world. In 2015 routine follow-up of people who were diagnosed with hepatitis A showed they had consumed the same brand of frozen mixed berries. On 14 February the Victorian Department of Health issued a recall for imported Nanna's frozen mixed berries contaminated with hepatitis A. Our fact-finding exercise determined that 20,000 bags of the potentially implicated berries were distributed across Australia each week.

There was considerable concern in the community about the risks associated with possibly contaminated berries. We had a 53 per cent increase in calls to our National Contact Centre, a significant rise in the number of recalls, a 217 per cent increase in calls to the Donor Enquiry Line and 1,372 donors who had berry-related deferrals applied over the first three days.

Working with the Therapeutic Goods Administration, we established that while no additional controls were required for plasma for fractionation, there was a need to maintain the deferral for blood components and to complete a risk assessment.

We recalled all at-risk blood components given by donors who had consumed the potentially contaminated product from 1 November 2014 and initially instituted a two-month deferral for donors from the date of consumption, as per our entry for hepatitis A in the Blood Service 'Guidelines for the Selection of Blood Donors'. Following assessment, we concluded that donors who had consumed the berries did not pose a significant risk to the blood supply and the deferral was removed on 20 February.

Providing accurate information to the community, as well as sharing information and expertise with the wider blood sector, became an important part of our role during the outbreak. Despite these factors, there was no impact on our ability to meet the demand for blood products during this period.

SAFETY AND QUALITY OF OUR PRODUCTS AND SERVICES

We are committed to maximising the quality and safety of our products and services so that health professionals and the Australian community can be confident that they improve the lives of patients. We are proud that our blood products are considered among the safest in the world.

REGULATORY COMPLIANCE

The safety and quality of our products and processes at the Blood Service is maintained through compliance with individual state and Therapeutic Goods Administration (TGA) regulations and standards. We meet TGA regulatory obligations through the submission of a Technical Master File (TMF) as defined by the Therapeutic Goods (Manufacturing Principles) Determination No. 1 of 2013, as well as through the establishment and maintenance of manufacturing licences granted by the TGA and the maintenance of a quality system.

Our quality system is based on the code of good manufacturing practice (cGMP), relevant standards and requirements for quality, competencies particular to medical laboratories and regulatory requirements relevant to medical devices (including the National Association of Testing Authorities and the Royal College of Pathologists of Australasia). It ensures that, wherever possible, products and services meet or exceed the best practice standards for quality, efficacy and safety.

PRODUCT SAFETY PRACTICES

Everything we do is governed by safety and quality. We work to meet prescribed standards, deliver safe and sufficient products for patients and provide safe work practices. Through these means, we are able to prioritise – and demonstrate responsibility for – the safety of our donors and staff. We identify, report and take action on anything that may put at risk our donors or colleagues or patients using our blood products.

There are multiple checks through the life-cycle of blood components we manufacture to ensure their safety. These occur at various stages of the donation process. The Blood Service has guidelines for the selection of blood donors and all donors complete a confidential questionnaire prior to each donation to ensure they meet guidelines. The donation volume and duration are recorded and used to determine the next manufacturing step for that donation.

All donations are tested for the following markers of transfusion-transmissible infectious diseases:

- Hepatitis B virus (HBV) DNA
- Hepatitis B surface antigen (HBsAg)
- Human Immunodeficiency virus-1 (HIV-1) RNA
- HIV-1 and HIV-2 antigen and antibody
- Hepatitis C virus (HCV) RNA
- HCV antibody
- Human T-cell lymphotropic virus-I/II (HTLV-I/II) antibody
- Syphilis treponemal antibody
- Selected components (approximately 25 per cent) are tested for antibodies to cytomegalovirus (CMV). The number is determined by inventory requirements for supply of CMV negative components
- Based on donors' responses to the donor questionnaire, certain donations are also tested for malaria, hepatitis B core and surface antibodies, and
- All platelets manufactured are screened for bacterial contamination.

Other quality and safety measures include:

- All donations undergo ABO and Rh D blood grouping and are screened for the presence of red cell antibodies
- Universal leucodepletion of red cell and platelet components
- Manufactured blood components are selected according to a sampling plan for quality control testing against the components' specifications
- All equipment used during manufacturing and testing of blood components undergo scheduled maintenance programs to ensure their optimal operation
- All components are handled and stored in accordance with component specific handling and storage requirements, and
- Processing facilities are fitted with environmental monitoring and controlling systems.

EVERYTHING WE DO IS GOVERNED BY SAFETY AND QUALITY.

ENSURING OUR SUPPLIERS MEET OUR QUALITY AND SAFETY STANDARDS

The Blood Service adheres to strict guidelines and ethical practices when it comes to the safety and quality of our processes and products. The same applies when we are selecting our suppliers.

In accordance with our Vendor Quality Assurance Policy, when introducing new products and services to the Blood Service, we assess suppliers using a risk-based system to ensure they are able to reliably deliver goods or services that meet our quality requirements. This includes software and critical IT infrastructure, critical materials and consumables, equipment and external services. This process is applied to manufacturers, distributors and subcontractors.

The Blood Service Workplace Health and Safety team provides expert resources and advice during the planning stages of tenders as well as participating as subject matter experts in tender evaluation teams to ensure our workplace health and safety requirements are assessed appropriately during supplier selection.

We manage key suppliers' performance against our expectations around supply chain and manufacturing processes, quality/vendor assurance and workplace health and safety through regular meetings.



CONTENTS

PART 1

OVERVIEW

Our vision and mission	6
Our values	7
Foreword by the Chair	8
Message from the Chief Executive	9
Why we donate: Australia's Champions	10
How your donated red cells are used	11
Thank you for my life-blood	12
Measuring our performance: KPIs	13
Changing patterns of blood collection	14

PART 2

OUR ORGANISATION

How we are governed	18
About the Blood Service Board	19
Board committees	20
The Board	21
The Executive	24
Our organisation	26
Our locations	26
From donor to patient	28

PART 3

OUR PERFORMANCE

Clinical Services and Research	32
Donor Services	34
Finance	36
Human Resources	38
Information Services	40
Manufacturing	42
Strategy and Quality	44

PART 4

OUR CORPORATE SOCIAL RESPONSIBILITY

Community	49
Employee environment	54
Safety and quality	60
Environment	62
Australian Red Cross	64

PART 5

OUR FINANCES

Finance report	68
----------------	----



WE WORKED WITH ONE OF OUR SUPPLIERS TO REDUCE THE AMOUNT OF WASTE PACKAGING THAT GOES TO LANDFILL AND TO RECYCLE MORE PACKAGING MATERIALS.

PACKAGING SOLUTIONS TO REDUCE WASTE

Transporting reagents used to test donations manufactured into blood products requires special packaging. We implemented a project with one of our suppliers (Grifols) to look at how to reduce the amount of waste packaging that goes to landfill and to increase the amount of packaging waste that is recycled.

The two-year program commenced in 2012 with the objective of reviewing packaging methods and materials. We looked at ways to minimise the material used when transporting nucleic acid testing (NAT) reagents from overseas, which included a large quantity of foam and dry ice. Grifols responded to our and other users' feedback and together we have now identified some materials that can be recycled.

Factors such as transport temperature requirements were taken into consideration and the revised packing and transportation process had to be validated. The funding required was made available by the manufacturer and the reduction in packaging material is another step towards improving our environmental performance.

ENVIRONMENT

We strive to embed environmental awareness into our workplaces and work practices, while at the same time meeting the safety requirements and regulatory frameworks in which we operate. This includes identifying opportunities to minimise the consumption of materials and resources, changing the way we work and working with our suppliers to improve their environmental performance.

MANAGING OUR WASTE

We manage our waste responsibly within the regulatory frameworks that guide our operations and inform the types of materials we can use in production, as well as their re-use or recycling. Many types of waste are generated within the Blood Service, including clinical infectious waste (from sharps, human tissue and other laboratory and liquid waste), related hazardous waste (including cytotoxic, pharmaceutical, chemical and radioactive waste) and general, non-infectious waste. Only authorised personnel can handle radioactive and cytotoxic waste and they must do so in accordance with relevant state or territory legislation.

Our Infection Control Policy (written to comply with a number of Australian standards) highlights that safe handling and disposal of waste is essential in minimising the risk of infection to donors, staff and the general public, as well as to the environment. The greatest potential for transmission of blood-borne diseases in an occupational setting comes from blood spills/splashes and contaminated sharps which represent the major causes of incidents involving exposure to these diseases. Our work practices are reviewed regularly, and any staff member who generates waste in an operational location is responsible for disposing of it in a safe and appropriate manner.

Our policy states that waste should be segregated at the point of generation, and all staff involved in the disposal of waste must be adequately trained. A number of state-based regulations and guidelines are also referenced as part of our compliance to waste management across the Blood Service.

IMPROVING INCIDENT AND QUALITY MANAGEMENT WHILE REDUCING PAPER WASTE

The Incident and Quality (IQ) Management System is our national platform comprising different modules for recording incidents, customer feedback, donor adverse events and quality data. In July 2014 the first of a number of new modules was introduced to the system, IQ Incidents. It has not only improved our management of incident types such as biological exposure, environmental factors, manual handling, business performance and information security but has enabled us to move from a paper-based system to an electronic system for the reporting of all incidents. A suite of quality modules was deployed in May 2015 that has further reduced paper wastage across the organisation through improved work practices. With the electronic format of the new quality modules we are now replacing paper-based records, which numbered 14,000 in 2014.

MANAGING E-WASTE

The Blood Service manages its electronic waste (e-waste) responsibly, to avoid it being sent to landfill where poisonous substances can leach from decomposing waste into the environment. This year over 700 computers, monitors, printers, servers and other assets at the end of their life were flagged for disposal. We worked with a vendor specialising in e-waste to classify units for either refurbishing or recycling by breaking down into components. Before the machines leave the organisation, we ensure they are cleansed of all data. Though recycling electronic items is an expensive process, in 2014-15 the Blood Service managed to achieve its goal of managing its Asset Disposal and Recycling Program as close to a cost-neutral basis as possible.

REDUCING OUR ENERGY CONSUMPTION

We have installed LED lighting in our national office and are looking to replace all lights with LED lights in some of our donor centres. The most efficient form of lighting and endorsed by Sustainability Victoria, LED lights reduce lighting maintenance costs, as well as reducing total electricity costs. Following positive results in 2014-15, we will be rolling out a trial program in three donor centres in late 2015.

REDUCING OUR CARBON EMISSIONS

With almost 48 cars in our fleet, in 2014-15 we set up a trial to introduce hybrid cars to the mix. The short-term results on using 11 hybrid vehicles showed more than 6,400 litres of fuel savings in one year in total. We are now looking at possible long-term expansion of the program to the remaining 37 eligible fleet vehicles, which would see potential fuel savings of nearly 15,000 litres of fuel annually and a reduction in our carbon emissions.



CONTENTS

PART 1

OVERVIEW

Our vision and mission	6
Our values	7
Foreword by the Chair	8
Message from the Chief Executive	9
Why we donate: Australia's Champions	10
How your donated red cells are used	11
Thank you for my life-blood	12
Measuring our performance: KPIs	13
Changing patterns of blood collection	14

PART 2

OUR ORGANISATION

How we are governed	18
About the Blood Service Board	19
Board committees	20
The Board	21
The Executive	24
Our organisation	26
Our locations	26
From donor to patient	28

PART 3

OUR PERFORMANCE

Clinical Services and Research	32
Donor Services	34
Finance	36
Human Resources	38
Information Services	40
Manufacturing	42
Strategy and Quality	44

PART 4

OUR CORPORATE SOCIAL RESPONSIBILITY

Community	49
Employee environment	54
Safety and quality	60
Environment	62
Australian Red Cross	64

PART 5

OUR FINANCES

Finance report	68
----------------	----



PHOTO: AUSTRALIAN RED CROSS/PETE EVE.

**AUSTRALIAN RED
CROSS STAFF
MEMBERS POINT
TO THE MAIN
ISLANDS MAKING
UP THE TIWIS.**

AUSTRALIAN RED CROSS

In 2014 Australian Red Cross proudly marked its centenary year, a time of celebration, reflection and renewal after 100 years of service to the nation.

Spirits were high when 3,000 jubilant Red Cross volunteers came together to raise funds at centenary barbecues held in partnership with Bunnings at 248 locations across Australia. Red Cross commemorated its 100th birthday in the same place it all began, Government House in Melbourne, while local events in small towns and major cities across the country celebrated the central role Red Cross has played in the lives of everyday Australians.

As Red Cross moved into a second century of people helping people, our focus was firmly on continuing to work to improve the lives of vulnerable people. From serving healthy breakfasts to 6,500 children to helping more than 15,000 community members seeking asylum, supporting 19,700 people during emergencies and providing safe drinking water for 14,800 people in remote communities in Timor-Leste, our volunteer-driven movement continued to embody the power of humanity in 2014-15.

A NEW RECONCILIATION ACTION PLAN

Red Cross is firmly committed to working respectfully and collaboratively with Aboriginal and Torres Strait Islander peoples. This year we surveyed volunteers, members and staff from across the organisation to develop our second Reconciliation Action Plan, driving practical and specific actions such as raising the employment level of Aboriginal and Torres Strait Islander staff members in our organisation from the current 6.2 per cent to nine per cent.

SORTING FACT FROM FICTION ON REFUGEES AND PEOPLE SEEKING ASYLUM

This year we stepped up our humanitarian advocacy for refugees and people seeking asylum. These vulnerable migrants are amongst the most marginalised people in Australia, often the people who most need our support.

After surveying 1,000 people in the lead-up to Refugee Week, we found that most Australians are misinformed when it comes to the basic facts about seeking protection. In response, we shared a range of print and online information to challenge common misconceptions. We also offered our supporters the option to donate directly to our work with refugees and people seeking protection, and partnered with SBS to produce innovative online learning resources, linked to the TV show *Go Back to Where You Came From*, for every Australian high school.

BEING THERE THROUGH A YEAR OF DISASTERS

Sadly, this year brought a spate of natural disasters at home and further afield.

Here in Australia, we faced major bushfires and cyclones in five states and territories. We provided support ranging from registering the whereabouts of evacuees, to giving psychological first aid, helping to distribute relief supplies, and assisting people to evacuate from remote areas.

Many eyes were on West Africa in 2014 as Liberia, Sierra Leone and Guinea contended with the world's largest ever Ebola outbreak. Thanks to the generosity of the Australian community, we raised \$1.2 million to provide humanitarian assistance and stem the outbreak.

We also launched an appeal for communities in Vanuatu affected by Cyclone Pam, which damaged or destroyed up to 90 per cent of homes on some islands in March 2015. Red Cross's international response reached more than 12,800 people across 13 islands. Australians got behind the people of Vanuatu, helping us to raise more than \$7 million in our appeal.

Our support was also needed in Nepal when an earthquake of 7.8 magnitude struck in April 2015, affecting one in four people and claiming well over 8,800 lives. Australians generously donated almost \$13 million, helping to provide healthcare to 100,000 people, temporary shelter with more than 100,000 tarpaulins, and 2.8 million litres of safe drinking water.



