Matters relating to the electronic presentation of the audited financial statements and statement of service performance

This audit report relates to the financial statements and statement of service performance of New Zealand Blood Service (the Blood Service) for the year ended 30 June 2012 included on the Blood Service's website. The Blood Service's Board is responsible for the maintenance and integrity of the Blood Service's website. We have not been engaged to report on the integrity of the Blood Service's website. We accept no responsibility for any changes that may have occurred to the financial statements and statement of service performance since they were initially presented on the website.

The audit report refers only to the financial statements and statement of service performance named above. It does not provide an opinion on any other information which may have been hyperlinked to or from the financial statements and statement of service performance. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited financial statements and statement of service performance as well as the related audit report dated 30 August 2012 to confirm the information included in the audited financial statements and statement of service performance presented on this website.

Legislation in New Zealand governing the preparation and dissemination of financial information may differ from legislation in other jurisdictions.

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

NZBLOOD Te Ratonga Toto O Aotearoa

Table of Contents

New Zealand Blood Service
Statement of Comprehensive Income
For the year ended 30 June 2012

NZBLOOD
Te Ratonga Toto O Aotearoa

	Note	Actual 2012 $000	Budget 2012 $000	Actual 2011 $000
Income				
Revenue from supplying blood products		85,981	88,149	83,481
Revenue from supplying services		17,334	17,395	16,903
Revenue from overseas sales		1,662	2,109	1,404
Interest income		446	275	434
Other income		78	7	60
Gross Income		**105,501**	**107,935**	**102,282**
Expenditure				
Cost of Consumables and changes in Inventory	2	39,676	42,660	34,455
Employee benefit expense	3	36,823	37,468	34,013
Depreciation and amortisation	11 & 12	3,217	3,597	3,130
Other expenses	4	22,240	23,035	21,091
Finance costs	5	227	255	275
Revaluation of derivative financial instruments	6	(129)	-	66
Total Expenses		**102,054**	**107,015**	**93,030**
Net Surplus for the Year		**3,447**	**920**	**9,252**
Other comprehensive income		-	-	-
Total other comprehensive income		-	-	-
Total comprehensive income		**3,447**	**920**	**9,252**

Explanations of significant variances against budget are detailed in Note 31.

The accompanying notes form part of these financial statements

JM

New Zealand Blood Service
Statement of Financial Position
As at 30 June 2012

NZBLOOD
Te Ratonga Toto O Aotearoa

	Note	Actual 2012 $000	Budget 2012 $000	Actual 2011 $000
Assets				
Current Assets				
Cash and Cash Equivalents	7	10,006	5,580	10,841
Trade and Other Receivables	8	11,479	11,143	10,977
Inventory	9	21,973	23,887	20,455
Derivative Financial Instruments	10	129	-	-
Total Current Assets		**43,587**	**40,610**	**42,273**
Non Current Assets				
Property, Plant and Equipment	11	9,182	9,697	8,723
Intangible Assets	12	5,190	6,611	2,516
Total Non Current Assets		**14,372**	**16,308**	**11,239**
Total Assets		**57,959**	**56,918**	**53,512**
Liabilities				
Current Liabilities				
Trade and Other Payables	13	7,649	10,527	7,319
Employee Benefit Entitlements	15	5,406	3,491	4,808
Derivative Financial Instruments	10	-	-	66
Borrowings	16	235	219	219
Total Current Liabilities		**13,290**	**14,237**	**12,412**
Non Current Liabilities				
Premises Reinstatement Provision	14	1,074	1,133	1,061
Employee Benefit Entitlements	15	1,421	1,329	1,077
Borrowings	16	3,822	3,838	4,057
Total Non Current Liabilities		**6,317**	**6,300**	**6,195**
Total Liabilities		**19,607**	**20,537**	**18,607**
Net Assets		**38,352**	**36,381**	**34,905**
Equity	17			
Crown Equity		15,717	15,717	15,717
Retained Earnings		22,635	20,664	19,188
Total Equity		**38,352**	**36,381**	**34,905**

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

David Chamberlain
Board Chairman
30 August 2012

David Wright
Board Deputy Chairman
30 August 2012

The accompanying notes form part of these financial statements

New Zealand Blood Service
Statement of Changes in Equity
For the year ended 30 June 2012

NZBLOOD
Te Ratonga Toto O Aotearoa

	Note	Actual 2012 $000	Budget 2012 $000	Actual 2011 $000
Opening balance		34,905	35,461	25,653
Total comprehensive income for the year ended 30 June		**3,447**	**920**	**9,252**
Contribution from owners		-	-	-
Closing Balance	17	**38,352**	**36,381**	**34,905**

The accompanying notes form part of these financial statements

JM

New Zealand Blood Service
Statement of Cashflows
For the year ended 30 June 2012

NZBLOOD
Te Ratonga Toto O Aotearoa

	Note	Actual 2012 $000	Budget 2012 $000	Actual 2011 $000
Cash Flows from Operating activities				
Receipts from Blood Products and Services Revenue		118,962	121,930	115,659
Interest Received		446	275	434
Receipts from Other Revenue		1,237	1,496	923
Payments to Employees		(35,540)	(37,173)	(33,330)
Payments to Suppliers		(68,526)	(72,441)	(65,990)
Distribution of 2009/10 Surplus to District Health Boards		-	-	(2,000)
Interest Paid		(227)	(210)	(275)
Capital Charge Payments		(3,467)	(2,874)	(2,215)
Net GST payable to IRD		(7,153)	(7,806)	(5,984)
Net Cash from Operating Activities	18	**5,732**	**3,197**	**7,222**
Cash Flows from Investing activities				
Proceeds from sale of Property, Plant and Equipment		2	-	-
Purchase of Intangible Assets		(3,076)	(3,436)	(1,702)
Purchase of Property, Plant and Equipment		(3,274)	(3,666)	(3,319)
Net Cash from Investing activities		**(6,348)**	**(7,102)**	**(5,021)**
Cash Flows from Financing activities				
Proceeds from Borrowings		-	-	-
Repayment of Borrowings		(219)	(219)	(204)
Repayment of Equity		-	-	-
Net Cash from Financing activities		**(219)**	**(219)**	**(204)**
Net (Decrease) / Increase in Cash, Cash Equivalents and Bank Overdraft		**(835)**	**(4,124)**	**1,997**
Cash, Cash Equivalents and Bank Overdraft at the beginning of the Year		10,841	9,704	8,844
Cash, Cash Equivalents and Bank Overdraft at the end of the Year	7	**10,006**	**5,580**	**10,841**

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

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

The accompanying notes form part of these financial statements

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1. Statement of Accounting Policies

Reporting Entity
The New Zealand Blood Service (NZBS) is an authorised entity pursuant to section 92H of the Health Act 1956, primarily responsible for the performance of functions in relation to blood and controlled human substances in New Zealand.

The entity (New Zealand Blood Service) is a Crown Entity in terms of the Crown Entities Act 2004, and a Statutory Entity under the New Zealand Public Health & Disability Act 2000.

NZBS is a public benefit entity and its primary objective is to support the New Zealand healthcare community through managing the collection, processing and supply of blood, controlled human substances and related services. Accordingly, NZBS has designated itself as a public benefit entity for the purposes of New Zealand equivalents to International Financial Reporting Standards (NZ IFRS).

The financial statements for NZBS are for the year ended 30 June 2012, and were approved by the Board on 30 August 2012.

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

These financial statements have been prepared in accordance with NZ GAAP. They comply with NZ IFRS, and other applicable Financial Reporting Standards, as appropriate for public benefit entities.

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

The financial statements have been prepared on a historical cost basis, modified by the revaluation of financial instruments (including derivative instruments).

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars ($'000). The functional currency of NZBS is New Zealand dollars.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in the Statement of Comprehensive Income.

Standards adopted
The New Zealand Blood Service has adopted the following revisions to accounting standards during the financial year, which have had only a presentational or disclosure effect:

Amendments to NZ IAS 1 Presentation of Financial Statements. The amendments introduce a requirement to present, either in the statement of changes in equity or the notes, for each component of equity, an analysis of other comprehensive income by item. NZBS has elected to present this analysis in note 17.

FRS-44 New Zealand Additional Disclosures and Amendments to NZ IFRS to harmonise with IFRS and Australian Accounting Standards (Harmonisation Amendments). The purpose of the new standard and amendments is to harmonise Australian and New Zealand accounting standards with source IFRS and to eliminate many of the differences between the accounting standards in each jurisdiction. Adopting the new standard has no impact on NZBS financial statements.

Standards and interpretation issued and not yet adopted
Standards, amendments and interpretations issued but not yet effective that have not been early adopted, and which are relevant to the New Zealand Blood Service include:

NZ IFRS 9 Financial Instruments (NZ IFRS 9) will eventually replace NZ IAS 39 Financial Instruments: *Recognition and Measurement (NZ IAS 39). NZ IAS 39 is being replaced through the following 3 main* phases: Phase 1 Classification and Measurement, Phase 2 Impairment Methodology, and Phase 3 Hedge Accounting. Phase 1 on the classification and measurement of financial assets has been completed and has been published in the new financial instrument standard NZ IFRS 9. NZ IFRS 9 uses a single approach to determine whether a financial asset is measured at amortised cost or fair value, replacing the many different rules in NZ IAS 39. The approach in NZ IFRS 9 is based on how an entity manages its financial instruments (its business model) and the contractual cash flow characteristics of the financial assets. The financial liability requirements are the same as those of NZ IAS 39, except for when an entity elects to designate a financial liability at fair value through the surplus/deficit. The new standard is required to be adopted for the year ended 30 June 2016. However, as a new Accounting Standards Framework will apply before this date, there is no certainty when as equivalent standard to NZ IFRS 9 will be applied by public benefit entities.

