

*celebrating
life*

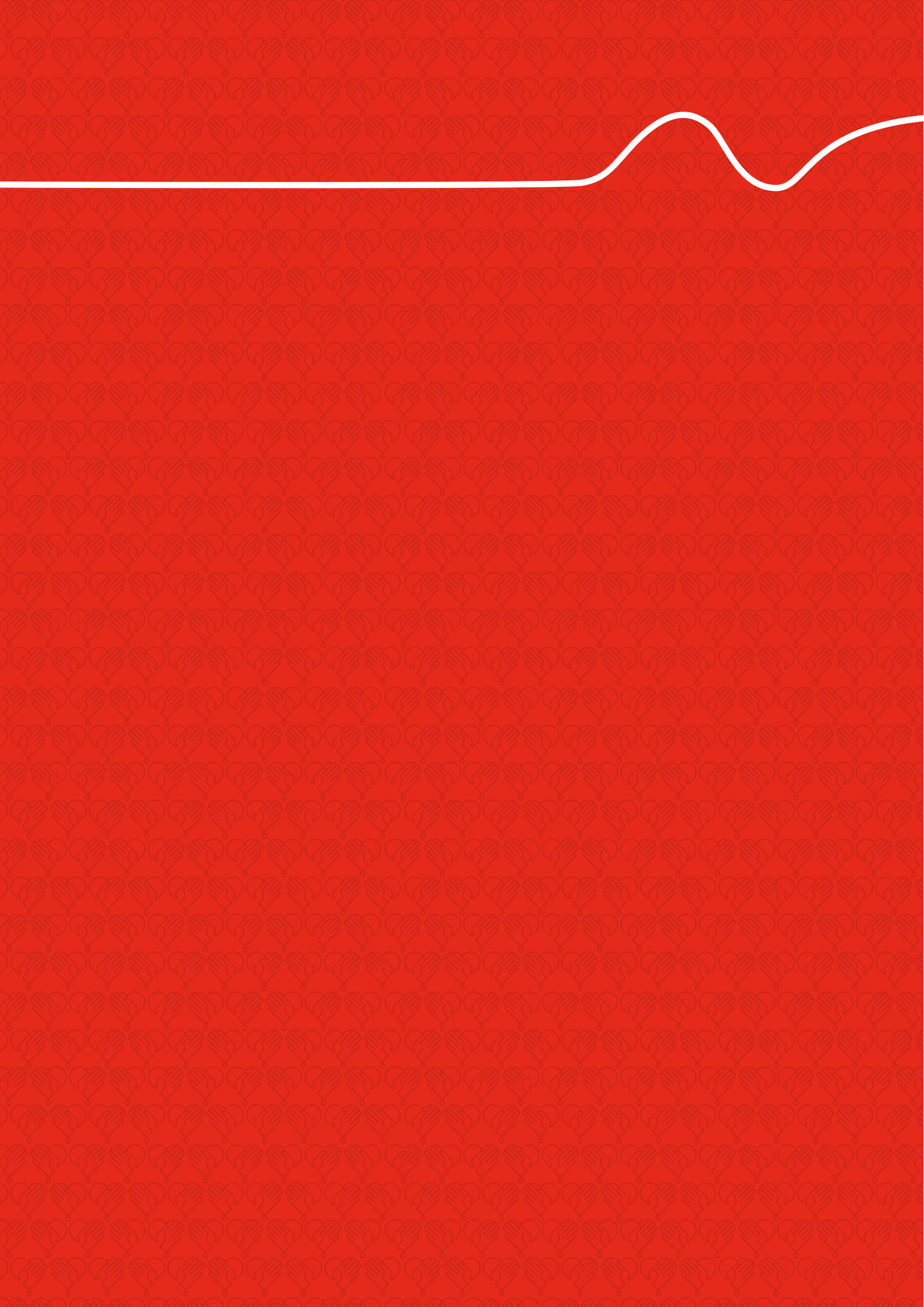


SANBS

South African National Blood Service

Annual Report 2015





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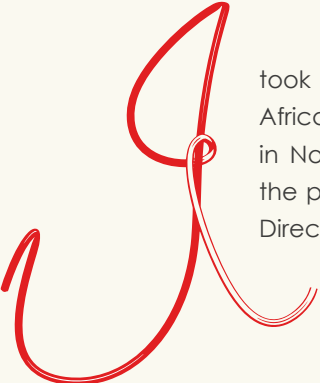
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CHAIRMAN'S STATEMENT



I took up the chairmanship of South African National Blood Service ("SANBS") in November 2014 and am indebted to the previous chairman, past and present Directors, management, staff, and the donors who are represented on the National Council, the branch and zone committees.

The donors are literally and figuratively the life-blood of SANBS and many lives are saved due to their selfless donations. Further, the donors can be assured that the National Council is dedicated to SANBS and the donors whom they represent.

Many donors begin donating blood due to their lives or the life of a close friend or a family member having been saved by donated blood in their time of need. Other donors donate blood because they want to give something back to make a difference to others, even though they may not be affluent. I thank all the donors who have given blood during the year, many of whom have donated four or more times during the financial year.

SANBS had 484 498 donors during the financial year and processed 807 563 donations. It is likely that you have heard or seen many of the campaigns during the year due to critical blood shortages and fortunately these campaigns bore fruit. It is of concern however, that critical blood shortages regularly arise and I implore anyone involved with SANBS to encourage others to become donors as they too can save lives.

SANBS is a large operation and had 2 240 employees at the end of the financial year; operated 84 blood banks located in hospitals and 82 permanent donation centres where donors can attend to donate blood. In addition, on a daily basis SANBS collects blood at approximately 80 mobile blood drives at businesses,

schools and communities. The scale of operations is significant, particularly for an altruistic business and sound governance principles are applied throughout all areas of SANBS. SANBS is fortunate to have dedicated and competent management, staff and a Board of Directors who direct and manage the business effectively.

Blood security is paramount and it is essential to have sufficient blood in stock to cater for emergency situations. SANBS aims to have five days stock of group O blood to minimise possibilities of shortages and stock outs and this can only be achieved by donors donating on a regular basis.

On the governance front, during and after the year under review, we said goodbye to one of the independent non-executive Directors, Dr Cleopas Sanangura. We were however glad to welcome Mr Mohamed (Mac) Gani and Mrs Ansie Ramalho as donor Directors. Mac and Ansie bring invaluable experience in finance and corporate governance respectively. We also bade farewell to our former CEO, Dr Loyiso Mpuntsha who left SANBS on 31 March 2015. The Board and the SANBS family are extremely grateful to Dr Mpuntsha for her stewardship of the company for over nine years and wish her all the best in her future endeavours. On August 1st 2015, Mr Trevor Vroom joined the company as CEO and we look forward to working with Trevor in taking this company to new heights.

Transformation within SANBS is evident not only from the racial mix and demographics of the employees but also in the increasing percentage of blood donations received from black donors. Increasing the donations from black donors is a specific focus area of SANBS, but this is not without its difficulties due to primarily, the socio-economic difficulties faced by a large portion of the black population within our country. It is noteworthy that although SANBS is a Non-Profit Company sound business



practices are employed throughout the operation which is evident from the Annual Report.

The highest level of ethics is expected from anyone who interacts with SANBS in any way and, as chairman, I chair the Governance, Social and Ethics Committee which meets regularly and innovatively strives to instil ethical values and practices within SANBS.

The Institute of Directors in Southern Africa independently facilitated the assessment of the Board and its committees during the year and it is pleasing that significantly positive ratings were received. It is a pleasure working with the management team and my fellow Directors and SANBS is fortunate that challenges posed can be addressed by a cohesive and competent group of dedicated persons.



Mr. Rob Theunissen
Chairman of the Board

ABOUT THIS REPORT

Scope, Boundary And Reporting Period

The SANBS 2015 Annual Report covers the period 1 April 2014 to 31 March 2015. Any material events between 31 March 2015 and the date of signature by the Board on 21 August 2015 are included in this report. In preparation of this Annual Report, the principles of the Integrated Reporting Framework issued by the International Integrated Reporting Council in December 2013 were applied. This report does not fully comply with these principles, with the intent to phase compliance over the next two years.

The Annual Financial Statements which forms part of this Annual Report, are prepared in accordance with International Financial Reporting Standards, and also complies with the principles of the King Code on Corporate Governance in South Africa, 2009 ("King III") and the Companies Act of 2008.

Stakeholders And Materiality

This report is primarily aimed at our various stakeholders including but not limited to those who are listed below:

Department of Health (DoH)
Donors and Donor structures
Hospitals (Public and Private)
National Council of SANBS
National Bi-Products Institute (NBI)
Patients
SANBS Employees
Western Province Blood Transfusion Service (WPBTS)
World Health Organisation (WHO)

This report aims to address those issues which are material to our stakeholders. Material issues are those which can impact delivering on the SANBS strategy.