CONTENTS

PART 1

OVERVIEW

Our vision and mission	6
Our values	7
Foreword by the Chair	8
Message from the Chief Executive	9
Why we donate: Australia's Champions	10
How your donated red cells are used	11
Thank you for my life-blood	12
Measuring our performance: KPIs	13
Changing patterns of blood collection	14

PART 2

OUR ORGANISATION

How we are governed	18
About the Blood Service Board	19
Board committees	20
The Board	21
The Executive	24
Our organisation	26
Our locations	26
From donor to patient	28

PART 3

OUR PERFORMANCE

Clinical Services and Research	32
Donor Services	34
Finance	36
Human Resources	38
Information Services	40
Manufacturing	42
Strategy and Quality	44

PART 4

OUR CORPORATE SOCIAL RESPONSIBILITY

Community	49
Employee environment	54
Safety and quality	60
Environment	62
Australian Red Cross	64

PART 5

OUR FINANCES

Finance report	68
----------------	----



PART 5

OUR FINANCES

AUSTRALIAN RED CROSS BLOOD SERVICE
ABN 50 169 561 394 003

ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

**THE BLOOD SERVICE
RECORDED AN
EXCELLENT OPERATING
RESULT OF \$33.5
MILLION WITH A
RETAINED SURPLUS
OF \$5.3 MILLION,
AFTER PROVIDING
FOR A RETURN TO
GOVERNMENT OF
\$28.2 MILLION.
THIS IS IN ADDITION
TO THE \$12 MILLION
VOLUNTARY PRICE
REDUCTION AGREED
WITH THE NATIONAL
BLOOD AUTHORITY.**



CONTENTS

PART 1

OVERVIEW

Our vision and mission	6
Our values	7
Foreword by the Chair	8
Message from the Chief Executive	9
Why we donate: Australia's Champions	10
How your donated red cells are used	11
Thank you for my life-blood	12
Measuring our performance: KPIs	13
Changing patterns of blood collection	14

PART 2

OUR ORGANISATION

How we are governed	18
About the Blood Service Board	19
Board committees	20
The Board	21
The Executive	24
Our organisation	26
Our locations	26
From donor to patient	28

PART 3

OUR PERFORMANCE

Clinical Services and Research	32
Donor Services	34
Finance	36
Human Resources	38
Information Services	40
Manufacturing	42
Strategy and Quality	44

PART 4

OUR CORPORATE SOCIAL RESPONSIBILITY

Community	49
Employee environment	54
Safety and quality	60
Environment	62
Australian Red Cross	64

PART 5

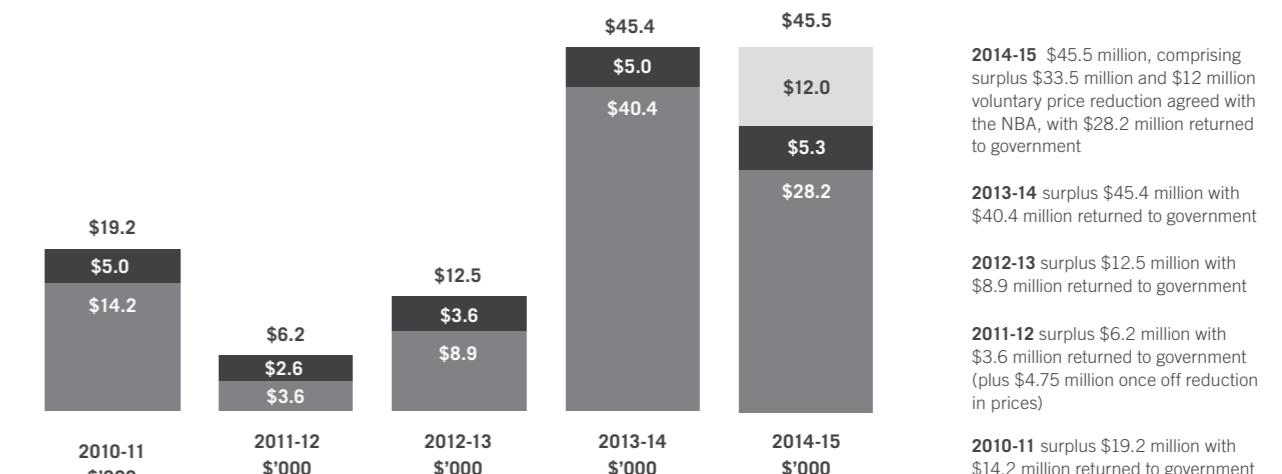
OUR FINANCES

Finance report	68
----------------	----

The 2014-15 main operating program surplus of \$33.5 million highlights the continued efforts of the Blood Service to use tax payer funds effectively and efficiently during a period that has included the successful transition to the Output Based Funding model (OBFM) in 2010-11.

From the audited surplus of \$5.3 million (after the provision for the return of \$28.2 million to the NBA), \$5 million will be transferred to the Corporate Risk Reserve and \$0.3 million will be carried over in the Research and Development reserve and spent on research activities in future years.

OUTPUT BASED FUNDING MODEL - MAIN OPERATING PROGRAM YEAR END POSITION



2014-15 \$45.5 million, comprising surplus \$33.5 million and \$12 million voluntary price reduction agreed with the NBA, with \$28.2 million returned to government

2013-14 surplus \$45.4 million with \$40.4 million returned to government

2012-13 surplus \$12.5 million with \$8.9 million returned to government

2011-12 surplus \$6.2 million with \$3.6 million returned to government (plus \$4.75 million once off reduction in prices)

2010-11 surplus \$19.2 million with \$14.2 million returned to government

FINANCE REPORT

FROM THE CHIEF EXECUTIVE AND CHIEF FINANCIAL OFFICER

The Blood Service recorded an excellent operating result for the financial year of \$33.5 million with a retained surplus of \$5.3 million, after providing for a return to government of \$28.2 million. This is in addition to the \$12 million voluntary price reduction agreed with the National Blood Authority (NBA) at the start of the year. This outstanding financial result is the sixth consecutive surplus achieved by the Blood Service which has now realised the return of 107.3 million to the NBA for distribution to governments and \$29.3 million allocated to the creation and funding of a Corporate Risk Reserve.

SUMMARY	2015	2014
	\$'000	\$'000
Surplus of Main Operating Program	33,500	45,435
Returned to NBA	28,200	40,400
Surplus of Main Operating Program (retained)	5,300	5,035
Surplus of Capital Program	28,701	50,053
Surplus of transplantation affiliated and external services	851	3,367
Surplus on processing centre programs	8,680	8,575
Depreciation charge	(50,808)	(43,665)
Provision for employee entitlements	(358)	(3,273)
(Loss) / Gain on disposal of non-current assets and foreign exchange	(1,064)	544
(Decrease) / Increase in blood and blood product inventory	(572)	4,582
Movement in defined benefits (P&L and OCI)	5,070	(385)
Loss on available for sale financial assets (unrealised)	(338)	-
(Deficit) / Surplus including other comprehensive income for the year	(4,538)	24,833



CONTENTS

PART 1

OVERVIEW

Our vision and mission	6
Our values	7
Foreword by the Chair	8
Message from the Chief Executive	9
Why we donate: Australia's Champions	10
How your donated red cells are used	11
Thank you for my life-blood	12
Measuring our performance: KPIs	13
Changing patterns of blood collection	14

PART 2

OUR ORGANISATION

How we are governed	18
About the Blood Service Board	19
Board committees	20
The Board	21
The Executive	24
Our organisation	26
Our locations	26
From donor to patient	28

PART 3

OUR PERFORMANCE

Clinical Services and Research	32
Donor Services	34
Finance	36
Human Resources	38
Information Services	40
Manufacturing	42
Strategy and Quality	44

PART 4

OUR CORPORATE SOCIAL RESPONSIBILITY

Community	49
Employee environment	54
Safety and quality	60
Environment	62
Australian Red Cross	64

PART 5

OUR FINANCES

Finance report	68
----------------	----

FINANCE REPORT

RESULTS

Comparison of the 2015 and 2014 results is as follows:

Total income reduced by \$21.5 million or four per cent

- This reduction was primarily driven by the \$20.1 million reduction in capital funding agreed with the National Blood Authority to fund growth in plasma collections. Output funding income decreased by \$14.8 million on prior year as a result of continued falling market demand for red cells where volumes reduced by five per cent. This reduction was partially offset by revenue from the growth in plasma for fractionation of \$10 million. The \$28.2 million provision for return of income to the National Blood Authority is \$12.2 million less than that returned in 2014. This is in addition to the \$12 million voluntary price reduction agreed with the NBA at the start of the year.

Total expenditure increased by \$13 million or 2 per cent

- Depreciation costs, movement in blood inventory and overheads increased by \$17.3 million in the reporting period. The increase in depreciation relates to the high level of capital expenditure over the past few years and the movement in inventory reflects reduced red cell quantities on hand as at 30 June. The increase in overheads was driven by the Telecommunications Services project as well as growth in property rental and maintenance costs.
- Offsetting these increases were reductions in staff expenses and consumable costs of \$5.8 million. Initiatives in the Donor Services and Manufacturing divisions have delivered further financial savings through workforce realignment. This has included the roll out of amended scope of needle-in practice by Donor Service nursing assistants, more targeted recruitment and the completion of the laboratory, customer service and process control improvement projects. Total consumable costs decreased by \$2.7 million on the prior year, reflecting the reduced collections required to achieve the 2015 supply targets and the savings realised from the introduction of EuroBlood Bags.

- Other Comprehensive Income reflected an increase of defined benefit superannuation gains of \$5.4 million and an unrealised loss on financial assets of \$0.3 million. The defined benefit gains were driven by a change in discount rates used and the reclassification of staff types within the fund. The unrealised loss on financial assets represents the amount recognised against an investment revaluation reserve as part of the revaluation of investments to fair value required as at June 2015.



CAPITAL

The Capital Program continued to be a major focus for the organisation during the year with total capital expenditure of \$54.7 million. This was \$3.2 million (seven per cent) higher than total capital spend in 2014. The Blood Service also agreed to a \$20.1 million once-off capital income reduction with the National Blood Authority at the commencement of the year.

Activities during the reporting period include the continuation of the Perth Processing Centre refurbishment project and donor centre relocations across the network in Western Australia, New South Wales and Victoria. The mobile unit brand refresh program to improve brand consistency is substantially complete and the National Blood Management System has now been made accessible on the donor mobile sites. Construction works commenced on two new mobile units and the projects relating to the Disaster Recovery Implementation and the Laboratory Information Management System continued during the year.

ACCOUNTING CHANGES

As a result of changes in Accounting Standards, the discount rate used to value certain employee benefit liabilities during 2015 was the high quality corporate bond rate. This is higher than the Reserve Bank of Australia's federal government bond rate previously used and caused a decrease in the value of impacted employee benefit liabilities. Those liabilities affected were defined benefit superannuation, long service leave and annual leave obligations (where classified as long-term).

During the reporting period JB Were was engaged to manage a portion of Blood Service investments. Under the revised strategy, the Blood Service will continue to manage term deposits internally while JB Were will manage select asset classes including fixed interest and Australian equity portfolios that have been classified as 'other financial assets'. As at the reporting date, an amount of \$40 million had been transferred to set up the new investment portfolio.



CONTENTS

PART 1 OVERVIEW

Our vision and mission	6
Our values	7
Foreword by the Chair	8
Message from the Chief Executive	9
Why we donate: Australia's Champions	10
How your donated red cells are used	11
Thank you for my life-blood	12
Measuring our performance: KPIs	13
Changing patterns of blood collection	14

PART 2 OUR ORGANISATION

How we are governed	18
About the Blood Service Board	19
Board committees	20
The Board	21
The Executive	24
Our organisation	26
Our locations	26
From donor to patient	28

PART 3 OUR PERFORMANCE

Clinical Services and Research	32
Donor Services	34
Finance	36
Human Resources	38
Information Services	40
Manufacturing	42
Strategy and Quality	44

PART 4 OUR CORPORATE SOCIAL RESPONSIBILITY

Community	49
Employee environment	54
Safety and quality	60
Environment	62
Australian Red Cross	64

PART 5 OUR FINANCES

Finance report	68
----------------	----

	NOTES	2015 \$'000	2014 \$'000
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2015			
REVENUE			
Government funding			
Operating - Commonwealth funded		488,088	489,474
Operating - State funded		20,076	18,665
Capital - Commonwealth and State funded		32,404	52,966
Total government funding		540,568	561,105
Investment income		8,017	8,108
Other income		11,221	12,043
Total revenue	5.2	559,806	581,256
EXPENDITURE			
Staff expenses	4	287,327	290,422
Consumables		98,895	101,640
Overheads		131,004	126,046
Depreciation		50,808	43,665
Loss/(Gain) on disposal of non-current assets		1,102	(558)
Loss on disposal of other financial assets		1	-
(Gain)/Loss on foreign exchange		(38)	14
Decrease/(Increase) in blood and blood product inventory	7	571	(4,582)
Total expenditure	4	569,670	556,647
(DEFICIT)/SURPLUS FOR THE YEAR			
	5.3	(9,864)	24,609
Items that will not be reclassified subsequently to profit or loss:			
Components of defined benefit gains recognised in other comprehensive income	15.5	5,664	224
Items that may be reclassified subsequently to profit or loss:			
Loss on available-for-sale financial assets (unrealised)	16.4	(338)	-
Other comprehensive income for the year		5,326	224
TOTAL (LOSS)/PROFIT AND OTHER COMPREHENSIVE INCOME FOR THE YEAR *		(4,538)	24,833
* ANALYSIS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME			
Surplus of Main Operating Program		5,300	5,035
(Deficit)/Surplus of Capital Programs and Processing Centre Programs (net of depreciation)		(13,427)	14,963
Surplus on External and Hosted Services		851	3,367
Movement in blood inventories, employee provisions and retirement benefit obligations		4,141	924
(Loss)/Gain on disposal of non-current assets		(1,102)	558
Loss on disposal of other financial assets		(1)	-
Gain/(Loss) on foreign exchange		38	(14)
Loss on available-for-sale financial assets (unrealised)		(338)	-
TOTAL (LOSS)/PROFIT AND OTHER COMPREHENSIVE INCOME FOR THE YEAR		(4,538)	24,833

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

	NOTES	2015 \$'000	2014 \$'000
STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2015			
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	18.2	198,863	236,605
Trade and other receivables	6	10,092	9,939
Inventories	7	18,848	19,918
Other financial assets	8	32,999	-
Total current assets		260,802	266,462
NON-CURRENT ASSETS			
Property, plant and equipment	9	337,156	341,549
Total non-current assets		337,156	341,549
TOTAL ASSETS		597,958	608,011
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	10	38,793	39,837
Borrowings	11	9,950	9,193
Provisions	12	54,212	53,521
Prepaid government funds	13	96,063	86,516
Other liabilities	14	371	543
Total current liabilities		199,389	189,610
NON-CURRENT LIABILITIES			
Borrowings	11	60,523	70,474
Provisions	12	12,347	12,477
Retirement benefit plan obligations	15	1,633	6,703
Other liabilities	14	3,360	3,503
Total non-current liabilities		77,863	93,157
TOTAL LIABILITIES		277,252	282,767
NET ASSETS		320,706	325,244
EQUITY			
General reserve	16.1	211,825	202,404
Special reserve	16.2	58,696	57,973
Capital reserve	16.3	50,523	64,867
Investment revaluation reserve	16.4	(338)	-
TOTAL EQUITY	17	320,706	325,244

The above statement of financial position should be read in conjunction with the accompanying notes.