JM

NZBLOOD Te Ratonga Toto O Aotearoa

1. Statement of Accounting Policies

The Minister of Commerce has approved a new Accounting Standards Framework (incorporating a Tier Strategy) developed by the External Reporting Board (XRB). Under this Accounting Standards Framework, NZBS is classified as a Tier 1 reporting entity and it will be required to apply full Public Benefit Entity Accounting Standards (PAS). These standards are being developed by the XRB based on current international Public Sector Accounting Standards. The effective date for the new standards for public sector entities is expected to be for reporting periods beginning on or after 1 July 2014. This means NZBS expects to transition to the new standards in preparing its 30 June 2015 financial statements. As the PAS are still under development, NZBS is unable to assess the implications of the new Accounting Standards Framework at this time.
Due to the change in the Accounting Standards Framework for public benefit entities, it is expected that all new NZ IFRS and amendments to existing NZ IFRS will not be applicable to public benefit entities. Therefore, the XRB has effectively frozen the financial reporting requirements for public benefit entities up until the new Accounting Standard Framework is effective. Accordingly, no disclosure has been made about new or amended IFRS that exclude public benefit entities from their scope.

Revenue
Revenue is measured at the fair value of consideration received. Revenue from the provision of products is recognised at the time the risk and effective ownership transfers. Revenue from the rendering of services is recognised as the services are provided. Interest income is recognised using the effective interest method.

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

Borrowing costs
The New Zealand Blood Service has elected to defer adoption of the revised NZ IAS 23 Borrowing Costs (Revised 2007) in accordance with the transitional provisions of NZ IAS 23 that are applicable to public benefit entities.

Consequently, all borrowing costs are recognised as an expense in the period in which they are incurred.

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

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

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

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

Cash and cash equivalents
Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

Bank overdrafts are shown within borrowings in current liabilities in the Statement of Financial Position.

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

A provision for impairment of receivables is established when there is objective evidence that NZBS will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted using the effective interest method.

1. Statement of Accounting Policies

Cost allocation and Inventories

(a) Cost Allocation
Direct costs are those costs directly attributable to the collection and processing of blood products and delivering the associated services. Indirect costs are those costs which are not directly related to the production of NZBS products or services.

Joint product and by-product inventory costs arise in situations where the production of a product makes inevitable the production of other products. A key feature of joint and by-products is that they are not identifiable as individual products till a specific point in the production process referred to as a split-off point. When a group of individual products is simultaneously produced, and each product has a significant value the outputs are usually called and treated as joint products.

Those products which are incidentally produced (not the intentional product) are treated as by-products. Common costs are apportioned to joint products not by-products. Processing costs specifically incurred on further processing of by-products after the split-off point are allocated to those by-products.

(b) Inventories
Inventories held for sale on a commercial basis are valued at the lower of cost and net realisable value. The cost of purchased inventory is determined using the FIFO method. The valuation includes allowance for slow moving items. Obsolete inventories are written off.

Inventories held for use in the production of goods and services on a commercial basis are valued at the lower of cost and net realisable value. The cost of purchased inventory is determined using the FIFO method.

The write down from cost to net realisable value is recognised in the surplus or deficit.

Financial Assets
NZBS classifies its financial assets into the following four categories: financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables and financial assets at fair value through equity. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

Financial assets and liabilities are initially measured at fair value plus transaction costs unless they are carried at fair value through profit or loss in which case the transaction costs are recognised in the Statement of Comprehensive Income.

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

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

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

The four categories of financial assets are:

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

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

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

1. Statement of Accounting Policies

(2) Loans and receivables
These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

After initial recognition they are measured at amortised cost using the effective interest method. Gains and losses when the asset is impaired or derecognised are recognised in the Statement of Comprehensive Income. Loans and receivables are classified as "trade and other receivables" in the Statement of Financial Position.

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

(4) Financial assets at fair value through other comprehensive income
Financial assets at fair value through other comprehensive income are those that are designated as fair value through other comprehensive income or are not classified in any of the other categories above. This category encompasses Derivatives that are designated hedges. After initial recognition these investments are measured at their fair value.

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

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

Accounting for derivative financial instruments and hedging activities
NZBS uses derivative financial instruments to hedge exposure to foreign exchange risks arising from financing activities. In accordance with its treasury policy, NZBS does not hold or issue derivative financial instruments for trading purposes.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value at each balance date.

The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. NZBS designates certain derivatives as either:

- hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); or
- hedges of highly probable forecast transactions (cash flow hedge).

The NZBS documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. NZBS also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The full fair value of hedging derivatives is classified as a non-current asset if the remaining maturity of the hedged item is more than 12 months and as a current asset if the remaining maturity of the hedged item is less than 12 months.

Fair value hedge
The gain or loss from remeasuring the hedging instrument at fair value, along with the changes in the fair value on the hedged item attributable to the hedged risk, is recognised in the Statement of Comprehensive Income.

Cash flow hedge
The portion of the gain or loss on the hedging instrument that is determined to be an effective cash flow hedge is recognised directly in equity through the statement of changes in equity and the ineffective portion of the gain or loss on the hedging instrument is recognised in the Statement of Comprehensive Income.

If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gains or losses that were recognised directly in equity will be reclassified into surplus or deficit in the same period or periods during which the asset acquired or liability assumed affects surplus or deficit. However, if NZBS expects that all or a portion of a loss recognised directly in equity will not be recovered in one or more future periods, it will reclassify into surplus or deficit the amount that is not expected to be recovered.

1. Statement of Accounting Policies

When a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or a non-financial liability, or a forecast transaction for a non-financial asset or non-financial liability becomes a firm commitment for which fair value hedge accounting is applied, then the associated gains and losses that were recognised directly in equity will be included in the initial cost or carrying amount of the asset or liability.

For cash flow hedges other than those covered above, amounts that had been recognised directly in equity will be recognised in surplus or deficit in the same period or periods during which the hedged forecast transaction affects surplus or deficit (for example, when a forecast sale occurs).

If a hedging instrument expires or is sold, terminated, exercised or revoked, or it no longer meets the criteria for hedge accounting, the cumulative gain or loss on the hedging instrument that remains recognised directly in equity from the period when the hedge was effective will remain separately recognised in equity until the forecast transaction occurs. When the forecast transaction is no longer expected to occur any related cumulative gain or loss on the hedging instrument that remains recognised directly in equity from the period when the hedge was effective will be recognised in the Statement of Comprehensive Income.

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

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

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

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

In most instances, an item of property, plant and equipment is recognised at its cost. Where an asset is acquired at no cost, or for a nominal cost, it is recognised at fair value as at the date of acquisition.

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

Subsequent costs
Costs incurred subsequent to initial acquisition are capitalised only when it is probable that future economic benefits or service potential associated with the item will flow to NZBS and the cost of the item can be measured reliably.

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

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

Computer Equipment	3 to 5 years
Furniture and Fittings	5 to 10 years
Motor Vehicles	3 to 4 years
Plant and Equipment	5 to 10 years
Leasehold Improvements	Shorter of term of lease or useful life

The costs of day-to-day servicing of property, plant, and equipment are recognised in the surplus or deficit as they are incurred.

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

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

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

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1. Statement of Accounting Policies

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

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

Computer Software	3 years

Impairment of non-financial assets
Non-financial assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that have a finite useful life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Value in use is depreciated replacement cost for an asset where the future economic benefits or service potential of the asset are not primarily dependent on the assets ability to generate net cash inflows and where the entity would, if deprived of the asset, replace it's remaining future economic benefits or service potential. The value in use for cash-generating assets is the present value of expected future cash flows.

If an asset's carrying amount exceeds its recoverable amount the asset is impaired and the carrying amount is written down to the recoverable amount. For revalued assets the impairment loss is recognised against the revaluation reserve for that class of asset. Where that results in a debit balance in the revaluation reserve, the balance is recognised in the Statement of Comprehensive Income.

For assets not carried at a revalued amount, the total impairment loss is recognised in the surplus or deficit.

The reversal of an impairment loss on a revalued asset is credited to other comprehensive income. However, to the extent that an impairment loss for that class of asset was previously recognised in the surplus or deficit, a reversal of the impairment loss is also recognised in the surplus or deficit.
For assets not carried at a revalued amount the reversal of an impairment loss is recognised in the surplus or deficit.

Creditors and other payables
Creditors and other payables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method.

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

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

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

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

- likely future entitlements accruing to staff, based on years of service years to entitlement, the likelihood that staff will reach the point of entitlement and contractual entitlements information; and

- the present value of the estimated future cash flows. A discount rate of 3.23% for long service leave, 3.82% for retirement leave, and an inflation factor of 3% were used. The discount rate is based on the weighted average of Government interest rates for stock with terms to maturity similar to those of the relevant liabilities. The inflation factor is based on the expected long-term increase in remuneration for employees.

NZBLOOD
Te Ratonga Toto O Aotearoa

1. Statement of Accounting Policies

Superannuation schemes
Defined contribution schemes
Obligations for contributions to defined contribution superannuation schemes are recognised as an expense in the Statement of Comprehensive Income as incurred.

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

Insufficient information is available to use defined benefit accounting, as it is not possible to determine from the terms of the scheme, the extent to which the surplus/deficit will affect future contributions by individual employers, as there is no prescribed basis for allocation. The scheme is therefore accounted for as a defined contribution scheme. Further information on this scheme is disclosed in note 20 - Contingencies.

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

Provisions are not recognised for future operating losses.

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

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

Borrowings are classified as current liabilities unless NZBS has an unconditional right to defer settlement of the liability for at least 12 months after balance date or if the borrowings are expected to be settled within 12 months of balance date.

Equity
Equity is the Crown's interest in NZBS and is measured as the difference between total assets and total liabilities. Equity is disaggregated and classified into a number of reserves.

The components of equity are:

- Crown Equity
- Retained earnings
- Fair value through other comprehensive reserves

Fair value through other comprehensive reserves
This reserve comprises the cumulative net change in the fair value of fair value through other comprehensive income financial instruments.

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

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

Commitments and contingencies are disclosed exclusive of GST.

Taxation
NZBS is a statutory corporation under the New Zealand Public Health & Disability Act 2000 and is exempt from income tax under Section CW38 of the Income Tax Act 2007.

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

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1. Statement of Accounting Policies

Critical accounting estimates and assumptions
In preparing these financial statements NZBS has made estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations or future events that are believed to be reasonable under the circumstances.

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

Changes In Accounting Policy
Accounting policies have been consistently applied and there have been no changes in accounting policies.

