

**NHS Blood and Transplant
Annual Report and Accounts 2007/08**

**Presented to Parliament pursuant to Paragraph 6(3), Section 232, Schedule 15
of the National Health Service Act 2006**

**Laid before the Scottish Parliament by the Scottish Ministers in pursuance of section 88 of the
Scotland Act 1998**

Ordered by the House of Commons to be printed 17 July 2008

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SG/2008/105

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Annual Report and Accounts for the year ended 31 March 2008

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ANNUAL REPORT

MANAGEMENT COMMENTARY

The accounts for the year ending 31 March 2008 have been prepared in accordance with the direction given by the Secretary of State for Health in accordance with section 232 (Schedule 15, Paragraph 3) of the National Health Service Act 2006 and in a format as instructed by the Department of Health with the approval of Treasury.

NHS Blood and Transplant (NHSBT) was established by Statutory Instruments 2005 No. 2529 and No. 2531 on 1 October 2005. The Authority was formed from the merger of the National Blood Authority (NBA) and UK Transplant (UKT), and includes the activities of the Bio Products Laboratory (BPL) that was a constituent part of the NBA.

Strategic Objectives

Our remit is to provide a reliable, efficient supply of blood, organs and associated services to the NHS. NHSBT provides products and services in four key areas:

- Blood Components,
- Specialist Services,
- Organ Donation, and
- Fractionated Products (via BPL).

Our Strategic Objectives as outlined in our Strategic Plan 2008/11 are:

Blood Components

To provide a sustainable supply of blood and blood components and services that meet all safety quality, service provision and compliance standards, as efficiently as possible, via the modernisation of the blood supply chain.

Specialist Services

To provide a range of specialist (diagnostic) services which are financially sustainable while maintaining quality, service provision and compliance standards.

Organ Donation

To identify and refer increasing number of potential donors and to increase the number of donors, enabling an increase in the number of transplants.

Fractionated Products

To achieve financial viability (of BPL) in the manufacture and sales of a targeted range of fractionated products, derived from blood plasma, that meet all quality, service and compliance standards.

Key Performance Headlines 2007/08

Following the establishment of NHSBT notable progress has been made in completing the merger of two previously autonomous service providers, centralising a number of corporate services and exceeding the targets for efficiency savings (as determined by the Government's Arm's Length Body Review), while maintaining and improving the quality of services delivered to patients.

MANAGEMENT COMMENTARY (Continued)

We have continued to build on this during 2007/08. A major review of the National Blood Service (NBS) strategy has been completed and plans established which address the need to ;

- take immediate action to attract and retain blood donors and improve their experience when giving blood

- improve the efficiency and capability of the processing and testing network which has been operating at 40% excess capacity in processing, and 35% excess capacity in testing, with a number of sites lacking the flexibility to meet future safety and regulatory requirements

- review the activities and configuration of specialist services in order to move them to financial viability over the next three years

In addition plans have been established that;

- take account of the activities that the NHSBT will need to undertake in support of the Organ Donor Task force (ODTF) recommendations

- establish a revised management structure within NHSBT which will consolidate the benefits of the 2005 merger and which positions the authority for the successful delivery of its ambitious strategy

Our 2008/11 Strategic Plan, approved by the NHSBT Board in April 2008, describes these plans in detail. The strategic plan will be reviewed and updated on an annual basis and is the key component of our integrated planning, performance, and risk management and assurance framework.

Considering our product and services areas in turn:

i) Blood Components

Demand for red cells continued to fall. During 2007/08, NBS issued 1,825,000 red cell units, which was 10,000 (0.6%) above plan but 48,000 (2.5%) lower than the previous year. Blood collections were 1,927,000 which was 7,000 (0.3%) above plan and 44,000 (2.2%) below the previous year. Red cell stocks were 44,000 units at the year-end; which was within the target stock range of between 40,000 and 50,000 units.

Although maintaining red cell stocks remained challenging, we met our objective to ensure supply of blood and blood components by meeting just under 100% of red cell and platelet product issue requests.

Platelet issues, at 218,000 were equal to plan and just above the previous year 217,000. Frozen component issues, at 361,000, were 5% under plan of 380,000 and the previous year of 379,000. The level of platelet production by component donation (apheresis) exceeded the 60% target agreed with the Department of Health.

The active donor base continued to decline, dropping to 1,370,000 donors, 3.7% lower than the comparable figure at the end of 2006/07 (1,420,000). In addition, the ability of the donor panel to continue to meet demand fell to c91% by the end of the 2007/08 period. This decline continues to represent a major challenge. Scenario planning suggests that a shortfall of between 100,000 and 300,000 units of blood could arise by 2011/12 unless decisive action is undertaken in the coming years.

MANAGEMENT COMMENTARY (Continued)

The build programme for our new blood centre at Filton, Bristol remained on programme and good progress was made against early consolidation plans in the South West.

The NBS (blood components, specialist services and its funded group services) exceeded its financial plan in 2007/08, which included a cost reduction target of £10.5 million. NHSBT has agreed a red cell price for 2008/09 that is below the target of 'inflation only rises' from the 2005/06 baseline price.

While we have made good progress in delivering efficiencies within the blood component supply chain (c£38 million during 2006/7/8), significant opportunities remain available to further reduce costs, by improving collection and processing productivity and removing excess capacity in testing and processing, through operational improvement, removing variations and standardising processes.

Our challenge remains to provide a robust and flexible manufacturing infrastructure that can deliver the level of service customers expect, respond effectively to future safety and regulatory standards and reduce operating costs to meet our pricing targets in the face of declining demand for blood components.

ii) Specialist Services

In 2007/08 the consolidation of the Cambridge Platelet Immunology (PI) and the Bristol Platelet and Granulocyte Immunology (PGI) services into Bristol was completed; with the consolidation of Tissue Services into Liverpool, Red Cell Immunohaematology from Southampton to Bristol and planning for the transfer of Reagents from Birmingham to Liverpool well progressed.

BBMR donor numbers remained ahead of target and performance exceeded service levels in Histocompatibility and Immunogenetics and in Ante-Natal. Implementation of the replacement specialist services computer system (Hematos) continued, with the ongoing focus to ensure that this project is completed in a timely fashion and with no conflict between completion and the South West consolidation.

Demand for many of our specialist services continues to grow, however, they are subsidised by income from the provision of blood component products in the region of £24 million. Our challenge for the future is to ensure the provision of key services while achieving financial sustainability, thereby reducing the level of inappropriate cross-subsidy from blood component income.

iii) Organ Donation

Organ donation activity undertaken to the end of March 2008 compared favourably to previous performance over the 2006/07 financial year. The number of cadaveric organ donors rose by 2.0% to 809 and the number of living donors by 19.5% to 834.

We registered just under 1 million people on the Organ Donor Register (ODR) during this period, with the total at the end of March standing at 15.14m, which exceeded the 2007/08 target of 14.70m.

As a result, the total number of organ transplants carried out in the period April 2007 to March 2008 was the highest ever seen:

- Cadaveric organ transplants 2,385 slightly below last year (2,389 in 2006/07)
- Living donor transplants 834 (698 in 2006/07), a 19.5% increase
- Total transplants 3,219 (3,087 in 2006/07), a 4.3% increase

However, despite this record of achievement there remain more than 7,500 people in the UK who need a transplant and this total continues to rise despite the significant effort being made to increase the number of donors.

MANAGEMENT COMMENTARY (Continued)

The number of cornea transplants carried out in the period April 2007 to March 2008 was 2,486, a 3.5% increase on 2006/07 (2,403). However, the number of cornea donors has decreased slightly (1,862) when compared to last year (1,866). We will continue to monitor the eight funded eye retrieval schemes to increase the supply of corneas suitable for transplantation.

iv) Fractionated Products

We manufacture and supply a number of blood products to the NHS and to overseas markets (via our Operating Division, BPL). During the period BPL was £0.6 million ahead of its financial plan. This was predominantly attributable to general savings in manufacturing costs and overheads (£2.6 million). Sales increased by 12.3% from £74.5 million in 2006/07 to £83.7 million, above plan of £82.8 million.

The continuing challenge for BPL is to build on the significant level of progress made and to operate efficiently, on a financially self sufficient and sustainable basis.

Approved or planned future developments

In April 2008 the NHSBT Board approved the 2008/11 strategic plan. The Strategic plan sets out:

- Our strategic objectives over the period 2008/09 to 2010/11,
- Our plans to achieve them,
- The outcomes we expect to deliver, and
- The metrics by which we will measure our success.

To successfully deliver these objectives we will undertake a demanding programme of work over the next three years – a programme that will require significant levels of progress in the coming twelve months.

Our priorities for action are contained within the 2008/09 workplan and can be summarised as follows:

1. To provide a stable supply of blood component products, collecting sufficient blood to meet demand while maintaining stocks of all blood group types at or above target, through successful delivery of a series of donor service initiatives.

2. Implement year-one of our strategic blood supply change programme. Specifically:

- Complete the preparation for the medium to long-term transformation of blood collection (additional donor marketing and communications activity, improved session convenience and commencing the operational improvement programme),
- Open the new Blood Centre at Filton, Bristol on time and within budget, completing the consolidation of activity within the South West and West,
- Commence delivery of the processing and testing (PT) operational improvement programme. Plan the delivery of an updated replenishment model; test and confirm the efficiency and effectiveness of the new PT processes within Filton; and ensure that good practice is defined in preparation for consolidation at other PT sites,
- Commence the estates optimisation programme, relinquishing the lease on Aztec West and developing an estates strategy,

MANAGEMENT COMMENTARY (Continued)

- Continue to implement agreed blood safety initiatives, expanding production of platelets by component donation (apheresis) from 60% to 80%, reducing demand for red cells through support of Better Blood Transfusion III and implementing production of cryoprecipitate for children via the importation of virus inactivated plasma. In addition, we will evaluate a number of potential future blood safety interventions.

3. Implement 'year-one' of the specialist services strategic programme, growing sales volumes by 5%, delivering the consolidation programme, completing the move of Tissue Services and Reagent Production to a single site at Liverpool, while planning delivery of further changes programmed for 2009/11.

4. Establish NHSBT as an Organ Donor Organisation and begin the implementation of the ODTF recommendations as they relate to NHSBT. In 2008/09 the levels of organ and cornea donation will increase by 0.6% and 3.7% respectively and the foundations will be laid for a fundamental change to Donor Referral, Donor Co-ordination and Organ Retrieval, supported by the development of a major publicity awareness campaign.