CONTENTS

PART 1 OVERVIEW

Our vision and mission	6
Our values	7
Foreword by the Chair	8
Message from the Chief Executive	9
Why we donate: Australia's Champions	10
How your donated red cells are used	11
Thank you for my life-blood	12
Measuring our performance: KPIs	13
Changing patterns of blood collection	14

PART 2 OUR ORGANISATION

How we are governed	18
About the Blood Service Board	19
Board committees	20
The Board	21
The Executive	24
Our organisation	26
Our locations	26
From donor to patient	28

PART 3 OUR PERFORMANCE

Clinical Services and Research	32
Donor Services	34
Finance	36
Human Resources	38
Information Services	40
Manufacturing	42
Strategy and Quality	44

PART 4 OUR CORPORATE SOCIAL RESPONSIBILITY

Community	49
Employee environment	54
Safety and quality	60
Environment	62
Australian Red Cross	64

PART 5 OUR FINANCES

Finance report	68
----------------	----

	NOTES	GENERAL RESERVE \$'000	SPECIAL RESERVE \$'000	CAPITAL RESERVE \$'000	INVESTMENT REVALUATION RESERVE \$'000	TOTAL \$'000
STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2015						
Balance at 1 July 2013		190,201	55,078	55,132	-	300,411
Surplus for the year		24,609	-	-	-	24,609
Components of defined benefit gains recognised in other comprehensive income		224	-	-	-	244
Total comprehensive income for the year		24,833	-	-	-	24,833
Transfer between reserves		(12,630)	2,895	9,735	-	-
Balance at 30 June 2014	16, 17	202,404	57,973	64,867	-	325,244
Deficit for the year		(9,864)	-	-	-	(9,864)
Components of defined benefit gains recognised in other comprehensive income	15.5	5,664	-	-	-	5,664
Net (loss)/gain arising on investment revaluation	16.4	-	-	-	(338)	(338)
Total comprehensive loss for the year		(4,200)	-	-	(338)	(4,538)
Transfer between reserves	16.1	13,621	723	(14,344)	-	-
Balance at 30 June 2015	16, 17	211,825	58,696	50,523	(338)	320,706

The above statement of changes in equity should be read in conjunction with the accompanying notes.

NOTES	2015 \$'000	2014 \$'000
STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2015		
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from government and other sources (inclusive of goods and services tax) for:		
- Main Operating Program	571,324	572,200
- Capital Programs	35,644	58,262
Payments to suppliers and employees (inclusive of goods and services tax)	(556,675)	(545,071)
Net cash inflows from operating activities	18.1	50,293
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for property, plant and equipment	9	(47,724)
Proceeds from sale of property, plant and equipment	207	363
Payments to acquire financial assets	(33,561)	-
Proceeds on sale of financial assets	223	-
Investment income received	8,017	8,108
Net cash outflows from investing activities	(72,838)	(39,911)
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	(6,041)	(6,748)
Repayment of borrowings	(9,194)	(9,011)
Net cash outflows from financing activities	(15,235)	(15,759)
Net (decrease)/increase in cash and cash equivalents	(37,780)	29,721
Cash and cash equivalents at the beginning of the financial year	236,605	206,898
Effect of exchange rate changes on cash held in foreign currencies	38	(14)
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	18.2	198,863

The above statement of cash flows should be read in conjunction with the accompanying notes.



CONTENTS

PART 1 OVERVIEW

Our vision and mission	6
Our values	7
Foreword by the Chair	8
Message from the Chief Executive	9
Why we donate: Australia's Champions	10
How your donated red cells are used	11
Thank you for my life-blood	12
Measuring our performance: KPIs	13
Changing patterns of blood collection	14

PART 2 OUR ORGANISATION

How we are governed	18
About the Blood Service Board	19
Board committees	20
The Board	21
The Executive	24
Our organisation	26
Our locations	26
From donor to patient	28

PART 3 OUR PERFORMANCE

Clinical Services and Research	32
Donor Services	34
Finance	36
Human Resources	38
Information Services	40
Manufacturing	42
Strategy and Quality	44

PART 4 OUR CORPORATE SOCIAL RESPONSIBILITY

Community	49
Employee environment	54
Safety and quality	60
Environment	62
Australian Red Cross	64

PART 5 OUR FINANCES

Finance report	68
----------------	----

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

1. GENERAL INFORMATION

The Australian Red Cross Blood Service (the Blood Service) is a division of the Australian Red Cross Society (the Society) which is a not-for-profit entity. The Society is an entity incorporated in Australia by Royal Charter and is a member of the International Federation of Red Cross and Red Crescent Societies.

The Blood Service is domiciled in Australia, with its corporate office at 417 St Kilda Road, Melbourne, Victoria and operates in all states and territories. The principal activity of the Blood Service is the provision of quality blood products, tissue typing and related services for the benefit of patients. The Blood Service operates four main processing and testing facilities plus a network of collection centres in metropolitan and regional areas across Australia. The Blood Service is funded for this activity by the Commonwealth, state and territory governments under a Deed of Agreement (the Deed) administered by the National Blood Authority (NBA).

2. APPLICATION OF NEW AND REVISED ACCOUNTING STANDARDS

2.1 Standards and Interpretations affecting amounts reported and/or disclosures in the financial statements of the current period (and/or prior periods).

The following new and revised Standards and Interpretations have been applied in the current period.

Standards and Interpretations affecting the reported results or financial position

AASB 2014-1 'Amendments to Australian Accounting Standards' (Part B: Defined Benefit Plans: Employee Contributions Amendments to AASB 119)	<p>The amendments to AASB 119 simplifies the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary.</p> <p>For contributions that are independent of the number of years of service, the entity may either recognise the contributions as a reduction in the service cost in the period in which the related service is rendered, or to attribute them to the employees' periods of service using the projected unit credit method; whereas for contributions that are dependent on the number of years of service, the entity is required to attribute them to the employees' periods of service.</p> <p>The application of these amendments to AASB 119 does not have any material impact on the disclosures or on the amount recognised in the Blood Service's consolidated financial statements.</p>
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Standards affecting presentation and disclosure

AASB 2012-3 'Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities'	<p>The Blood Service has applied the amendments to AASB 132 for the first time in the current year. The amendments to AASB 132 clarify the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realisation and settlement'.</p> <p>As the Blood Service does not have any financial assets and financial liabilities that qualify for offset, the application of the amendments does not have any impact on the disclosures or on the amounts recognised in the Blood Service's consolidated financial statements.</p>
AASB 1031 'Materiality'	<p>AASB 1031 'Materiality' removes the Australian guidance on materiality that is not available in IFRS. This change would not change the level of disclosure presently specified by other accounting standards. The adoption of AASB 1031 does not have any material impact on the disclosures or the amounts recognised in the Blood Service's consolidated financial statements.</p>

2.2 Standards and Interpretations in issue but not yet effective

At the date of authorisation of the financial statements, the Standards and Interpretations listed below were in issue but not yet effective. The adoption of these Standards and Interpretations may have an impact on future financial reports.

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 9 'Financial Instruments' and the relevant amending standards	1 January 2018	30 June 2019
AASB 2014-4 'Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation'	1 January 2016	30 June 2017
AASB 2015-1 'Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle'	1 January 2016	30 June 2017
AASB 15 'Revenue from Contracts with Customers' and AASB 2014-5 'Amendments to Australian Accounting Standards arising from AASB 15'	1 January 2018	1 January 2019
AASB 2015-2 'Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101'	1 January 2016	30 June 2017
AASB 2015-3 'Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality'	1 July 2015	30 June 2016

As at the end of the reporting period, the Blood Service had not performed an assessment to review the changes to the above standards and therefore has not yet determined the extent of the impact on the financial statements, if any.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

3.1 Statement of compliance

For the purposes of these financial statements, the Blood Service is a not-for-profit private sector entity. These financial statements are general purpose financial statements which have been prepared in accordance with the Australian Accounting Standards and Interpretations, and comply with other requirements of the law. Due to the application of Australian specific provisions for not-for-profit entities, the financial statements and notes to the financial statements are not necessarily compliant with International Financial Reporting Standards (IFRS).

The financial statements were authorised for issue by the Board of the Blood Service on 29 September 2015.

3.2 Basis of preparation

The financial statements have been prepared on an accruals basis and are based on historical cost, except for the revaluation of financial instruments on which the fair value basis of accounting has been applied. Historical cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted. The financial statements have been prepared on a going concern basis.

In estimating the fair value of an asset or a liability, the Blood Service takes into consideration the same characteristics that market participants would take into account when pricing the asset or liability at the measurement dates. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis.

For disclosure purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurement are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for the identical asset or liability that the entity can access at measurement date;
- Level 2 inputs are inputs other than quoted prices (i.e. Level 1) that are observable for the asset or liability either directly (i.e. prices) or indirectly (i.e. derived from prices); and
- Level 3 inputs are unobservable inputs for the asset or liability.

3.3 Critical accounting estimates and judgements

In the application of the Australian Accounting Standards and the Blood Service's accounting policies, management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and judgements are based on historical experience and various other factors that are considered to be reasonable and relevant under the circumstances. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of Australian Accounting Standards that have significant effects on the financial statements and estimates with a significant risk of material adjustment to the carrying amounts of assets and liabilities within the next financial year are disclosed. Where applicable, estimate and judgements relating to specific accounting policies are disclosed in the relevant notes to the financial statements.

Due to the adoption of the changes set out in AASB 119, the Blood Service changed the discount rate used to calculate all employee liability obligations from the Australian government bond rate to the high quality corporate bond rate and applied this change as a change in accounting estimates. The Group of 100 (G100) commissioned actuarial firm Milliman to assess the depth of Australia's high quality corporate bond market. The firm reported that there is sufficient evidence to support a conclusion that the high quality corporate bond market in Australia is deep. In addition, Milliman was also commissioned to calculate and publish a blended high quality corporate bond rate that incorporates

AA and above rated bonds on a quarterly basis. The Blood Service considers that this published rate is an acceptable source for determining the rate to use to discount defined benefit obligation and other long-term employee benefits.

3.4 Foreign currency translation

3.4.1 Functional and presentation currency

Items included in the financial statements of the Blood Service are measured using the currency of the primary economic environment in which the Blood Service operates (the functional currency). The financial statements are presented in Australian dollars, which is the Blood Service's functional and presentation currency.

3.4.2 Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the surplus or deficit, except when they are deferred in equity as qualifying cash flow hedges.



CONTENTS

PART 1 OVERVIEW

Our vision and mission	6
Our values	7
Foreword by the Chair	8
Message from the Chief Executive	9
Why we donate: Australia's Champions	10
How your donated red cells are used	11
Thank you for my life-blood	12
Measuring our performance: KPIs	13
Changing patterns of blood collection	14

PART 2 OUR ORGANISATION

How we are governed	18
About the Blood Service Board	19
Board committees	20
The Board	21
The Executive	24
Our organisation	26
Our locations	26
From donor to patient	28

PART 3 OUR PERFORMANCE

Clinical Services and Research	32
Donor Services	34
Finance	36
Human Resources	38
Information Services	40
Manufacturing	42
Strategy and Quality	44

PART 4 OUR CORPORATE SOCIAL RESPONSIBILITY

Community	49
Employee environment	54
Safety and quality	60
Environment	62
Australian Red Cross	64

PART 5 OUR FINANCES

Finance report	68
----------------	----

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5 Rounding of amounts

Amounts in the financial statements have been rounded off to the nearest thousand dollars (\$'000) unless otherwise stated.

3.6 Property, plant and equipment

Property, plant and equipment is stated at historical cost less depreciation and any impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Blood Service and the cost of the item can be measured reliably. The carrying amount of any replaced parts is derecognised. All other repairs and maintenance are charged to the surplus or deficit during the reporting period in which they are incurred.

Intangible assets with finite lives are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any change in estimate being accounted for on a prospective basis.

Depreciation is provided on property, plant and equipment, including leasehold buildings but excluding freehold land. Depreciation is calculated using the straight-line method to allocate cost or revalued amounts, net of their residual values, over their estimated useful lives. Depreciation rates applied in 2015 were:

	Period	Rate
Freehold buildings	40 years	2.5%
Leasehold improvements	Shorter of lease period or useful life	
Computer equipment	4 years	25.0%
Plant and equipment	5 - 10 years	10.0% - 20.0%
Leased furniture, fittings and equipment	10 - 20 years	5.0% - 10.0%
Motor vehicles	4 - 10 years	10.0% - 25.0%

All assets residual values and useful lives are reviewed and adjusted, if appropriate, at each reporting date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing the net proceeds with the carrying amount. These are included in the surplus or deficit. Both freehold buildings and leasehold improvements are presented as part of the land and buildings category - see note 9.

3.7 Impairment of assets

At each reporting date, Blood Service management reviews the carrying values of property, plant and equipment to determine whether there is any indication that these assets have suffered an impairment loss. If any such indicators exist, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and 'value in use'. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Property, plant and equipment that suffered an impairment are reviewed for possible part or full reversal of the impairment at each reporting date.

Future economic benefits of the Blood Service's assets are not primarily dependent on their ability to generate net cash inflows and if deprived of a particular asset, the Blood Service would replace the asset's remaining future economic benefits. 'Value in use' calculations are therefore determined as the depreciated replacement cost of each asset, rather than by using discounted future cash flows.

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

3.8 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are recognised in the surplus or deficit in the period in which they are incurred. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

3.9 Leases

3.9.1 Finance leases

Leases of property, plant and equipment where the Blood Service has substantially assumed all the risks and rewards incidental to ownership are classified as finance leases - see note 9.2. Finance leases are capitalised at the lease's inception at either the lower of the fair value of the leased property or at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding rental obligations to the lessor, net of finance charges, are included on the statement of financial position as a finance lease obligation. Each lease payment is allocated between the liability and the finance cost. The finance cost is charged to the surplus or deficit over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The property, plant and equipment acquired under finance leases are depreciated over the shorter of the estimated useful life of the asset and the lease term.

3.9.2 Operating leases

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as the lease expense. Payments made under operating leases are recognised as an expense in the surplus or deficit on a straight-line basis over the lease term unless another systematic basis is more representative of the time pattern of the benefit gained from the lease.

3.9.3 Lease incentives

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefits of incentives are recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed. The current amount refers to amounts to be recognised in the surplus or deficit within the 12 months after the reporting date. The non-current amount will be recognised in the surplus or deficit in subsequent financial years. Refer to note 14.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.10 Inventories

Australian Accounting Standards require inventories of a not-for-profit entity to be measured at the lower of cost and current replacement cost, where current replacement cost is defined as the cost the entity would incur to acquire the asset on the reporting date. The Blood Service has the following categories of inventories:

3.10.1 Consumables

Consumables are used by the Blood Service in providing products and services, and are measured at the lower of cost and current replacement cost. Consumables inventory has been valued at weighted average cost.

3.10.2 Blood products (inventories held for distribution)

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

The Blood Service provides products and services in accordance with the Deed. In the discharge of this agreement, the Blood Service is responsible for a range of activities, including collection, testing, processing, inventory management and distribution of blood and blood products. In this context, the Blood Service recognises certain categories of blood and blood products as current assets, to be measured at the lower of cost and current replacement cost. Cost comprises direct materials, direct labour and overheads of the operating divisions incurred in the collection, processing and testing of blood.

The Blood Service collects domestic raw plasma which is issued to CSL Limited ('CSL') for fractionation into manufactured products. Both domestic and imported fractionated plasma products are distributed by the Blood Service in Australia. In relation to blood products held for distribution, the Blood Service does not recognise plasma supplied to CSL for fractionation, fractionated product held at CSL and fractionated product at the Blood Service held for distribution. This is due to the retention of control and risk over these specific products by parties other than the Blood Service and the absence of future economic benefit under output based funding arrangements.