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NZBLOOD Te Ratonga Toto O Aotearoa

2 Cost of Consumables and changes in Inventory

	30 June 2012	30 June 2011
Consumables	23,017	22,802
Changes in Inventory *	11,918	7,533
Expired Product **	4,741	4,120
Total Cost of Consumables and changes in Inventory	**39,676**	**34,455**

* Changes in Inventory for the period ending 30 June 2012 at $11,918 thousand was $4,385 thousand higher than the June 2011 cost of $7,533 thousand. This was primarily due to two factors as follows;

(1) the one off purchase for a District Health Board in the June 2012 year of a specific fractionated brought-in inventory item to treat a specific patient. The overall cost incurred for the year on this product was $1,438 thousand. The product item was sold to the District Health Board at cost plus a nominal margin to recover freight and overhead costs.

(2) $2,463 thousand higher cost of production for fractionated derived products in the June 2012 year, driving mainly from a lower production output mix of products produced from fractionated product production when compared to the June 2011 year. The lower overall output mix per tonne of plasma input resulted in a higher cost per vial of fractionated derived product.

** Expired Product - To guarantee the supply of product for any situation NZBS must maintain levels of stocks in excess of normal usage. Though NZBS carefully manages its inventory of products to minimise expiry, due to the short life of the fresh products in particular, there will be a certain amount of product that will expire before it can be utilised.

3 Employee Benefit Expenses

	30 June 2012	30 June 2011
Salaries and Wages	35,783	33,244
Employer contributions to multi-employer defined benefit plans	98	99
Increase in employee benefit liabilities	942	670
Total employee benefit expenses	**36,823**	**34,013**

Employee benefit expenses at 30 June 2012 totalled $36,823 thousand and was $2,810 thousand higher compared to the June 2011 year of $34,013 thousand. The main reasons for the increase in employee benefits are summarised as follows;

(1) Salary and Wages $2,539 thousand higher due to a combination of the following; (a) year on year salary increases averaging 4.1% overall driving from a combination of multi-employer and single employer collective agreement settlements, automatic annual increment increases per collective agreements and settlement of Individual Employment agreements, (b) appointment of more front line operational staff, (c) higher spend on Call Centre costs relating to booking appointments for Donors to donate blood at Collection sites, and (d) operational labour costs relating to the new Blood Management System (eProgesa).

(2) Increase in employee benefit liabilities $272 thousand higher than the June 2011 increase due to the following; (a) higher accrued salary and wages at 30 June 2012 (timing on fortnightly payment cycle at year-end), (b) increase in annual leave liability partly due to a "freeze" on annual leave taken during the period of implementation of the new Blood Management System (eProgesa) plus (c) an increase in Long Service Leave and Gratuity Leave liabilities.

Employer Kiwisaver contributions are shown net of the State Services Commission reimbursement.

Employee benefit costs recognised as an expense during 2012 includes the reversal of $15 thousand in respect of accruals for anticipated retrospective staff liabilities subsequently confirmed as not being required (2011: $2 thousand reversal).

4 Other Expenses

	30 June 2012	30 June 2011
Fees to principal auditor:		
Audit fees for financial statement audit 2012	99	-
Audit fees for financial statement audit 2011	-	93
Audit fees for other services	-	-
Capital charge *	3,068	2,788
Board Members' Fees	116	116
Net Foreign Exchange Losses / (Gains)	(561)	333
(Gains) / Losses on disposal of Property, Plant and Equipment	(1)	-
Changes in Premises Reinstatement provision (note 14)	(32)	76
Changes in impairment of Receivables (note 8)	(4)	4
Impairment of Intangible Assets (note 12)	-	-
Minimum lease payments under operating leases	3,183	2,954
Other operating expenses **	16,372	14,727
Total Other Expenses	**22,240**	**21,091**

* The New Zealand Blood Service pays a capital charge monthly to the Crown based on the greater of its actual or budgeted closing equity balance for the month. The capital charge rate for the period ended 30 June 2012 was 8% (30 June 2011: 8%).

** Other operating expenses in June 2012 totalling $16,372 thousand were $1,645 thousand higher when compared to the June 2011 spend of $14,727 thousand. The key factors making up the higher spend are detailed below.

(1) IT Systems and Telecommunication expenses increased $925 thousand due to the following; (a) higher telecommunication costs relating to the New Zealand Blood Service needing more bandwidth on its data network, a key driver being the new Blood Management System (eProgesa) requiring all 30+ sites to be upgraded which also involved one off implemetation costs, (b) new sites added to the network, (c) Microsoft Office 2003 upgraded to Microsoft Office 2010, (d) Financial and Procurement reporting systems upgraded, and (e) a higher spend on computer facilities maintenance and repairs.

(2) Repairs and Maintenance $447 thousand higher due to the following; (a) one off cost relating to an irradiator disposal, (b) higher spend on medical equipment servicing and annual maintenance agreements (a combination of annual maintenance contract renewals and full year impact of equipment purchases coming off initial warranty periods) in the Donor Collection sites, Donor Accreditation platforms and Blood Bank platforms, and (c) higher spend on general repairs and maintenance which fluctuate from year to year.

(3) All other operating expenses increased $273 thousand which represents a 1.9% increase over the June 2011 spend.

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5 Finance Costs

	30 June 2012	30 June 2011
Interest on bank borrowings	120	131
Interest on Dilworth Trust Finance Lease	62	76
Provisions: Discount unwinding (Note 14)	45	50
Interest Other	-	18
Total Finance Costs	**227**	**275**

6 Revaluation of Derivative Financial Instruments

	30 June 2012	30 June 2011
Foreign exchange forward selling contracts - (gain) / loss	(129)	66
Total Revaluation of Derivative Financial Instruments - (gain) / loss	**(129)**	**66**

7 Cash and Cash Equivalents

	30 June 2012	30 June 2011
Cash in Hand	5	5
Cash at Bank	10,001	10,836
Total Cash and Cash Equivalents for the purpose of the Statement of Cash Flows	**10,006**	**10,841**

Cash at Bank is deposited with counterparties with Standards & Poor's credit rating of AA- or better. The carrying value of cash at bank and on hand with maturities less than three months approximates their fair value.

8 Trade and Other Receivables

	30 June 2012	30 June 2011
Trade receivables	10,252	9,910
Sundry receivables	289	218
	10,541	10,128
Less: Provision for Impairment of Receivables	(3)	(8)
Net receivables	**10,538**	**10,120**
Prepayments	941	857
Total Trade and Other Receivables	**11,479**	**10,977**

The carrying value of receivables approximates their fair value.

As at 30 June 2012 and 2011 all overdue receivables have been assessed for impairment and appropriate provisions applied, as detailed below:

	2012			2011		
Receivables Ageing	Gross	Impairment	Net	Gross	Impairment	Net
Current	10,431	-	10,431	9,988	-	9,988
31 - 60 days	107	-	107	123	(1)	122
61 - 90 days	1	(1)	-	1	-	1
> 90 days	2	(2)	-	16	(7)	9
Total Receivables	**10,541**	**(3)**	**10,538**	**10,128**	**(8)**	**10,120**

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

The provision for impairment has been calculated based on expected non payment of long outstanding or disputed invoices. Expected losses have been determined based on an analysis of NZBS' losses in previous periods, and review of specific debtors.

Movements in the provision for impairment of receivables are as follows:

	30 June 2012	30 June 2011
Balance at beginning of period	8	19
Additional provisions made during the year (note 4)	4	8
Write back of surplus provision during the period (note 4)	(8)	(4)
Receivables written off during the period	(1)	(15)
Balance at end of period	**3**	**8**

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9 Inventories

	30 June 2012	30 June 2011
Raw Materials - Fresh Frozen Plasma	3,213	1,737
Work in Process - Fractionated Components	3,955	3,721
Fractionated Components	11,220	11,399
Fresh Components	2,188	2,236
Consumables	1,827	1,590
	22,403	**20,683**
	(430)	(228)
Provision for expired inventory	**(430)**	**(228)**
Total Inventories	**21,973**	**20,455**

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

The level of the provision for expired inventory has been based on expiry of product during the previous 24 months.

The cost of inventories recognised as an expense during the year totalled $11,918 thousand (2011: $7,533 thousand) and includes a net writedown of $97 thousand in respect of inventory to net realisable value (2011: writedown $933 thousand).

10 Derivative Financial Instruments

	30 June 2012	30 June 2011
Current liabilities portion		
Forward Foreign Exchange Contracts - fair value hedge	-	66
	-	**66**
Current assets portion		
Forward Foreign Exchange Contracts - fair value hedge	129	-
	129	**-**

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

11 Property, Plant and Equipment

1 July 2010 Cost or Valuation	Leasehold Improvements	Plant & Equipment	Computer Equipment	Furniture & Fittings	Motor Vehicles	Office Equipment	Total
Opening Balance	10,755	16,528	4,062	762	185	129	32,421
Additions	148	2,634	410	85	-	41	3,318
Disposals	-	-	(1)	-	-	-	(1)
30 June 2011	**10,903**	**19,162**	**4,471**	**847**	**185**	**170**	**35,738**

1 July 2011 Cost or Valuation	Leasehold Improvements	Plant & Equipment	Computer Equipment	Furniture & Fittings	Motor Vehicles	Office Equipment	Total
Opening Balance	10,903	19,162	4,471	847	185	170	35,738
Additions	564	1,568	1,092	60	-	(10)	3,274
Disposals	-	(168)	(3)	-	-	-	(171)
30 June 2012	**11,467**	**20,562**	**5,560**	**907**	**185**	**160**	**38,841**

The Office Equipment addition of negative $10 thousand reflects the reallocation of June 2011 closing capital work in progress to Furniture and Fittings in the June 2012 year.

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1 July 2010 Accumulated depreciation and Impairment Losses	Leasehold Improvements	Plant & Equipment	Computer Equipment	Furniture & Fittings	Motor Vehicles	Office Equipment	Total
Opening Balance	7,398	12,387	3,588	618	132	118	24,241
Depreciation	777	1,615	295	59	16	13	2,775
Disposals	-	-	(1)	-	-	-	(1)
30 June 2011	**8,175**	**14,002**	**3,882**	**677**	**148**	**131**	**27,015**

1 July 2011 Accumulated depreciation and Impairment Losses	Leasehold Improvements	Plant & Equipment	Computer Equipment	Furniture & Fittings	Motor Vehicles	Office Equipment	Total
Opening Balance	8,175	14,002	3,882	677	148	131	27,015
Depreciation	681	1,722	316	67	16	12	2,814
Disposals	-	(168)	(2)	-	-	-	(170)
30 June 2012	**8,856**	**15,556**	**4,196**	**744**	**164**	**143**	**29,659**

Carrying Amounts

At 30 June and 1 July 2011	2,728	5,160	589	170	37	39	8,723
At 30 June 2012	2,611	5,006	1,364	163	21	17	9,182

Property, Plant and Equipment additions include $1,556 thousand of Capital Work in Progress projects at 30 June 2012 (2011: $1,130 thousand). There are no restrictions or pledges over Property, Plant and Equipment.