1. GENERAL INFORMATION

Registered name:

South African National Blood Service

Registered office address:

1 Constantia Boulevard
Constantia Kloof
Roodepoort 1724

Postal address:

Private Bag X14
Weltevreden Park
1715

Company Registration number:

2000/026390/08

Contact telephone number:

011 761 9000

Email address:

customerservice@sanbs.org.za

Website:

www.sanbs.org.za

Auditors:

Deloitte and Touche

Bankers:

First National Bank

CEO until (31 March 2015):

Acting CEO (Until 31 July 2015):

Current CEO:

Acting Company Secretary (until 31 January 2015):

Company Secretary (from 1 February 2015):

Dr L Mpuntsha

Ms N Mankungu

Mr T Vroom

Mr M Luthuli

Mr M Luthuli

Abbreviations and acronyms

AGM - Annual General Meeting

BEE - Black Economic Empowerment

BBBEE - Broad-Based Black Economic Empowerment

BRB - Blood on a returnable basis

BSRI - Blood systems Research Institute

CEO - Chief Executive Officer

COSEC - Company Secretary

COO - Chief Operations Officer

DoH - Department of Health

EAP - Economically Active Population

EXCO - Executive Committee

EE - Employment Equity

ESS - Employee Self Service

GRC - Governance Risk Compliance

HWSETA - Health and Welfare SETA

HPA - Human Platelet Antigen

HR - Human Resources

IHN - International Haemovigilance Network

IFRS - International Financial Reporting Standards

IoDSA - Institute of Directors in Southern Africa

IT - Information Technology

KPI - Key Performance Indicator

Mol - Memorandum of Incorporation

MSS - Manager Self Service

NAT - Nucleic Acid Testing

NBI - National Bi-Products Institute

NPC - Non-Profit Company

PtrBRS - Platelet Transfusion Relevant Bacterial Reference Strain

RBC - Red Blood Cell

SABMR - South African Bone Marrow Registry

SANBS - South African National Blood Service

SLA - Service Level Agreement

SOP - Standard Operating Procedure

UCSF - University of California

WHO - World Health Organisation

WPBTS - Western Province Blood Transfusion Service



Organisational Overview

MANDATE

SANBS is registered as a Non-Profit Company registered as such in terms of the Companies Act 71 of 2008, and is governed by amongst others, the Non-Profit Organisations Act 71 of 1997, the National Health Act 61 of 2003 and the Human Tissue Act 65 of 1983. Its mandate of SANBS is to provide blood transfusion and related services.

VISION

SANBS strives to be a centre of excellence in the discipline of blood transfusion.

MISSION

Providing all patients with sufficient safe, quality blood products and medical services related to blood services in a sustainable manner.

CORE VALUES

The bedrock of SANBS are the values we live by:

- Transparency
- Honesty
- Respect
- Excellence
- Accountability
- Diversity

T-H-R-E-A-D sits at the heart of all decisions and strategy. Each one has the responsibility to strive to live our values and be better tomorrow than today.

NATIONAL FOOTPRINT

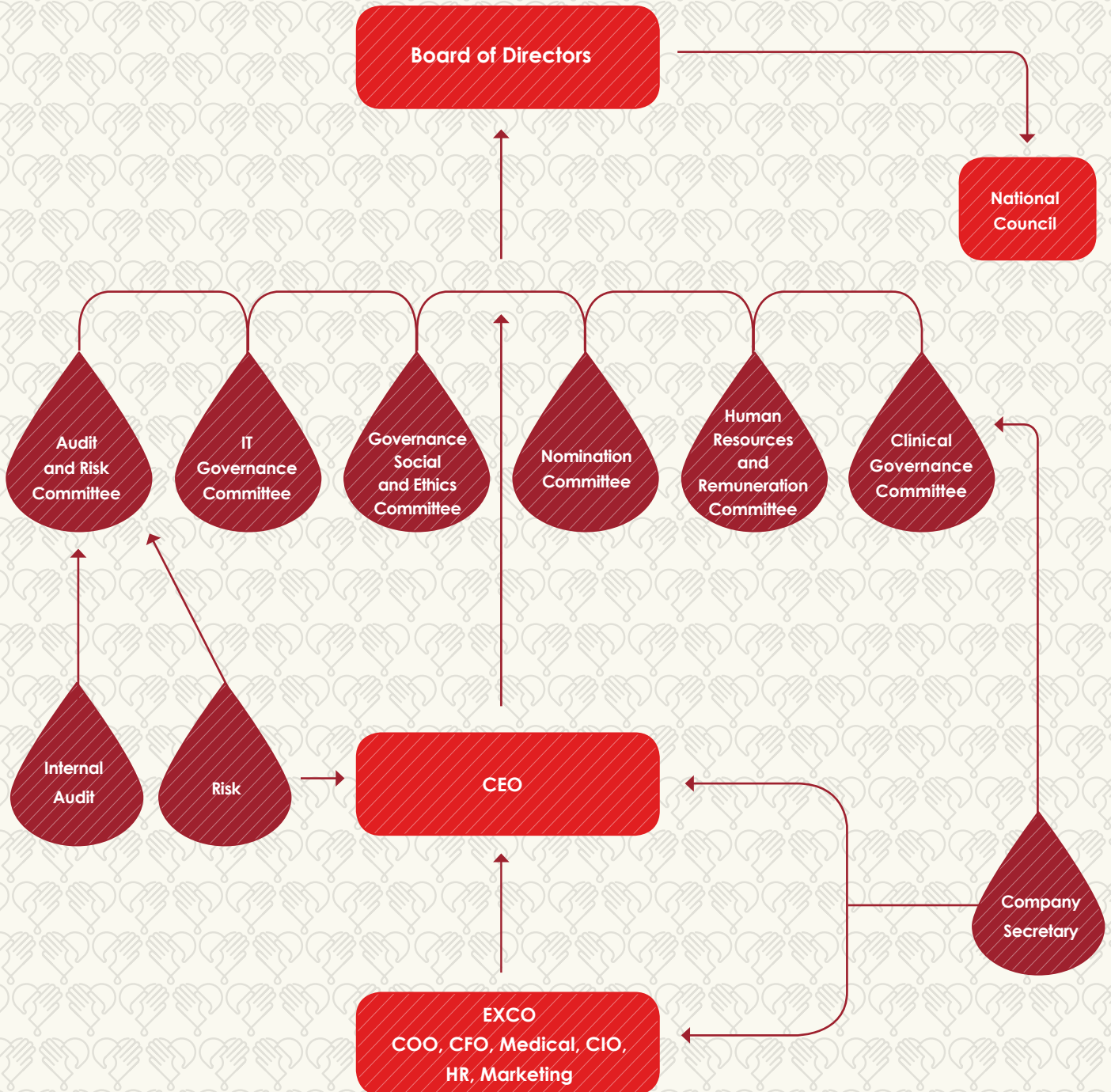


The locations of
SANBS Donation
Centres and Blood
Banks.



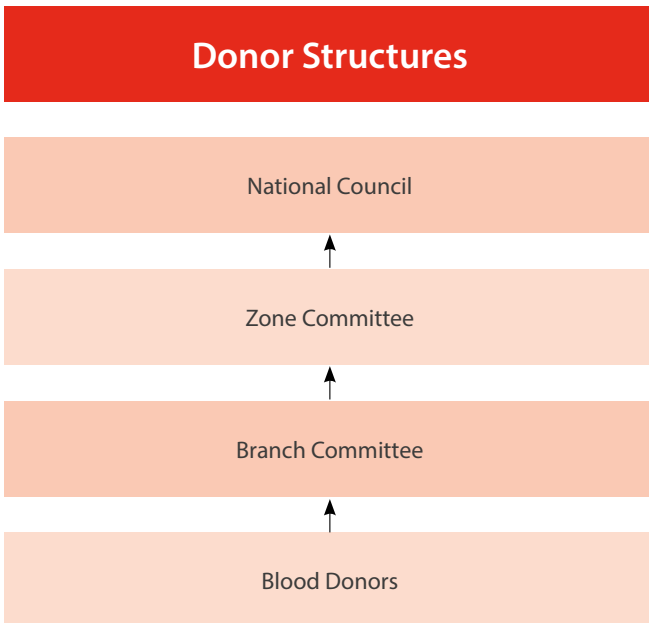
SANBS has 84 fixed donor centres and hosts in excess of 3000 mobile blood drives in eight provinces.

1.4 Organisational structure





1.5 The National Council is supported by the following Donor membership structure across the national footprint.



The National Council comprises of blood donors elected from each of the Zone Committees. The Council meets with the Board at least twice a year. There is proportional representation from each Zone based on the number of blood units that was collected in the previous financial year. For every 50 000 donations the Zone can elect one Zone Donor Committee member to Council, with the proviso that there will be a minimum of two representatives on Council from each Zone. The National Council appoints Donor Directors and holds the Board accountable for managing and controlling SANBS' operations in accordance with its mandate.

The National Council is regulated by the MoI and Zone Donor Regulations and Guidelines. Members of the National Council must be fit and proper persons to hold such membership.

2. THE BUSINESS MODEL

Blood Collection Costs

SANBS employs a cost recovery model in determining the selling price of blood. The direct costs refer in the main to collections, transportation, testing and distribution while indirect cost associated with blood collections include medical, IT, human resources, finance and administration, marketing and the CEO'S office.