The inventory valuation at the end of the reporting period includes:

- all fresh blood products and plasma for fractionation (not yet supplied to CSL) held at the Blood Service or at a Blood Service storage facility; and
- all products held in 'work in progress' at the Blood Service.

Fresh product volumes are physically counted and valued as individual units. The value of 'work in progress' is calculated using the average daily quantity supplied during the June period. All blood products are valued at direct costs plus operating overheads.

3.11 Trade and other receivables

Trade receivables are recognised and carried at original invoice amount less provision for impairment. The carrying value less impairment of trade receivables are assumed to approximate their fair values due to their short-term nature. Trade receivables are generally due for settlement within 30 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be unrecoverable are written off. A provision for impairment of trade receivables is established when there is objective evidence that the Blood Service will not be able to collect all the amounts due according to the original terms of the trade receivables. Significant financial difficulties of the debtor are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial. The amount of the provision is recognised in the surplus or deficit.

Other receivables predominantly consists of prepayments of trade invoices which are recognised and carried at the original invoice amount and expensed during the period.

3.12 Cash and cash equivalents

For the statement of cash flows presentation purposes, cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

3.13 Non-derivative financial instrument

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

3.13.1 Other financial assets

Financial assets are recognised and derecognised on trade date where purchase or sale of a financial asset is under contract, the terms of which require delivery of the financial assets within the timeframe established by the market concerned, and are initially measured at fair value. Subsequent to initial recognition, financial assets are classified into the following categories depending on the nature and the purpose of the financial asset as determined at the time of initial recognition:

3.13.1.1 Available-for-sale financial assets

Listed shares and listed redeemable notes held by the Blood Service that are traded in an active market are classified as available-for-sale financial assets and are stated at fair value. The Blood Service also has investments in unlisted investments that are not traded in an active market but that are also classified as available-for-sale financial assets and stated at fair value. Fair value is determined in the manner described in note 3.13.2. Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the investment revaluation reserve, with the exception of impairment losses. Interest calculated using the effective interest method, and foreign exchange gains and losses on monetary assets are recognised in the surplus or deficit. Where the investment is disposed of, or is determined to be impaired, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to the surplus or deficit.

3.13.1.2 Held-to-maturity investments

Bills of exchange and debentures with fixed or determinable payments and fixed maturity dates that the Blood Service has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment. The Blood Service had no held-to-maturity investments for this reporting period.

3.13.2 Fair value estimation

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

3.13.3 Impairment of financial assets

At each reporting date, the Blood Service assesses whether there is objective evidence that a financial asset has been impaired. In the case of available-for-sale financial assets, a prolonged or significant decline in the value of the instrument is considered when determining whether an impairment has arisen. Impairment losses are recognised in the surplus or deficit. For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to the surplus or deficit in the period.

With the exception of available-for-sale equity instruments, if in a subsequent period the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the surplus or deficit to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of available-for-sale equity instruments, any subsequent increase in fair value after an impairment loss is recognised directly in other comprehensive income and accumulated under the heading of investment revaluation reserve.

CONTENTS

PART 1 OVERVIEW

Our vision and mission	6
Our values	7
Foreword by the Chair	8
Message from the Chief Executive	9
Why we donate: Australia's Champions	10
How your donated red cells are used	11
Thank you for my life-blood	12
Measuring our performance: KPIs	13
Changing patterns of blood collection	14

PART 2 OUR ORGANISATION

How we are governed	18
About the Blood Service Board	19
Board committees	20
The Board	21
The Executive	24
Our organisation	26
Our locations	26
From donor to patient	28

PART 3 OUR PERFORMANCE

Clinical Services and Research	32
Donor Services	34
Finance	36
Human Resources	38
Information Services	40
Manufacturing	42
Strategy and Quality	44

PART 4 OUR CORPORATE SOCIAL RESPONSIBILITY

Community	49
Employee environment	54
Safety and quality	60
Environment	62
Australian Red Cross	64

PART 5 OUR FINANCES

Finance report	68
----------------	----

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.13 Non-derivative financial instrument

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

3.13.1 Other financial assets

Financial assets are recognised and derecognised on trade date where purchase or sale of a financial asset is under contract, the terms of which require delivery of the financial assets within the timeframe established by the market concerned, and are initially measured at fair value. Subsequent to initial recognition, financial assets are classified into the following categories depending on the nature and the purpose of the financial asset as determined at the time of initial recognition:

3.13.1.1 Available-for-sale financial assets

Listed shares and listed redeemable notes held by the Blood Service that are traded in an active market are classified as available-for-sale financial assets and are stated at fair value. The Blood Service also has investments in unlisted investments that are not traded in an active market but that are also classified as available-for-sale financial assets and stated at fair value. Fair value is determined in the manner described in note 3.13.2. Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the investment revaluation reserve, with the exception of impairment losses. Interest calculated using the effective interest method, and foreign exchange gains and losses on monetary assets are recognised in the surplus or deficit. Where the investment is disposed of, or is determined to be impaired, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to the surplus or deficit.

3.13.1.2 Held-to-maturity investments

Bills of exchange and debentures with fixed or determinable payments and fixed maturity dates that the Blood Service has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment. The Blood Service had no held-to-maturity investments for this reporting period.

3.13.2 Fair value estimation

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

3.13.3 Impairment of financial assets

At each reporting date, the Blood Service assesses whether there is objective evidence that a financial asset has been impaired. In the case of available-for-sale financial assets, a prolonged or significant decline in the value of the instrument is considered when determining whether an impairment has arisen. Impairment losses are recognised in the surplus or deficit. For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to the surplus or deficit in the period.

With the exception of available-for-sale equity instruments, if in a subsequent period the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the surplus or deficit to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of available-for-sale equity instruments, any subsequent increase in fair value after an impairment loss is recognised directly in other comprehensive income and accumulated under the heading of investment revaluation reserve.

3.13.4 Derecognition of financial assets

Financial assets are derecognised when the contractual rights to the cash flow from the asset expire, or when the Blood Service transfers the financial asset and the associated risks and rewards of ownership to another entity. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received, the receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity, is recognised in the surplus or deficit.

3.13.5 Financial liabilities

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

3.14 Borrowings

All borrowings are initially recognised at cost, being the fair value of the consideration received net of issue costs associated with the borrowing. After initial recognition, borrowings are subsequently measured at amortised cost using the effective interest rate method. Amortised cost is calculated by taking into account any issue costs and any discount or premium on settlement.

Gains and losses are recognised in the surplus or deficit when the liabilities are derecognised, as well as through the amortisation process.

Borrowings payable within 12 months are classified as current liabilities. Borrowings are classified as non-current where the Blood Service has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

3.15 Trade and other payables

These amounts represent liabilities for goods and services provided to the Blood Service prior to the end of the financial year which are unpaid. The amounts are unsecured and are generally due for settlement within 30 days of recognition.

The carrying value less impairment of trade payables are assumed to approximate their fair values due to their short-term nature.

3.16 Provisions

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

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense. Provisions include provisions for make good of property leases and employee benefits - see note 12. Employee benefits provisions are discounted using high quality corporate bond yields as set out in AASB 119 Employee Benefits. All other provisions are discounted using the government bond yields.

3.16.1 Employee benefits

3.16.1.1 Short-term and long-term employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave, and long service leave when it is probable that settlement will be required and they are capable of being measured reliably.

Liabilities recognised in respect of short-term employee benefits are measured at their nominal values using the remuneration rate expected to apply at the time of settlement. The liability for annual leave and long service leave is recognised under provision for employee benefits - see note 12. All other short-term employee benefit obligations are presented as payables - see note 10.

Liabilities recognised in respect of long-term employee benefits are measured as the present value of the estimated future cash outflows to be made by the Blood Service in respect of services provided by employees up to the reporting date - see note 12.1. Expected future payments are discounted using high quality corporate bond yields at the reporting date with terms to maturity and currency that match, as closely as possible, to the estimated future cash outflows. Consideration is given to future wage and salary levels, experience of employee departures and periods of service.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.16.1.2 Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. A liability for a termination benefit is recognised at the earlier of when the entity can no longer withdraw the offer of the termination benefit and when the entity recognises any related restructuring costs. Benefits falling due more than 12 months after statement of financial position date are discounted to present value and classified as non-current.

3.17 Retirement benefit plan obligations

The Blood Service contributes to various staff retirement plans to provide employees with benefits on death or retirement. The defined benefit plans provide lump sum benefits based on years of service and final average salary. Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

For defined benefit retirement plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss. Past service cost is recognised in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset - see note 15.

Defined benefit costs are categorised as follows:

- service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);
- net interest expense or income; and
- remeasurement.

3.18 Income recognition

Income is measured at the fair value of the consideration received or receivable. Amounts disclosed as income are net of returns and rebates. The Blood Service recognises income in accordance with AASB 1004 'Contributions' when:

- a) the Blood Service obtains control or the right to receive the contribution;
- b) the amount of the contribution can be measured reliably; and
- c) it is probable that the future economic benefits comprising the contribution will flow to the Blood Service.

Income is recognised for the following activities:

3.18.1 Output based funding

The Blood Service recognises income for the delivery of products to Approved Health Providers on an accrual basis representing the right to receive contributions from the NBA. Under the Output Based Funding Principles, the Blood Service can apply to retain up to \$5 million of any surplus for the purposes outlined in the Principles. If the annual surplus is more than \$5 million in any year then the surplus over that amount will be returned to the NBA unless otherwise agreed between the Blood Service and the NBA. Any excess funds to be returned (2015: \$28,244 million, 2014: \$40,394 million) are recorded as a liability within Prepaid Government Funds (see note 13). In this reporting period, the Blood Service retained an additional \$0.300 million (2014: \$0.035 million) from the Research and Development grant which has been held for future initiatives.

3.18.2 Government grants

Grants from governments (including capital grants) are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Blood Service will comply with all attached conditions.

3.18.3 Investment income

3.18.3.1 Interest

Interest income is recognised as it accrues using the effective interest rate method, which is the rate that discounts estimated future cash receipts through the expected life of the financial instrument to the carrying amount of the financial asset.

3.18.3.2 Dividends

Dividend revenue is recognised when the Blood Service's right to receive payment has been established, it is probable that the economic benefit will flow to the Blood Service and the amount can be measured reliably.

3.18.4 Other income

The Blood Service receives other income, including research grants and revenue generated from the provision of some testing services and products and services on a fee-for-service basis. Income is recognised on an accruals basis.

3.19 Income tax

The Blood Service, being a division of the Society and a charitable organisation, is exempt from income tax under subsection 50.5 of the *Income Tax Assessment Act* 1997.

3.20 Goods and Services Tax (GST)

Revenues and expenses are recognised net of the amount of GST except where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority, is classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

3.21 Economic dependency

A significant portion of revenue is received by way of recurrent and capital grants from Commonwealth, state and territory governments. As at the reporting date, terms of the Deed with the NBA have been extended to 15 December 2015 with the ability to extend to 30 June 2016 by exchange of letters. In the event that the term is not extended, the Deed provides that a Handover Period would commence whereby the terms of the Deed, including in relation to payments, continue to apply. The term of the Handover Period would be the earlier of 12 months or 30 days after the NBA notifies the Blood Service that it no longer requires assistance with handover. The Blood Service and the NBA are in negotiations on the new Deed terms and conditions and it is management's expectation that future funding arrangements will remain substantially unchanged beyond this date. As a result, these financial statements are prepared on a going concern basis.



CONTENTS

PART 1

OVERVIEW

Our vision and mission	6
Our values	7
Foreword by the Chair	8
Message from the Chief Executive	9
Why we donate: Australia's Champions	10
How your donated red cells are used	11
Thank you for my life-blood	12
Measuring our performance: KPIs	13
Changing patterns of blood collection	14

PART 2

OUR ORGANISATION

How we are governed	18
About the Blood Service Board	19
Board committees	20
The Board	21
The Executive	24
Our organisation	26
Our locations	26
From donor to patient	28

PART 3

OUR PERFORMANCE

Clinical Services and Research	32
Donor Services	34
Finance	36
Human Resources	38
Information Services	40
Manufacturing	42
Strategy and Quality	44

PART 4

OUR CORPORATE SOCIAL RESPONSIBILITY

Community	49
Employee environment	54
Safety and quality	60
Environment	62
Australian Red Cross	64

PART 5

OUR FINANCES

Finance report	68
----------------	----

4. EXPENDITURE

	NOTES	2015 \$'000	2014 \$'000
The following expenses are included in the (deficit)/surplus for the year:			
Wages and salaries		259,884	264,290
Superannuation guarantee		23,836	23,438
Components of defined benefit costs recognised in (deficit)/surplus	15.5	594	609
Termination benefits		3,013	2,085
Total staff expenses*		287,327	290,422
Cost of consumables		98,895	101,640
Other overheads		100,437	96,186
Workers compensation costs		2,349	2,737
Minimum operating lease payments		22,177	20,375
Interest and finance charges paid on finance leases		6,041	6,748
Depreciation expense	9	50,808	43,665
Loss/(Gain) on disposal of non-current assets		1,102	(558)
Loss on disposal of other financial assets		1	-
(Gain)/Loss on foreign exchange		(38)	14
Decrease/(Increase) in blood and blood product inventory	7	571	(4,582)
Total other expenses		282,343	266,225
Total expenditure		569,670	556,647

* Total staff expenses include non-capitalised expenditure for organisational restructure activities as follows:

- 2015: \$1.716 million in redundancy provision for the Manufacturing Laboratory Improvement Project (MLAB) - phase 2, Manufacturing Improvement Customer Service (MICS) and Process Control for Manufacturing.
- 2014: \$1.170 million in redundancy provision for the Quality Services restructure and an additional \$2.030 million disbursed for the Manufacturing Laboratory (MLAB) improvement restructure - phase 1.

5. REVENUE AND RESULTS FROM FUNDED PROGRAMS

5.1 Funded programs

The Blood Service's funded programs are as follows:

5.1.1 Main Operating Program

The NBA co-ordinates and funds, on behalf of the Commonwealth, state and territory governments, national arrangements between the Blood Service and governments for the supply of blood and blood related products and services. These arrangements were formalised in August 2006 under the Deed between the NBA and the Australian Red Cross Society. The Deed has been extended by a series of variations to 15 December 2015. From 1 July 2010, in accordance with an amendment to the Deed, the Blood Service transitioned from being funded by the NBA on a grant basis to being funded on the basis of an Output Based Funding Model (OBFM). The OBFM applies to three year funding cycles, the second cycle covering the financial years 2013-14 to 2015-16.

5.1.2 Capital programs

The arrangement with the NBA provides for capital funding up to 10 per cent of the Main Operating Program funding for the financial year. Capital funding is from State and Commonwealth governments and is recognised as revenue when the Blood Service obtains control of the grant funds. In 2015, the NBA approved a one-off capital funding adjustment to reduce capital income by \$20.072 million to offset the increased funding requirements from growth in apheresis plasma for fractionation.