12 Intangible Assets

Computer Software Cost	30 June 2012	30 June 2011
Balance at beginning of year	9,376	7,673
Additions	3,077	1,703
Disposals	-	-
Balance at end of year	**12,453**	**9,376**

	30 June 2012	30 June 2011
Accumulated Amortisation Expense and Impairment Losses		
Balance at beginning of year	6,860	6,505
Amortisation Expense	403	355
Impairment Losses	-	-
Disposals	-	-
Balance at end of year	**7,263**	**6,860**
Carrying Amounts		
At beginning of year	2,516	1,168
At year end	5,190	2,516

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

The remaining amortisation period on computer software ranges from less than 1 year to 3 years.

Intangible Asset additions include $5,559 thousand of Capital Work in Progress projects at 30 June 2012 (2011: $1,562 thousand). The majority ($5,530 thousand) of the 30 June 2012 Capital Work in Progress balance relates to the new Blood Management System (eProgesa) which is planned to go-live in Quarter 1 of the 2012/13 year.

There were no impairment losses in the year ending 30 June 2012 (2011: nil).

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13 Trade and Other Payables

	30 June 2012	30 June 2011
Trade Payables	3,302	3,048
Accrued Expenses	4,250	3,766
Capital Charge Accrued	81	480
Board Members' Fees Payable	16	25
Total Trade and Other Payables	**7,649**	**7,319**

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

14 Premises Reinstatement Provision

	30 June 2012	30 June 2011
Balance as at 1 July	1,061	935
Additions (Note 4)	-	-
Changes in provisions made during the year (Note 4)	(32)	76
Discount unwind (Note 5)	45	50
Total Premises Reinstatement Provision	**1,074**	**1,061**
Comprising:		
Current	-	-
Non-Current	1,074	1,061
Total Premises Reinstatement Provision	**1,074**	**1,061**

The premises reinstatement provision represents the present value of management's best estimate of the future sacrifice of economic benefits that will be required to remove leasehold improvements from leasehold property and reinstate those properties on the expiry of the lease. The estimated cost has been calculated on a cost per square metre rate based on the advice received from an independent registered valuer.

The unexpired term of the leases concerned ranges from 1 year to 16 years. The New Zealand Blood Service leases premises from District Health Boards and commercial landlords. The leases which expire within 1 year relate to District Health Board tenancies and are classified as non-current on the basis that the leases will be renewed given the essential nature of the locations.

15 Employee Benefit Entitlements

	30 June 2012	30 June 2011
Accrued Salaries & Wages	1,556	1,365
Annual Leave	3,387	3,159
Long Service Leave	821	358
Retirement Gratuities	947	913
Sick Leave	116	90
Total Employee Benefit Liabilities	**6,827**	**5,885**
Comprising:		
Current	5,406	4,808
Non-Current	1,421	1,077
Total Employee Benefit Liabilities	**6,827**	**5,885**

Liabilities for Retirement Gratuities and Long Service Leave at 30 June 2012 have been calculated by an external actuary resulting in an increase in the estimated liabilities existing at balance date, compared to the position reported at 30 June 2011.

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16 Borrowings

	30 June 2012	30 June 2011
Current borrowings are represented by:		
Finance lease	235	219
Term credit facility	-	-
Total current portion	235	219
Non-current borrowings are represented by:		
Finance lease	522	757
Term credit facility	3,300	3,300
Total non-current portion	3,822	4,057
Total Borrowings	4,057	4,276

	Carrying Amount		Fair value	
	30 June 2012	30 June 2011	30 June 2012	30 June 2011
Total Borrowings	4,057	4,276	4,057	4,276

The fair values of the Westpac term credit facility are based on cash flows discounted using a rate based on a borrowing rate of 3.56% (2011: 3.56%).
The fair value of the Dilworth Trust Board loan is based on cashflows discounted using a rate of 7.0% for both 2012 and 2011.

	30 June 2012	30 June 2011
Maturity Analysis:		
The following is a maturity analysis of the NZBS finance lease.		
Less than one year	235	219
Later than one year but not more than five years	522	757
Later than five years	-	-
Total finance lease	757	976
The following is a maturity analysis of the NZBS term credit facility.		
Less than one year	-	-
Later than one year but not more than five years	3,300	3,300
Later than five years	-	-
Total term credit facility	3,300	3,300

Weighted average effective interest rate for the Westpac term credit facility is 3.63% and Dilworth Trust Board loan is 7.0% (2011: Westpac 3.93% and Dilworth 7.0%). The Dilworth Trust Board borrowing liability has been classified as current for the balance repayable within 12 months and non-current for the remaining balance for both the 2012 and 2011 years. In 2012 and 2011 the Westpac borrowing is classified as non-current liabilities as the balance repayable is greater than 12 months.

The Dilworth Trust Board borrowing relates to the finance lease element within the property lease for 71 Great South Road, Newmarket, Auckland. The lessor funded $2.6 million of the specialist fit-out costs that would have been met, and capitalised, by the New Zealand Blood Service. The borrowing will be repaid in full by June 2015.

The Westpac New Zealand Limited borrowing liability is unsecured and operates via a negative pledge undertaking. The maximum amount available to New Zealand Blood Service under this borrowing arrangement is $8.3 million of which $5.3 million is committed funding with the balance uncommitted funding, all on a term facility (2011: $8.3 million).

The specific requirements of the negative pledge are stated below.

(a) The New Zealand Blood Service must not grant a security interest over more than 5% of it's Adjusted Tangible Assets to any third party without the prior consent of Westpac New Zealand Limited.

(b) The New Zealand Blood Service will ensure that it maintains Shareholder Funds of not less than 30% of Adjusted Tangible Assets.

(c) The New Zealand Blood Service adjusted surplus must not be less than the cost of funding.

The Westpac New Zealand Limited unsecured loan becomes repayable on demand in the event the New Zealand Blood Service breaches any of the obligations under the negative pledge undertaking. The New Zealand Blood Service has complied with all negative pledge undertakings and borrowing obligations during the financial year.

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

The New Zealand Blood Service is a Crown entity in terms of the Crown Entities Act 2004 and a Statutory entity under the New Zealand Public Health and Disability Act 2000 and is wholly owned by the Government of New Zealand.

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17 Equity

	30 June 2012	30 June 2011
Crown Equity		
Total Crown Equity	15,717	15,717
Retained Earnings		
As at 1 July	19,188	9,936
Surplus for the year	3,447	9,252
Total Retained Earnings	22,635	19,188
Fair value through other comprehensive income reserves	-	-
Total Equity as at 30 June	38,352	34,905

18 Reconciliation of net surplus to net cash from operating activities

	30 June 2012	30 June 2011
Net Surplus from the statement of comprehensive income	3,447	9,252
Add / (Less) non-cash items:		
Depreciation and Amortisation	3,217	3,130
Changes in Premises Reinstatement Provision	13	126
Add / (Less) items classified as investing or financing activities:		
(Gains) / Losses on disposal of Property, Plant and Equipment	(1)	-
Impairment Losses (note 12)	-	-
Add / (Less) movements in working capital items:		
Trade and Other Receivables	(502)	233
Inventories	(1,518)	(5,499)
Trade and Other Payables	(252)	(1,310)
Employee Benefit Liabilities	942	682
Revaluation of Derivative Financial Instruments	(196)	92
Movement in Property, Plant and Equipment included in Trade and Other Payables	582	516
Net cash from operating activities	5,732	7,222

19 Capital Commitments and Non-cancellable Operating leases and Contracts

Capital Commitments	30 June 2012	30 June 2011
Capital expenditure contracted for at balance date but not yet incurred for Property, Plant and Equipment	1,831	4,753

Operating Leases as Lessee

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

Operating Leases as Lessee	30 June 2012	30 June 2011
Not later than one year	3,242	2,991
Later than one year and not later than five years	7,469	7,389
Later than five years	15,939	2,489
Total non-cancellable operating leases	26,650	12,869

The increase in non-cancellable operating leases during 2012 is due to commitment to lease both level 1 and 2 of Dilworth House, 71 Great South Road, in 2018 for an initial period of 10 years.

Other Non-Cancellable Contracts

NZBS has in place long term non-cancellable supply contracts. The future aggregate minimum contract payments to be paid under non-cancellable contracts are as follows:

Other Non-Cancellable Contracts	30 June 2012	30 June 2011
Not later than one year	33,088	31,952
Later than one year and not later than five years	38,645	67,440
Later than five years	-	-
Total other non-cancellable contracts	71,733	99,392

The reduction in non-cancellable contracts during 2012 is due to a lower number of contracts coming up for renewal.

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20 Contingencies

Contingent Liabilities

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

As at 31 March 2011, the date of the most recent actuarial report, the scheme had a past service surplus of $37.6 million (16.4% of the liabilities). At 31 March 2010 the surplus was $43.6 million (18.2% of the liabilities).This amount is exclusive of Specified Superannuation Contribution Withholding Tax. This surplus was calculated using a discount rate equal to the expected return on the assets, but otherwise the assumptions and methodology were consistent with the requirements of NZ IAS 19.

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

Contingent Assets

NZBS has a contingent asset at balance date in the form of a purchase discount entitlement should NZBS decide to purchase the latest version of its blood management system (BMS). This entitlement arose in partial recognition of the costs NZBS incurred in 2007 following a then unsuccessful BMS upgrade. This contingent asset was initially recognised in the 2008 financial year and its status remains unchanged in 2012. Based on the timings of the BMS upgrade (eProgesa), now in progress, it will be realised in the second half of the 2012 calendar year.

21 Related Party Transactions and Key Management Personnel

All related party transactions have been entered into on an arms' length basis.

The New Zealand Blood Service is a wholly owned entity of the Crown.

Significant transactions with government-related entities
The New Zealand Blood Service generated revenue by selling goods and services to District Health Boards totalling $102.5 million (2011 $99.4 million).