Annually SANBS projects demand (historical data and scientific modelling assist with demand patterns) and projects collections to meet these demands. There are 84 blood banks in 8 provinces to process the blood collections.

Pricing Strategy

In determining the selling price of blood, other factors taken into account include inflation, exchange rates and general increases. Efficiency gains are also considered.

SANBS bills customers for the actual costs incurred in collecting, processing, storage, testing, transport and issuing the units of blood. The cost recovery occurs as follows:

- Patients receiving blood in Public Sector (State) hospitals – SANBS bills the Hospital/Provincial DoH directly and the Hospital (DoH) pays from the budget it receives from Central Government.

Your blood saves lives

A unit of blood is drawn from a volunteer donor.



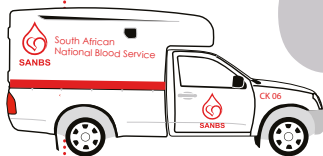
Blood is transfused to patients in need. Just one blood donation has the potential to save three lives!



SANBS
South African National Blood Service



Blood is collected into a sterile bag and labelled.



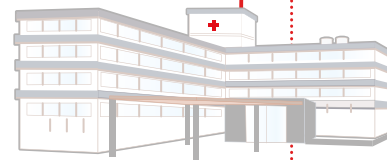
Units are transported to the nearest SANBS testing and processing lab.

In the processing laboratory, blood is spun down in a centrifuge and then separated into its different components.

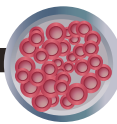
What happens to your blood donation

Blood products are stored prior to transfusion. The shelf life of blood is limited.

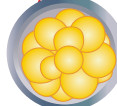
Platelets expire in 5 days.
Red blood cells expire in 42 days.
Plasma has a 2 year shelf life from the day of collection.



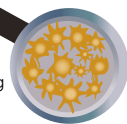
Local hospitals place orders with SANBS for blood products based on their needs.



Red Blood Cells
Contain haemoglobin, a protein that carries oxygen throughout the body.
Used to treat patients with anaemia or blood loss due to trauma or surgery.



Plasma
Contains proteins and clotting factors used to treat patients with massive bleeding or clotting factor deficiencies.



Platelets
Crucial in helping blood clots. Patients with low platelet levels often suffer from bruising and bleeding.

Blood is tested to ensure that it is safe for transfusion.



Toll free: 0800 11 9031

www.sanbs.org.za



- Patients receiving blood in Private Hospitals:
 - If the patient has medical insurance, the medical aid scheme pays for the service provided.
 - If the patient does not have medical insurance, then the patient is charged directly and is responsible for payment of the bill.

The cost of collecting, processing, testing and distributing blood across South Africa varies from region to region, and a variety of products such as red cells, plasma and platelets are gleaned from each unit of whole blood; therefore individual product pricing is not computed by SANBS. Blood is a biological product and it is extremely difficult to apportion a value to a component such as red cells, platelets or plasma. The annual price increase is, therefore, implemented across the entire product range of approximately 90 products and services as per the SANBS published price list. This methodology has been consistently applied for many years.

The key factors taken into account in implementing the price increase are:

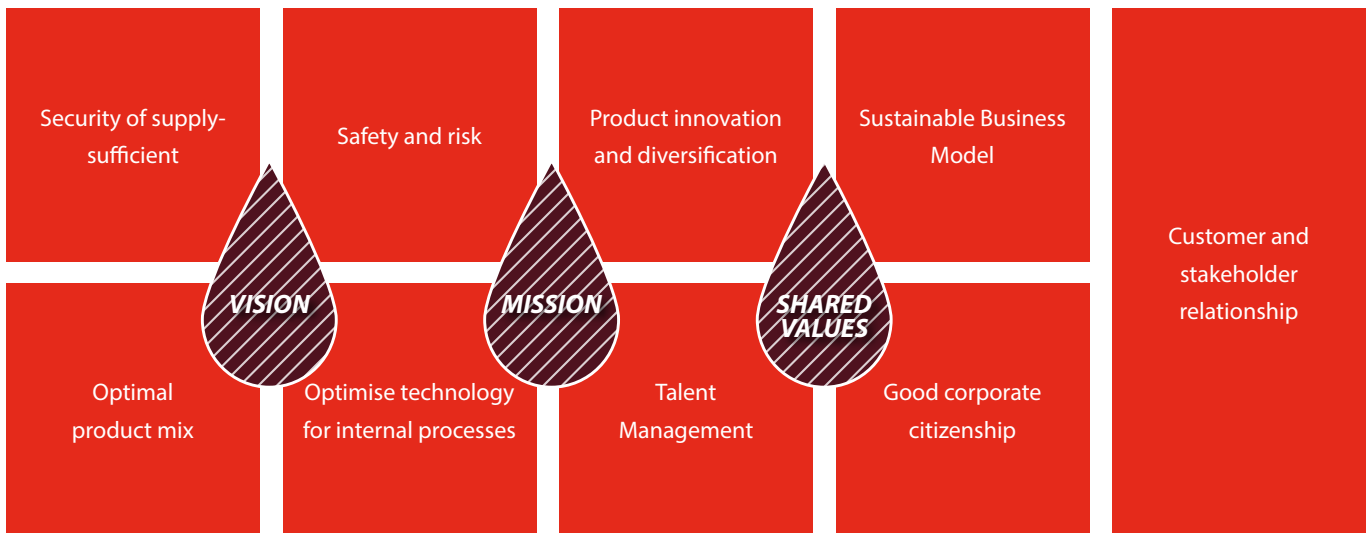
- a) The current year's sales and revenue and projections for the following year.
- b) Budget for the following year to achieve sufficient collections to meet the projected demand. Factors considered are inflation, discard rates, exchange rates, increased targets, salary increases, projects and efficiency gains.
- c) Achieving a surplus to ensure future sustainability. The current target for SANBS is to achieve a surplus of 7% of revenue which is mainly to fund future capital expenditure and Research and Development.

Processing, Testing and Distribution

As per the diagram on page 7, SANBS operates 84 blood banks in eight provinces in order to ensure that blood is cross matched and issued to patients when required.

3. STRATEGIC OBJECTIVES FOR THE YEAR UNDER REVIEW

SANBS' strategic objectives, in support of the mission, vision and business model are summarised below:



The measure of achievement of the strategic goals are managed through operational targets and reported in the corporate scorecard.

4. THE YEAR UNDER REVIEW

4.1. CEO'S Statement

SANBS has performed very well in all the business units as outlined in pages 34 to 42

Some of the initiatives we promised in last year's annual report were achieved; namely the implementation of Blood Conservation Officers whose focus is on the appropriate use of emergency blood; the wastage of blood in hospitals and blood on a returnable basis (BRB) system. This had been accomplished and progress is monitored.

The South African National Blood Service prides itself in providing sufficient blood to meet South African requirements. The vision and mission form the basis of the strategic objectives (see table on page 11) and is the basis of all goals and performance. Underpinning these objectives, are a number of strategic risk factors which, if not adequately managed, will inhibit the success in achieving SANBS' objectives.

The changing donor demographic if not managed correctly could see reductions in blood donations, placing both patients and the financial well-being of SANBS at risk.

SANBS prides itself on building important stakeholder relations with both government institutions and the private healthcare sector. Any significant change in these relationships could adversely affect the ability to collect and distribute blood around the country.

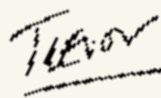
The safety of blood collected and subsequent testing of the donors has become a critical and essential process. Staying abreast with the worlds best practices, while

ensuring that sufficient funds are available, continues to be at the forefront of the organisation.

SANBS' objective of "being a good corporate citizen" reflects on its BEE status as well as the involvement with African countries north of South Africa's borders. Ensuring that SANBS has sufficient qualified personnel is a key focus. Talent management, bursary schemes and internal academies form an important part of the organisation's ongoing success.

SANBS has performed well during the reporting period. Whole blood collections achieved 98% of target with 3 provinces exceeding their targets.

One of the key strategies has been to increase the black donor base from 35% by the end of the previous financial year. This target was exceeded by 3%, black donors now make up 38% of our donors while the white donors decreased marginally from 48% to 47%. SANBS continues to place emphasis on increasing the donations of our black donors.