5. Progress the fractionated products strategic programme by increasing capacity utilisation (by 4%) through contract fractionation, securing sales of Optivate and Replene products in Europe and growing sales by 13%. We will also remain prepared for any future potential ownership issues arising out of ministerial consideration of the future of BPL.

6. Maintain and, where appropriate, improve compliance with standards and improve customer and donor satisfaction with service levels.

7. Deliver the 2008/09 financial plan and balance the income and expenditure account, including a reduction in Grant in Aid funding for fractionated products of 41%, delivery of the blood component cost reduction targets of £10.2m, working within agreed blood component prices and reducing the gap between income and expenditure in specialist services from £23.7m to £17.6m.

8. Implement a unified management structure and develop systems for NHSBT, which further consolidate the benefits from the 2005 merger and establish NHSBT as the Organ Donation Organisation. These changes will ensure we are fit for purpose for future clinical and organisational challenges.

Progress will be monitored through a clear performance management framework based on a Performance Scorecard, which focuses on the key performance measures and targets related to the strategic outcomes.

Financial Review

NHS Blood and Transplant primarily recovers its costs by charging NHS Trusts and other organisations for the supply of blood components, tissues and other services. Prices are based on full economic costs, and include capital charges repaid to the Department of Health. Funding is also received from the Department of Health to facilitate the provision of services to assist tissue and organ transplantation.

For the period ending 31 March 2008 the Authority has reported an operating deficit of £57 million. This reflects the operating costs of Authority, as all blood and tissues collected are freely donated by volunteer donors.

Capital funding of £43.0 million was received from the Department of Health in order to purchase and replace fixed assets, of which £3 million was returned to the Department. The appropriate levels of interest and depreciation are also included within the Income and Expenditure Account in addition to the capital charges repaid to the Department of Health.

MANAGEMENT COMMENTARY (Continued)

During the period financing from the Department of Health of £29.8 million was received as grant in aid for revenue purposes, of which £3.0 million was returned to the Department in year. This resulted from strong financial performance at BPL which competes in the open market, and was primarily due to increased sales activity and general savings in manufacturing costs and overheads. NHS Blood and Transplant is a Special Health Authority and is treated as a Non Departmental Body (NDPB) under the Government Financial Reporting Manual (FRoM). In accordance with this guidance grant in aid received from the Department of Health is recognised in the general reserve.

Note 2 to the accounts shows an adjusted outturn position of £4 million surplus after taking into account £26.8 million revenue grant in aid and the cash payment of £34.6 million returned to the Department of Health in respect of capital charges. The surplus of £4.0 million was achieved through a combination of strong blood stock collections in the final quarter of the year, an increase in the value of tissue stocks, general savings and continued strong sales performance at BPL. This was after exchange rate losses of £0.16 million (£0.34 million in 2006-2007) due to the net impact of translation of foreign currency transactions during the early part of year.

During the year the District Valuer agreed devaluation in buildings from the original valuation of £71.5 million in April 2005 to a revised valuation of £55.6 million. The impact of this devaluation, reflected in the financial period 2007/08 is £16.4 million (including indexation).

The working capital position as shown in the Balance Sheet is considered to be satisfactory at the period end. Net current assets have increased from £56 million to £59 million, reflecting an overall net increase in stocks, debtors, and creditors. Total net assets have increased from £352 million to £379 million. This reflects an increase in fixed assets due to capital funding invested in assets, and the indexation of fixed assets.

Principles of Remedy

NHSBT is committed to providing a quality response to our customers' queries and concerns. We actively seek feedback from our customers, hospitals and donors, so that we can take steps to put things right when expectations and needs are not met, and we can understand where we need to improve. Complaints procedures and contact details are provided through leaflets and on our websites.

During 2007/08, we responded to 5,037 items of correspondence in relation to organ donation, all within the 5 day target response timescale. In the same period, 787 contacts were received from hospital customers, with feedback from 27,000 blood donors, (45% of which was complimentary). We have met targets for acknowledgement of blood donor complaints (98% in 2 days) and we are focused on improving the timeliness of our other responses (89% of final responses completed within 20 days for hospitals and 80% for blood donors).

Our responses aim to address specific concerns and are provided by front line managers who are closest to the issues, wherever possible. We want to apologise where service standards are not achieved, make the relevant improvement, or provide an acceptable explanation where this is not possible. Outcomes with potential solutions were noted for 72% of resolved donor complaints. Customer feedback is managed through our customer service and hospital liaison departments. We survey our blood donors on their satisfaction levels with the responses that we provide. All feedback is analysed and reported to management teams monthly to identify trends and remedial actions. Hospital contacts are used in conjunction with customer satisfaction surveys and performance indicators to highlight areas for improvement. Activities that have resulted from feedback include adopting a more flexible application of our blood donor appointment system, which itself was introduced to address blood donors' concerns about waiting times. We have also made improvements to our delivery documentation to comply with hospital needs to verify consistent storage temperatures.

MANAGEMENT COMMENTARY (Continued)

Equal Opportunities Statement

NHS Blood and Transplant (NHSBT) is committed to promoting equality & diversity, providing an inclusive and supportive environment for all. The key agreed organisational aims are to:

1. Have a workforce that embraces equality & diversity. We will recruit, develop and retain a workforce that is able to deliver high quality services that are fair, accessible, appropriate and responsive to the diverse needs of different groups and individuals.
2. Be a better place in which to work; ensuring that the NHSBT is seen as an employer of choice, achieving equality of opportunity and fair outcomes in the workplace.
3. Have a service that uses its leverage to make a difference – to ensure that the NHSBT exploits its influences and resources as an NHS employer to make a difference to the life opportunities and the health of the population, especially those who are excluded or disadvantaged.

The organisation will:

- Ensure that people are treated solely on the basis of their abilities and potential, regardless of race, colour, nationality, ethnic origin, religious or political belief or affiliation, trade union membership, age, gender, gender reassignment, marital status, sexual orientation, disability, socio-economic background, or any other inappropriate distinction.
- Promote diversity and equality for staff, donors and patients and value the contributions made by individuals and groups of people from diverse cultural, ethnic, socio-economic and distinctive backgrounds.
- Promote and sustain an inclusive and supportive working and clinical environment, which affirms the equal and fair treatment of individuals in fulfilling their potential, and does not afford unfair privilege to any individual or group.
- Wherever reasonable and practicable, promote flexible working hours.
- Treat part time staff fairly and equally.
- Challenge inequality and less favourable treatment.
- Ensure individuals experience equality of opportunity.
- Promote an environment free from harassment and bullying on any grounds to all staff, donors and patients.

Board Members

Board Members serving during the period 1 April 2007 to 31 March 2008

Chairman

Mr Bill Fullagar

Non Executive Directors

Mrs Elizabeth Buggins

Mrs Jennie Gubbins

Mr George Jenkins

Mr David Greggains

Mr John Forsythe

Dr Diana Walford (CBE)

MANAGEMENT COMMENTARY (Continued)

Executive Directors

Ms Lynda Hamlyn - Chief Executive (Commenced 14 January 2008)
Mr Martin Gorham - Chief Executive (Retired 7 August 2007)
Mr Peter Garwood - Director of Strategic Supply and Service Delivery
Mrs Brigid Newington - Acting Finance Director (1 September 2007 to 13 January 2008)
Dr Angela Robinson - Medical Director (Retired 7 April 2007)
Dr Clive Ronaldson - Managing Director NBS
Mr Chris Rudge - Managing and Transplant Director UKT
Mr Barry Savery - Finance Director (Acting Chief Executive 1 August 2007 to 13 January 2008)
Dr Tim Wallington - Acting Medical Director (8 April 2007 to 30 September 2007)

Details of the remuneration of senior managers of the Authority can be found in the Remuneration Report at pages 9 to 12.

Better Payment Practice Code

The Authority is required to pay all trade creditors in accordance with the Better Payment Practice Code. The target is to pay all valid invoices by the due date or within 30 days of receipt of the goods or a valid invoice, whichever is the later. Of the total relevant bills, 91.7% of bills, representing 93.9% by value, were paid during the period within the target.

External Audit

The accounts have been audited by the Comptroller and Auditor General in accordance with the National Health Service Act 2006. The cost of audit work performed was £124,000. There were no payments to the auditors for non-audit work.

As Accounting Officer

- so far as I am aware, there is no relevant audit information of which the NHSBT's auditors are unaware; and
- I have taken all the steps that I ought to have taken to make myself aware of any relevant audit information and to establish that the NHSBT's auditors are aware of that information.

The Audit certificate can be found on pages 17 to 18

Lynda Hamlyn
Chief Executive

Date: 30 June 2008

REMUNERATION REPORT

Remuneration Committee Membership

During the year, membership of the Remuneration Committee comprised Bill Fullagar (Chair), Elisabeth Buggins and Jennie Gubbins. Martin Gorham (to 7 August 2007), Barry Savery (from 1 August 2007 to 13 January 2008) Lynda Hamlyn (from 14 January 2008) and David Evans were 'standing attendees'.

Remuneration Policy

Remuneration of the Chief Executive, Managing Directors and Group Directors is in line with the decisions of the Remuneration Committee and all relevant DH guidance. Increase in pay is in line with nationally agreed pay awards, provided individual business plan targets, as identified within annual appraisals, are met. The Medical Director is employed on an NHS Consultant Contract, with the University of Cambridge. Remuneration for Non-Executive Board Members is set by the Secretary of State for Health through the NHS Appointments Commission.

Senior Management Contract Information

Contract details for those in senior positions with responsibility for directing or controlling major activities of the Organisation are shown below. The NHS start date is the date of commencement of continuous NHS service for pension purposes.

Martin Gorham OBE, Chief Executive, NHS start date 9 September 1968, appointed 1 August 2005, retired 7 August 2007. Permanent full-time post with three months' notice of termination by the employee, and six months' notice period by NHSBT.

Lynda Hamlyn, Chief Executive, NHS start date 1 April 1986, appointed 14 January 2008. Full time permanent post with three months' notice of termination by the employee, and six months' notice period by NHSBT.

Douglas Dryburgh, Group Director of Estates and Logistics, NHS start date 29 August 2006, appointed 29 August 2006. Permanent full-time post with three months' notice of termination by the employee, and six months' notice period by NHSBT.