Collectively, but not individually, significant, transactions with government-related entities
In conducting its activities, the New Zealand Blood Service is required to pay various taxes and levies (such as GST, FBT, PAYE and ACC levies) to the Crown and entities related to the Crown. The payment of these taxes and levies, other than income tax, is based on the standard terms and conditions that apply to all tax and levy payers. The New Zealand Blood Service is exempt from paying income tax.

The New Zealand Blood Service also purchases goods and services from entities controlled, significantly influenced, or jointly controlled by the Crown. Purchases from these government-related entities for the year ended 30 June 2012 totalled $4.1 million (2011: $4.4 million). These purchases included the purchase of electricity from Meridian Energy, air travel from Air New Zealand and postal services from New Zealand Post. In addition they included purchases from District Health Boards relating to labour, premises rental, and associated property outgoings.

Key management personnel
Auckland District Health Board is considered a related party due to Mr Ian Ward being a Board member of that entity. New Zealand Bone Marrow Donor Registry is considered a related party due to Professor Peter Browett being a Board member of the Leukaemia and Blood Cancer New Zealand. The Leukaemia and Blood Cancer New Zealand operates the New Zealand Bone Marrow Donor Registry.

No provision has been required, nor any expense recognised for impairment of receivables from related parties (2011: Nil). The supply of products and services by NZBS and the outstanding balances owed to NZBS are reported, for the purposes of this note, net of any accrued year end distribution of surplus to District Health Boards.

Key Management Personnel Related Party Transactions	30 June 2012	30 June 2011
Supply of Products and Services by NZBS to Auckland District Health Board	25,376	-
Purchase of Services by NZBS from Auckland District Health Board	424	-
Outstanding Balances from Auckland District Health Board to NZBS	2,737	-
Outstanding Balances to Auckland District Health Board from NZBS	54	-
Supply of Products and Services by NZBS to NZ Bone Marrow Donor Registry	366	441
Purchase of Services by NZBS from NZ Bone Marrow Donor Registry	-	-
Outstanding Balances from NZ Bone Marrow Donor Registry to NZBS	80	43
Outstanding Balances to NZ Bone Marrow Donor Registry from NZBS	-	-

Capital Charge

During the period the New Zealand Blood Service paid the Ministry of Health a capital charge of $3,068 thousand (2011 $2,788 thousand). The amount outstanding at the end of the period was $81 thousand (2011: $480 thousand).

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Equity Injection

During the period the New Zealand Blood Service did not receive any equity injection from the Ministry of Health (2011: Nil).

Key management personnel compensation	30 June 2012	30 June 2011
Salaries and other short term employee benefits	1,878	1,820
Post employment benefits	-	-
Other long term benefits	56	133
Termination benefits	-	-
Total key management personnel compensation	**1,934**	**1,953**

Key management personnel include all Board members, the Chief Executive, and the remaining 7 members of the Executive Team. Key management personnel compensation includes the following elements; base salary, cash allowances, bonuses and incentive payments, non-monetary benefits, any Fringe Benefit Tax paid on any element of the remuneration package and any termination, severance or end of contract payments, annual leave owing, long service leave and gratuity leave entitements plus board member remuneration.

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

22 Board Members' Remuneration

		30 June 2012	30 June 2011
Mr David Chamberlain	Appointed 1 October 2009, Appointed Chairman 15 August 2011	30	16
Ms Anne Urlwin	Chairman Retired 14 August 2011	4	32
Mr David Wright	Deputy Chairman Appointed 15 August 2008	20	20
Mrs Tania Kingi	Appointed 15 August 2008	16	16
Professor Peter Browett	Appointed 1 October 2009	16	16
Mrs Pamela Jefferies	Appointed 1 October 2009	16	16
Mr Ian Ward	Appointed 19 August 2011	14	-
Total Board Members' remuneration		**116**	**116**

23 Employee Remuneration range

	30 June 2012 No. Employees	30 June 2011 No. Employees
$100,000 - 109,999	14	8
$110,000 - 119,999	3	2
$120,000 - 129,999	6	4
$130,000 - 139,999	2	3
$140,000 - 149,999	1	1
$150,000 - 159,999	-	2
$160,000 - 169,999	2	1
$170,000 - 179,999	2	2
$180,000 - 189,999	1	-
$190,000 - 199,999	1	1
$200,000 - 209,999	1	1
$210,000 - 219,999	-	2
$220,000 - 229,999	1	1
$230,000 - 239,999	1	1
$240,000 - 249,999	2	-
$280,000 - 289,999	-	1
$290,000 - 299,999	1	-
$320,000 - 329,999 *	-	1
$330,000 - 339,999 *	1	-
	39	31

* Chief Executive Officer

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

24 Termination payments

During the year ended 30 June 2012, 4 employees received redundancy payments totalling $5 thousand. There were no termination payments made to employees in 2011.

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25 Events after the balance date

There were no significant events after balance date.

26 Segmental Reporting

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

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

27 Financial Instrument Categories

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

	30 June 2012	30 June 2011
Loans and Receivables		
Cash and cash equivalents (note 7)	10,006	10,841
Trade and other receivables (note 8)	11,479	10,977
Total loans and receivables	21,485	21,818
Fair value through surplus or deficit - Held for trading		
Derivative financial instruments (note 10)	129	-
Total held for trading	129	-
FINANCIAL LIABILITIES		
Financial liabilities measured at amortised cost		
Trade and other payables (note 13)	7,649	7,319
Borrowings (note 16)	4,057	4,276
Total financial liabilities measured at amortised cost	11,706	11,595
Fair value through surplus or deficit - Held for trading		
Derivative financial instruments (note 10)	-	66
Total held for trading	-	66

28 Fair value hierarchy disclosures

	Total	Quoted market price	Observable inputs	Significant non-observable inputs
30 June 2012				
Financial assets				
Derivatives - Forward Foreign Exchange Contracts	129	-	129	-
Financial liabilities				
Derivatives - Forward Foreign Exchange Contracts	-	-	-	-
30 June 2011				
Financial assets				
Derivatives - Forward Foreign Exchange Contracts	-	-	-	-
Financial liabilities				
Derivatives - Forward Foreign Exchange Contracts	66	-	66	-

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

29 Financial instruments risks

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

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

Interest Rate Risk

Fair Value interest rate risk
Fair value interest risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. Borrowings and investments issued at fixed rates of interest create exposure to fair value interest rate risk. Current NZBS policy is to operate at the cash end of the interest yield curve on a rolling 90 day fixed rate basis.

Cash flow interest rate risk
It is estimated that a general increase or decrease in interest rates on borrowings of 1% would increase or decrease the NZBS surplus by approximately $43 thousand at 30 June 2012 (2011: $43 thousand).

There are no interest rate options or interest rate swap agreements in place as at 30 June 2012 (2011: Nil).

Cash and cash equivalents include deposits at call totalling $10,001 thousand (2011: $10,836 thousand) which are at floating rates. A movement in interest rates of plus or minus 1% has an effect on interest income of $100 thousand (2011: $108 thousand).

Currency Risk

Trade payables include $108.5 thousand of Australian dollar denominated payables (2011: $206.3 thousand) in relation to inventory purchases. Currency risk has been fully mitigated on these payables as they are covered by a Fixed Forward Foreign Exchange selling contract.

The NZD equivalent of unhedged amounts owing in foreign currency at balance date is $31 thousand (2011: $122 thousand). The NZD equivalent of unhedged amounts owing to NZBS in foreign currency at balance date is $238 thousand (2011: nil).

Forward Foreign Exchange Contracts	**30 June 2012**	**30 June 2011**
Total Forward Foreign Exchange Contracts (stated in $NZ)	9,681	9,022

The foreign currency principal amounts were AUD$7.3 million, USD $202 thousand and EUR 186 thousand (2011 AUD$7.0 million).

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

Financial assets

At 30 June 2012, derivative financial assets held for trading consisted of fixed forward foreign exchange contracts with a fair value totalling $129 thousand. At 30 June 2012 a movement in foreign exchange rates of plus 10% has an adverse impact of $0.9 million and minus 10% has a favourable impact of $1.1 million, based on a derivative valuation model using hypothetical forward rates. There were no derivative financial assets held for trading at 30 June 2011.

Financial liabilities

There were no derivative financial liabilities held for trading at 30 June 2012. At 30 June 2011 derivative financial liabilities consisted of forward foreign exchange contracts with a fair value totalling $66 thousand. At 30 June 2011, a movement in foreign exchange rates of plus 10% has an adverse impact of $0.8 million, and minus 10% has a favourable impact of $1.0 million, based on a derivative valuation model using hypothetical forward rates.

Credit Risk

Maximum exposure to credit risk at balance date are:

	30 June 2012	30 June 2011
Cash	5	5
Call Deposits	10,001	10,836
Receivables	10,538	10,120
Derivative Financial Instruments	129	-
Total Credit Risk	**20,673**	**20,961**

Credit quality of financial assets

	30 June 2012	30 June 2011
COUNTERPARTIES WITH CREDIT RATINGS		
Cash at bank and term deposits		
AA-	10,001	-
AA	-	10,836
Deriavtive financial intrument assets		
AA-	129	-
COUNTERPARTIES WITHOUT CREDIT RATINGS		
Debtors and other receivables		
Existing counterparty with no defaults in the past	10,538	10,120
Existing counterparty with defaults in the past	-	-
Total debtors and other receivables	**10,538**	**10,120**

Concentration of Credit Risk

Concentrations of credit risk from accounts receivable are limited due to the majority of NZBS's revenue being from the 20 District Health Boards (DHBs). The DHBs make up approximately 95% (2011: 95%) of the total receivables outstanding at balance date. Collectively the DHBs are assessed to be low risk, high quality entities due to their nature, as the government organisations responsible for providing the public health service to New Zealand.

Liquidity risk

The maximum amount available to New Zealand Blood Service under existing banking arrangements is $8.3 million on term facilities of which $3.3 million was drawn down at balance date (2011: $8.3 million). A negative pledge obligation exits with this facility – refer note 16.