Mr. Trever Vroom
Chief Executive Officer





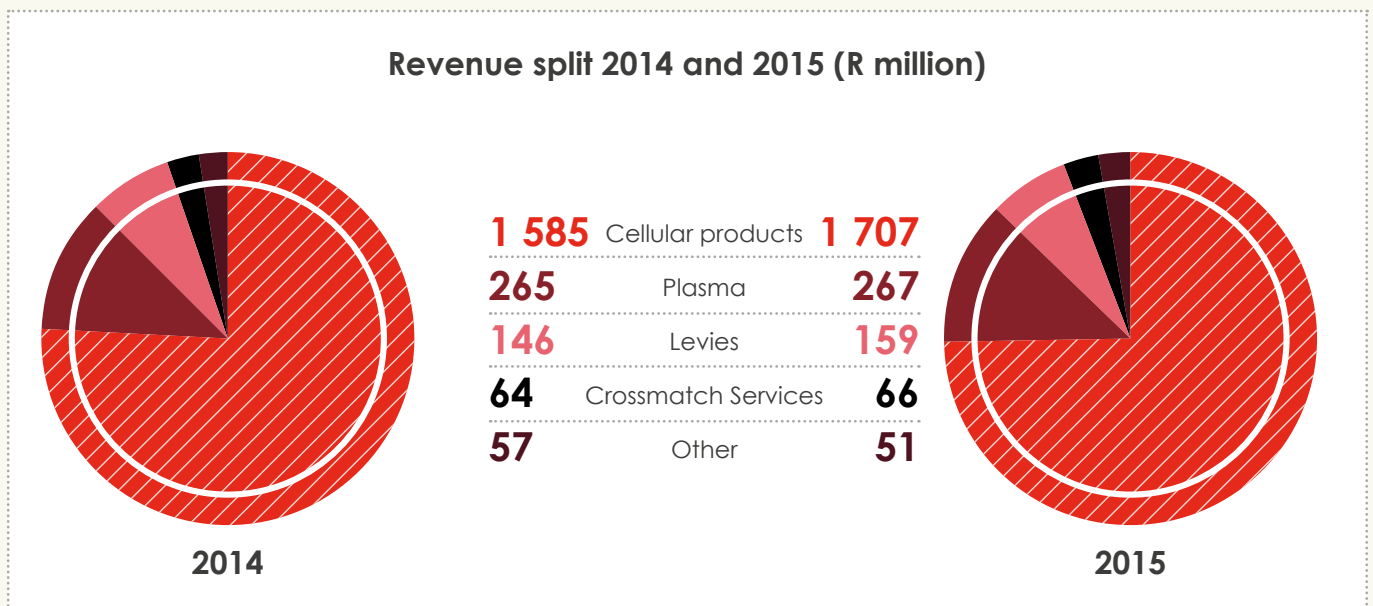
4.2. CFO'S Statement

4.2.1 Statement of Comprehensive Income

Revenue

The organisation achieved a positive financial performance in line with the previous year's performance. A full set of Annual Financial Statements is included as part of this report on pages 43 to 80 Revenue NPC is 2% higher than budget and 6% up on last year.

Revenue split 2014 and 2015 (R million)



Expenses

Expenses are well under control and there is a continuous drive to improve efficiencies. Two major expenses are staff costs and consumables which are 61% of revenue. External factors which impact on expenses include inflation and foreign exchange rates. Internal factors are the staff numbers, attracting and retaining high quality staff especially in specialised areas of the business and the provision of efficient IT infrastructure.

Staff costs are monitored and measured quarterly in the corporate scorecard due to the significant sustainability risk for a NPC.

Consumables are affected by the exchange rate fluctuations and are 23% (2014: 25%) of revenue and 26% (2014: 28%) of total costs. The negative effect of

exchange rate fluctuations has also impacted other costs such as product testing and IT costs.

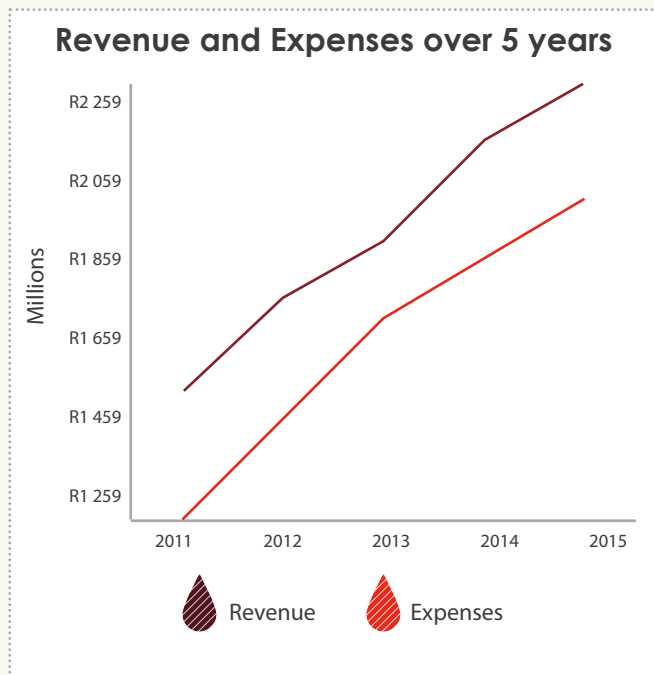
SANBS is in the second year of using surplus funds to subsidise the service fee increase. This is done to specifically assist patients by keeping the cost of blood as low as possible, while at the same time managing operational costs. R100m has been utilised for this purpose over the last two years.

4.2.2 Financial Position

Cash and cash equivalents

Cash and cash equivalents increased by R363m on 31 March 2014 to R1.4b. The aim is to cover at least six months operating expenses in the form of cash and cash equivalent, as a sustainability control.

This allows SANBS to operate and provide the public with blood for at least six months in the event that collection of revenue from customers does not cover the monthly operating expenses. As of the date of this report, SANBS is confident that the financial resources available are sufficient for the organisation to continue operating into the future. This is supported by the strong Statement of Financial Position presented on page 51



Debtors

One of the main challenges to the financial sustainability of the organisation is the ability to collect the cash charged for services provided. SANBS's mission is to provide blood to all patients. This implies that we will provide blood and related services regardless of whether the patient can afford to pay for it. Debtors are split between state, medical aids and private patients. It is the latter which poses the biggest challenge due to the volume of private patients.

Reasons vary from affordability, traceability of the patients to the amount of resources required to collect from over ten thousand private patients.

We continue to monitor long outstanding debtors closely. Sometimes there is a need to change the debtor's collection strategy and this comes at a cost. Medical aids have been engaged for medical aid patients whose claims have been rejected due to having insufficient funds amongst other reasons. There are patients who cannot afford to pay for services and for these there is no alternative but to write the debts off. This puts a tremendous burden on financial resources. While the analysis of bad debt write-offs over the years shows a steady decline, >150 days R181m (2014: R195m), but it is still far from ideal.

Measures have been put in place to improve collection of the debtors' book. The positive impact of these measures was evident in the collections of the last quarter of the 2015 financial year.

2015 total debtors amounts to R653m with a provision for bad debts of R185m.

2014 total debtors amounted to R717m with a provision for bad debts of R171m.

Ms. Nandi Mankungu
Chief Financial Officer



5. GENERAL STATE OF THE ORGANISATION

Stakeholders and material issues

Stakeholder Overview

	Dept. of Health (DoH)	Donors	Hospitals (Public and Private)	National Bi-products Institute (NBI)	National Council	Patients	SANBS Employees	Western Province Blood Transfusion Service (WPBTS)	WHO
Reason for engagement	National licensing and regulatory oversight body. Provide and approve national guidance to operating model	Donors are the critical component of supply on a voluntary basis	Critical delivery environment of products and services to patients	Key customer for plasma and collaborator	The National Council is an important donor governance structure and serves to highlight the importance of blood donation and to organise the donor base	Patients are our clients and main priority in product and service delivery	Critical resource of skill, knowledge and ability to deliver the company objectives	Key collaborator in the supply, safety and quality of blood products services to the country	WHO is the recognised organisation for directing and co-ordinating international health within the United Nations system. Their role is to assist member states to attain their health objectives and support their national health policies and strategies. WHO develops policies and World Health Assembly (WHA) resolutions which member countries are expected to implement and numerous resolutions pertaining to Blood Transfusion have been adopted. South Africa is a member state of the Africa region and SANBS is expected to implement policies, guidelines and WHO resolutions related to blood transfusion.



Stakeholder Overview continued

	Dept. of Health (DoH)	Donors	Hospitals (Public and Private)	National Bi-products Institute (NBI)	National Council	Patients	SANBS Employees	Western Province Blood Transfusion Service (WPBTS)	WHO
Impact on SANBS	Regulation and Licensing. Guidance on legislative changes and application	SANBS has a critical Donor dependency of sustainability, supply, safety and quality of products	SANBS relies on the hospitals' service and environment to deliver products and services. Main revenue stream	Key revenue source from plasma and industry policies and	The National Council is an important donor governance structure and serves to highlight the importance of blood donation and to organise the donor base	Patients are our clients and main priority in product and service delivery	Patient's medical needs guide our products and service delivery objectives. Primary revenue stream via public hospitals and private medical schemes	Support in national supply and alignment of quality and safety of products and service	Provide guidelines, working groups, regional workshops on regional strategy for Blood Safety and the establishment of national regulatory systems for blood and blood products. Platform for sharing of best practice and bench marking. SANBS staff are invited to participate in the drafting of documents and best practice and also serve on expert committees of WHO.