David Evans, Group Director of Human Resources, Current NHS continuous service start date 30 July 1998, appointed 5 June 2006. Permanent full-time post with three months' notice of termination by the employee, and six months' notice period by NHSBT.

Peter Garwood, Managing Director NBS, NHS start date 17 January 1972, appointed 21 November 2005. Appointed Director of Strategic Supply and Specialist Services 9 July 2007. Permanent full-time post with three months' notice of termination by the employee, and six months' notice period by NHSBT.

Chris Hartley, Acting Director of Communication and Corporate Affairs, NHS start date 11 August 1997, temporary appointment 14 August 2006 to 8 July 2008. Substantive post is a permanent full-time post with three months' notice of termination by the employee, and six months' notice period by NHSBT.

Henrietta Joy, Interim Director of Communications and Public Affairs, appointed 9 July 2007. Interim full time fixed term post with three months' notice of termination by the employee and three months' notice period by NHSBT.

REMUNERATION REPORT (Continued)

Alan McDermott, Group Director of Information Technology, NHS start date 14 August 2006, appointed 14 August 2006. Permanent full-time post with three months' notice of termination by the employee, and six months' notice period by NHSBT.

Terry Male, Director of Strategy Management, NHS start date 12 August 1991, appointed 21 November 2005. Permanent full-time post with three months' notice of termination by the employee, and six months' notice period by NHSBT.

Jane Martin, Sales and Marketing Manager, BPL. NHS start date 1 January 1991, appointed September 1998. Appointed Interim Managing Director BPL 9 July 2007. Permanent full time post with 12 weeks notice of termination by the employee and a 12 week notice period by NHSBT.

Brigid Newington, Acting Finance Director, NHS start date 10 April 1972, appointed 1 September 2007, ended 13th January 2008. Permanent full-time post with three months' notice of termination by the employee, and six months' notice period by NHSBT.

Elizabeth Reynolds, Director Of Communication` and Corporate Affairs, NHS start date 11 November 1996, appointed 21 November 2005, retired 14 October 2007. Permanent full-time post with three months' notice of termination by the employee, and six months' notice period by NHSBT.

Angela Robinson, Medical Director, NHS start date 1 June 1967, appointed 1 October 2005, retired 8 April 2007.

Clive Ronaldson, Managing Director BPL, NHS start date 1 March 1993, appointed 1 October 2005. Appointed Interim Managing Director NBS 9th July 2007. Permanent full-time post with six months' notice of termination by the employee, and six months' notice period by NHSBT.

Chris Rudge, Managing and Transplant Director UKT, NHS start date 15 February 1972, appointed 1 December 2005. Permanent full-time post with three months' notice of termination by the employee, and three months' notice period by NHSBT.

Barry Savery, Finance Director, NHS start date 15 June 1987, appointed 1 October 2005. Appointed acting Chief Executive 1 August 2007 to 13 January 2008, retired 6 April 2008. Permanent full-time post with three months' notice of termination by the employee, and six months' notice period by NHSBT.

Tim Wallington, Acting Medical Director, NHS start date 1 August 1970, appointed 9 April 2007, ended 30 September 2007. Permanent full time post with three months' termination by the employee, and three months' notice period by NHSBT.

Lorna Williamson, Medical Director. Appointed 1 October 2007. Contract of employment is with the University of Cambridge. NHSBT is recharged for salary costs.

ACCOUNT OF NHS BLOOD AND TRANSPLANT AT 31 MARCH 2008

REMUNERATION REPORT (Continued)

Salary and Pension Entitlement of Senior Managers

The following sections provide details of the remuneration and pension benefits of the most senior officials of the Authority and are subject to audit

a. Remuneration

Name and title	Year to 31 March 2008			Year to 31 March 2007		
	Salary in £5k bands £000	Other remuner. in £5k bands £000	Benefits in kind (rounded to the nearest £00) £00	Salary in £5k bands £000	Other remuner. in £5k bands £000	Benefits in kind (rounded to the nearest £00) £00
Mr B Fullagar (Chairman)	60-65	-	-	55-60	-	-
Mrs E Buggins (NED)	5-10	-	-	5-10	-	-
Mr D Greggains (NED)	5-10	-	-	5-10	-	-
Mrs J Gubbins (NED)	5-10	-	-	5-10	-	-
Mr J Forsythe (NED)	5-10	-	-	5-10	-	-
Mr G Jenkins (NED)	10-15	-	-	10-15	-	-
Dr D Walford CBE (NED)	5-10	-	-	5-10	-	-
Ms L Hamlyn (Chief Executive) - Commenced 14/01/2008	35-40	-	2	-	-	-
Mr M Gorham OBE (Chief Executive) - Retired 07/08/2007	60-65	155-160	-	165-170	-	-
Mr D Dryburgh (Group Director of Estates and Logistics - Commenced 29/08/2006)	95-100	-	50	55-60	-	-
Mr D Evans (Group Director of Human Resources - Commenced 05/06/2006)	100-105	-	39	75-80	-	29
Mr P Garwood (Director of Strategic Supply and Service Delivery)	120-125	-	56	120-125	-	48
Mr C Hartley (Acting Director Of Communication and Corporate Affairs - Ended 08/07/2007)	20-25	-	-	50-55	-	-
Ms H Joy (Interim Director of Communications and Public Affairs - Commenced 09/07/2007)	70-75	-	-	-	-	-
Mr A McDermott (Group Director of Information Technology - Commenced 14/08/2006)	100-105	-	85	60-65	-	48
Mr T Male (Director of Strategy Management)	100-105	-	-	95-100	-	-
Ms J Martin (Interim Managing Director BPL - Commenced 09/07/2007)	80-85	-	44	-	-	-
Mrs B Newington (Acting Finance Director - Period 01/09/2007 to 13/01/2008)	30-35	-	9	-	-	-
Mrs E Reynolds (Director Of Communication and Corporate Affairs - Retired 14/10/2007)	30-35	-	27	95-100	-	32
Dr A Robinson (Medical Director - Retired 09/04/2007)	5-10	-	1	205-210	-	113
Dr C Ronaldson (Managing Director BPL; Appointed Interim Managing Director NBS w.e.f 09/07/2007)	110-115	-	57	100-105	-	54
Mr C Rudge (Managing and Transplant Director UKT)	130-135	-	-	125-130	-	-
Mr B Savery (Finance Director, Acting Chief Executive Period 01/08/2007 to 13/01/2008)	135-140	-	53	110-115	-	54
Dr T Wallington (Acting Medical Director - Period 09/04/2007 to 30/09/2007)	85-90	-	35	-	-	-

The sum of £119k has been paid to the University of Cambridge in respect of salary recharges for Dr L Williamson for the period 01/10/2007 to 31/03/2008

NED = Non-Executive Director

Benefits in kind were in relation to the provision of cars and are stated in round £1000's not £1000's.

b. Pension benefits

Name and title	Real increase in pension at age 60 (bands of £2,500)	Real increase in lump sum at age 60 (bands of £2,500)	Total accrued pension at age 60 at 31 March 2008 (bands of £5,000)	Lump sum at age 60 related to accrued pension at 31 March 2008 (bands of £5,000)	Cash Equivalent Transfer Value at 31 March 2008	Cash Equivalent Transfer Value at 31 March 2007	Real increase in Cash Equivalent Transfer Value
	£000	£000	£000	£000	£000	£000	£000
Ms L Hamlyn (Chief Executive) - Commenced 14/01/2008	2.5-5	10-12.5	60-65	185-190	1034	729	42
Mr M Gorham OBE (Chief Executive) - Retired 07/08/2007	(2.5)-0	(7.5)-(5.0)	80-85	250-255	-	1518	(384)
Mr D Dryburgh (Group Director of Estates and Logistics - Commenced 29/08/2006)	0-2.5	2.5-5	0-5	5-10	24	8	11
Mr D Evans (Group Director of Human Resources - Commenced 05/06/2006)	2.5-5	10-12.5	25-30	80-85	369	304	40
Mr P Garwood (Director of Strategic Supply and Service Delivery)	0-2.5	2.5-5	55-60	165-170	961	892	33
Mr C Hartley (Acting Director Of Communication and Corporate Affairs - Ended 08/07/2007)	(2.5)-0	(2.5)-0	10-15	30-35	97	89	1
Ms H Joy (Interim Director of Communications and Public Affairs - Commenced 09/07/2007)	0-2.5	0-2.5	5-10	15-20	74	67	3
Mr A McDermott (Group Director of Information Technology - Commenced 14/08/2006)	0-2.5	2.5-5	0-5	5-10	36	14	15
Mr T Male (Director of Strategy Management)	0-2.5	5-7.5	35-40	110-115	638	573	35
Ms J Martin (Managing Director BPL - Commenced 09/07/2007)	5-7.5	20-22.5	25-30	85-90	456	293	80
Mrs B Newington (Acting Finance Director - Period 01/09/2007 to 13/01/2008)	0-2.5	2.5-5	30-35	100-105	591	493	22
Mrs E Reynolds (Director Of Communication and Corporate Affairs - Retired 14/10/2007)	5-7.5	17.5-20	25-30	75-80	-	189	(73)
Dr A Robinson (Medical Director - Retired 09/04/2007)	10-12.5	30-32.5	100-105	305-310	-	-	-
Mr C Ronaldson (Interim Managing Director NBS)	2.5-5	10-12.5	30-35	90-95	552	468	50
Mr C Rudge (Managing and Transplant Director UKT)	12.5-15	37.5-40	65-70	195-200	1231	947	183
Mr B Savery (Finance Director, Acting Chief Executive Period 01/08/2007 to 13/01/2008)	5-7.5	20-22.5	35-40	105-110	-	-	-
Mr T Wallington (Acting Medical Director - Period 09/04/2007 to 30/09/2007)	0-2.5	2.5-5	85-90	255-260	-	-	-

REMUNERATION REPORT (Continued)

Cash Equivalent Transfer Value

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capital value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the members' accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefit accrued in the former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

The CETV figure, and from 2004/05 the other pension details, include the value of any pension benefits in another scheme or arrangement which the individual has transferred to the NHS pension scheme. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETV are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

Real Increase in CETV

This reflects the increase in CETV effectively funded by the employer. It takes account of the increase in accrued pension due to inflation, contributions paid by the employee (including the value of benefits transferred from another scheme or arrangement) and uses common market valuation factors for the start and end of period.