Contractual maturity analysis of financial liabilities

30 June 2012	Liability Carrying amount	Contractual cash flows	Less than 1 year	1-2 years	2-5 years	More than 5 years
Trade and other payables (note 13)	7,649	7,649	7,649	-	-	-
Borrowings - finance lease (note 16)	757	842	281	561	-	-
Borrowings - term credit facility (note 16)	3,300	3,430	120	3,310	-	-
Derivative financial instruments (note 10)	-	-	-	-	-	-

30 June 2011	Liability Carrying amount	Contractual cash flows	Less than 1 year	1-2 years	2-5 years	More than 5 years
Trade and other payables (note 13)	7,319	7,319	7,319	-	-	-
Borrowings - finance lease (note 16)	976	1,122	281	561	280	-
Borrowings - term credit facility (note 16)	3,300	3,431	121	3,310	-	-
Derivative financial instruments (note 10)	66	-	-	-	-	-

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Contractual maturity analysis of derivative financial instruments

30 June 2012	Liability carrying amount	Asset carrying amount	Contractual cash flows	Less than 6 months	Between 6 months and 1 year	1-2 years
Forward foreign exchange contracts						
outflow	-	129	9,681	4,981	4,700	-
inflow	-	-	9,810	5,061	4,749	-

30 June 2011	Liability Carrying amount	Asset carrying amount	Contractual cash flows	Less than 6 months	Between 6 months and 1 year	1-2 years
Forward foreign exchange contracts						
outflow	-	-	8,758	-	8,758	-
inflow	66	-	8,692	-	8,692	-

Contractual maturity analysis of financial assets

30 June 2012	Asset Carrying amount	Contractual cash flows	Less than 1 year	1-2 years	2-5 years	More than 5 years
Cash and cash equivalents (note 7)	10,006	10,006	10,006	-	-	-
Trade and other receivables (note 8)	11,479	11,479	11,479	-	-	-
Derivative financial instruments (note 10)	129	-	-	-	-	-

30 June 2011	Asset Carrying amount	Contractual cash flows	Less than 1 year	1-2 years	2-5 years	More than 5 years
Cash and cash equivalents (note 7)	10,841	10,841	10,841	-	-	-
Trade and other receivables (note 8)	10,977	10,977	10,977	-	-	-
Derivative financial instruments (note 10)	-	-	-	-	-	-

30 Capital Management

The New Zealand Blood Service's capital is its equity comprising capital and retained surpluses. Equity is represented by net assets.

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

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

31 Explanation of major variances against budget

The level of reported surplus of $3.4 million was influenced by the following factors when compared to the original surplus target of $0.9 million set for the 2011/12 financial year.
1) Gross revenue at $105.5 million was $2.4 million below budget overall mainly due to lower demand for fresh blood products (mainly Red cells) and fractionated product sales.
2) Cost of consumables and changes in inventory at $39.7 million was $3.0 million below budget. These favourable movements arose mainly from lower consumable consumption and gains arising from costing revaluations consistent with the application of standard costing methodologies, offset by lower production recoveries when compared to budget as a consequence of production levels being aligned to lower demand patterns from District Health Boards, particularly Red cells, in the 2011/12 financial year.
3) Tight control over all other expenditures resulting in savings against budget of $1.9 million overall.

The cash balance at 30 June 2012 totalled $10.0 million and was $4.4 million favourable compared to the budgeted balance of $5.6 million. The main factors influencing the favourable cash movement were as follows;
1) Higher actual cash balance at the beginning of the year $1.1 million.
2) Shortfall of revenue receipts from customers of $3.2 million driving mainly from the lower demand for fresh and fractionated product sales.
3) Lower payment to suppliers and employees of $5.5 million due to lower purchases of consumables as a result of reduced sales demand and tight control over labour and overhead expenditure.
4) Lower than planned capital spend of $0.8 million, with actual spend of $6.3 million compared to a budget of $7.1 million.

The equity position at 30 June 2012 totalled $38.4 million (budget $36.4 million) representing an equity ratio of 90.9% (budget 90.5%) and a debt ratio of 9.1% (budget 9.5%). Tangible assets totalled $52.1 million (budget $50.3 million) compared to last year's $51.0 million.

Output Class	FY12 Target Set	Financial Performance Historical Trendline						Achieved FY12	Target Set FY13
		FY06	FY07	FY08	FY09	FY10	FY11		
Provision of a safe and effective blood service for all New Zealanders through supply and delivery of: • Fresh Blood Components; • Fractionated Blood Products; and • Other products and related services.	Revenue of $107.9M Expenses of $107.0M Surplus of $0.9M	$75.1M $75.0M $0.1M	$84.9M $84.1M $0.8M	$91.5M $84.6M $6.9M	$93.2M $89.9M $3.3M	$97.4M $95.8M $1.6M	$102.3M $93.0M $9.3M	Revenue of $105.5M Expenses of $102.1M Surplus of $3.4M	Revenue of $109.5M Expenses of $111.7M Deficit of (-$2.2M)

Financial Performance Commentary – Full Year Result: The level of reported surplus of $3.4m was significantly influenced by three major factors when compared to the original surplus target of $0.9m set for FY12.

1) Inventory adjustments arising over the year were favourable to budget by +$2.8m. These favourable adjustments arose primarily from gains arising from costing revaluations consistent with the application of standard costing methodologies;
2) Lower demand particularly for Red Cells saw revenues below budget by -$2.4m (-2.2%) which resulted in lower margin recovery and lower production recoveries which together were adverse to budget by -$4.1m; and
3) Tight expenditure control through the financial year combined with practical management of foreign exchange risk ensured overall expenditure was favourable to budget by +$3.8m.

NOTE: The retained surplus from FY12 is required to fund FY13 operations where input cost increases are being absorbed by NZBS on behalf of the sector and to also assist in funding the planned capital replacement programme.

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Output Measure	Standard	FY12 Target set	Historical Trendline						Achieved FY12	Target Set 2012/13
			FY06	FY07	FY08	FY09	FY10	FY11		
Goal 1: NZBS maintains a sustainable donor population capable of supporting ongoing blood product demand in New Zealand										
KEY OUTPUT MEASURES **1.1 Donor Population** NZBS will maintain during 2011/12, an active donor population of whole blood and apheresis donors capable of supporting the ongoing demand for blood and blood products in NZ.	The NZBS donor population of whole blood and apheresis donors is maintained at levels required to support the ongoing demand for blood and blood products.	126,000	136,763	132,674	131,323	130,732	128,337	128,417	126,041 Demand for blood and blood product in 2011/12 was met at all times from an active donor panel of 126,041 donors.	125,800 To meet forecast donation collection targets (refer Section 1.3) requires a minimum 125,800 active whole blood and apheresis donors.

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Output Measure	Standard	FY12 Target set	Historical Trendline						Achieved FY12	Target Set 2012/13
			FY06	FY07	FY08	FY09	FY10	FY11		
1.2 Donor Satisfaction Measure of overall satisfaction with the quality of service using the Common Measurement Tool questionnaire.	Greater than 90% of donors surveyed stating – "satisfied" or "very satisfied" with the overall quality of service	>90.0%	**A New Measure in 2011/12**						88.6%	>90%
Comment: The Common Measurements Tool questionnaire was used for the first time to conduct the donor satisfaction survey. 3,060 e-mails were sent out over the survey period with a 40 % response rate recorded. This level of survey response represented a very good response rate for a non-incentivised survey.										
1.3 Targeted Donor Recruitment Strategies **1.3.1 Maori Donors** - Increase percentage of Maori donors on the active donor panel from 2010/11 level of 6.6% of all donors.	Equal to or better than prior year	> 6.0%	**New Measure**					6.6%	6.6%	>6.6%
1.3.2 – Youth Donors - Increase percentage of youth donors (19-25 years) on the active panel from 2010/11 level of 18.2% of all donors.	Equal to or better than last year	>18.8%	**New Measure**					18.2%	18.2%	>18.2%
Comment: New Zealand like many other countries operates a non-remunerated voluntary blood donation system. NZBS greatly values all its donors and their selfless act of giving to save lives. NZBS is committed to ensuring the donor levels are maintained such that all primary blood product requirements of New Zealanders can be met from New Zealand donations. The total number of active donors at 30 June 2012 was in line with the target set.										

Output Measure	Standard	Achieved FY12	Comment	Target Set for 2012/13
Goal 2: NZBS provides its products and services effectively, efficiently and safely with available resources underpinned by a sustainable business model.				
<u>KEY OUTPUT MEASURES</u> **2.1 Product and Service availability** NZBS will ensure that safe blood, blood products and services are provided at the right place, at the right time to meet demand at all times.	No instances of inability to supply key blood products or services are reported to the Ministry of Health.	No instances of inability to supply key blood products or services were reported to the Ministry of Health.	The New Zealand Blood Service as the only provider of blood and blood products and tissue typing services in New Zealand acknowledges the responsibility so imposed and the vital importance of maintaining New Zealanders' expectation of a safe and guaranteed supply of blood product as and when needed.	No instances of inability to supply key blood products or services are reported to the Ministry of Health.
2.2 Donation Testing NZBS will ensure that each donation is tested prior to use in accordance with the NZBS Manufacturing Standards (as approved by Medsafe).	All donations are tested prior to use and associated records are maintained.	100% of donations were tested prior to issue and appropriate records were maintained.	The New Zealand Blood Service has an overarching value of "<u>**Safety is our cornerstone**</u>" demonstrated by a 100% donation testing regime benchmarked to international best practice and monitored by a comprehensive quality and regulatory compliance framework.	100% of donations are tested prior to issue and associated records are maintained.

Output Measure	Standard	FY12 Target set	Historical Trendline						Achieved FY12	Target Set 2012/13
			FY06	FY07	FY08	FY09	FY10	FY11		
2.3 Key Products and Services **2.3.1 Raw Material Inputs**										
Total Whole Blood donations to be collected in 2011/12	Total input is collected as required by 30 June 2012	150,000 collections	154,204	150,540	149,410	150,756	149,711	149,915	144,820 collections 96.5% of target	144,000 collections
Total Plateletpheresis donations to be collected in 2011/12	Total input is collected as required by 30 June 2012	6,600 collections	5,009	5,266	5,583	6,313	6,534	6,546	6,521 collections 98.8% of target	7,900 collections

Output Measure	Standard	FY12 Target set	Historical Trendline						Achieved FY12	Target Set 2012/13
			FY06	FY07	FY08	FY09	FY10	FY11		
Total Plasmapheresis donations to be collected in 2011/12	Total input is collected as required by 30 June 2012	30,500 collections	7,793	18,376	27,292	22,772	15,222	24,194	30,481 collections 99.9% of target	30,100 collections
Total Donations to be collected in 2011/12	Total input is collected as required by 30 June 2012	187,1000 collections	167,006	174,092	182,285	179,841	171,467	180,655	181,822 collections 97.2% of target	182,000 collections

Comment: In the 2011/12 financial year NZBS further refined its collection management practices and set its weekly collection targets aligned with the then emerging demand trends. The major challenge throughout the year was managing the lower demand for red cells, as a consequence of DHB conservation measures under the by-line of 'why use 2 when 1 will do', while ensuring the whole blood donor panel was maintained at levels to ensure product expiry was minimised but the requirement to grow the plasmapheresis panel via the whole blood panel could be achieved.