Stakeholder Overview continued

	Dept. of Health (DoH)	Donors	Hospitals (Public and Private)	National Bi-products Institute (NBI)	National Council	Patients	SANBS Employees	Western Province Blood Transfusion Service (WPBTS)	WHO
SANBS impact on them	SANBS provides specialist guidance and knowledge of the specific industry and related products and services	SANBS provides donors with a safe, accessible and quality environment to contribute to the social welfare of the country	SANBS provides delivery service, education and guidance and support to deliver products and services to the patients	Main supplier of plasma from which medicinal products are manufactured	In accordance with the Mol, SANBS convenes 2 annual meetings of the National Council, one being the Annual General Meeting. At these meetings, the National Council exercises its responsibilities as outlined in the Companies Act and the Mol.	SANBS strives to maintain and deliver world class standards for the required products and services	Specialised skills and knowledge development and the opportunity to provide an essential service to society	Support in national supply and alignment of quality products and service	SANBS is a strong role player in the African region as a collaborating centre. SANBS assists with training and sharing of standards that are world class with other countries in the region. In the last year training was provided for Ethiopian, Cameroon, Swaziland and Lesotho delegates. SANBS is part of the WHO Haemovigilance working Group and assisted with the International Guidelines that have been compiled in 2014. SANBS has a representative on the WHO Expert Committee on Blood Safety and Biological Standardisation. SANBS has also hosted a WHO workshop on Access to Plasma and has ongoing involvement in this project



Stakeholder Overview continued

	Dept. of Health (DoH)	Donors	Hospitals (Public and Private)	National Bi-products Institute (NBI)	National Council	Patients	SANBS Employees	Western Province Blood Transfusion Service (WPBTS)	WHO
Needs and Interests	Promoting health services to the South African society	Donor health management, communication and interaction with SANBS is of vital importance	Supply, safety, quality and accessibility of products and services linked to Patient needs	Support in national supply, quality and safety of plasma	Promoting an active and organised donor base	Involuntary need for SANBS' products and services with interest in the quality, safety and supply	Empowered, engaged and enabled workforce to grow and deliver within the essential services to society that SANBS provides	Alignment and collaboration in world class product and service delivery, along with policy and standard for the country	By following WHO guidelines SANBS ensures that donors and patients who receive our products are safe and of high quality service.

Stakeholder Overview continued

	Dept. of Health (DoH)	Donors	Hospitals (Public and Private)	National Bi-products Institute (NBI)	National Council	Patients	SANBS Employees	Western Province Blood Transfusion Service (WPBTS)	WHO
Expectations and material issues	Compliance to National and International standards and regulations in delivering world class products and services to society	Maintaining a safe, accessible and quality environment to donate, where any failure in one of these elements is considered a material risk	Maintaining safe, accessible and quality products and services to patients, where any failure in one of these elements is considered a material risk	An expectation of supply management, safety and quality of plasma, where any failure in one of these elements is considered a material risk	Cooperation on governance and donor-related matters	An expectation of supply management, safety and quality of process and delivery of products and services, where any failure in one of these elements is considered a material risk	Secure and safe working environment. Skills development, training and technology support to deliver and grow in career and also job satisfaction	Support in national supply management and alignment of quality and safety of products and services, along with research and development	WHO recognition carries with it a reputation that allows SANBS to be accepted by other countries and by DoH and seen to be a centre of excellence within the region.

Stakeholder Overview continued

	Dept. of Health (DoH)	Donors	Hospitals (Public and Private)	National Bi-products Institute (NBI)	National Council	Patients	SANBS Employees	Western Province Blood Transfusion Service (WPBTS)	WHO
SANBS' response to expectations and material issues	Maintain and promote a risk averse culture and operating environment. Anticipate potential risks, and be efficient and effective in reacting to unforeseen compliance and delivery events	Maintain and promote a risk averse culture and operating environment to anticipate potential risks, and be efficient and effective in reacting to unforeseen Donor events	Maintain and promote a risk averse culture and operating environment. Anticipate potential risks, and be efficient and effective in reacting to unforeseen stakeholder events	Maintain and promote a risk averse culture and operating environment. Anticipate potential risks, and be efficient and effective in reacting to unforeseen compliance and delivery events	Maintain a cordial and professional engagement with the National Council	Maintain and promote a risk averse culture and operating environment to anticipate potential risks, and be efficient and effective in reacting to unforeseen Patient events	Maintain and promote a risk averse culture and operating environment. Anticipate potential risks, and be efficient and effective in reacting to unforeseen staff related events	Maintain and promote a risk averse culture and operating environment. Anticipate potential risks, and be efficient and effective in reacting to unforeseen stakeholder events	Collaborative Working Relationship



6. CORPORATE GOVERNANCE REPORT

6.1 Statement of Commitment

SANBS remains fully committed to business integrity, fairness, transparency and accountability in all its activities. In support of this commitment, the Board subscribes to the highest standard of corporate governance in all aspects of its operations, and in the on-going development and implementation of best practices. The Board is ultimately responsible for ensuring high governance standards, assisted by management and aims to instil a culture of compliance and good governance.

6.2 Application of King III Principles

The Board and management are committed to ensuring adherence to the Companies Act 71 of 2008 and King III.

6.3 Board Members Including Details per King III

The Board of Directors is made up of:

- **2 non-executive Directors**, appointed by the Board. Board-appointed non-executive Directors are appointed for a 3 year-term and may be re-appointed for a further 2 terms, subject to a maximum of 9 years on the Board;
- **3 executive Directors**, consisting of the CEO, Medical Director and CFO. The CEO and Medical Director serve on the Board in an ex officio capacity and the CFO has been appointed to the Board in terms of the Memorandum of Incorporation (MoI). The tenure of executive Directors on the Board is subject to their

contracts of employment with SANBS in the case of the ex officio Directors and as determined by the Board in respect of the CFO; and

- **7 non-executive donor Directors** who are elected by the National Council (see the SANBS governance structure on page 8). Donor Directors are elected for a 3 year-term and may be re-elected for a further 2 terms, subject to a maximum of 9 years on the Board.

The chairman of the Board is appointed annually by Board members from amongst the donor Directors in accordance with the MoI.

The Board's responsibility for governance and directing; and management's responsibility for the conduct of the business are separated. The chairman is responsible for the leadership of the Board, ensuring effectiveness in all aspects of its activities and setting its agenda. It is the responsibility of the chairman to ensure Directors receive accurate, timely and reliable information. The chairman also ensures that no individual Board member has unfettered powers in respect of decision making. In cases where the chairman is conflicted, the Board appoints one of the Board members as acting chairman.

SANBS' Board of Directors comprises of the following individuals:

SANBS BOARD OF DIRECTORS



Mr. Rob Theunissen

Chairman of the Board

Age: 61

Appointed: 13 October 2012

Role:

- Chairman of the Board
- Non-Executive Donor Director

Qualifications:

- B. Accounting : Wits University (1981);
- CA (SA) : (1982);
- Registered Auditor (1984);
- Diploma in Criminal Justice and Forensic Auditing : RAU (2004)



Mr. Trevor Vroom

Chief Executive Officer

Age: 58

Appointed: 1 August 2015

Role:

- Chief Executive Officer

Qualifications:

- Management Development Programme – UNISA
- Advanced Executive Programme – UNISA



Dr. Patricia Knox

Non-Executive Donor Director

Age: 59

Appointed: 13 October 2012

Role:

- Non-Executive Donor Director

Qualifications:

- MBChB - University of Cape Town (1979);
- DCH - Diploma in Child Health, South African College of Medicine (1985)



SANBS BOARD OF DIRECTORS



Ms. Getty Simelane

*Non-Executive
Donor Director*

Age: 56

Appointed: 15 October 2011

Role:

- Non-Executive Donor Director

Qualifications:

- BA Social Work - University of Zululand - 1981
- HDPM - Wits Business School - 1982
- MPhil University of Bath, UK -1988
- EDP Kellogg's Business School, North Western University, USA - 1993



Ms. Ansie Ramalho

*Non-Executive
Donor Director*

Age: 48

Appointed: 19 November 2014

Role:

- Non- Executive Donor Director

Qualifications:

- Baccalaureus Juris, UNISA (1988)
- Baccalaureus Legum: UNISA (1991)
- Diploma in the Law of Insolvency: AIPSA (1993)
- Certificate in International Insolvency Law: University of Pretoria (2000)
- Certificate Programme in Financing and Accounting: Wits Business School (2004)



Ms. Doris Dondur

*Non-Executive
Donor Director*

Age: 48

Appointed: 27 September 2008

Role:

- Non-Executive Donor Director

Qualifications:

- B. Accounting – University of Stellenbosch (1988)
- Hons B Compt – UNISA (1989)
- CTA – UNISA (1990)
- CA (SA) : (1991)
- Hons (BandA) Stellenbosch University (1996)
- MBA – University of Stellenbosch (1998)
- International Executive Development Programme – WITS and London Business School (2008)
- Executive Development program – University of Nevada – Reno (2009)

SANBS BOARD OF DIRECTORS



Mr. Mahomed Gani

*Non-Executive
Donor Director*

Age: 62

Appointed: 19 November 2014

Role:

- Non-Executive Donor Director

Qualifications:

- B Compt (Unisa) – 1977
- Hons B Compt (Unisa) – 1978
- CA (SA) – 1979



Mr. Alex Christians

*Non-Executive
Donor Director*

Age: 39

Appointed: 27 September 2008

Role:

- Non-Executive Donor Director

Qualifications:

- Various Diplomas
- Former Member of Parliament and former Councillor at Metro, District and Local Government.