Activities during the reporting period include the continuation of the Perth Processing Centre (PPC) refurbishment project with stage 1 of 3 completed. Several projects were undertaken to relocate donor centres across the network including in Western Australian, New South Wales and Victoria. The mobile unit brand refresh program was largely completed in 2014-15 which has ensured brand consistency across all mobile units, and the National Blood Management System (NBMS) has been made accessible on the mobile sites. In addition, construction works commenced on

5.2 Revenues by programs

	Revenue source \$'000			
	GOVERNMENT	INVESTMENT INCOME	OTHER	TOTAL
2015				
Main Operating Program	475,542	4,837	2,791	483,170
Capital programs	32,404	1,670	205	34,279
External and hosted services	20,962	93	8,191	29,246
Other operating activities	11,660	1,417	34	13,111
Total revenues by programs	540,568	8,017	11,221	559,806
 2014				
Main Operating Program	477,108	4,998	2,581	484,687
Capital programs	52,966	1,643	554	55,163
External and hosted services	19,248	183	8,776	28,207
Other operating activities	11,783	1,284	132	13,199
Total revenues by programs	561,105	8,108	12,043	581,256

The current year government funding for the Main Operating Program of \$475.542 million (2014: \$477.108 million), is net of a provision to return \$28.244 million (2014: \$40.394 million) to the NBA.

two new mobile units and the projects relating to the Disaster Recovery Implementation and the Laboratory Information Management System continued during the period.

5.1.3 External and hosted services

The Blood Service also receives grants from the Commonwealth and state governments for the provision of transplantation services, tissue typing, organ donor program and the Bone Marrow Registry.

5.1.4 Other operating activities

Other operating activities predominantly consist of special grant funding for repayments of borrowings on the Sydney and Melbourne Processing Centres. Interest revenue includes interest earned on Special and Capital Reserves and unallocated prior year surplus funds. Other external revenue was received from third parties and donations.



CONTENTS

PART 1

OVERVIEW

Our vision and mission	6
Our values	7
Foreword by the Chair	8
Message from the Chief Executive	9
Why we donate: Australia's Champions	10
How your donated red cells are used	11
Thank you for my life-blood	12
Measuring our performance: KPIs	13
Changing patterns of blood collection	14

PART 2

OUR ORGANISATION

How we are governed	18
About the Blood Service Board	19
Board committees	20
The Board	21
The Executive	24
Our organisation	26
Our locations	26
From donor to patient	28

PART 3

OUR PERFORMANCE

Clinical Services and Research	32
Donor Services	34
Finance	36
Human Resources	38
Information Services	40
Manufacturing	42
Strategy and Quality	44

PART 4

OUR CORPORATE SOCIAL RESPONSIBILITY

Community	49
Employee environment	54
Safety and quality	60
Environment	62
Australian Red Cross	64

PART 5

OUR FINANCES

Finance report	68
----------------	----

5. REVENUE AND RESULTS FROM FUNDED PROGRAMS (continued)

	NOTES	2015 \$'000	2014 \$'000
5.3 Reconciliation of (deficit)/surplus for the year			
Surplus of Main Operating Program		5,300	5,035
(Deficit)/Surplus of Capital Programs and Processing Centre Programs (net of depreciation)		(13,427)	14,963
Surplus of External and Hosted Services		851	3,367
Provision for employee entitlements		(358)	(3,273)
(Loss)/Gain on disposal of non-current assets		(1,102)	558
Loss on disposal of other financial assets		(1)	-
Gain/(Loss) on foreign exchange		38	(14)
Components of defined benefit costs recognised in (deficit)/surplus	15.5	(594)	(609)
(Decrease)/Increase in blood and blood product inventory	7.1	(571)	4,582
(Deficit)/Surplus for the year		(9,864)	24,609

6. TRADE AND OTHER RECEIVABLES

		2015	2014
Trade receivables		2,661	4,075
Prepayments		6,077	5,864
Goods and Service Tax Receivable		1,354	-
Total trade and other receivables		10,092	9,939
Trade receivables are non-interest bearing and are generally on 30-day terms for products and services provided to customers on a fee-paying basis funded primarily by governments and hospitals, and to a smaller extent, by private patients.			
Impaired trade receivables			
Trade receivables are reviewed regularly for recoverability. Government and hospital debts are considered recoverable. Where debts are assessed to be non-recoverable from private patients, these are written off in certain circumstances. The amount written off is not material and there is no requirement for an allowance for doubtful debts at the end of the reporting period.			
Ageing of past due but not impaired trade receivables			
30 to 90 days		564	298
90 to 180 days		62	76
Over 180 days		8	2
Total amount of past due but not impaired trade receivables		634	376

7. INVENTORIES

7.1 Inventory of blood and blood products

		2015	2014
Blood products at the Blood Service		11,733	12,241
Work in progress at the Blood Service		924	987
Total inventory of blood and blood products		12,657	13,228
7.2 Consumables inventory			
Total inventories		18,848	19,918

	NOTES	2015 \$'000	2014 \$'000
8. OTHER FINANCIAL ASSETS			
8.1 Available-for-sale financial assets			
Current			
Australian equities		7,229	-
Bonds-listed		8,156	-
Bonds-unlisted		17,614	-
Total current other financial assets		32,999	-
Total other financial assets			
Total other financial assets		32,999	-

8.2 Fair value measurements recognised in the statement of financial position:

Level 2 investments are independently priced by a third party who perform valuations of financial assets for reporting purposes. The valuation model uses an adapted version of the Australian Government Treasury Adjustable Rate Bond formula to derive evaluations of floating rate securities. Traded margins are set using one of three possible methods:

1) average of traded margin information received from market participants on a daily basis

2) with reference to new issues for more illiquid issues

3) with reference to asset swap margins of fixed rate bonds plus a spread of 2-5bps to reflect illiquidity.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, categorised into levels 1 to 3 based on the degree to which the fair value is observable, as described in note 3.2.

	LEVEL 1 \$'000	LEVEL 2 \$'000	LEVEL 3 \$'000	TOTAL \$'000
Available-for-sale financial assets				
2015				
Australian equities	7,229	-	-	7,229
Bonds-listed	8,156	-	-	8,156
Bonds-unlisted	-	17,614	-	17,614
Total available-for-sale financial assets	15,385	17,614	-	32,999
There were no transfers between levels in this reporting period.				
2014				
Australian equities	-	-	-	-
Bonds-listed	-	-	-	-
Bonds-unlisted	-	-	-	-
Total available-for-sale financial assets	-	-	-	-



CONTENTS

PART 1 OVERVIEW

Our vision and mission	6
Our values	7
Foreword by the Chair	8
Message from the Chief Executive	9
Why we donate: Australia's Champions	10
How your donated red cells are used	11
Thank you for my life-blood	12
Measuring our performance: KPIs	13
Changing patterns of blood collection	14
PART 2 OUR ORGANISATION	
How we are governed	18
About the Blood Service Board	19
Board committees	20
The Board	21
The Executive	24
Our organisation	26
Our locations	26
From donor to patient	28
PART 3 OUR PERFORMANCE	
Clinical Services and Research	32
Donor Services	34
Finance	36
Human Resources	38
Information Services	40
Manufacturing	42
Strategy and Quality	44
PART 4 OUR CORPORATE SOCIAL RESPONSIBILITY	
Community	49
Employee environment	54
Safety and quality	60
Environment	62
Australian Red Cross	64
PART 5 OUR FINANCES	
Finance report	68

9. PROPERTY, PLANT AND EQUIPMENT

			COMPUTER EQUIPMENT	PLANT & EQUIPMENT	LEASED FURNITURE FITTINGS & EQUIPMENT	MOTOR VEHICLES	WORK IN PROGRESS (WIP)	TOTAL
	NOTES	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 July 2013								
Cost		219,249	70,604	128,764	64,001	15,438	17,401	515,457
Accumulated depreciation		(47,652)	(50,136)	(56,466)	(14,104)	(10,462)	-	(178,820)
Net book amount		171,597	20,468	72,298	49,897	4,976	17,401	336,637
Year ended 30 June 2014								
Balance at 1 July 2013		171,597	20,468	72,298	49,897	4,976	17,401	336,637
Additions		13,374	6,862	5,874	-	971	22,202	49,283
Disposals		(1)	(70)	(446)	-	(189)	-	(706)
Transfers from WIP		769	8,523	299	-	1,628	(11,219)	-
Depreciation charge		(12,623)	(10,897)	(13,950)	(4,776)	(1,419)	-	(43,665)
Closing net book amount		171,597	24,886	64,075	45,121	5,967	28,384	341,549
At 30 June 2014								
Cost		233,321	83,769	131,124	63,985	16,213	28,384	556,796
Accumulated depreciation		(60,205)	(58,883)	(67,049)	(18,864)	(10,246)	-	(215,247)
Net book amount		173,116	24,886	64,075	45,121	5,967	28,384	341,549
Year ended 30 June 2015								
Balance at 1 July 2014		173,116	24,886	64,075	45,121	5,967	28,384	341,549
Additions	9.4	247	-	-	-	-	47,477	47,724
Disposals	9.3	-	(678)	(588)	-	(43)	-	(1,309)
Transfers from WIP		10,813	14,847	8,091	-	1,907	(35,658)	-
Depreciation charge		(13,917)	(16,371)	(14,291)	(4,781)	(1,448)	-	(50,808)
Closing net book amount		170,259	22,684	57,287	40,340	6,383	40,203	337,156
At 30 June 2015								
Cost		244,398	69,692	135,287	63,970	17,816	40,203	571,366
Accumulated depreciation		(74,139)	(47,008)	(78,000)	(23,630)	(11,433)	-	(234,210)
Net book amount		170,259	22,684	57,287	40,340	6,383	40,203	337,156

9. PROPERTY, PLANT AND EQUIPMENT (continued)

NOTES	2015 \$'000	2014 \$'000
9.1 Work in progress		
The carrying amounts of the assets disclosed above include the following expenditure recognised in relation to property, plant and equipment which are in the course of construction:		
Freehold land and buildings and leasehold improvements	18,393	5,024
Computer equipment (including software)	20,967	20,519
Plant and equipment	178	2,607
Donor Mobile Units	665	234
Total work in progress	40,203	28,384
In 2015, the computer equipment balance includes upgrades to several operating systems, including the Laboratory Information Management System-LIMS (\$11.145 million), Improving Disaster Recovery Capabilities Software (\$4.643 million) and Application Hosting Infrastructure (\$1.834 million). During the year, freehold land and buildings and leasehold improvements included \$12.672 million, \$1.146 million and \$1.128 million in relation to the development of Perth Processing Centre Refurbishment, Midland Blood Donor Centre and Shepparton Blood Donor Centre projects respectively.		
9.2 Leased asset		
The net book value for leased furniture, fittings and equipment of \$40.340 million (2014: \$45.121 million), includes amounts relating to the leasehold improvements for the processing centres in Queensland (2015: \$18.006 million, 2014: \$19.437 million) and Melbourne (2015: \$22.334 million, 2014: \$25.684 million) which are funded through finance leases.		
9.3 Asset disposals		
During the reporting period, the Blood Service disposed of assets with a total written down value of \$1.309 million (2014: \$0.706 million), excluding proceeds. This movement includes \$0.106 million and \$0.677 million resulting from the disposals of assets during the national stocktake of operational assets and Information Services assets respectively, which were classified as 'no longer in operation'.		
9.4 Asset additions		
In the prior year, asset additions were reported within each asset category including work in progress (WIP). In this reporting period, all additions, except for the movement in good provision, have only been reported through WIP and subsequently recognised via 'transfer to/from WIP' directly to cost within each asset category.		
10. TRADE AND OTHER PAYABLES		
Trade payables	25,451	25,262
Accrued wages and salaries	13,342	13,456
Goods and Services Tax payable	-	1,119
Total trade and other payables	38,793	39,837
Trade payables also include payments due to suppliers for key capital projects. The average credit period on purchases of goods and services is 30 days. No interest is charged on the trade payables for the first 30 days from the date of the invoice. Specific suppliers may choose to charge interest after that period. The continuous monitoring of cash flow ensures that the majority of payables are paid within the credit timeframe and no material interest is incurred on overdue balances.		
11. BORROWINGS		
Current		
Processing centre fit-out loans	19.3	4,529
Processing centre fit-out lease liabilities	19.2	5,421
Total current borrowings	9,950	9,913
Non-current		
Processing centre fit-out loans	19.3	27,182
Processing centre fit-out lease liabilities	19.2	33,341
Total non-current borrowings	60,523	70,474
Total borrowings	70,473	79,667

CONTENTS

PART 1 OVERVIEW

Our vision and mission	6
Our values	7
Foreword by the Chair	8
Message from the Chief Executive	9
Why we donate: Australia's Champions	10
How your donated red cells are used	11
Thank you for my life-blood	12
Measuring our performance: KPIs	13
Changing patterns of blood collection	14

PART 2 OUR ORGANISATION

How we are governed	18
About the Blood Service Board	19
Board committees	20
The Board	21
The Executive	24
Our organisation	26
Our locations	26
From donor to patient	28

PART 3 OUR PERFORMANCE

Clinical Services and Research	32
Donor Services	34
Finance	36
Human Resources	38
Information Services	40
Manufacturing	42
Strategy and Quality	44

PART 4 OUR CORPORATE SOCIAL RESPONSIBILITY

Community	49
Employee environment	54
Safety and quality	60
Environment	62
Australian Red Cross	64

PART 5 OUR FINANCES

Finance report	68
----------------	----

11. BORROWINGS (continued)

Leased assets pledged as security for lease liabilities

The total current and non-current lease liabilities which are effectively secured as the rights to the leased assets, are recognised in the financial statements and revert to the lessor in the event of default.

	NOTES	2015 \$'000	2014 \$'000
12. PROVISIONS			
Current			
Employee benefits			
Make good for property leases	12.2	768	878
Total current provisions		54,212	53,521
Non-current			
Employee benefits		7,892	8,380
Make good for property leases	12.2	4,455	4,097
Total non-current provisions		12,347	12,477
Total provisions		66,559	65,998

12.1 Provision for employee benefits

12.1.1 Current provision

The current provision for employee benefits includes accrued annual leave, long service leave and termination benefits. For long service leave it comprises all unconditional entitlements where employees have completed the required period of service, in addition to those where employees are entitled to pro-rata payments in certain circumstances. In 2015, the Blood Service financial statements have reflected the standard entitlement period of long service leave at seven years of continuous service. This obligation is presented as current since the organisation does not have an unconditional right to defer settlement. Based on past experience however, the Blood Service does not expect all employees to take the full amount of accrued leave within the next 12 months.

The following amounts reflect annual leave and long service leave, currently described as a current obligation, that are not expected to be taken in the next 12 months:

Annual leave obligation expected to be settled after 12 months	1,231	3,352
Long service leave obligation expected to be settled after 12 months	28,931	28,583
Total current obligations not expected to be taken in the next 12 months	30,162	31,935

12.1.2 Non-current provision

Employee benefits refer to provisions for long service leave for employees who have not completed the required years of service, calculated on the basis described in Note 3.16.1.1.

12.2 Provision for make good for property leases

Make good provisions represent 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 at the end of the particular lease. The estimate has been made on the basis of historical make good costs, a review of leases and future rentals. The unexpired term of the leases range from 2 to 20 years.

Movements in make good provisions are as follows:

Carrying amount of make good provisions at beginning of the year	4,975	4,039
Provision movement	248	936
Carrying amount of make good provisions at end of the year	5,223	4,975

NOTES	2015 \$'000	2014 \$'000
13. PREPAID GOVERNMENT FUNDS		
Output funding net cash advance		
Government grants refundable	67,819	46,122
Total prepaid government funds		
	96,063	86,516

Output funding net cash advance relates to the working capital advance received from the NBA upon commencement of the Output Based Funding Model from 1 July 2011, less June 2015 revenue not received until July 2015.