Output Measure	Standard	FY12 Target set	Historical Trendline						Achieved FY12	Target Set 2012/13
			FY06	FY07	FY08	FY09	FY10	FY11		
2.3.2 Key Fresh Blood Component Outputs										
Total Red Cells to be produced in 2011/12	Total output is produced as required by 30 June 2012	142,700 units	137,696	138,028	140,874	141,519	141,347	138,093	132,152 units 92.6% of target	137,700 units
Total Platelets to be produced in 2011/12	Total output is produced as required by 30 June 2012	19,300 adult doses	15,115	15,945	16,804	19,061	19,392	20,981	22,337 adult doses 115.7% of target	22,100 adult doses
Total Clinical FFP Plasma to be produced in 2011/12	Total output is produced as required by 30 June 2012	20,300 units	22,050	21,854	20,271	20,211	20,889	19,890	20,621 units 101.6% of target	20,650 units
Total Cryoprecipitate to be produced in 2011/12	Total output is produced as required by 30 June 2012	3,500 units	2,068	2,106	2,118	2,725	3,120	3,358	4,632 units 132.3% of target	4,000 units
Total Plasma for fractionation produced in 2011/12	Total output is produced as required by 30 June 2012	58,600 kgs	38,138	43,558	50,908	49,942	44,612	49,546	54,308 kgs 92.7% of target	56,800 kgs

Output Measure	Standard	FY12 Target set	Historical Trendline						Achieved FY12	Target Set 2012/13
			FY06	FY07	FY08	FY09	FY10	FY11		

Comment: In the 2011/12 financial year demand for fresh products was variable across the fresh product range when compared to the targets set. Cryoprecipitate, Clinical Plasma and Platelets exceeded their original targets while Red Cells experienced a lower demand than had been originally anticipated due to DHB initiatives to lower Red Cell usage. This variability in actual demand is illustrative of the demand management challenge NZBS faces and manages on a day to day basis. The collection of plasma for fractionation was below the original target due to lower growth for the primary driver product Intragam P compared to the original growth assumption that set the target.

Output Measure	Standard	FY 12 Target set	Historical Trendline						Achieved FY12	Target Set 2012/13
			FY06	FY07	FY08	FY09	FY10	FY11		
2.3.3 Key Fractionation Product Outputs Total immunoglobulin product (specifically Intragam P – 200ml 12 gm equivalent) vials to be issued in 2011/12	Total output is issued as required by 30 June 2012	23,900 vials	16,630	18,266	19,566	19,328	20,199	21,648	22,975 vials 96.1% of target	24,525 vials
Total Biostate 250 IU equivalent vials to be issued in 2011/12	Total output is issued as required by 30 June 2012	12,000 vials	22,598	26,639	26,777	20,652	13,358	14,186	13,351 vials 111.3% of target	14,500 vials

Comment:
In the 2011/12 financial year the growth in immunoglobulin demand continued with the primary driver product Intragam P growing by 6.1% over the 2010/11 year volumes but was 3.9% lower than originally forecast for the 2011/12 year. Equally the factor VIII Biostate product experienced demand 11.3% in excess of the previously agreed volumes set with the National Haemophilia Management Group.

Output Measure	Standard	FY 12 Target set	Historical Trendline						Achieved FY12	Target Set 2012/13
			FY06	FY07	FY08	FY09	FY10	FY11		
2.3.4 Key Other Products and Service Outputs										
Total tissue typing associated with transplant patients/donors and disease studies to be carried out in 2011/12.	Total output is provided as required by 30 June 2012	7,650 tissue typing Tests	5,093	5,155	5,570	6,309	6,949	7,230	7,528 tissue typing tests, 98.4% of target	8,400 tissue Typing tests
Total number of antibody screens to be performed for patients awaiting organ transplant in 2011/12.	Total output is provided as required by 30 June 2012	7,300 patient samples screened	n/a	3,021	6,538	6,843	6,655	7,260	7,444 patient samples screened, 102.0% of target	7,750 patient samples screened
Total number of femoral heads to be issued in 2011/12.	Total output is issued as required by 30 June 2012	590 femoral heads issued	484	471	508	533	613	604	656 femoral heads issues, 111.2% of target	765 femoral head issues
Total number of patient blood groups and antibody screens to be performed in 2011/12.	Total output is provided as required by 30 June 2012	149,100 blood groupings	130,662	131,559	137,749	144,284	146,611	146,644	147,491 blood groupings, 98.9% of target	149,500 blood groupings
		144,200 antibody screens	127,080	128,499	134,033	140,249	142,770	142,399	143,327 antibody screens, 99.4% of target	145,800 antibody screens

Comment: Services generally experienced either flat or modest increases in demand in 2011/12 with femoral head issues, in particular, up +11.2% over 2010/11 and the national Tissue Typing laboratory experiencing a +4.1% growth in tissue typing testing compared with 2010/11 test levels. With all of these services integral parts of required health delivery modest growth aligned with general population growth can be reasonably expected in the future.

Output Measure	Standard	FY12 Target set	Historical Trendline						Achieved FY12	Target Set 2012/13
			FY06	FY07	FY08	FY09	FY10	FY11		
2.3.5 Key Therapeutic Service Outputs Total number of plasma exchanges to be performed in 2011/12	Total output is provided as required by 30 June 2012	320 plasma exchanges	468	437	425	359	404	446	485 plasma exchanges 151.6% of target	485 plasma exchanges
Total number of stem cell harvests to be performed in 2011/12	Total output is provided as required by 30 June 2012	310 stem cell harvests	213	223	250	265	312	290	309 stem cell harvests 99.7% of target	345 stem cell harvests
Total number of therapeutic venesections to be performed in 2011/12	Total output provided as required by 30 June 2012	5,550 therapeutic venesections	4,168	4,194	4,379	4,939	5,003	5,460	5,065 therapeutic venesections 91.3% of target	5,380 therapeutic venesections
Comment: Variability of demand is evident for this grouping of Services with modest demand growth occurring in two of the three reported categories. As regards plasma exchanges the lower FY12 target was set off the demand levels evident in the first half of FY11 prior to a lift in demand that occurred in the second half of FY11.										

Output Measure	Standard	FY12 Target set	Historical Trendline						Achieved FY12	Target Set 2012/13
			FY06	FY07	FY08	FY09	FY10	FY11		
2.4 Revenue per Full Time Equivalent (FTE's) - $000's NZBS total revenue per full time equivalent employee	Monitor revenue per FTE trend pattern	$215.95	$163.61	$190.77	$198.54	$205.80	$217.06	$214.74	$215.17	$218.87

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Output Measure	Standard	Achieved FY12	Comment	Target Set for 2012/13
Goal 3: NZBS – DHB relationships are mutually supportive and productive				
KEY OUTPUT MEASURES **3.1 Planning and Communication with DHBs** NZBS will demonstrate a productive and supportive relationship with the DHBs including proactively engaging through the Lead DHB CEO to agree pricing for the next financial year, ensuring that this information is provided in sufficient time to inform preparation of DHB Annual Plans.	Feedback on the timely and relevant provision of information, including issue resolution will be provided by the Lead DHB CEO at the end of each financial year.	Favourable feedback received from the Lead DHB CEO on the NZBS engagement over the 2011/12 financial year.	The liaison arrangement that has been in place for a number of years is the nomination of one of the 20 DHB CEOs to act as the Lead DHB CEO for any required DHB CEO to NZBS CEO sector related discussion / communication. This arrangement has worked well making it easier for NZBS to engage with the sector as and when requirements arise. The current Lead DHB CEO is the Bay of Plenty DHB CEO. In addition the NZBS CEO works to meet a good number of the DHB CEOs directly over any given year as would be expected of any CEO in the discharge of their customer relationship obligations.	NZBS to receive favourable feedback from the Lead DHB CEO on the timely and relevant provision of information including issue resolution over the course of the 2012/13 financial year.
3.2 NZBS Reports for DHBs NZBS will prepare and share monthly demand management reports outlining purchase volumes by key product line to assist DHBs to manage local demand and costs.	Reports are provided to each DHB by the 12th working day of the following month.	Monthly reports have continued to be issued on time to all 20 of the DHBs throughout the 2011/12 financial year.	NZBS as the sole national provider of blood and blood products has a responsibility to provide demand / product utilisation information to its primary customers the District Health Boards. The information provided, amongst other things, assists the DHBs in monitoring their clinical prescribing practices as well as assisting with their budget management.	Reports are provided to each of the 20 DHBs by the 12th working day of the following month.

Output Measure	Standard	Achieved FY12	Comment	Target Set for 2012/13
3.3 Clinical Oversight Programme				
Minimum of one oversight visit to each participating DHB during the year. Production of a report following each visit outlining laboratory standards along with corrective actions and recommendations where appropriate to assist the DHBs in maintenance of IANZ accreditation for their blood banks.	By 30 June 2012 After each visit reports are produced for all participating DHBs by 30 June 2012.	A total of 32 clinical oversight visits have been conducted in FY12 with at least 1 visit to each DHB where NZBS does not directly manage the Hospital Blood Bank.	The clinical oversight programme is part of the New Zealand Blood Service's responsibility in ensuring all DHB blood banks are meeting the required standards as set out in ISO 15189 for IANZ accreditation. The New Zealand Blood Service currently manages 6 DHB Blood Banks located in Auckland City Hospital, Waikato Hospital, Palmerston North Hospital, Wellington Hospital, Christchurch Hospital and Dunedin Hospital.	100% achievement of a minimum one clinical oversight visit and report per year to all non NZBS managed blood banks located in main DHB hospitals.
3.4 Haemovigilance Reporting				
To promote risk awareness and best practice in transfusion NZBS will prepare and publish a Haemovigilance Report for the calendar year and will share this information with all DHBs to assist them to reduce the incidence of adverse transfusion events.	Haemovigilance Report for the previous calendar year provided to all DHBs by quarter 2.	A Haemovigilance Report for the 2010 calendar year was published in the October to December period of 2011.	The 2010 Haemovigilance Report was the sixth such publication issued by NZBS. The increase in the number of reported events by the hospitals each year since inception confirms the success of the scheme with hospital staff noting and reporting any transfusion related incidents demonstrating the continued support of the clinical staff from across the New Zealand health sector to improve the safety of blood transfusion. Local New Zealand data continues to support improvement to NZBS internal systems and provides useful information to monitor the impact of product development initiatives. *Note: The NZBS Haemovigilance Programme is one of the most developed in the Asia Pacific region, therefore benchmarking is not yet useful.*	Haemovigilance Report for the 2011 calendar year to be published in the October to December period of 2012.