Prof. William Gumede

*Independent
Non-Executive Director*

Age: 45

Appointed: 1 May 2011

Role:

- Independent Non-Executive Director

Qualifications:

- Joint Degree (Utrecht, Aarhus and Cardiff Universities) – 1999
- Econ and Public Finance (UNISA) - 2000
- MA (University of the Witwatersrand) - 2001
- Project Finance (GIBS - 2001 and Stellenbosch - 2012)
- Investment Banking (New York University) - 2013



SANBS BOARD OF DIRECTORS



**Prof. Vanessa
Moodley**

*Independent
Non-Executive Director*

Age: 41

Appointed: 05 October 2013

Role:

- Independent Non-Executive Director

Qualifications:

- MBChB: University of Cape Town (1997)
- MMed (Haematological Pathology) – cum laude MEDUNSA (2004)



**Ms. Nandi
Mankungu**

Chief Financial Officer

Age: 51

Appointed: 26 August 2014

Role:

- Chief Financial Officer

Qualifications:

- B. Com Accounting Hons and CTA– University of Natal (2003)
- CA (SA) 2006



**Dr. Charlotte
Ingram**

Medical Director

Age: 57

Appointed: 26 August 2014

Role:

- Medical Director

Qualifications:

- NDT (Analytical Chemistry): Technikon of the Witwatersrand (1979)
- MBChCh: University of the Witwatersrand (1988)
- FCPATH (Haematology): College of Medicine of South Africa (1995)
- MMED (Haematology): University of the Witwatersrand (1997)
- MBA: University of the Witwatersrand (2000)

¹ Although appointed on 26 August 2014, Dr Ingram has been with SANBS for >>>>>years as Medical Director

EXECUTIVE MANAGEMENT



Mr. Trever Vroom
Chief Executive
Officer



**Ms. Nandi
Mankungu**
Chief Financial
Officer



**Dr. Charlotte
Ingram**
Medical Director



Ravi Reddy
Operations



Abbey Mothokoa
Human Resources



Thapelo Mokoena
Marketing



Ridwaan Bardien
Information
Technology



6.4 The Role of the Board

The SANBS Board governs and is in effective control over SANBS and is responsible, *inter alia*, for the adoption of strategic plans, the monitoring of operational performance and management, and the development of appropriate and effective risk management policies and processes. The full extent of the Board's responsibilities is contained in the MoI and the approved Board charter. The Directors are of the opinion that the Board has adhered to the terms of reference as detailed in the Board charter for the year under review.

The Board, on the advice and recommendation of Exco, is responsible for setting the strategic direction of SANBS. Annually, the Board considers, debates and adopts with or without amendments, a strategic plan presented by Exco. This plan is further reviewed in the first quarter of each year.

The non-executive Directors play a critical role as Board representatives on the various Board committees and ensure that SANBS' interests are served by impartial, objective and independent views that are separate from those of management and the National Council.

The Board has delegated the day-to-day running of SANBS operations to the Chief Executive Officer as set

out in the approved corporate delegations of authority. The Remuneration Committee Chairman and the Chairman of the Board, subject to consultation with the other Directors, evaluate the performance of the Chief Executive Officer annually.

The Directors' emoluments for the year under review are disclosed in the Annual Financial Statements on pages 78 to 80.

6.5 Board and Committee Assessment

In August 2014, the Board with the assistance of the IoDSA, conducted a Board and committee assessment by means of relevant questionnaires, in which it assessed the contribution and performance of each director; the Board as a whole and all the committees. Areas of improvement identified in the assessment were addressed during the year under review.

An evaluation of the independence of independent non-executives was not performed during the year under review but will be performed during the 2015/2016 financial year.

6.6 Board Committees²

The Board is satisfied that the Board committees, set out in detail below, have effectively discharged their responsibilities as contained in their respective terms of reference during the year under review.

IT Governance Committee	Members	Terms of reference	Key focus for the year under review
	A Christians(chairman) D Dondur M Gani P Knox V Naicker	The committee's core function is to ensure that Information and communication Technology ("ICT") is effectively governed at SANBS in accordance with the 7 principles of King III and the business strategy of SANBS.	<ul style="list-style-type: none"> Ensured that IT is embedded into the SANBS strategy and that IT Governance is aligned with Chapter 5 of King III. To this end, the committee's terms of reference were compliant with the 7 principles of King III.

² The membership of committees changed during the year under review due to the departure of some Directors and the appointment of new ones, hence the names of members listed are as at 31 March 2015.

	Members	Terms of reference	Key focus for the year under review
Audit and Risk Committee	D Dondur (chairman) W Gumede A Christians M Gani A Ramalho	The Audit and Risk Committee assists the Board in discharging its duties relating to: <ul style="list-style-type: none"> Safeguarding the assets of SANBS; and monitoring risk, financial systems and control processes, including internal financial controls and the preparation of financial statements and related financial reporting in compliance with all applicable legal requirements 	<ul style="list-style-type: none"> An annual audit was conducted by independent, competent and qualified auditors to provide an independent and objective assurance to the Board and stakeholders that the financial statements fairly present the financial position and performance of SANBS in all material respects. Ensured the integrity of SANBS' internal control environment through an effective internal audit activity. Ensured the Risk Management function is entrenched and functioning effectively. Risk forms part of the Audit and Risk Committee agenda.
Nomination Committee	W Gumede (chairman) G Simelane A Christians D Dondur V Moodley	The committee's core function is the nomination of Board members. The committee makes recommendations to the Board on the composition of the Board and Board committees and on the induction of new Directors and the development of existing Directors.	<p>Ensured a formal and transparent Board nomination and election process (guided by SANBS' director nomination policy);</p> <p>Evaluated and recommended retiring Directors for re-election.</p> <p>Evaluated and recommended the appointment of new donor Directors and</p> <p>Augmented its skills, expertise and independence with the appointment of independent committee members who bring legal and medical expertise to the Committee.</p>
Clinical Governance Committee	P Knox (Chairman) V Moodley G Simelane R Theunissen C Ingram C Mey A Rantloane M Toubkin	The committee's core function is to sustain and improve the quality and safety of donor and patient care, manage clinical risk, keep SANBS apprised of all evidence-based medical treatments with regard to blood and blood products, and foster a culture of cooperation between SANBS and all its stakeholders in the medical realm.	<ul style="list-style-type: none"> Ensured that the risk relating to SANBS not delivering quality and safe blood to patients was appropriately mitigated by management. Ensured the risks relating to the well-being of donors were appropriately mitigated by management. Ensured that a Haemovigilance Report was compiled and that systems and controls were in place to address the identified risks. Kept SANBS updated on the risks of Transfusion Transmitted Infections, including HTLV1 and the Ebola outbreak in West Africa and elsewhere.







	Members	Terms of reference	Key focus for the year under review
Governance, Social and Ethics Committee	R Theunissen (chairman) A Christians D Dondur A Ramalho	<p>The committee performs an oversight and monitoring role in partnership with other committees to ensure that SANBS' operations are conducted in an ethical and accurately governed manner and to develop or review policies, governance structures and existing practices.</p> <p>The committee's responsibilities include:</p> <ul style="list-style-type: none"> • Ensure adherence to SANBS' Code of Ethics. • Adherence to equal opportunity . 	<ul style="list-style-type: none"> • Mandated the creation of a clearly defined compliance function, the formulation of a compliance manual and the updating of the compliance framework. • Ensured that the risk relating to the non-adherence by the company and its stakeholders, to good corporate governance were effectively mitigated. • Continued to foster positive engagement between SANBS, the National Council, the Board, management, employees and the donor structures.
Human Resources and Remuneration Committee	G Simelane (chairman) W Gumede A Ramalho M Gani	<p>The committee oversees the formulation of a remuneration philosophy and human resources strategy to ensure that SANBS employs and retains the best human capital possible relevant to its business needs and maximises the potential of its employees.</p>	<ul style="list-style-type: none"> • Ensured that SANBS' remuneration strategies and policies are designed to attract, motivate and retain quality employees, Directors and senior management committed to achieving the overall goals of SANBS. • Benchmarked SANBS' remuneration against non-profit organisations of similar size to SANBS. • Recommended the submission to the Board and the National Council for approval, the remuneration of the chairman, and members of the Board and committees.





6.7 Board and Committee meetings attendance register

During the year all the Board committees were in place. All committees are chaired by non-executive Directors.