Government grants refundable relate to the expected return of funds to the NBA for surpluses in the reported period.

14. OTHER LIABILITIES

Current		
Lease incentive	371	543
Total current other liabilities		
371		
Non-current		
Lease incentive	3,360	3,503
Total non-current other liabilities		
3,360		
Total other liabilities		
3,731		
4,046		

15. RETIREMENT BENEFIT PLAN OBLIGATIONS

The Blood Service has recognised a liability in the statement of financial position in respect of its defined benefit superannuation arrangements. Currently, contributions are made to the following defined benefit plans:

1) Local Government Super (NSW); and

2) Australian Red Cross Queensland Staff Retirement Fund (QLD).

All contributions are expensed when incurred.

Local Government Super (NSW): Local Government Super provides defined benefits whereby components of the final benefit are derived from a multiple of member salary and years of membership. Members receive lump sum or pension benefits on retirement, death, disablement and withdrawal. The defined benefits scheme was closed to new members effective from 15 December 1992. The Local Government Superannuation Scheme was established on 1 July 1997 to specifically cater for the superannuation requirements of Local Government employees. LGSS Pty Limited (ABN 68 078 003 497) (AFSL 383558) is the Trustee of the Local Government Superannuation Scheme (known as Local Government Super). Local Government Super is a resident regulated superannuation scheme within the meaning of the Superannuation Industry (Supervision) Act 1993.

Australian Red Cross Queensland Staff Retirement Fund (QLD): The fund, offering both defined benefit and defined contribution plans, is a final average (three years) lump sum benefit arrangement providing benefits on death, disability, resignation and retirement. The defined benefit section provides benefits based on the length of service and final average salary. The defined contribution section receives fixed contributions and the employer's legal or constructive obligation is limited to these contributions. The fund commenced on 15 June 2006 as a successor fund transfer from the Australian Red Cross Qld Staff Superannuation Plan. This fund is a sub-fund of the AMP Superannuation Savings Trust which was established under a Trust Deed dated 1 July 1998. The Trustee is AMP Superannuation Limited.

The plans in Australia typically expose the Blood Service to actuarial risks such as investment risk, interest rate risk, longevity risk and salary risk:

Investment Risk	The present value of the defined benefit plan liability is calculated using a discount rate determined by reference to high quality corporate bond yields; if the return on plan assets is below this rate, it will create a plan deficit.
Interest Rate Risk	A decrease in the bond interest rate will increase the plan liability; however, this will be partially offset by an increase in the return on the plan's debt investments.
Longevity Risk	The present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan's liability.
Salary Risk	The present value of the defined benefit plan liability is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the plan's liability.

The risk relating to benefits to be paid to the dependents of plan members (widow and orphan benefits) is re-insured by an external insurance company. No other post-retirement benefits are provided to these employees.



CONTENTS

PART 1 OVERVIEW

Our vision and mission	6
Our values	7
Foreword by the Chair	8
Message from the Chief Executive	9
Why we donate: Australia's Champions	10
How your donated red cells are used	11
Thank you for my life-blood	12
Measuring our performance: KPIs	13
Changing patterns of blood collection	14

PART 2 OUR ORGANISATION

How we are governed	18
About the Blood Service Board	19
Board committees	20
The Board	21
The Executive	24
Our organisation	26
Our locations	26
From donor to patient	28

PART 3 OUR PERFORMANCE

Clinical Services and Research	32
Donor Services	34
Finance	36
Human Resources	38
Information Services	40
Manufacturing	42
Strategy and Quality	44

PART 4 OUR CORPORATE SOCIAL RESPONSIBILITY

Community	49
Employee environment	54
Safety and quality	60
Environment	62
Australian Red Cross	64

PART 5 OUR FINANCES

Finance report	68
----------------	----

15. RETIREMENT BENEFIT PLAN OBLIGATIONS (continued)

The most recent actuarial valuation of the plan assets and the present value of the defined benefit obligation was carried out at 30 June 2015 by:

- Mr Jeff Humphries, Principal, CHR Consulting Pty Ltd for Australian Red Cross Queensland Staff Retirement Fund (QLD)
- Mr Richard Boyfield, Partner, Representative of Mercer Consulting (Australia) Pty Ltd for Local Government Super (NSW).

The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the projected unit credit method

	NOTES	2015 \$'000	2014 \$'000
15.1 Principal actuarial assumptions			
The principal assumptions used for the purposes of the actuarial valuations were as follows:			
Discount rate(s)		4.3%	3.6%
Expected rate(s) of salary increase		4.0%	4.2%
Anticipated rate(s) of return on plan assets		7.0%	7.0%
15.2 Amounts recognised in the statement of financial position			
Present value of funded defined benefit plan obligation	15.3	20,560	26,189
Fair value of defined benefit plan assets	15.4	(18,927)	(19,486)
Net liability arising from defined benefit plan obligation		1,633	6,703
15.3 Reconciliation of movement in the present value of the defined benefit plan obligation			
Balance at beginning of the year		26,189	24,993
Current service cost		1,006	1,104
Interest cost		897	917
Remeasurements:			
- Actuarial loss/(gain) arising from changes in financial assumptions		(1,846)	691
- Actuarial loss/(gain) arising from experience adjustments		(2,766)	299
Benefits paid		(2,920)	(1,815)
Balance at end of the year		20,560	26,189
15.4 Reconciliation of movement in the fair value of plan assets			
Balance at beginning of the year		19,486	18,675
Interest income		664	682
Remeasurements:			
- Return on plan assets (excluding amounts included in net interest expense)		1,052	1,214
Contributions by the employer		599	654
Contributions by plan participants		46	76
Benefits paid		(2,920)	(1,815)
Balance at end of the year		18,927	19,486
The fair value of the plan assets at the end of the reporting period for each category, are as follows:			
Australian equities		4,085	4,248
International equities		5,324	4,981
Property		1,530	1,712
Australian fixed interest		1,921	2,146
International fixed interest		164	315
Cash		1,535	1,326
Other		4,367	4,758
Total fair value of the plan assets		18,927	19,486

15. RETIREMENT BENEFIT PLAN OBLIGATIONS (continued)

The fair value of the above equity and debt instruments are determined as follows:

Local Government Super (NSW): Determined based on one of the following; quoted prices in active markets for identical assets, other inputs other than quoted prices observable for the asset directly or indirectly or inputs that are not based on observable market data. Derivatives can be used by investment managers, however the trustee requires that all derivatives positions are fully cash covered, are offset to existing assets, or are used to alter the exposures in underlying assets classes. It is the policy of the fund that no gearing or speculative trading is permitted.

Australian Red Cross Queensland Staff Retirement Fund (QLD): The issue price is determined by reference to the net asset value and transaction costs pertaining to the relevant class of units, and the number of units on issue in that unit class. The market value and net asset value of the Fund are normally determined at least each business day, using the market prices and unit prices of the assets in which the Fund is invested. The Fund may use derivatives such as options, futures or swaps which support the Fund's investment objectives. However, certain restrictions are imposed on the use of derivatives within the Fund in accordance with the AMP Capital Derivative Risk Statement.

The actual return on plan assets was \$1.061 million (2014: \$1.220 million).

	2015 \$'000	2014 \$'000
15.5 Amounts recognised in the statement of comprehensive income		
Service cost:		
- Current service cost	1,006	1,104
- Employer contributions	(599)	(654)
- Member contributions	(46)	(76)
Net interest cost	233	235
Components of defined benefit costs recognised in (deficit)/surplus	594	609
Remeasurements:		
- Return on plan assets (excluding amounts included in net interest expense)	(1,052)	(1,214)
- Actuarial loss/(gain) arising from changes in financial assumptions	(1,846)	691
- Actuarial loss/(gain) arising from experience adjustments	(2,766)	299
Components of defined benefit gains recognised in other comprehensive income	(5,664)	(224)
Total	(5,070)	385
The current service cost and the net interest expense for the year are included in the staff expenses in the statement of profit or loss. The remeasurement of the net defined benefit liability is included in other comprehensive income.		
15.6 Category of investments		
Australian equities	21.6%	21.8%
International equities	28.1%	25.6%
Property	8.1%	8.8%
Australian fixed interest	10.2%	11.0%
International fixed interest	0.9%	1.6%
Cash	8.1%	6.8%
Other	23.1%	24.4%
	100.0%	100.0%

CONTENTS

PART 1 OVERVIEW

Our vision and mission	6
Our values	7
Foreword by the Chair	8
Message from the Chief Executive	9
Why we donate: Australia's Champions	10
How your donated red cells are used	11
Thank you for my life-blood	12
Measuring our performance: KPIs	13
Changing patterns of blood collection	14

PART 2 OUR ORGANISATION

How we are governed	18
About the Blood Service Board	19
Board committees	20
The Board	21
The Executive	24
Our organisation	26
Our locations	26
From donor to patient	28

PART 3 OUR PERFORMANCE

Clinical Services and Research	32
Donor Services	34
Finance	36
Human Resources	38
Information Services	40
Manufacturing	42
Strategy and Quality	44

PART 4 OUR CORPORATE SOCIAL RESPONSIBILITY

Community	49
Employee environment	54
Safety and quality	60
Environment	62
Australian Red Cross	64

PART 5 OUR FINANCES

Finance report	68
----------------	----

15. RETIREMENT BENEFIT PLAN OBLIGATIONS (continued)

15.7 Sensitivity analysis for actuarial assumptions

Significant actuarial assumptions for the determination of the defined obligation are discount rate and expected salary increase. The sensitivity analysis below has been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

- If the discount rate is 50 basis points higher/lower, the defined benefit obligation would (decrease)/increase by \$0.684 million (2014: \$1.337 million)
- If the expected salary growth increases/(decreases) by 0.5%, the defined benefit obligation would increase/(decrease) by \$0.415 million (2014: \$0.694 million).

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation liability recognised in the statement of financial position.

There was no change in the methods and assumptions used in preparing the sensitivity analysis from prior years, other than the change in the bond rate used to calculate the employee liability obligation (see note 3.3).

15.8 Asset-Liability Matching study

There were no asset-liability matching strategies adopted by the funds during the period.

15.9 Effects on future cash flows

Local Government Super's funding arrangements are reviewed at least every three years following the release of the triennial actuarial review and were last reviewed following completion of the triennial review as at 30 June 2012. The next triennial actuarial review will be based on the three year period ending 30 June 2015 and future contribution rates will be determined based on discussions between the Blood Service and the trustee. Funding positions are reviewed annually and funding arrangements may be adjusted as required after each annual review.

Members of the Australian Red Cross Queensland Staff Retirement Fund contribute at the rate of 5% of salary. The residual contribution (including back service payments) is paid by the Blood Service. The funding requirements are based on the local actuarial measurement framework. In this framework the discount rate is set on the expected return on the Fund's assets. The Blood Service carries the investment volatility risk and may be required to make additional contributions from time to time if assets do not cover members' vested benefits.

The average duration of the benefit obligation at 30 June 2015 is 8.7 years (2014: 10.4 years). This number can be analysed as follows:

- active members: 7.94 years (2014: 9.8 years);
- retired members: 11.07 years (2014: 12.0 years).

The Blood Service expects to make a contribution of \$0.544 million (2014: \$0.710 million) to the defined benefit plans during the next financial year.

16. RESERVES

	NOTES	2015 \$'000	2014 \$'000
General reserve	16.1	211,825	202,404
Special reserve	16.2	58,696	57,973
Capital reserve	16.3	50,523	64,867
Investment revaluation reserve	16.4	(338)	-
Total reserves	17	320,706	325,244

16.1 General reserve

Balance at beginning of year	202,404	190,201
Transfer to special reserve	16.2	(723)
Transfer from/(to) capital reserve	16.3	14,344

Subtotal transfer from general reserve

(Deficit)/Surplus for the year	(9,864)	24,609
Actuarial gain on retirement benefit plan obligations	5,664	224

Balance at end of the year

General reserves held are surplus funds not yet allocated for a specific purpose.	211,825	202,404
---	---------	---------

16.2 Special reserve

Balance at beginning of the year	57,973	55,078
Income received and transferred to the reserve	36,249	32,989
Expenditure incurred and transferred from the reserve	(35,526)	(30,094)

Subtotal transfer from general reserve

16.5.1	723	2,895
Balance at end of the year	58,696	57,973

The Blood Service's special reserve records retained surpluses over which the Blood Service has restricted use. The majority of the balance is comprised of Commonwealth (NBA) funded reserves which include the OBFM risk reserve (2015: \$5.273 million, 2014: \$5.138 million), corporate risk reserve (2015: \$29.307 million, 2014: \$23.686 million) and unallocated prior year surpluses (2015: \$6.524 million, 2014: \$6.192 million). The remainder of the balance consists of State government and other externally funded reserves.

16.3 Capital reserve

Balance at beginning of year	64,867	55,132
Income received and transferred to the reserve	40,978	62,472
Expenditure incurred and transferred from the reserve	(55,322)	(52,737)

Subtotal transfer (to)/from general reserve

(14,344)	9,735	
Balance at end of the year	50,523	64,867

The Blood Service's capital reserve records retained surpluses less capital expenditure relating to various capital funded programs or funds received for the purpose of future capital expenditure.