Lynda Hamlyn Date: 30 June 2008
Chief Executive

STATEMENT OF THE CHIEF EXECUTIVES RESPONSIBILITIES AS THE ACCOUNTING OFFICER OF THE SPECIAL HEALTH AUTHORITY

Under the National Health Service Act 2006 and with the approval of HM Treasury the Secretary of State has directed NHS Blood and Transplant to prepare for each financial year a statement of accounts in the form and on the basis set out in the Accounts Direction. The accounts are prepared on an accruals basis, and must give a true and fair view of the state of affairs of NHS Blood and Transplant and of its income and expenditure, total recognised gains and losses and cash flow for the financial year.

In preparing the accounts the Accounting Officer is required to comply with the requirements of the Government Financial Reporting Manual and in particular to:

- observe the Accounts Direction issued by the Secretary of State, including the relevant accounting and disclosure requirements, and apply appropriate accounting policies on a consistent basis;
- make judgments and estimates on a reasonable basis;
- state whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the financial statements; and
- prepare the financial statements on a going concern basis.

The NHS Chief Executive has appointed the NHS Blood and Transplant Chief Executive as the Accounting Officer for NHS Blood and Transplant.

The responsibilities of an Accounting Officer, including responsibility for the propriety, and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the assets of NHS Blood and Transplant, are set out in Managing Public Money issued by HM Treasury.

STATEMENT ON INTERNAL CONTROL

Scope of responsibility

1. The NHS Blood and Transplant (NHSBT) Board is accountable for internal control. As Accounting Officer, I have responsibility, together with the Board for maintaining a sound system of internal control that supports the achievement of the organisation's policies, aims and objectives, while safeguarding the public funds and assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Managing Public Money.
2. NHSBT comprises three Operating Divisions, UK Transplant (UKT), the Bio Products Laboratory (BPL) and the National Blood Service (NBS). Each Operating Division has a Managing Director (MD), accountable to me. Group Services Directors (GSD) provide corporate services across the whole of NHSBT and are also accountable to me. Both MDs and GSD's are designated NHSBT Group Directors and form the organisation's Executive Management Team which I chair.
3. NHSBT is a complex, geographical diverse organisation having multiple internal functions and external relationships in both its commissioning and provider roles. This complexity has, historically, reflected the way in which we have been organised. Line management responsibility is discharged through the NHSBT Group Directors, within a philosophy of:
 - a corporate approach to the planning and development of services is essential,
 - a range of cross-divisional (corporate) objectives, organised around our Strategic Plan and Annual Workplan impact across services and require leadership,
 - specific leadership accountabilities are defined within our workplan.
4. The last twelve months has been a time of great organisational change which has been reflected in evolving management arrangements. The Authority has appointed a new Chief Executive and a new Medical Director following a period of interim arrangements. Two previous MD's have moved to new posts. The NBS MD moved to a newly-developed post (Director of Strategic Supply & Specialist Services) with the MD of BPL moving into the NBS MD post on an interim basis. An interim MD of BPL was subsequently appointed.
5. During this period, NHSBT has been engaged on a number of high-profile activities. External consultants have facilitated a strategic review of the NBS and we have actively supported the DH-led review of organ donation across the UK.
6. This work has featured heavily within the development of revised Strategic Plan for the period 2008/2011, recently agreed by the NHSBT Board.
7. Through the Board and subsequently myself, the Group Directors have operational responsibility for the delivery of all aspects of governance, including the provision, oversight and effective working of the systems of internal control, and in particular, the Risk Management process.
8. Responsibility for our governance systems is delegated to the Director of Strategy Management who, together with the Director of Finance provide the Group Director link between the Governance and Audit Committee (GAC) and the Board.
9. Governance and Assurance, including risk, are integral to our corporate planning model and our quality system. Close working and networking arrangements exist with Internal Auditors, the DH, and with the Healthcare Commission, to ensure that we draw on experience from the wider NHS.
10. Work to progress achievement of our strategic objectives is outlined in both the Strategy and the annual workplan. Each operating Division has identified risks to the achievement of objectives and developed supporting workplans that provide a robust Assurance Framework.
11. Corporate performance, monitored and managed through the Executive Management Team, was reported quarterly to the Board.
12. As an NHS employer, control measures are in place to ensure NHSBT complied with all employer obligations contained within the NHS Pension Scheme regulations.
13. We have increased cross-sector working and developed shared posts with other partners in the wider health and social care community, to plan and deliver services. This collaborative working while beneficial, presented new challenges in terms of maintaining accountability.

STATEMENT ON INTERNAL CONTROL (Continued)

14. As Chief Executive of NHSBT, I had responsibility to ensure that a wide range of communication and consultation mechanisms existed with key stakeholders i.e. Trusts, Clinicians, Patients, Donors, Staff and DH. NHSBT representation on various official groups and professional bodies, and regular meetings with DH, were utilised as appropriate to increase shared understanding of our risks and mitigation activity, providing assurance that we were doing our reasonable best to achieve our objectives.

The purpose of the system of internal control

15. The system of internal control was designed to manage risk to a reasonable level rather than to eliminate all and any risk of failure to achieve policies, aims and objectives; it therefore provides only reasonable and not absolute assurance of effectiveness. The system of internal control was based on an ongoing process designed to:

- identify and prioritise the risks to the achievement of the organisations policies, aims and objectives,
- evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

16. The system of internal control was in place within NHSBT for the period ended 31 March 2008 and up to the date of approval of the Annual Report and Accounts and accords with Treasury Guidance.

Capacity to handle risk

17. The NHSBT approach to risk is fully documented in the corporate Risk Management policy, which identifies the (risk-associated) roles and responsibilities of staff at all levels. In addition, the NHSBT approach to Governance (including risk) is featured in the Welcome Pack provided to all new staff during induction.

18. All our existing quality systems collectively, provided assurance and feed into our Assurance Framework, which maps a path from strategic objectives, via strategic risks, through to the constituent mitigating activities. This framework demonstrates that risks were controlled appropriately in order for objectives to be achieved to the benefit of appropriate stakeholders.

19. Group Directors and I received assurance from the organisation, and provided assurance to the Board on the achievement of corporate objectives and mitigation of corporate risk. Group Directors are accountable for demonstrating: -

- that key controls are in place to assist in securing and delivering objectives;
- that the controls systems, upon which we were placing reliance, are effective;
- any gaps in controls systems or assurances are addressed within an agreed corrective action plan.

20. The Assurance Framework provided the Board and Group Directors with a process that enabled each body to discharge their respective accountabilities. This process was supported through formal Board meetings, the GAC and usual line management arrangements,

The risk and control framework

21. NHSBT is committed to delivering the newly-developed strategy, and its associated benefits, and we have endeavoured to maintain the right balance between delivery of the strategic activities and the risks associated with such delivery. It is mine and the Board's view that the risks of not pursuing the changes outlined in the strategy far outweigh the risks associated with managing the delivery of such changes.

22. The NHSBT Assurance Framework is the key element of the risk strategy through which risks were defined in the context of objectives at both the strategic and operational levels. The NHSBT strategic Risk Register identifies the risks inherent in our strategic plan. During the last quarter of 2007/08 we have conducted a review of our existing risk management arrangements to ensure that they are fit for purpose. The review was overseen by the GAC.

STATEMENT ON INTERNAL CONTROL (Continued)

23. Stakeholders have been informed and consulted as appropriate on the development of the Strategic Plan and the management of any significant risks arising from its delivery. Public awareness of the NHSBT Risk Management Policy and Strategic Plan was raised through its presentation at open Board meetings.

24 NHSBT's Strategic Plan also contains objectives that bring with them significant organisational change and associated risks that impact directly on our staff. We have put in place a number of additional measures to ensure effective consultation with staff and their representative bodies. We have also proactively communicated and consulted with other stakeholders such as the DH, other NHS bodies, individual Members of Parliament and the Chair of the Health Select Committee where appropriate.

25. During 2007/08 we carried out an assessment on our data handling procedures and the results of this were reported to the DH. This assessment covered areas such as data and systems, data sharing, policies and procedures and risk assessment and mitigation. No major risk areas were identified in the way the organisation handled its information.

26. The organisation had major incident plans in place which were fully compliant with the DH publication 'Handling Major Incidents – an operational doctrine' and the accompanying NHS guidance on major incident preparedness and planning.

Review of effectiveness

27. As Accounting Officer, I had responsibility, together with the Board, for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control was informed in a number of ways. The Head of Internal Audit provided me with an opinion on the overall arrangements for gaining assurance through the Assurance Framework and on the controls reviewed as part of the internal audit work. Senior Managers within the organisation, who had responsibility for the development and maintenance of the system of internal control, provided me with assurance. The Assurance Framework itself provided me with evidence that the effectiveness of controls that managed the risks to the organisation achieving its principal objectives had been reviewed.

28. During March 2008 NHSBT was assessed against the NHS Litigation Authority Risk Management Standards and was successful in gaining Level 1 compliance.

29. My review this period was also informed by comments made by the external auditors in their management letters and other reports on aspects of the system of internal control.

31. The GAC held meetings with Internal Auditors present, at least quarterly and reported on these to the Board. We worked closely with our Internal Auditors to develop an effective internal audit system which would identify controls and assurance gaps. For example, a recent internal audit report has highlighted the need to ensure that risk identified through Health and Safety areas needs to be more closely aligned to the corporate approach and actions have been agreed to ensure this happens

32. Where any gaps in assurance were evident, they were addressed within a management action plan. Action Plans were monitored by Group Directors and the GAC and both ourselves and our internal auditors did not consider that there were any significant gaps in control or assurance.

33. The above process helped NHSBT maximise its understanding and utilisation of all available information about the quality and effectiveness of our systems/operations to help us improve services and satisfy the increasing need for assurance about the effectiveness of systems of internal control.

34. Whilst I have been in post as Chief Executive Officer and Accounting Officer since 14 January 2008, I have been advised by all of these sources above, on the implications of the result of my review regarding the effectiveness of the system of internal control. A plan to address weaknesses and ensure continuous improvement of the system was in place.

35. In conclusion, at a time of great change and transformation for NHSBT, and the need to continue to deliver against the core elements of NBS, UKT and BPL services, the organisation has been able to manage itself with no gaps in its arrangements.