The attendance of meetings for the Board and committees is set out below:

Member	Board	Audit and Risk Com	Governance, Social and Ethics Com	HR and REMCO	Clinical Governance	Nomination Com	IT Governance Com
Non-Executive							
R Theunissen	12 of 12	3 of 3	4 of 4		1 of 1		
A Christians	12 of 12	2 of 2	4 of 4	3 of 3			4 of 4
D Dondur	10 of 12	4 of 5	2 of 4				4 of 4
G Simelane	11 of 12			5 of 5	1 of 1	5 of 6	
W Gumede	12 of 12	5 of 5		5 of 5		6 of 6	
C Mey 	0 of 1			0 of 1	1 of 1		0 of 1
C Sanangura 	7 of 7	3 of 3	2 of 2				2 of 2
P Knox	9 of 12		3 of 3		4 of 4	5 of 6	1 of 1
V Moodley	10 of 12	3 of 5			4 of 4		
M Gani 	3 of 3	2 of 2		1 of 1			1 of 1
A Ramalho 	3 of 3	2 of 2	1 of 1	1 of 1		3 of 3	
Executive							
L Mpuntsha	10 of 12						
C Ingram	11 of 12				3 of 4		
N Mankungu	10 of 10						
Co-opted Members of Committees (not members of the Board)							
M Salojee						3 of 3	
M Toubkin					3 of 4		
J Mphahlele					3 of 3		
A Rantloane					3 of 4		
V Naicker							3 of 4

Due to the annual changes in committee membership, members only attended meetings when they were invited members.

-  C Mey resigned on 30 June 2014.
-  C Sanangura was retired from the Board in accordance with the changes in the Mol effective on 26 August 2014.
-  M Gani was appointed to the Board on 19 November 2014.
-  A Ramalho was appointed to the Board on 19 November 2014.



6.8 Board Committee Reports

Governance, Social and Ethics Committee Report

SANBS is committed to upholding the highest standard of ethical behaviour amongst its Directors, management and staff in line with the adopted Code of Ethics. During the year under review, the Code of Ethics has been reviewed to ensure that all possible acts of unethical behaviour are captured therein. The Code of Ethics has been communicated to SANBS' staff and is based on the fundamental ethical principles of fairness, transparency, integrity, reliability, responsibility and honesty and deals with the following:

- Conflicts of interests
- Outside activities and business interests
- Relationships with and appointments by outside parties
- Fraud
- Gifts, hospitality and favours (giving and receiving)
- Private business on the SANBS premises
- Moonlighting
- Use of the SANBS resources
- Whistle-blowing

Nine incidences of unethical conduct or fraud which required investigation or further action were reported during the year under review.

Mr. Rob Theunissen
Chairman of the Board

6.9 Audit and Risk Committee Report

Introduction

The Companies Act, Act No 71 Of 2008, and in particular section 94(7), read together with the relevant King III principles states that the Audit Committee must ensure that the organisation has maintained an effective, efficient and transparent system of financial and risk management and internal control.

The system of internal control and the concomitant control environment within SANBS has improved as the various reports of the internal auditors, will attest. No material control breakdowns occurred during the year under review.

The Audit and Risk Committee is pleased to report that there were no significant non-compliance with legal and regulatory provisions and the policies and procedures of SANBS occurred during the financial period under review.

Governance of risk

The Audit and Risk Committee has the responsibility to ensure that a risk management process is in place at SANBS and as such can report that, at the meetings held during the year it was informed that risks are managed and that over and above the strategic risk assessment carried out, strategic and operational risks are managed on a continuous basis.

Additional information regarding the risk events and their effect on this Annual Report are detailed elsewhere in the report.

Internal Audit

The Audit and Risk committee is responsible for ensuring that the Internal Audit function is independent and has the necessary resources, standing and authority within the organisation to enable it to discharge its duties.

Furthermore, the Audit and Risk Committee oversees cooperation between the Internal and External Auditors, and serves as a link between the management team and these functions. The Audit and Risk Committee wishes to confirm that it has reviewed both the effectiveness and the independence of the Internal Audit function for the year under review and it is satisfied both with the effectiveness of the Internal Audit function and the independence of the Internal Audit function.

Whistle blowing

The Audit and Risk Committee wishes to report that, in the year under review, five tip-offs were received. Three were investigated and finalised. Two are still in the process of being investigated.

The quality of management and monthly / quarterly reports submitted

The Audit and Risk committee reports that, during the year under review, they were presented with regular monthly or quarterly management reports to enable them to:

- i. Monitor the integrity, accuracy and reliability of the financial position;
- ii. Review the management accounts of the organisation to provide the Board with an authoritative and credible view of the financial position of the organisation;
- iii. Review the disclosure in the financial reports of the organisation and the context in which statements on the financial health of the organisation are made; and
- iv. Review all material information presented together with the management accounts.

Quality of budgets submitted

The Audit and Risk Committee reports that, during the year under review, they were presented with a budget to enable them to:

- i. Review and ensure that the annual budget of the organisation is balanced, credible and realistic against the approved business plan; and
- ii. Monitor and periodically review the implementation of the approved budget of the organisation by the Board.

Evaluation of financial statements

The Audit and Risk Committee, at its meeting held on 18 August 2015, resolved to recommend the approval of the Annual Financial Statements to the Board.

The Audit and Risk Committee wishes to indicate that it performed a review on the Annual Financial Statements focusing on:

- i. Significant financial reporting judgements and estimates contained in the Annual Financial Statements;
- ii. Clarity and completeness of disclosure and whether disclosures made have been set properly in context;
- iii. Quality and acceptability of, and any changes in accounting policies and practices;
- iv. Compliance with accounting standards and legal requirements;
- v. Significant adjustments and/or unadjusted differences resulting from the external audit;
- vi. Reflection of unusual circumstances or events and management's explanation for the accounting treatment adopted;
- vii. Reasons for major year-on-year fluctuations;
- viii. Asset valuations and revaluations;
- ix. Calculation and levels of general and specific provisions;
- x. Write-offs and reserve transfers; and
- xi. The basis for the going concern assumption.



Conclusion

The Audit and Risk Committee wishes to report that it has executed on its roles and responsibilities in terms of its Board approved terms of reference and all applicable laws and rules.

The Audit and Risk Committee concurs with and accepts the conclusions and the audit opinion of the external auditors on the Annual Financial Statements and is of the view that the audited financial statements be accepted and read together with the report of the external auditors.

Signed:

Ms Doris Dondur

Chairman of the Audit and Risk Committee

Date: 18 August 2015

6.10 Enterprise Risk Management

A renewed focus on risk management has been introduced in this reporting period with the segregation from Internal Audit and establishment of a dedicated Risk Management Office on a strategic level within the CEO's office. The risk management specialist function provides support to the Board on strategic and governance level, the Executive management in risk management execution and to the operational environment; through training and development of a new approach to risk management throughout the business. The new approach to risk has been introduced through a revised Risk Strategy. The aim is to define the understanding and optimal value of risk management

in the specialised SANBS environment. A direct focus of threat identification and management linked to the Strategic Goals, as set by the Board, has been embedded in the total enterprise wide risk management approach.

The revised and renewed risk management framework has been developed on a fundamental understanding of SANBS' business objectives and environment, along with continuous cooperation and interaction with staff, internal specialists and all levels of management. The policy structure guides the roles and responsibilities of the various levels of staff and also specialist positions that are key to a successful risk management process and ultimately stimulate and define accountability for risk identification, management and mitigating actions across the business.

The risk appetite of the Board and SANBS is reviewed on an annual basis with an assessment of the appetite statements and the tolerance levels. These are compared to the business events over the past financial year that may or have impacted these thresholds and their effectiveness. These thresholds also guide the materiality of loss events and the threat to sustainability of these events if they occur. The top strategic and sustainability risks to SANBS as a whole are reviewed in an assessment workshop annually by the Board, and the top risks are a standing agenda item on the quarterly Board agenda. The risk management framework has a specific focus on compliance as a key component of business principles and effectiveness in the context of medical practice and blood services, with alignment to International and National Laws, Regulations and Standards. The Board and risk management unit maintains a key focus on sustainability and any threat that has a significant impact on SANBS. Main areas of focus include regulatory and legislative changes, economical factors driving operational cost and ultimately product and service prices and utilities and infrastructure stability. The Board risk management process and annual assessment has a specific focus on this area of risk and the requirement to prioritise any material concerns and required actions.