CONTENTS

PART 1 OVERVIEW

Our vision and mission	6
Our values	7
Foreword by the Chair	8
Message from the Chief Executive	9
Why we donate: Australia's Champions	10
How your donated red cells are used	11
Thank you for my life-blood	12
Measuring our performance: KPIs	13
Changing patterns of blood collection	14

PART 2 OUR ORGANISATION

How we are governed	18
About the Blood Service Board	19
Board committees	20
The Board	21
The Executive	24
Our organisation	26
Our locations	26
From donor to patient	28

PART 3 OUR PERFORMANCE

Clinical Services and Research	32
Donor Services	34
Finance	36
Human Resources	38
Information Services	40
Manufacturing	42
Strategy and Quality	44

PART 4 OUR CORPORATE SOCIAL RESPONSIBILITY

Community	49
Employee environment	54
Safety and quality	60
Environment	62
Australian Red Cross	64

PART 5 OUR FINANCES

Finance report	68
----------------	----

16. RESERVES (continued)

	2015 \$'000	2014 \$'000
16.4 Investment revaluation reserve		
Balance at beginning of year	-	-
Net loss arising on revaluation	(338)	-
Cumulative (gain)/loss reclassified to profit or loss on sale of available-for-sale financial assets	-	-
Balance at end of the year	(338)	-
The Blood Service's investment revaluation reserve represents the cumulative gains and losses arising on the revaluation of available-for-sale financial assets that have been recognised in other comprehensive income, net of amounts reclassified to profit or loss when those assets have been disposed of or are determined to be impaired.		
16.5 Movement within reserves		
<i>16.5.1 Transfer between general and special reserve</i>		
The current year movement of \$0.723 million (2014: \$2.895 million) is primarily driven by:		
-allocation of funds to the corporate risk reserve (including interest earned) of \$5.621 million (2014: \$5.500 million)		
-interest allocation to various projects of \$1.433 million (2014: \$1.425)		
-allocation of additional R&D funding of \$0.300 million (2014: \$0.035 million)		
-transfer of proceeds on sale of \$6.480 million (2014: n/a) to the capital reserve as a result of a review of reserve balances		
-net (deficit)/surplus relating to various non-deed projects and donations of \$0.151 million (2014: 2.967 million)		
In 2014, \$7.032 million of cumulative interest on capital was transferred as a once-off reallocation to the capital reserve.		
17. EQUITY		
Accumulated funds at beginning of the year	325,244	300,411
Total (loss)/profit and other comprehensive income for the year	(4,538)	24,833
Accumulated funds at end of the year	320,706	325,244

18. RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES

18.1 Cash flows from operating activities

Net (deficit)/surplus	(9,864)	24,609
<i>Adjustments for:</i>		
Depreciation	9	50,808
(Gain)/Loss on foreign exchange	(38)	14
Loss/(Gain) on disposal of non-current assets	1,102	(558)
Loss on disposal of other financial assets	1	-
Interest paid on finance leases	6,041	6,748
Investment income received	5.2	(8,017)
Components of defined benefit costs recognised in (deficit)/surplus	15.5	594
<i>Changes in operating assets and liabilities:</i>		
Increase in trade and other receivables	(153)	(1,433)
Decrease in trade and other payables	(1,359)	(4,949)
Increase in prepaid government funds	9,547	26,498
Increase in provisions	561	3,659
Decrease/(Increase) in consumables inventory	499	(781)
Decrease/(Increase) in blood and blood product inventory	571	(4,582)
Net cash inflow from operating activities	50,293	85,391

18.2 Reconciliation of cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise the following at 30 June:

Cash at bank and on hand	384	1,037
<i>Term deposits and investments</i>		
Term deposits and investments	198,479	235,568
Total cash and cash equivalents		
Total cash and cash equivalents	198,863	236,605



CONTENTS

PART 1 OVERVIEW

Our vision and mission	6
Our values	7
Foreword by the Chair	8
Message from the Chief Executive	9
Why we donate: Australia's Champions	10
How your donated red cells are used	11
Thank you for my life-blood	12
Measuring our performance: KPIs	13
Changing patterns of blood collection	14

PART 2 OUR ORGANISATION

How we are governed	18
About the Blood Service Board	19
Board committees	20
The Board	21
The Executive	24
Our organisation	26
Our locations	26
From donor to patient	28

PART 3 OUR PERFORMANCE

Clinical Services and Research	32
Donor Services	34
Finance	36
Human Resources	38
Information Services	40
Manufacturing	42
Strategy and Quality	44

PART 4 OUR CORPORATE SOCIAL RESPONSIBILITY

Community	49
Employee environment	54
Safety and quality	60
Environment	62
Australian Red Cross	64

PART 5 OUR FINANCES

Finance report	68
----------------	----

	NOTES	2015 \$'000	2014 \$'000
19. COMMITMENTS			
19.1 Non-cancellable operating leases			
The Blood Service leases various premises used as offices, blood collection centres, processing and testing centres, and warehouses under non-cancellable leases expiring within 2 to 20-years. The leases include a 20-year lease (expiring April 2028) for a property at Kelvin Grove, Brisbane, a 20-year lease (expiring January 2031) for a property at Alexandria, Sydney, an 11-year lease (expiring November 2021) for the National Office on St. Kilda Road, Melbourne and several donor centres nationally.			
A number of lease arrangements entered into by the Blood Service provide the option to extend the term beyond the initial expiration date. The commitment for minimum lease repayments in relation to non-cancellable operating leases has been calculated based on the initial lease term under the contract. This approach is consistent with the calculation of make good provision.			
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:			
- within one year		25,382	24,025
- later than one year and not later than five years		75,322	73,719
- later than five years		99,349	107,446
Total non-cancellable operating leases		200,053	205,190
Of this total, \$1.266 million (2014: \$1.395 million) of commitments for minimum lease payments relates to transactions with the Society - see note 24. \$1.251 million (2014: \$1.095 million) is payable within one year and the remaining payable later than one year but within five years.			
19.2 Finance leases			
The Blood Service leases various equipment and fit-outs with a carrying value of \$38.762 million (2014: \$43.793 million) under finance leases expiring within 3 to 10 years. Under the terms of the leases, the Blood Service has the option to acquire the leased assets on expiry of the leases. These leases relate to:			
19.2.1 Property fit-out leases			
Upon completion of the Brisbane Processing Centre in Kelvin Grove in 2008, the constructed asset was used to underwrite a \$32.473 million 10-year finance lease with a financial institution. As at 30 June 2015, the residual balance of this facility was \$14.297 million (2014: \$16.523 million). The lease repayments relating to this arrangement are funded by the Annual Capital Program.			
In 2012, the Melbourne Processing Centre in West Melbourne was completed and the constructed asset was used to underwrite a \$33.500 million 10-year finance lease. As at 30 June 2015, the residual balance of this facility was \$24.465 million (2014: \$27.270 million). The Blood Service receives special grant funding to cover the lease repayments under this arrangement.			
The weighted average effective interest rate for the finance leases was 7.58%.			
19.2.2 Total equipment and property fit-out finance leases			
Minimum lease payments			
- within one year		8,168	8,168
- later than one year and not later than five years		32,822	36,110
- later than five years		6,915	11,795
Minimum future lease payments		47,905	56,073
Less: future finance charges		(9,143)	(12,280)
Total lease liabilities		38,762	43,793
Representing lease liabilities:			
Current	11	5,421	5,031
Non-current	11	33,341	38,762
Total lease liabilities	19.2.1	38,762	43,793

19. COMMITMENTS (continued)

	NOTES	2015 \$'000	2014 \$'000
19.3 Borrowings			
Secured bank loans:			
Current	11	4,529	4,162
Non-current	11	27,182	31,712
Total bank loans		31,711	35,874

In 2011, the Society had entered into a 10-year loan agreement for the value of \$47.500 million to partially fund the building works of the Sydney Processing Centre in Alexandria. The loan is secured by a fixed charge of the building works and equipment (including fixtures and fittings) and a charge over the Deed of Indemnity between the Society and the NBA. The Blood Service receives special grant funding to cover the loan repayments under this arrangement. The weighted average effective interest rate was 8.63%.

19.4 Capital expenditure commitments

Capital commitments contracted for at the reporting date but not recognised as liabilities are as follows:

	Property, plant & equipment	
Payable:		
- within one year		13,707
- later than one year and not later than five years		-
- later than five years		-
Total capital expenditure commitments		13,707
		4,512

Of the reported total capital expenditure commitments, \$8.559 million relates to premises related activities with the balance committed to the Laboratory Information Management System (LIMS) program and various other business initiatives.

20. CONTINGENT LIABILITIES

There is a potential for claims to arise from viral/bacterial infections or blood-borne diseases which are currently unidentified, or in circumstances where there is no test or screening procedures available to test for a virus/bacteria/disease state. In the event that commercial insurance does not cover financial exposure arising as a result of transmission of blood-borne disease occurring subsequent to 1 July 2000, a national managed fund has been established with claims covered at the discretion of the NBA.

The Blood Service is entitled to seek, and the NBA may at its discretion grant, indemnities in respect of potential liabilities arising from litigation in relation to pre-July 2000 transfusion-transmitted diseases.

There are no contingent liabilities or events identified which could be expected to have a material impact on the financial statements in the future.

21. EVENTS AFTER REPORTING PERIOD

There were no known significant events after the reporting period.

22. KEY MANAGEMENT PERSONNEL COMPENSATION

22.1 Key management personnel

22.1.1 Board members during 2014-2015 were:

The Hon Dr David Hamill AM (Chair)
Ms Jennifer Williams (Chief Executive)
Mr Nigel Ampherlaw (Board Member)
Mr Adrian Bootes (Board Member - appointed 1 June 2015)
Ms Sandhya Chakravarty (Board Member)
Ms Hannah Crawford (Board Member)
Dr David Graham (Board Member - term completed 31 May 2015)
Ms Kelly Jones (Board Member - term completed 31 May 2015)
Ms Jenni Mack (Board Member - appointed 1 June 2015)
Associate Professor Larry McNicol (Board Member)
Mr Ross Pinney (Board Member)
Professor John Zalcborg OAM (Board Member)

CONTENTS

PART 1 OVERVIEW

Our vision and mission	6
Our values	7
Foreword by the Chair	8
Message from the Chief Executive	9
Why we donate: Australia's Champions	10
How your donated red cells are used	11
Thank you for my life-blood	12
Measuring our performance: KPIs	13
Changing patterns of blood collection	14

PART 2 OUR ORGANISATION

How we are governed	18
About the Blood Service Board	19
Board committees	20
The Board	21
The Executive	24
Our organisation	26
Our locations	26
From donor to patient	28

PART 3 OUR PERFORMANCE

Clinical Services and Research	32
Donor Services	34
Finance	36
Human Resources	38
Information Services	40
Manufacturing	42
Strategy and Quality	44

PART 4 OUR CORPORATE SOCIAL RESPONSIBILITY

Community	49
Employee environment	54
Safety and quality	60
Environment	62
Australian Red Cross	64

PART 5 OUR FINANCES

Finance report	68
----------------	----

22. KEY MANAGEMENT PERSONNEL COMPENSATION (continued)

		2015	2014
Board remuneration disclosures:			
Remuneration range (\$25k band)			
\$50,000 to \$74,999			
		10	8
\$100,000 to \$124,999			
		-	1
\$125,000 to \$149,999			
		1	-
\$575,000 to \$599,999			
		-	-
\$600,000 to \$624,999			
		1	1
Remuneration figures are gross salary plus superannuation.			

22.1.2 Executive Directors during 2014-2015 (not including the Chief Executive) were:

Mr John Brown	Executive Director, Finance
Mrs Jacqui Caulfield	Executive Director, Manufacturing
Mr Mark Gardiner	Executive Director, Information Services
Ms Anne Heyes	Executive Director, Human Resources
Dr David Irving	Executive Director, Research and Development (July to November 2014)
Mr Peter McDonald	Executive Director, Strategy and Quality
Dr Joanne Pink	Executive Director, Clinical Services and Research
Ms Janine Wilson	Executive Director, Donor Services

Remuneration of Executive Directors (excluding the Chief Executive):

Remuneration range (\$25k band)			
\$225,000 to \$249,999		-	1
\$250,000 to \$274,999		2	1
\$275,000 to \$299,999		-	1
\$300,000 to \$324,999		2	1
\$325,000 to \$349,999		1	2
\$350,000 to \$374,999		2	1
\$425,000 to \$449,999		-	1
\$475,000 to \$499,999		1	-

Remuneration figures are gross salary plus superannuation.

The key management personnel compensations included in the surplus or deficit are as follows:

	Number of personnel	Short-term employee benefits Salaries and fees \$'000	Post employment benefits Superannuation contributions \$'000	Long-term employee benefits Long-term employee benefits \$'000	Total \$'000
2015 Total compentation	20	3,851	\$280	(114)	4,017
2014 Total compentation	18	3,549	257	102	3,908

Key management personnel remuneration includes paid short term employee benefits comprising of salaries and wages, annual leave, sick leave and non-monetary benefits. Also included in remuneration is amounts relating to long-term employee benefits which have accrued, but not been paid, to the employees during the period such as long-service leave. During the reporting period, the Blood Service undertook a review of all employees' leave entitlements. The review resulted in the reduction of the long service leave entitlement balance of two key management personnel leading to the negative balance in the table above.

	2015 \$'000	2014 \$'000
23. REMUNERATION OF AUDITORS		
Amounts paid or due and payable to Deloitte for:		
- Audit or review of the financial statements of the Blood Service		
	93	90
- Audit for grant acquittals		
	21	20
- Other non-audit services		
	100	56
Total remuneration of auditors	214	166

Other non-audit services relate to consulting fees for the Human Resource Technology Roadmap Review.

24. RELATED PARTY DISCLOSURES

Transactions with the Australian Red Cross Society

During the reporting period, net trading transactions of \$1.453 million (2014: \$1.067 million) were transacted between the Blood Service and the Society. The transactions largely relate to the Blood Service's occupancy of premises owned by the Society, whereby there are contractual arrangements for the sub-lease of these facilities by the Blood Service. As at 30 June 2015, an aggregate of \$1.266 million (2014: \$1.395 million) of commitments for minimum lease payments in relation to non-cancellable operating leases are payable to the Society over a 5-year period.

There was no material debt between the Blood Service and the Society at 30 June 2015.

25. FINANCIAL RISK MANAGEMENT

The Blood Service's activities expose it to a variety of financial risks: market risk (including interest rate risk, foreign currency risk and price risk), credit risk and liquidity risk. The Blood Service's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Blood Service.

It is the Blood Service's policy that no trading in derivative financial instruments shall be undertaken. The policy also prohibits trading in speculative investments and short-term profit taking. All investments are held to generate additional income and must be classified as 'available-for-sale' or 'held-to-maturity'. However, the Blood Service policy permits sale of selected investments which are described in the financial statements as 'available-for-sale', when the Blood Service elects to adjust its portfolio in relation to risk exposure and diversification as advised by its investment portfolio managers.

The Chief Financial Officer is responsible for financial risk management which is carried out by a central treasury function under policies approved by the Board. It is the Blood Service's policy to conduct its banking business, including instruments used to hedge risk, with high credit quality financial institutions.



CONTENTS

PART 1 OVERVIEW

Our vision and mission	6
Our values	7
Foreword by the Chair	8
Message from the Chief Executive	9
Why we donate: Australia's Champions	10
How your donated red cells are used	11
Thank you for my life-blood	12
Measuring our performance: KPIs	13
Changing patterns of blood collection	14

PART 2 OUR ORGANISATION

How we are governed	18
About the Blood Service Board	19
Board committees	20
The Board	21
The Executive	24
Our organisation	26
Our locations	26
From donor to patient	28

PART 3 OUR PERFORMANCE

Clinical Services and Research	32
Donor Services	34
Finance	36
Human Resources	38
Information Services	40
Manufacturing	42
Strategy and Quality	44

PART 4 OUR CORPORATE SOCIAL RESPONSIBILITY

Community	49
Employee environment	54
Safety and quality	60
Environment	62
Australian Red Cross	64

PART 5 OUR FINANCES

Finance report	68
----------------	----

25. FINANCIAL RISK MANAGEMENT (continued)

	NOTES	2015 \$'000	2014 \$'000
Fair value estimation			
The Blood Service holds the following financial instruments:			
Financial assets			
Cash - Australian currency		196	187
Cash - foreign currency		188	850
Total cash at bank and on hand		384	1,037
Bank bills and term deposits		198,479	235,568
Total cash and cash equivalents	18.2	198,863	236,605
Trade and other receivables	6	10,092	9,939
Other financial assets	8	32,999	-
Total financial assets		241,954	246,544
Financial liabilities			
Trade and other payables	10	38,793	39,837
Borrowings - finance leases	11	38,762	43,793
Borrowings - loans	11	31,711	35,874
Prepaid government funds	13	96,063	86,516
Other liabilities	14	3,731	4,046
Total financial liabilities		209,060	210,066
Financing facilities available			
At reporting date, the following financing facilities had been negotiated and were available:			
Credit card and travel account		2,000	2,000
Borrowings - finance leases		38,762	43,793
Borrowings - loans		31,711	35,874
Total financing facilities available		72,473	81,667
Facilities unused at reporting date			
Credit card and travel account		1,346	1,248
Borrowings - finance leases		-	-
Borrowings - loans		-	-
Total facilities unused at reporting date		1,346	1,248

25. FINANCIAL RISK MANAGEMENT (continued)

25.1 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: (i) interest rate risk, (ii) foreign currency exchange rate risk; and (iii) price risk.