Lynda Hamlyn
Chief Executive and Accounting Officer

Date: 30 June 2008

THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE HOUSES OF PARLIAMENT AND THE SCOTTISH PARLIAMENT

I certify that I have audited the financial statements of NHS Blood and Transplant for the year ended 31 March 2008 under the National Health Service Act 2006. These comprise the Income and Expenditure Account, the Balance Sheet, the Cashflow Statement and Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Chief Executive and auditor

The Chief Executive as Accounting Officer is responsible for preparing the Annual Report, including the Remuneration Report and the financial statements in accordance with the National Health Service Act 2006 and directions made thereunder by the Secretary of State with the approval of HM Treasury and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of Chief Executive's Responsibilities.

My responsibility is to audit the financial statements and the part of the Remuneration Report to be audited in accordance with relevant legal and regulatory requirements, and with International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the National Health Service Act 2006 and directions made thereunder by the Secretary of State with the approval of HM Treasury. I report to you whether, in my opinion, the information which comprises the Management Commentary, and unaudited part of the Remuneration Report, is consistent with the financial statements. I also report whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

In addition, I report to you if NHS Blood and Transplant has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by HM Treasury regarding remuneration and other transactions is not disclosed.

I review whether the Statement on Internal Control reflects NHS Blood and Transplant's compliance with HM Treasury's guidance, and I report if it does not. I am not required to consider whether this statement covers all risks and controls, or form an opinion on the effectiveness of Authority's corporate governance procedures or its risk and control procedures.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Basis of audit opinions

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the Chief Executive in the preparation of the financial statements, and of whether the accounting policies are most appropriate to NHS Blood and Transplant's circumstances, consistently applied and adequately disclosed.

THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE HOUSES OF PARLIAMENT AND THE SCOTTISH PARLIAMENT (Continued)

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements and the part of the Remuneration Report to be audited are free from material misstatement, whether caused by fraud or error, and that in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the Scottish Parliament and the financial transactions conform to the authorities which govern them. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Remuneration Report to be audited.

Opinions

In my opinion:

- the financial statements give a true and fair view, in accordance with the National Health Service Act 2006 and directions made thereunder by the Secretary of State with the approval of HM Treasury, of the state of NHS Blood and Transplant's affairs as at 31 March 2008 and of its net expenditure for the period, total recognised gains and losses and cashflows for the year then ended;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the National Health Service Act 2006 and directions made thereunder by the Secretary of State with the approval of HM Treasury; and
- information which comprises the Management Commentary and unaudited part of the Remuneration Report included in the Annual Report, is consistent with the financial statements.

Audit Opinion on Regularity

In my opinion, in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the Scottish Parliament and the financial transactions conform to the authorities which govern them.

Report

I have no observations to make on these financial statements.

T J Burr
Comptroller and Auditor General
National Audit Office
151 Buckingham Palace Road
Victoria
London SW1W 9SS

Date: 8 July 2008

Income and Expenditure Account for the year ended 31 March 2008**Continuing operations**

		31 March	Restated
		2008	31 March
	Notes	£000	2007
			£000
Gross Income			
Income from activities	3.1	387,232	372,800
Other operating income	3.1	39,596	34,862
		<u>426,828</u>	<u>407,662</u>
Expenditure			
Staff costs	3.2	(192,901)	(192,314)
Other administrative expenses	3.3	(291,077)	(280,844)
		<u>(483,978)</u>	<u>(473,158)</u>
Net Operating Expenditure before interest		(57,150)	(65,496)
Finance Costs		(363)	(368)
Net Expenditure for the financial period	2	<u>(57,513)</u>	<u>(65,864)</u>

All income and expenditure is derived from continuing operations

Comparative restated amounts represent the impact of capital charges paid to the Department of Health, previously accounted for in the general reserve.

Statement of Total Recognised Gains and Losses for the year ended 31 March 2008

		31 March	Restated
		2008	31 March
		£000	2007
			£000
Net Expenditure for the financial period		(57,513)	(65,864)
Unrealised (losses) on the revaluation of fixed assets	12.2	(16,431)	(194)
Unrealised gains on the indexation of fixed assets	12.2	21,555	19,408
Fixed asset impairment (losses)	12.2	-	(27)
Recognised (losses) for the financial period		<u>(52,389)</u>	<u>(46,677)</u>

The notes of pages 22 to 37 form part of this account.

Balance Sheet as at 31 March 2008

		31 March 2008 £000	Restated 31 March 2007 £000
	Notes		
Fixed assets:			
Intangible assets	5.1	3,378	3,136
Tangible assets	5.2	325,008	300,700
		328,386	303,836
Debtors: amounts falling due after more than one year	7	442	-
Current assets			
Stocks	6	53,889	53,351
Debtors	7	31,862	25,392
Cash at bank and in hand	8	90	114
		85,841	78,857
Creditors: amounts falling due within one year	9	(26,757)	(22,525)
Net current assets		59,084	56,332
Total assets less current liabilities		387,912	360,168
Creditors: amounts falling due after more than one year	9	(3,925)	(3,990)
Provisions for liabilities and charges	10	(4,551)	(3,948)
		379,436	352,230
Capital and Reserves			
General reserve	12.1	259,590	234,565
Revaluation reserve	12.2	119,726	117,524
Donated asset reserve	12.3	120	141
		379,436	352,230

The notes of pages 22 to 37 form part of this account.

Comparative restated amounts represent the transfer of finance lease creditors and other fixed asset movements from the general reserve to current liabilities in the balance sheet.

The financial statements on pages 19 to 37 were approved by the Chairman under discretionary powers granted by the NHSBT Standing Orders in consultation with two non-officer members on 30 June 2008, and are signed by the Accounting Officer, Lynda Hamlyn.

Lynda Hamlyn
Accounting Officer

Date: 30 June 2008

Cash Flow Statement for the year ended 31 March 2008

		31 March	Restated
		2008	31 March
	Notes	£000	2007
			£000
Net cash (outflow) from operating activities	13	(27,265)	(33,124)
Servicing of finance			
Interest element of finance leases		<u>363</u>	368
Net cash (outflow) from servicing finance		<u>(363)</u>	<u>(368)</u>
Capital expenditure and financial investment:			
(Payments) to acquire intangible fixed assets		(654)	(49)
(Payments) to acquire tangible fixed assets		(38,753)	(22,252)
Receipts from disposal of tangible fixed assets		<u>191</u>	1,446
Net cash (outflow) from investing activities		<u>(39,216)</u>	<u>(20,855)</u>
Net cash (outflow) before financing		<u>(66,844)</u>	<u>(54,347)</u>
Financing			
Grant in aid received for revenue expenditure		26,842	33,218
Grant in aid received for capital expenditure		39,978	21,157
(Decrease)/Increase in cash in the period	8	<u>(24)</u>	<u>28</u>

Comparative restated amounts represent the transfer of finance lease creditors and other fixed asset movements from the general reserve to current liabilities in the balance sheet.

The notes of pages 22 to 37 form part of this account.

Notes to the Accounts**1. Accounting policies**

The financial statements have been prepared in accordance with the Government Financial Reporting Manual issued by HM Treasury. The particular accounting policies adopted by the Authority are described below. They have been consistently applied in dealing with items considered material in relation to the accounts.

Change of Accounting Policy

As an Arms Length Body NHS Blood and Transplant is required to comply with the FReM. This requires that finance lease creditors previously accounted in reserves are reported as creditors in the balance sheet. In addition and in accordance with the Accounts Direction of 25 June 2008 issued by the Secretary of State, the impact of cash payments to the Department of Health in respect of Capital Charges are recognised as expenditure in the Income and Expenditure Account. The net effect of these changes in the certified 2006/07 account is shown below.

<u>Income and Expenditure Statement</u>	£000's
Net Expenditure for 2006/07 previously stated	(32,739)
Capital Charges payable to the Department of Health	(34,543)
Capital Charges adjustment	1,418
Net Expenditure for 2006/07 restated	(65,864)
 <u>Balance Sheet</u>	 £000's
General Reserve 2006/07 previously stated	(238,419)
Transfer of Finance Lease to Creditors*	4,050
Transfer of capital debtor	(196)
General Reserve 2006/07 re-stated	(234,565)

*Finance lease creditor greater than 1 year is £3,990k, and less than 1 year £60k

1.1 Accounting Conventions

This account is prepared under the historical cost convention, modified to account for the revaluation of tangible fixed assets and stock where material, at their value to the business by reference to current cost. This is in accordance with directions issued by the Secretary of State for Health and approved by HM Treasury.

Acquisitions and Discontinued Operations

Activities are considered to be 'acquired' only if they are acquired from outside the public sector. Activities are considered to be 'discontinued' only if they cease entirely. They are not considered to be 'discontinued' if they transfer from one NHS body to another.

1.2 Income

Operating income is income which relates directly to the operating activities of NHSBT. It principally comprises fees and charges for services provided on a full-cost basis to the NHS and external customers.

Income is accounted for applying the accruals convention. The main sources of funding for the Authority are income from sales to the NHS and Parliamentary grant from the Department of Health.

Accounting policies (continued)

The Parliamentary Grant is from Request for Resources 1 (RfR1) within an approved cash limit, and is credited to the general reserve. Parliamentary funding is recognised in the financial period in which it is received.

The products and services provided to the NHS include Coagulation Factors, Albumin and Immunoglobins from the Bio Products Laboratory (BPL) operating division, components and services from Blood Centres, and the provision of transplant services by UK Transplant operating division. Other income includes such services as ante-natal screening, tissue typing for transplants and overseas trade by BPL.

1.3 Taxation

The Authority is not liable to pay corporation tax. Expenditure is shown net of recoverable VAT. Irrecoverable VAT is charged to the most appropriate expenditure heading or capitalised if it relates to an asset.

1.4 Capital charges

The treatment of fixed assets in the account is in accordance with the principal capital charges objective to ensure that such charges are fully reflected in the cost of capital. The interest rate applied to capital charges during 2007/08 was 3.5% (2006/07 3.5%) on all assets less liabilities, except for donated assets and cash balances with the Office of the Paymaster General (OPG), where the charge is nil. Notional Capital charges are charged to the income and expenditure account. Capital charges are also paid to the Department of Health and accounted for in the income and expenditure account (previously the general reserve) in accordance with the accounts direction issued by the Secretary of State.