Output Measure	Standard	Achieved FY12	Comment	Target Set for 2012/13
Goal 4: Effective systems ensure maintenance of NZBS regulatory and legislative compliance				
<u>KEY OUTPUT MEASURES</u> **4.1 Regulatory Compliance - Medsafe** NZBS will ensure it is GMP compliant 100% of the time by maintaining current Medsafe licences at the 6 required sites.	Medsafe licences maintained 100% of the time at the required sites.	Medsafe licences were maintained 100% of the time for the 4 major collection sites and 2 collection co-ordinating sites during the 2011/12 financial year.	Medsafe is the New Zealand Medicines and Medical Devices Safety Authority and is a business unit of the Ministry of Health. Medsafe is the authority responsible for the regulation of therapeutic products (including blood and blood products) in New Zealand. The NZBS sites where good manufacturing practice (GMP) licences must be maintained are the 4 major collection hubs in Auckland, Hamilton, Wellington and Christchurch and the 2 collection co-ordinating sites in Palmerston North and Dunedin.	NZBS will ensure it is GMP compliant 100% of the time by maintaining current Medsafe licences for its 4 major collection hubs and 2 collection co-ordinating sites.
4.2 Regulatory Compliance – IANZ NZBS will ensure it maintains IANZ accreditation 100% of the time at all of its diagnostic laboratories.	IANZ accreditation maintained 100% of the time at all NZBS diagnostic laboratories.	IANZ accreditation was maintained 100% of the time at all NZBS diagnostic laboratories during the 2011/12 financial year.	International Accreditation New Zealand (IANZ) is the national authority for the accreditation of testing and calibration laboratories. It promotes the development of good practice in testing and inspection and maintains a registration scheme for organisations that comply with that practice. For NZBS the IANZ accreditation is a mandatory requirement as part of providing assurance its laboratories and testing functions are performing to international standards.	NZBS will ensure it maintains IANZ accreditation 100% of the time at all its diagnostic laboratories.

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Output Measure	Standard	Achieved FY12	Comment	Target Set for 2012/13
4.3 Regulatory Compliance - ASHI				
NZBS will maintain ASHI accreditation 100% of the time at the national Tissue Typing laboratory.	ASHI accreditation maintained 100% of the time at the NZBS national Tissue Typing laboratory.	ASHI accreditation was maintained 100% of the time at the national Tissue Typing laboratory during the 2011/12 financial year.	The American Society for Histocompatibility and Immunogenetics (ASHI) is an international society dedicated to advancing science, education and application of immunogenetics and transplant immunology. ASHI accreditation is a program to evaluate laboratory personnel, procedures and facilities to determine if they are in compliance with published standards of ASHI and also includes technology utilised and the clinical services provided. For NZBS maintaining the international ASHI accreditation is mandatory as part of providing assurance the national Tissue Typing laboratory is performing to the required international standards.	NZBS will maintain ASHI accreditation 100% of the time at the national Tissue Typing Laboratory.
Goal 5: NZBS systems are aligned with international "best practice" as appropriate for New Zealand (particularly in respect of product safety, IT and product development initiatives)				
KEY OUTPUT MEASURE **5.1 eProgesa Implementation**		Key Project milestone achievements in 2011/12 reported as:		
Successful achievement of project milestones in the upgrade of the Progesa blood management system to the eProgesa blood management system.	Quarter 1 – achievement of Milestone 12 – see below.	Milestone 12* was completed in quarter 2 of the 2011/12 financial year.	NZBS operates a comprehensive blood management information system that is essential to supporting and enhancing the management and safety profile of its products and services. The system known as Progesa provides a continuum of information from the donor through to the recipient of the blood product. The Progesa system is installed nationally throughout NZBS and in almost every District Health Board (DHB) Blood Bank. The Progesa system manages national and local blood and blood product stocks and also controls the accreditation and selection of blood products for patients.	Successful eProgesa system go-live in quarter 1 of the 2012/13 financial year.
	Quarter 4 – achievement of Milestone 29 – see below.	Milestone 29** was not completed in quarter 4 of the 2011/12 financial year.	The planned upgrade to eProgesa aims to successfully implement a robust, industry standard fully supported blood management system that matches all current operational requirements, in a 'like for like' upgrade, with minimal impact on current business operations to provide a foundation upon which new 'best practice' functionality can be implemented in the future.	

Output Measure	Standard	Achieved FY12	Comment	Target Set for 2012/13
		Functional and performance issues were continually reviewed throughout the quarter. Formal functional acceptance is now expected to be achieved in early August 2012 just prior to the planned go-live of the eProgesa system.		

e-Progesa blood management system upgrade Project milestones for 2011/12

*__Project milestone 12__ – Release Acceptance: eProgesa meets high level functionality and performance requirements enabling detailed testing and development work to commence.

**__Project Milestone 29 –__ Functional Acceptance: eProgesa meets all functional and performance requirements and is considered to be acceptable by the internal NZBS business owners, enabling training and go-live activities to commence with a planned go-live in quarter 1 of 2012/13.

Please Note: **Goal 6: NZBS has a sustainable, competent and engaged workforce** is not reported in the Statement of Service Performance as the activities associated with achieving this goal are internal to NZBS.

dm

National Office
Private Bag 92-071
Auckland Mail Centre
AUCKLAND 1142
New Zealand

Telephone: 09 523 5752
Facsimile: 09 523 5754

STATEMENT OF RESPONSIBILITY

For the Year Ended 30 June 2012

1) The Board and Management of the New Zealand Blood Service accept responsibility for the preparation of the annual Financial Statements and Statement of Service Performance and the judgements used in them.

2) The Board and Management of the New Zealand Blood Service accept the responsibility for establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial and non financial reporting.

3) In the opinion of the Board and Management of the New Zealand Blood Service, the annual Financial Statements for the year ended 30 June 2012, fairly reflect the financial position and operations of the New Zealand Blood Service.

David Chamberlain
Board Chairman
30 August 2012

David Wright
Deputy Board Chairman
30 August 2012

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

Independent Auditor's Report

To the readers of
New Zealand Blood Service's
financial statements and statement of service performance
for the year ended 30 June 2012

The Auditor-General is the auditor of New Zealand Blood Service (the Blood Service). The Auditor-General has appointed me, Karen MacKenzie, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements and statement of service performance of the Blood Service on her behalf.

We have audited:

- the financial statements of the Blood Service on pages 1 to 26, that comprise the statement of financial position as at 30 June 2012, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and notes to the financial statements that include accounting policies and other explanatory information; and
- the non-financial performance information of the Blood Service on pages 27 to 38 that comprises the statement of service performance, and which includes outcomes.

Opinion

In our opinion:

- the financial statements of the Blood Service on pages 1 to 26:
    - comply with generally accepted accounting practice in New Zealand; and
    - fairly reflect the Blood Service's:
        - financial position as at 30 June 2012; and
        - financial performance and cash flows for the year ended on that date.
- the non-financial performance information of the Blood Service on pages 27 to 38:
    - complies with generally accepted accounting practice in New Zealand; and
    - fairly reflects the Blood Service's service performance and outcomes for the year ended 30 June 2012, including for each class of outputs:
        - its service performance compared with forecasts in the statement of forecast service performance at the start of the financial year; and

- its actual revenue and output expenses compared with the forecasts in the statement of forecast service performance at the start of the financial year.

Our audit was completed on 30 August 2012. This is the date at which our opinion is expressed.

The basis of our opinion is explained below. In addition, we outline the responsibilities of the Board and our responsibilities, and we explain our independence.

Basis of opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and carry out our audit to obtain reasonable assurance about whether the financial statements and non-financial performance information are free from material misstatement.

Material misstatements are differences or omissions of amounts and disclosures that would affect a reader's overall understanding of the financial statements and non-financial performance information. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the financial statements and non-financial performance information. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements and non-financial performance information, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the preparation of the Blood Service's financial statements and non-financial performance information that fairly reflect the matters to which they relate. We consider internal control in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Blood Service's internal control.

An audit also involves evaluating:

- the appropriateness of accounting policies used and whether they have been consistently applied;
- the reasonableness of the significant accounting estimates and judgements made by the Board;
- the appropriateness of the reported non-financial performance information within the Blood Service's framework for reporting performance;
- the adequacy of all disclosures in the financial statements and non-financial performance information; and
- the overall presentation of the financial statements and non-financial performance information.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements and non-financial performance information. We have obtained all the information and explanations we have required and we believe we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

Responsibilities of the Board

The Board is responsible for preparing financial statements and non-financial performance information that:

- comply with generally accepted accounting practice in New Zealand;
- fairly reflect the Blood Service's financial position, financial performance and cash flows; and
- fairly reflect its service performance and outcomes.

The Board is also responsible for such internal control as is determined necessary to enable the preparation of financial statements and non-financial performance information that are free from material misstatement, whether due to fraud or error.

The Board's responsibilities arise from the Crown Entities Act 2004 and the New Zealand Public Health and Disability Act 2000.

Responsibilities of the Auditor

We are responsible for expressing an independent opinion on the financial statements and non-financial performance information and reporting that opinion to you based on our audit. Our responsibility arises from section 15 of the Public Audit Act 2001 and the Crown Entities Act 2004.

Independence

When carrying out the audit, we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the New Zealand Institute of Chartered Accountants.

Other than the audit, we have no relationship with or interests in the Blood Service.

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