25.1.1 Interest rate risk

The Blood Service has significant interest-bearing financial assets and is exposed to interest rate fluctuations on its investments in bank term deposits. The Blood Service accepts the risk in relation to its financial assets, as the balances held fluctuate in the short-term and are held to generate investment income on unused funds.

The Blood Service's main interest rate exposure on financial liabilities arises from long-term borrowings. The Blood Service's policy is to maintain its long-term borrowings at fixed rates. As at 30 June 2015, all of the Blood Service's borrowings were fixed interest borrowings.

25.1.2 Foreign currency risk

Foreign currency risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the entity's functional currency. The Blood Service treasury policy allows for contracts to be negotiated in foreign currency where it is financially more advantageous than negotiating in Australian dollars. The Blood Service either holds appropriate foreign currency balances or uses financial instruments such as forward foreign currency contracts for cash flow hedging purposes; that is, not as trading or speculative instruments. It is Blood Service policy to purchase standard foreign exchange contracts to cover foreign currency liabilities. As at 30 June 2015, the Blood Service did not have any forward exchange contracts. The Blood Service assessed its foreign currencies as at 30 June 2015 and they are as follows:

		2015	2014
		\$'000 FOREIGN CURRENCY	\$'000 FOREIGN CURRENCY
		AUD EQUIVALENT	AUD EQUIVALENT
Foreign currency financial assets			
Cash and cash equivalents			
USD		150	188
Total foreign currency financial assets		188	850

The Blood Service has no other foreign currency assets or liabilities.



CONTENTS

PART 1 OVERVIEW

Our vision and mission	6
Our values	7
Foreword by the Chair	8
Message from the Chief Executive	9
Why we donate: Australia's Champions	10
How your donated red cells are used	11
Thank you for my life-blood	12
Measuring our performance: KPIs	13
Changing patterns of blood collection	14

PART 2 OUR ORGANISATION

How we are governed	18
About the Blood Service Board	19
Board committees	20
The Board	21
The Executive	24
Our organisation	26
Our locations	26
From donor to patient	28

PART 3 OUR PERFORMANCE

Clinical Services and Research	32
Donor Services	34
Finance	36
Human Resources	38
Information Services	40
Manufacturing	42
Strategy and Quality	44

PART 4 OUR CORPORATE SOCIAL RESPONSIBILITY

Community	49
Employee environment	54
Safety and quality	60
Environment	62
Australian Red Cross	64

PART 5 OUR FINANCES

Finance report	68
----------------	----

25. FINANCIAL RISK MANAGEMENT (continued)

25.1.3 Price risk

The Blood Service manages the risks associated with its investments in accordance with established and approved governance guidelines and principles set out and approved through the Blood Service Board. Investments are managed at arms length by independent and fully qualified organisations under an agreed and approved mandate which stipulates diversification criteria based on asset classes and percentages within the total investment portfolio of each approved class. In addition, part of the risk assessment criteria are benchmarks regarding expected rates of return and ethical overlay restrictions.

25.2 Sensitivity analysis

25.2.1 Interest rate sensitivity analysis

The sensitivity analysis below summarises the impact of changes in interest rates for both derivative and non-derivative instruments to the surplus and equity at the end of the reporting period.

If the interest rates had been 100 basis points higher/lower and all other variables were held constant, the Blood Service's:

- surplus for the year ended 30 June 2015 would increase/decrease by \$0.139 million (2014: \$0.051 million). This is mainly attributable to the Blood Service's exposure to interest rates on its variable interest rate instruments; and
- comprehensive income for the year ended 30 June 2015 would increase/decrease by \$0.258 million (2014: n/a), mainly as a result of the changes in the fair value of available-for-sale fixed rate instruments.

Interest rate sensitivity analysis does not apply to fixed interest rate instruments.

25.2.2 Foreign currency risk sensitivity analysis

The Blood Service is mainly exposed to movements in exchange rates relating to US dollars (USD) and the Euro. The analysis below details the Blood Service's sensitivity to a 10% increase/decrease in the Australian dollar against the relevant foreign currencies. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translations at the year end for a 10% change in foreign currency rates.

If the Australian dollar (AUD) had strengthened by 10% against both USD and Euro with all other variables held constant, the surplus for the year ended 30 June 2015 would increase by \$0.021 million (2014: \$0.094 million). Conversely, if the AUD had weakened by 10% against these currencies, the surplus for the reporting period would decrease by \$0.017 million (2014: \$0.077 million).

25.2.3 Equity price sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to equity price risk at the end of the reporting period.

If the equity prices of available-for-sale Australian equities had been 5% higher/lower:

- the surplus for the year ended 30 June 2015 would have been unaffected as the equity investments are classified as available-for-sale and any increment or decrement in the fair value, with the exception of impairment, is an adjustment to other comprehensive income; and
- other comprehensive income for the year ended 30 June 2015 would have increased/decreased by \$0.361 million (2014: n/a) as a result of the change in the fair value of available-for-sale Australian equities.

25.3 Credit risk

Credit risk is managed on a national basis. Credit risk arises from cash and cash equivalents, derivative instruments and deposits with financial institutions, as well as credit exposure to customers. For financial institutions, only those that are rated with a minimum AA- equivalent Standard & Poor's rating are accepted. In respect of customers, the Blood Service ensures that invoices for products and services are largely made to customers with an appropriate credit history. Credit risk for derivative financial instruments arises from the potential failure by counterparties to the contract to meet their obligations.

There is no significant credit risk with respect to receivables, as the major receivables are from the Commonwealth, State and Territory governments.

The credit quality of financial assets can be assessed by reference to external credit ratings.

	NOTES	2015 \$'000	2014 \$'000
--	-------	----------------	----------------

Maximum exposure to credit risk at the reporting date:

Cash and cash equivalents 18.2 198,863 236,605

Trade and other receivables 6 10,092 9,939

Other financial assets 8 32,999 -

Total maximum exposure to credit risk at the reporting date 241,954 246,544

25. FINANCIAL RISK MANAGEMENT (continued)

25.4 Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and availability of funding through an adequate amount of committed credit facilities and funding arrangements. The Blood Service manages liquidity risk by monitoring forecast cash flows and ensuring that adequate liquid funds are available.

The following table details the Blood Service's contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Blood Service can be requested to pay. The table includes principal cash flows only.

	WEIGHTED AVERAGE EFFECTIVE INTEREST RATE	LESS THAN 1 MONTH	1 - 3 MONTHS	TO 1 YEAR	1 - 5 YEARS	5 + YEARS	3 MONTHS	TOTAL
NOTES	%	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000

Financial liabilities

2015								
Non-interest bearing		106,643	28,306	278	1,464	1,896	138,587	
Fixed loan liability	19.3	8.63	359	733	3,437	22,600	4,582	31,711
Finance lease liability	19.2.2	7.58	437	882	4,103	26,813	6,527	38,762
Total financial liabilities		107,439	29,2921	7,818	50,877	13,005	209,060	
2014								
Non-interest bearing		86,004	40,485	407	2,089	1,414	130,399	
Fixed loan liability	19.3	8.63	329	672	3,160	20,729	10,984	35,874
Finance lease liability	19.2.2	7.57	405	818	3,808	28,053	10,708	43,792
Total financial liabilities		86,738	41,975	7,375	50,871	23,106	210,065	

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

Non-derivative financial assets

2015								
Non-interest bearing		17,321	-	-	-	-	-	17,321
Fixed interest rate instruments		3.06	-	185,000	1,512	24,258	-	210,770
Variable interest rate instruments	18.2	2.04	13,863	-	-	-	-	13,863
Total non-derivative financial assets		31,184	185,000	1,512	24,258	-	-	241,954
2014								
Non-interest bearing		9,939	-	-	-	-	-	9,939
Fixed interest rate instruments		3.56	-	231,500	-	-	-	231,500
Variable interest rate instruments	18.2	2.40	5,105	-	-	-	-	5,105
Total non-derivative financial assets		15,044	231,500	-	-	-	-	246,544

25.5 Fair value financial instruments

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short-term nature.



CONTENTS

PART 1 OVERVIEW

Our vision and mission	6
Our values	7
Foreword by the Chair	8
Message from the Chief Executive	9
Why we donate: Australia's Champions	10
How your donated red cells are used	11
Thank you for my life-blood	12
Measuring our performance: KPIs	13
Changing patterns of blood collection	14

PART 2

OUR ORGANISATION

How we are governed	18
About the Blood Service Board	19
Board committees	20
The Board	21
The Executive	24
Our organisation	26
Our locations	26
From donor to patient	28

PART 3

OUR PERFORMANCE

Clinical Services and Research	32
Donor Services	34
Finance	36
Human Resources	38
Information Services	40
Manufacturing	42
Strategy and Quality	44

PART 4

OUR CORPORATE SOCIAL RESPONSIBILITY

Community	49
Employee environment	54
Safety and quality	60
Environment	62
Australian Red Cross	64

PART 5

OUR FINANCES

Finance report	68
----------------	----

BOARD MEMBERS' DECLARATION

In accordance with a resolution of the Board of the Blood Service, I state that:

In the opinion of the Board:

(a) the financial statements and notes of the Blood Service:

- (i) give a true and fair view of the Blood Service's financial position as at 30 June 2015 and of its performance for the year ended on that date; and
- (ii) comply with Australian Accounting Standards and Interpretations, and other requirements of the law; and

(b) there are reasonable grounds to believe that the Blood Service will be able to pay its debts as and when they become due and payable.

On behalf of the Board



The Hon Dr David Hamill AM

Chair

Melbourne

Date: 29 September 2015



Deloitte Touche Tohmatsu
ABN 74 490 121 060

550 Bourke Street
Melbourne VIC 3000
GPO Box 78
Melbourne VIC 3001 Australia
DX: 111
Tel: +61 (0) 3 9871 7000
Fax: +61 (0) 3 9871 7001
www.deloitte.com.au

Independent Auditor's Report to the board members of the Australian Red Cross Blood Service

We have audited the accompanying financial report of the Australian Red Cross Blood Service, which comprises the statement of financial position as at 30 June 2015, the statement of profit or loss and other comprehensive income, the statement of cash flows and the statement of changes in equity for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and board members declaration as set out on pages 2 to 21.

The Board of Management's Responsibility for the Financial Report

The Board of Management is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards, and for such internal control as the board of management determine is necessary to enable the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

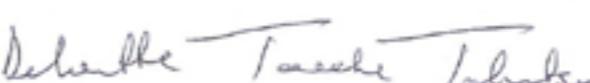
Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the board of management, as well as evaluating the overall presentation of the financial report.

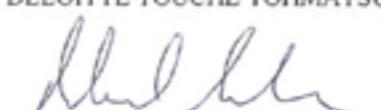
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial report of the Australian Red Cross Blood Service presents fairly, in all material respects, the company's financial position as at 30 June 2015 and its financial performance for the year then ended in accordance with Australian Accounting Standards.



DELOITTE TOUCHE TOHMATSU



Robert D D Collie
Partner
Chartered Accountants
Melbourne, 29 September 2015

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Member of Deloitte Touche Tohmatsu Limited



CONTENTS

PART 1

OVERVIEW

Our vision and mission	6
Our values	7
Foreword by the Chair	8
Message from the Chief Executive	9
Why we donate: Australia's Champions	10
How your donated red cells are used	11
Thank you for my life-blood	12
Measuring our performance: KPIs	13
Changing patterns of blood collection	14

PART 2

OUR ORGANISATION

How we are governed	18
About the Blood Service Board	19
Board committees	20
The Board	21
The Executive	24
Our organisation	26
Our locations	26
From donor to patient	28

PART 3

OUR PERFORMANCE

Clinical Services and Research	32
Donor Services	34
Finance	36
Human Resources	38
Information Services	40
Manufacturing	42
Strategy and Quality	44

PART 4

OUR CORPORATE SOCIAL RESPONSIBILITY

Community	49
Employee environment	54
Safety and quality	60
Environment	62
Australian Red Cross	64

PART 5

OUR FINANCES

Finance report	68
----------------	----



SAFFRON

"It doesn't cost a thing, my kids tell me the milkshakes are great, and it can save the life of someone like Saffron."

SAVING SAFFRON

Saffron, a three-year-old girl from Wollongong, almost lost her life in 2014 after a virus caused her body to go into septic shock.

Saffron was rushed to a Sydney hospital and placed into an induced coma. Doctors gave her a 20 per cent chance of survival. After several weeks on life-support and countless blood transfusions, she finally awoke. She is now a happy, healthy little girl who loves the film *Frozen* and singing at the top of her lungs. Saffron's mother Ellen says words cannot express enough gratitude to the strangers who donated blood.

"It doesn't cost a thing, my kids tell me the milkshakes are great, and it can save the life of someone like Saffron."

FOR FURTHER INFORMATION CONTACT:

National Office

Level 3, 417 St Kilda Road
MELBOURNE, VIC 3004
T: 03 9863 1600
F: 03 9863 1601
E: publicaffairsaus@redcrossblood.org.au

Adelaide, South Australia

Level 2, 301 Pirie Street
ADELAIDE, SA 5000
T: 08 8422 1200
F: 08 8422 1313

Canberra, Australian Capital Territory

Cnr Hindmarsh Drive
and Palmer Street
CANBERRA, ACT 2605
T: 02 6206 6006
F: 02 6206 6030

Hobart, Tasmania

40 Melville Street
HOBART, TAS 7000
T: 03 6230 6230
F: 03 6230 6299

Perth, Western Australia

Level 1, 290 Wellington
Street PERTH, WA 6000
T: 08 9421 2333
F: 08 9221 3031

Brisbane, Queensland

44 Musk Avenue
PO Box 145
KELVIN GROVE,
QLD 4059
T: 07 3838 9001
F: 07 3838 9427

Melbourne, Victoria

100-104 Batman Street
WEST MELBOURNE,
VIC 3006
T: 03 9694 0111
F: 03 9686 1768
T: 08 8927 0499
F: 08 8927 9458

Sydney, New South Wales

17 O'Riordan Street
ALEXANDRIA, NSW 2015
T: 02 9234 2444
F: 02 9290 3316

To donate, call 13 14 95 or visit donateblood.com.au

View our annual report on donateblood.com.au/about#publications

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CONTENTS

PART 1

OVERVIEW

Our vision and mission	6
Our values	7
Foreword by the Chair	8
Message from the Chief Executive	9
Why we donate: Australia's Champions	10
How your donated red cells are used	11
Thank you for my life-blood	12
Measuring our performance: KPIs	13
Changing patterns of blood collection	14

PART 2

OUR ORGANISATION

How we are governed	18
About the Blood Service Board	19
Board committees	20
The Board	21
The Executive	24
Our organisation	26
Our locations	26
From donor to patient	28

PART 3

OUR PERFORMANCE

Clinical Services and Research	32
Donor Services	34
Finance	36
Human Resources	38
Information Services	40
Manufacturing	42
Strategy and Quality	44

PART 4

OUR CORPORATE SOCIAL RESPONSIBILITY

Community	49
Employee environment	54
Safety and quality	60
Environment	62
Australian Red Cross	64

PART 5

OUR FINANCES

Finance report	68
----------------	----

Call 13 14 95 Or visit donateblood.com.au

Australian governments fund
the Australian Red Cross Blood
Service to provide blood, blood products
and services to the Australian community.

[PREVIOUS PAGE](#)