1.5 Fixed Assets

a. Capitalisation

All assets falling into the following categories are capitalised:

i Intangible assets where they are capable of being used for more than one year and have a cost, individually or as a group, equal to or greater than £5,000.

ii Purchased computer software licenses are capitalised as intangible fixed assets where expenditure of at least £5,000 is incurred.

iii Tangible assets which are capable of being used for more than one year, and they:

- individually have a cost equal to or greater than £5,000;
- collectively have a cost of at least £5,000 and an individual cost of more than £250, where the assets are functionally interdependent, they had broadly simultaneous purchase dates, are anticipated to have simultaneous disposal dates and are under single managerial control; or
- form part of the initial equipping and setting-up cost of a new building, ward or unit irrespective of their individual or collective cost.

iv Donated fixed assets are capitalised at their current value on receipt, and this value is credited to the donated asset reserve.

b. Valuation

Intangible Fixed Assets

Intangible fixed assets held for operational use are valued at historical cost, except Research and Development which is revalued using an appropriate index figure. Surplus intangible assets are valued at the net recoverable amount.

Accounting policies (continued)

The carrying value of intangible assets is reviewed for impairment at the end of the first full year following acquisition and in other periods if events or changes in circumstances indicate the carrying value may not be recoverable.

Tangible Fixed Assets

Tangible fixed assets are stated at the lower of replacement cost and recoverable amount. On initial recognition they are measured at cost (for leased assets, fair value) including any costs such as installation directly attributable to bringing them into working condition. They are restated to current value each year.

The carrying values of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

i Land and buildings (including dwellings)

Valuations are carried out by the District Valuer of the Inland Revenue Government Department at five yearly intervals in accordance with FRS 15. Between valuations price indices appropriate to the category of asset are applied to arrive at the current value. The buildings indexation is based on the All in Tender Price Index published by the Building Cost Information Service (BCIS). The land index is based on the residential building land values reported in the Property Market Report published by the Valuation Office. The valuations were carried out in accordance with the Royal Institute of Chartered Surveyors (RICS) Appraisal and Valuation Manual insofar as these terms are consistent with the agreed requirements of the Department of Health and HM Treasury. In accordance with the requirements of the Department of Health, the asset valuations were undertaken in 2004 as at the prospective valuation date of 1 April 2005.

The valuations have been carried out primarily on the basis of Depreciated Replacement Cost for specialised operational property and Existing Use Value for non-specialised operational property. In respect of non-operational properties, including surplus land, the valuations have been carried out at Open Market Value. The value of land for existing use purposes is assessed to Existing Use Value. The valuations do not include notional directly attributable acquisition costs nor have selling costs been deducted, since they are regarded as not material.

To meet the underlying objectives established by the Department of Health the following accepted variations of the RICS Appraisal and Valuation Manual have been required:

- specialised operational assets have been valued on a replacement rather than modern substitute basis;
- no adjustment has been made to the cost figures of operational assets in respect of dilapidations; and
- additional alternative Open Market Value figures have only been supplied for operational assets scheduled for imminent closure and subsequent disposal.

ii Operational equipment is valued at net current replacement costs through annual uplift by the change in the value of the GDP deflator. Equipment surplus to requirements is valued at net recoverable amount.

iii Assets in the course of construction are valued at current cost, using the index as for land and buildings or equipment as appropriate. These assets include any existing land or buildings under the control of a contractor.

Accounting policies (continued)

iv Subsequent revaluations to donated fixed assets are taken to the donated asset reserve.

v All adjustments arising from indexation and five-yearly revaluations are taken to the Revaluation Reserve. All impairments resulting from price changes are charged to the Statement of Recognised Gains and Losses. Falls in value when newly constructed assets are brought into use are also charged there. These falls in value result from the adoption of ideal conditions as the basis for depreciated replacement cost valuations.

c. Depreciation and Amortisation

Depreciation is charged on each individual fixed asset as follows:

i Intangible assets are amortised, on a straight line basis, over the estimated lives of the assets.

ii Purchased computer software licences are amortised over the shorter of the term of the licence and their useful economic lives.

iii Land and assets in the course of construction are not depreciated.

iv Buildings are depreciated evenly on their revalued amount over the assessed remaining life of the asset as advised by the District Valuer. Leaseholds are depreciated over the primary lease term.

v Each equipment asset is depreciated evenly over the expected useful life.

1.6 Donated Fixed Assets

Donated fixed assets are capitalised at their current value on receipt and this value is credited to the Donated Asset Reserve. Donated fixed assets are valued and depreciated as described above for purchased assets. Gains and losses on revaluations are also taken to the Donated Asset Reserve and, each year, an amount equal to the depreciation charge on the asset is released from the Donated Asset Reserve to the Income and Expenditure Account. Similarly, any impairment on donated assets charged to the Income and Expenditure Account is matched by a transfer from the Donated Asset Reserve.

1.7 Stocks and work in progress

Stocks and work in progress are valued as follows:

- i raw materials, finished goods and goods for resale are valued at cost or, where materially different, current replacement cost, and at net realisable value only when they cannot or will not be used;
- ii work in progress is valued at the lower of cost and net realisable value.

1.8 Losses and special payments

Losses and special payments are items that Parliament would not have contemplated when it agreed funds for the health service or passed legislation. By their nature they are items that ideally should not arise. They are therefore subject to special control procedures compared to the generality of payments. They are divided into different categories, which govern the way each individual case is handled.

Losses and special payments are charged to the relevant functional headings, including losses which would have been made good through insurance cover had the Authority not been bearing its own risks (with insurance premiums then being included as normal revenue expenditure).

Accounting policies (continued)

1.9 Pension costs

Past and present employees are covered by the provisions of the NHS Pensions Scheme. Details of the benefits payable under these provisions can be found on the NHS Pensions website at www.pensions.nhsbsa.nhs.uk. The Scheme is an unfunded, defined benefit scheme that covers NHS employers, General Practices and other bodies, allowed under the direction of the Secretary of State, in England and Wales. The scheme is not designed to be run in a way that would enable NHS bodies to identify their share of the underlying Scheme assets and liabilities. Therefore, the Scheme is accounted for as if it were a defined contribution scheme: the cost to the NHS Body of participating in the Scheme is taken as equal to the contributions payable to the Scheme for the accounting period.

The Scheme is subject to a full actuarial valuation every four years (until 2004, based on a five year valuation cycle), and a FRS17 accounting valuation every year. An outline of these follows:

a) Full actuarial (funding) valuation

The purpose of this valuation is to assess the level of liability in respect of the benefits due under the scheme (taking into account its recent demographic experience), and to recommend the contribution rates to be paid by employers and scheme members. The last such valuation, which determined current contribution rates was undertaken as at 31 March 2004 and covered the period from 1 April 1999 to that date.

The conclusion from the 2004 valuation was that the Scheme had accumulated a notional deficit of £3.3 billion against the notional assets as at 31 March 2004. However, after taking into account the changes in the benefit and contribution structure effective from 1 April 2008, the Scheme actuary reported that employer contributions could continue at the existing rate of 14% of pensionable pay. On advice from the Scheme actuary, scheme contributions may be varied from time to time to reflect changes in the scheme's liabilities. Up to 31 March 2008, the vast majority of employees paid contributions at the rate of 6% of pensionable pay. From 1 April 2008, employees contributions are on a tiered scale from 5% up to 8.5% of their pensionable pay depending on total earnings.

b) FRS17 Accounting valuation

In accordance with FRS17, a valuation of the Scheme liability is carried out annually by the Scheme Actuary as at the balance sheet date by updating the results of the full actuarial valuation.

Between the full actuarial valuations at a two-year midpoint, a full and detailed member data-set is provided to the Scheme Actuary. At this point the assumptions regarding the composition of the Scheme membership are updated to allow the Scheme liability to be valued.

The valuation of the Scheme liability as at 31 March 2008, is based on detailed membership data as at 31 March 2006 (the latest midpoint) updated to 31 March 2008 with summary global member and accounting data.

The latest assessment of the liabilities of the Scheme is contained in the Scheme Actuary report, which forms part of the annual NHS Pension Scheme (England and Wales) Resource Account, published annually. These accounts can be viewed on the NHS Pensions website. Copies can also be obtained from The Stationery Office.

Accounting policies (continued)

Scheme provisions as at 31 March 2008

The Scheme is a "final salary" scheme. Annual pensions are normally based on 1/80th of the best of the last 3 years pensionable pay for each year of service. A lump sum normally equivalent to 3 years pension is payable on retirement. Annual increases are applied to pension payments at rates defined by the Pensions (Increase) Act 1971, and are based on changes in retail prices in the twelve months ending 30 September in the previous calendar year. On death, a pension of 50% of the member's pension is normally payable to the surviving spouse.

Early payment of a pension, with enhancement, is available to members of the Scheme who are permanently incapable of fulfilling their duties effectively through illness or infirmity. A death gratuity of twice final year's pensionable pay for death in service, and five times their annual pension for death after retirement, less pension already paid, subject to a maximum amount equal to twice the member's final year's pensionable pay less their retirement lump sum for those who die after retirement, is payable.

For early retirements other than those due to ill health the additional pension liabilities are not funded by the scheme. The full amount of the liability for the additional costs is charged to the income and expenditure account at the time the Trust commits itself to the retirement, regardless of the method of payment.

The Scheme provides the opportunity to members to increase their benefits through money purchase Additional Voluntary Contributions (AVCs) provided by an approved panel of life companies. Under the arrangement the employee/member can make contributions to enhance an employee's pension benefits. The benefits payable relate directly to the value of the investments made.

Scheme provisions from 1 April 2008

From 1 April 2008 changes have been made to the NHS Pension Scheme contribution rates and benefits. Further details of these changes can be found on the NHS Pensions website www.pensions.nhsbsa.nhs.uk.

1.10 Research and Development

Research and development expenditure is charged against income in the year in which it is incurred, except insofar as development expenditure relates to a clearly defined project and the benefits of it can reasonably be regarded as assured. Expenditure so deferred is limited to the value of future benefits expected and is amortised through the Income and Expenditure Account on a systematic basis over the period expected to benefit from the project. It is revalued on the basis of current cost. The amortisation should be calculated on the same basis as used for depreciation i.e. on a quarterly basis.

1.11 Leases

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and are depreciated over their useful lives or primary lease term. Rentals under operating leases are charged on a straight line basis over the terms of the leases.

1.12 Foreign exchange

Transactions which are denominated in a foreign currency are translated into sterling at the exchange rate ruling on the date of each transaction. BPL values its plasma and the plasma element of its goods for resale at the lower of the actual price paid, or if significantly different, net replacement cost.

1.13 Provisions

The Authority provides for legal or constructive obligations that are of uncertain timing or amount at the balance sheet date on the basis of the best estimate of the expenditure required to settle the obligation. Where the effect of the time value of money is significant, the estimated risk-adjusted cash flows are discounted using the Treasury's discount rate of 2.2% in real terms.

2. Reconciliation of net operating expenditure to grant in aid

	31 March 2008 £000	Restated 31 March 2007 £000
Net expenditure out-turn for the financial period	(57,513)	(65,864)
Revenue grant in aid	<u>26,842</u>	<u>33,218</u>
Operating deficit for the financial period	(30,671)	(32,646)
Capital charges paid to the Department of Health	<u>34,640</u>	<u>34,543</u>
Adjusted outturn for the financial period	<u>3,969</u>	<u>1,897</u>

3.1 Gross Income

	31 March 2008 £000	31 March 2007 £000
Income from activities		
Blood Product Income	303,134	298,279
BPL Product Sales	82,285	72,800
UKT - Income from Scottish Parliament	965	887
UKT - Income from National Assembly for Wales	562	558
UKT - Income from Northern Ireland Assembly	<u>286</u>	<u>276</u>
	387,232	372,800
Other income	39,596	34,862
	<u>426,828</u>	<u>407,662</u>

3.2 Staff Costs and related numbers

	Total	31 March 2008		31 March 2007 £000
		Permanently Employed Staff £000	Other £000	
Salaries and wages	162,416	150,664	11,752	160,399
Social security costs	11,299	11,042	257	12,192
Employer contributions to NHSPA	<u>19,186</u>	<u>18,744</u>	<u>442</u>	<u>19,723</u>
	<u>192,901</u>	<u>180,450</u>	<u>12,451</u>	<u>192,314</u>

The average number of employees during the year was:

	Total Number	Permanently Employed		31 March 2007
		Staff Number	Other Number	
Total	<u>5,840</u>	<u>5,427</u>	<u>413</u>	<u>5,936</u>

Expenditure on staff benefits

The amount spent on staff benefits during the year is estimated at £885,000 (31 March 2007 £881,000)

Retirements due to ill-health

During the year there were 11 early retirements from NHSBT on the grounds of ill-health. The estimated additional pension liabilities of these ill-health retirements (calculated on an average basis and borne by the NHS Pensions Scheme) will be £916,000 (31 March 2007: 9 early retirements at a cost of £279,000).

Early retirements and redundancies

In addition to retirements due to ill health, during 2007/08 there were 66 early retirements and/or redundancies from NHSBT. £2,246,000 has been charged to the revenue account in 2007/08 in respect of these redundancies and early retirements.

3.3 Other Administrative Expenses

	Notes	£000	31 March 2008 £000	Restated 31 March 2007 £000
Other staff costs			12,738	11,700
Consumable supplies			111,811	116,284
Maintenance of buildings, plant and equipment			14,639	13,048
Rent and rates			12,385	11,989
Transport costs			8,845	7,937
External contractors			14,259	12,019
Purchase and lease of equipment and furniture			4,039	3,754
Utilities and telecommunications			8,890	9,909
Media advertising			3,274	2,551
UKT Scheme Payments			7,033	5,908
Capital Charges paid over as cash to Department of Health			34,640	34,543
Capital Non-cash :				
Depreciation and amortisation	5.1, 5.2	21,623		20,697
Impairments	5.1, 5.2	-		34
Capital charges interest		12,796		12,126
Loss on disposal	5.4	162		268
			34,581	33,125
Other finance costs - unwinding of discount			38	43
Auditor's remuneration: Audit Fees *			124	120
Foreign exchange loss			162	339
Miscellaneous			23,620	17,575
			291,077	280,844

* The Authority did not make any payments to the auditors for non audit work.

4 . Better Payment Practice Code - measure of compliance

	Number	£000
Total non NHS bills paid 2007/08	128,670	244,127
Total non NHS bills paid within target	118,126	228,294
Percentage of non NHS bills paid within target	91.8%	93.5%
Total NHS bills paid 2007/08	11,441	24,087
Total NHS bills paid within target	10,414	23,473
Percentage of NHS bills paid within target	91.0%	97.5%

The Better Payment Practice Code requires NHSBT to aim to pay all valid invoices by the due date or within 30 days of receipt of goods or a valid invoice, whichever is the later.

The Late Payment of Commercial Debts (Interest) Act 1998

There was no interest payable arising from claims made under the Late Payment of Commercial Debts (Interest) Act 1998. No compensation payments were made under this legislation (31 March 2007 £Nil).

5.1 Intangible fixed assets

	Software Licences £000	Development Expenditure £000	Total £000
Gross cost at 31 March 2007	10,725	2,063	12,788
Indexation		55	55
Additions - purchased	148	506	654
Reclassification	21	-	21
Disposals	(13)	-	(13)
Gross cost at 31 March 2008	10,881	2,624	13,505
Accumulated amortisation at 31 March 2007	9,652	-	9,652
Provided during the year	485	-	485
Disposals	(10)	-	(10)
Accumulated amortisation at 31 March 2008	10,127	-	10,127
Net book value at 31 March 2007	1,073	2,063	3,136
Net book value at 31 March 2008	754	2,624	3,378

5.2 Tangible fixed assets

	Land	Buildings exc. dwellings	Dwellings	Assets under constr. + poa	Plant and Machinery	Transport Equipment	Information Technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Gross cost at 31 March 2007	37,749	218,667	2,310	24,840	83,063	7,115	14,706	3,626	392,076
Additions - purchased	-	2,122	-	32,814	3,099	221	2,491	1	40,748
Reclassification	-	3,169	-	(3,780)	464	-	126	-	(21)
Indexation	2,040	18,357	194	1,738	2,236	192	-	95	24,852
Other in year revaluations	-	(19,004)	-	-	-	-	-	-	(19,004)
Disposals	-	-	-	-	(3,792)	(2,842)	(92)	-	(6,726)
Gross cost at 31 March 2008	39,789	223,311	2,504	55,612	85,070	4,686	17,232	3,722	431,926
Accumulated depreciation at 31 March 2007		21,760	101		48,658	4,835	12,447	3,575	91,376
Provided during the year		11,486	56		8,060	393	1,133	11	21,138
Indexation		1,814	9		1,304	131	-	95	3,353
Other in year revaluations		(2,573)	-		-	-	-	-	(2,573)
Disposals		-	-		(3,448)	(2,843)	(86)	-	(6,377)
Accumulated depreciation at 31 March 2008		32,486	166		54,574	2,516	13,494	3,681	106,917
Net book value:									
Purchased at 31 March 2007	37,749	196,907	2,209	24,840	34,263	2,280	2,259	51	300,559
Donated at 31 March 2007	-	-	-	-	141	-	-	-	141
Total at 31 March 2007	37,749	196,907	2,209	24,840	34,404	2,280	2,259	51	300,700
Net book value:									
Purchased at 31 March 2008	39,789	190,825	2,338	55,612	30,376	2,170	3,738	41	324,888
Donated at 31 March 2008	-	-	-	-	120	-	-	-	120
Total at 31 March 2008	39,789	190,825	2,338	55,612	30,496	2,170	3,738	41	325,008

The District Valuer has agreed a devaluation in buildings at 1 April 2005 from £71.5 million to £55.6 million. The devaluation (including indexation) reflected in the 2007/08 financial period is £16.4 million.

The net book value of assets held under finance leases at the balance sheet date within the category of buildings exc. dwellings are as follows:

31 March 2007	-	14,663	-	-	-	-	-	-	-
31 March 2008	-	15,179	-	-	-	-	-	-	-

The total amount of depreciation charged in the income and expenditure account in respect of assets held under finance leases within the category of buildings exc. dwellings are as follows:

Year to 31 March 2007	-	659	-	-	-	-	-	-	-
Year to 31 March 2008	-	706	-	-	-	-	-	-	-

5.3 Net Book Value of Land and Buildings

The net book value of land, buildings and dwellings as at 31 March 2008 comprises:

	31 March 2008 £000	31 March 2007 £000
Freehold	204,632	210,064
Long leasehold	28,320	26,801
	232,952	236,865

5.4 Profit/(Loss) on disposal of Fixed Assets

	31 March 2008 £000	31 March 2007 £000
(Loss) on disposal of intangible fixed assets	(3)	-
(Loss) on disposal of plant and equipment	(159)	(268)
	(162)	(268)

6 Stocks and work in progress

	31 March 2008 £000	31 March 2007 £000
Raw materials and consumables	21,021	21,409
Work in progress	11,102	9,801
Finished processed goods	21,766	22,141
	53,889	53,351

7. Debtors

	31 March	Restated
Amounts falling due within one year	2008	31 March
	£000	2007
		£000
NHS debtors	13,175	10,808
Provision for irrecoverable debts	(222)	(337)
Prepayments	6,183	5,490
Accrued income	884	1,229
Capital debtors	700	700
Other debtors	11,142	7,502
	<u>31,862</u>	<u>25,392</u>
Amounts falling due after more than one year		
Prepayments	442	-
	<u>442</u>	<u>-</u>

8. Analysis of changes in cash

	At 31	Change	At 31
	March	during	March
	2007	the period	2008
	£000	£000	£000
Cash at OPG	83	(12)	71
Cash at commercial banks and in hand	31	(12)	19
	<u>114</u>	<u>(24)</u>	<u>90</u>

9. Creditors

	31 March	Restated
Amounts falling due within one year	2008	31 March
	£000	2007
		£000
Overdrafts	-	28
NHS creditors	3,044	3,205
Capital creditors	2,494	499
Tax and social security	2,095	5
Other creditors	4,907	4,353
Accruals	13,769	13,923
Deferred income	383	452
Current part of finance leases	65	60
	<u>26,757</u>	<u>22,525</u>
Amounts falling due after more than one year		
Finance Leases	3,925	Restated
	<u>3,925</u>	<u>3,990</u>

10. Provisions for liabilities and charges

	Pensions for former staff £000	Product Liability £000	Other £000	Total £000
At 31 March 2007	327	1,780	1,841	3,948
Arising during the year	17	529	1,976	2,522
Utilised during the year	(344)	(64)	(915)	(1,323)
Reversed unused	-	(189)	(445)	(634)
Unwinding of discount	-	29	9	38
At 31 March 2008	-	2,085	2,466	4,551

Expected timing of cash flows:

Within 1 year	-	743	2,066	2,809
1-5 years	-	1,342	84	1,426
Over 5 years	-	-	316	316

Product liability provisions relate to legal actions brought against the Authority through the use of Authority products by individuals, mainly Hepatitis C cases. Provisions for the settlement of Hepatitis C cases amounting to £1,545,000 (31 March 2007: £1,487,000) have been brought under an action for product liability, and are included in the above Product Liability provision total of £2,085,000 (31 March 2007: £1,780,000).

Included within the 'Other' category are provisions relating to legal claims for personal injury and donor claims, provisions relating to legal claims for late delivery of product, provisions for stock, redundancy payments, provisions for injury benefits and supplier provisions.

£143,000 (31 March 2007:£170,000) is included in the provisions of the NHS Litigation Authority at 31 March 2008 in respect of clinical negligence liabilities of the NHSBT. There is a provision of £Nil in respect of the existing liabilities scheme (31 March 2007: £1,567,000).

11. Movements in working capital other than cash

	31 March 2008 £000	Restated 31 March 2007 £000
(Increase)/decrease in stocks	(538)	5,028
(Increase)/decrease in revenue debtors	(6,912)	4,944
Increase/(decrease) in revenue creditors	2,172	(3,620)
	(5,278)	6,352

ACCOUNT OF NHS BLOOD AND TRANSPLANT AT 31 MARCH 2008

12. Movements on reserves**12.1 General reserve**

	31 March 2008 £000	Restated 31 March 2007 £000
Balance at 31 March 2007	234,565	232,085
Net expenditure for the financial period	(57,513)	(65,864)
Revenue Grant in Aid	26,842	33,218
Capital Grant in Aid	39,978	21,157
Non Cash Charge : Cost of Capital	12,796	12,126
Transfer to General Fund: realised elements of the revaluation reserve	2,922	1,843
Balance at 31 March 2008	<u>259,590</u>	<u>234,565</u>

12.2 Revaluation reserve

	31 March 2008 £000	31 March 2007 £000
Balance at 31 March 2007	117,524	100,180
Indexation of fixed assets	21,555	19,408
Impairments	-	(27)
Revaluation of fixed assets	(16,431)	(194)
Transfer to General Fund: realised revaluation	(2,922)	(1,843)
Balance at 31 March 2008	<u>119,726</u>	<u>117,524</u>

12.3 Donated asset reserve

	31 March 2008 £000	31 March 2007 £000
Balance at 31 March 2007	141	161
Depreciation of donated assets	(21)	(20)
Balance at 31 March 2008	<u>120</u>	<u>141</u>

13. Reconciliation of operating costs to operating cash flows

	31 March 2008 £000	Restated 31 March 2007 £000
Net Operating Expenditure before interest	(57,150)	(65,496)
Non-cash transactions - capital charges	34,398	32,837
Loss on disposal	162	268
Adjust for movements in working capital other than cash	(5,278)	6,352
Increase/(decrease) in provisions	603	(7,085)
Net cash inflow/(outflow) from operating activities	<u>(27,265)</u>	<u>(33,124)</u>

14. Contingent liabilities

A contingent liability of £277,000 (31 March 2007: £520,000) relates to potential costs associated with donor claims, personal injury claims, and non Hepatitis C product liability claims. The related provisions are included under 'Product liability' and 'Other' in Note 10.

A contingent liability of £513,000 (31 March 2007: £441,000) relates to Hepatitis C cases brought under an action for product liability.

Due to the nature of the contingent liabilities it is difficult to predict with any degree of accuracy the final amounts due and when they will crystallise.

15. Capital commitments

At 31 March 2008 the value of contracted capital commitments was £17,023,000 (31 March 2007: £44,365,000).

16. Commitments under leases**16.1 Operating Leases**

Commitments under operating leases to pay rentals during the year following the year of these accounts are given in the table below, analysed according to the period in which the lease expires.

	31 March	31 March
	2008	2007
	£000	£000
Land and buildings		
Operating leases which expire: within 1 year	437	662
between 1 and 5 years	1,643	1,465
after 5 years	367	504
	<u>2,447</u>	<u>2,631</u>
Other leases		
Operating leases which expire: within 1 year	585	562
between 1 and 5 years	1,819	1,649
after 5 years	9	18
	<u>2,413</u>	<u>2,229</u>

16.2 Finance Leases

Obligations under finance leases are as follows.

	31 March	31 March
	2,008	2,007
	£000	£000
Rentals due within one year	423	423
Rentals due after 1 year but within 5 years	1,692	1,692
Rentals due thereafter	6,768	7,191
	<u>8,883</u>	<u>9,306</u>
Less interest element	4,893	5,256
	<u>3,990</u>	<u>4,050</u>

17. Other commitments

The Authority has entered into non-cancellable contracts (which are not operating leases) totalling £Nil as at 31 March 2008 (31 March 2007: £nil)

18. Losses and special payments

There were 361 case losses and special payments totalling £1,214,000 approved in the year to 31 March 2008 (132 case losses totalling £431,000 and 229 special payments totalling £783,000). These are stated on an accruals basis. In addition net foreign exchange rate losses arising from 356 transactions amount to £162k.

There were 539 case losses and special payments (restated on an accruals basis) totalling £778,000 approved in the year to 31 March 2007 (258 case losses totalling £133,000 and 281 special payments totalling £645,000). In addition net foreign exchange rate losses arising from 437 transactions amount to £339k.

There were no individual payments that exceeded £250,000 (Period ended 31 March 2007 no cases)

19. Related parties

The Authority is a body corporate established by order of the Secretary of State for Health.

The Department of Health is regarded as a controlling related party. During the year the Authority has had a significant number of material transactions with the Department, and with other entities for which the Department is regarded as the parent Department, i.e. the majority of NHS acute trusts. During the period these transactions were valued at £435 million of income (31 March 2007: £408 million), including capital funding, and £45 million of expenditure (31 March 2007: £43 million), which represented trading with 220 separate organisations.

In addition, £28m of plasma was purchased from Diagnostics Chemistries Inc. (DCI) our United States supplier. (31 March 2007: £32 million). DCI is wholly owned by Plasma Resources UK Ltd a company wholly owned by the Department of Health.

The following named members of the Board have registered interests in related parties as stated below:-

<u>Name and Title</u>	<u>Registered Interest(s)</u>
Mrs E Buggins *	West Midlands SHA (Chairman)
Mr G Jenkins *	East Kent Hospitals NHS Trust (Chairman) and Maidstone and Tunbridge Wells NHS Trust (Chairman)
Mr M Gorham OBE (Chief Executive)	Spouse is Chief Executive of Waltham Forest PCT
Mr C Rudge (Managing and Transplant Director UKT)	Barts and the London NHS Trust (Consultant)

* Non Executive Director

NHSBT Transactions with Members Registered Interests

	Income £000's	Expenditure £000's
West Midlands SHA	182	-
East Kent Hospitals NHS Trust	3,313	25
Maidstone and Tunbridge Wells NHS Trust	3,152	-
Waltham Forest PCT	-	-
Barts and the London NHS Trust	6,789	65

During the period none of the members of the key management staff or other related parties has undertaken any material transactions with NHS Blood and Transplant.

20. Post balance sheet events

There were no material post balance sheet events. The accounts were authorised for issue on 15 July 2008 by the accounting officer.

21. Financial instruments

FRS 13, Derivatives and Other Financial Instruments, requires disclosure of the role that financial instruments have had during the period in creating or changing the risks an entity faces in undertaking its activities. Because of the way that NHSBT is financed, NHSBT is not exposed to the degree of financial risk faced by business entities. Also financial instruments play a much more limited role in creating or changing risk than would be typical of the listed companies to which FRS 13 mainly applies. NHSBT has no power to borrow or invest surplus funds and financial assets and liabilities are generated by day-to-day operational activities rather than being held to change the risks facing NHSBT in undertaking its activities.

As allowed by FRS 13, debtors and creditors that are due to mature or become payable within 12 months from the balance sheet date have been omitted from all disclosures other than the currency profile.

Liquidity risk

The Authority's net operating costs are mainly recovered through prices under annual service agreements with NHS Trusts and Primary Care Trusts, which are financed from resources voted annually by Parliament. A relatively small amount of income arises from export sales.

Capital expenditure costs are financed from resources voted annually by Parliament. NHSBT is not, therefore, exposed to significant liquidity risks.

Interest-rate risk

All the NHSBT's financial assets and financial liabilities, including the finance lease, carry nil or fixed rates of interest. It is not therefore exposed to interest-rate risk.

Foreign currency risk

The NBS and UKT operating divisions have a relatively small amount of foreign currency income or expenditure, converted at the spot rate at the time of the transaction. They are not therefore exposed to significant foreign currency risk.

The Bio Products Laboratory operating division enters into forward exchange contracts to purchase US dollars to pay for its plasma. It is therefore exposed to foreign currency risk should the year-end US dollar/sterling exchange rate move significantly from the contract rate.

Fair values

Fair values are not significantly different from book values and therefore no additional disclosure is required.

22. Intra-government balances

	Debtors: Amounts falling due within one year £000	Debtors: Amounts falling due after more than one year £000	Creditors Amounts falling due within one year £000	Creditors Amounts falling due after more than one year £000
Balances with other central government bodies	4,826	-	3,011	-
Balances with local authorities	1,386	-	22	-
Balances with NHS Trusts	12,125	-	2,795	-
Balances with public corporations and trading funds	-	-	248	-
Balances with bodies external to government	13,525	442	20,681	3,925
At 31 March 2008	<u>31,862</u>	<u>442</u>	<u>26,757</u>	<u>3,925</u>
Balances with other central government bodies	4,034	-	842	-
Balances with local authorities	1,332	-	38	-
Balances with NHS Trusts	9,468	-	2,614	-
Balances with public corporations and trading funds	-	-	13	-
Balances with bodies external to government	10,558	-	19,018	3,990
At 31 March 2007 (restated)	<u>25,392</u>	<u>-</u>	<u>22,525</u>	<u>3,990</u>



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