7. DIVISIONAL REVIEWS

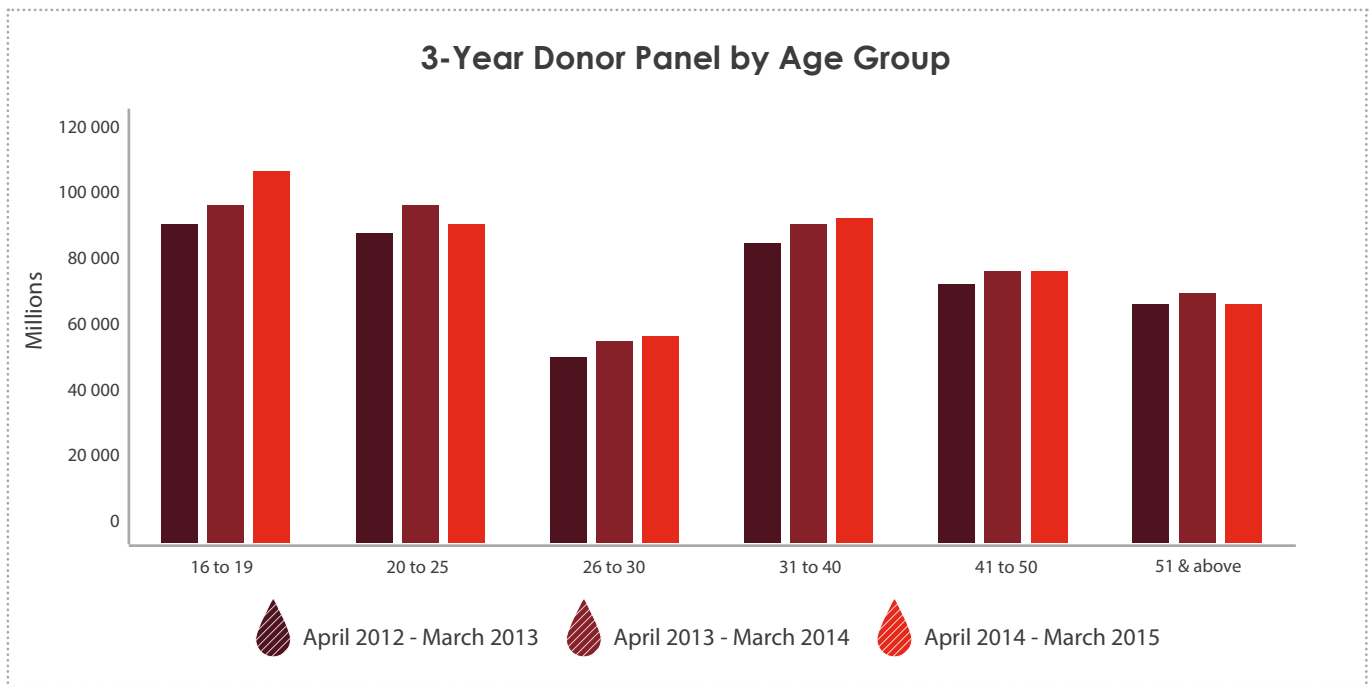
7.1 Operations Division

Maintaining a donor panel with balanced contributions from the different age categories is critical to ensuring that SANBS is sustainable in procuring sufficient blood in future. During this year the focus was to increase the number of donors in the 16 - 18 age groups while

maintaining the donor base in the other age groups. This was achieved and over the past decade, SANBS has moved away from the threat of an aging donor base.

Whole Blood collections for the 2014/2015 financial year were 2% below target for all groups and 1.5% below target for group O.

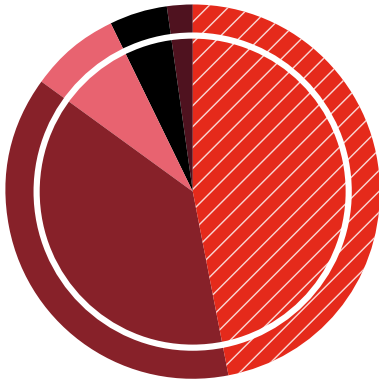
3-Year Donor Panel by Age Group





SANBS donors by Ethnic Group (2014/15)

April 2014 to March 2015



47%	White (226 475)
38%	Black (182 444)
8%	Asian (39 586)
5%	Coloured (25 819)
2%	Unknown (10 174)

A major achievement has been to retain regular repeat and lapsed donors that return to donate. The target for returning donors was set at 85% and SANBS achieved a return rate of 87%. This is one of the highest return rates among blood donors globally and is a testament to the committed SANBS donors. The target for new donors was set at 15% and SANBS achieved a rate of 13% new donors.

There has also been on-going investigation of pathogen inactivation for platelets. This technology is capable of destroying any bacteria or virus in platelets making the product even safer. It is anticipated that this technology will be evaluated for implementation in 2015/2016.

It is extremely important that every unit of blood collected is efficiently used with minimum discards during the various blood processing steps. The production discards amounted to 0.49%, significantly below the scorecard threshold of 2%, resulting in more blood components being available for issue and cost savings.

A core objective of SANBS is to ensure adequate supply of blood products to patients and to ensure appropriate use of blood and minimise over-ordering and wastage in hospital wards. Various initiatives were implemented in 2014 to manage the appropriate use of this critical product:

- Four Blood Conservations Officers were employed to focus on interventions such as the appropriate use of emergency blood, decreasing the amount of blood wasted and introduce blood on a returnable basis, where it is currently under utilised.
- Increased blood bank coverage with extended operating hours to ensure cross matched blood is readily available and reduce the need for emergency group O blood. This resulted in a drastic decrease in the usage of group O emergency blood by more than 12% for during the year. The outcome of this resulting on the collections target for 2015/16 being reduced for the first time in many years.
- In order to manage the narrowing gap between the supply and demand for blood products, minimise over-ordering and wastage by clinicians and to ensure an equitable distribution of blood, cutbacks are employed at varying degrees depending on the national days cover. A smaller amount of blood is issued to a patient than was ordered by a clinician. This is done with the permission of the clinician and more blood is available if additional units are requested. The cutbacks for the financial year were maintained where required, which prevented stock-outs without any reported negative outcomes in patients.

The following initiatives contributed to maintaining blood safety at adequate levels.

The testing strategy and algorithms for hepatitis B were reviewed to allow re-entry of donors that are anti-HBc positive but have a high titre of anti-HBs antibodies. An HTLV prevalence study was performed to determine the background prevalence in the donor population and assist in enabling SANBS and the DoH to evaluate whether to introduce testing for anti-HTLV.

A collaborative Radio Frequency Identification (RFID) safety and efficacy research study was conducted. As RFID is cutting edge technology in logistics and supply chain, the study has laid the groundwork for application of the technology throughout SANBS and also underpinned the Strategic Objective of Harnessing technology for internal processes, as well as encouraging collaborative research.

7.2 Medical Division

The medical division plays an important role in ensuring the safety of blood and comprises of clinical (medical and therapeutics), donor care, specialised laboratory services (SLS), quality systems (QS), quality control (QC) and is also the custodian of safety and environment affairs for the organisation. The Safety and Environment focus for 2014 was predominantly on facilitating safety related issue based risk assessments and to co-ordinate baseline activities for the Environmental Management System.

SANBS benchmark at an international level to ensure blood safety, by adopting guidelines from the World Health Organisation (WHO). This international standard, together with continuous research and investigation on best guidelines relevant to the South African community, have placed SANBS amongst countries with the safest blood supply in the world.

SANBS continuously monitors the safety of the donors. For compliance to the National Health Act and the reporting of adverse donor and transfusion related events to the minister of health. An annual haemovigilance report is submitted to the DoH and the parliamentary library.

SANBS maintains key international stakeholder relationships through medical and technical specialisation in Blood services and continues to be an active member of the International Haemovigilance Network (IHN).

The SANBS team has completed the WHO haemovigilance guidelines with a core writing group.

The guidelines are with the WHO editing group and will be published in 2016. The guidelines are aimed to assist countries without haemovigilance systems or those wanting to improve their current systems, mainly in Africa. Guidelines will be drafted to guide how research support can be offered within the haemovigilance space between Blood Transfusion Services (BTS).

Donor adverse events remained the same at 0.57% over the period. The rate remains below the set threshold of 2%. Donor deferrals have shown a steady increase year on year. The rates were at 19.11 % over the financial year compared to 17.38% in 2013/14. The main reason for donor deferrals in 2014/15 was haemoglobin failure at 34.12% with black donors having the highest deferral rate at 27.41%. With the iron study having been concluded, the results may assist in implementing certain interventions and/or guide policy change.

An ongoing concern is the conflicting legislation around consent for 16-18 year old donors. In conjunction with the Western Province Blood Transfusion Service (WPBTS) a submission was made to the DoH for official permission to continue bleeding donors that are 16 and 17 years old. Blood collected from these donors contribute to ± 10% of the blood supply. No response to date has been received, resulting in this continuing to be a threat to the sustainable blood supply of the country. These donors are the foundation for an ongoing blood supply and an opportunity could be lost, for ongoing education to the youth on lower risk (e.g. safer sexual) behaviour.

The Specialised Laboratory Services (SLS) and Specialised Therapeutics divisions represent the product and service diversification goal for SANBS. Several achievements have been realised namely:

- SANBS has implemented high definition Human Leucocyte Antigen (HLA) molecular typing for donors registering on the SABMR and for patients awaiting transplantation and their potential donors.
- All SLS laboratories have maintained SANAS accreditation.
- State of the Art instrumentation for genetic sequencing has been procured, installed and validated at the head office SLS facility for High Resolution HLA typing.



- The Human Platelet Antigen (HPA) genotyping validation has been completed and implemented.
- Red Blood Cell (RBC) genotyping validation has been completed and implemented, allowing SANBS to be on par with 1st world countries in this area.
- SLS performed Cadaver and related donor testing for organ allocation for eight of the nine provinces in South Africa.

The Therapeutic Apheresis Services include exchange procedures (plasma exchange and red cell exchange

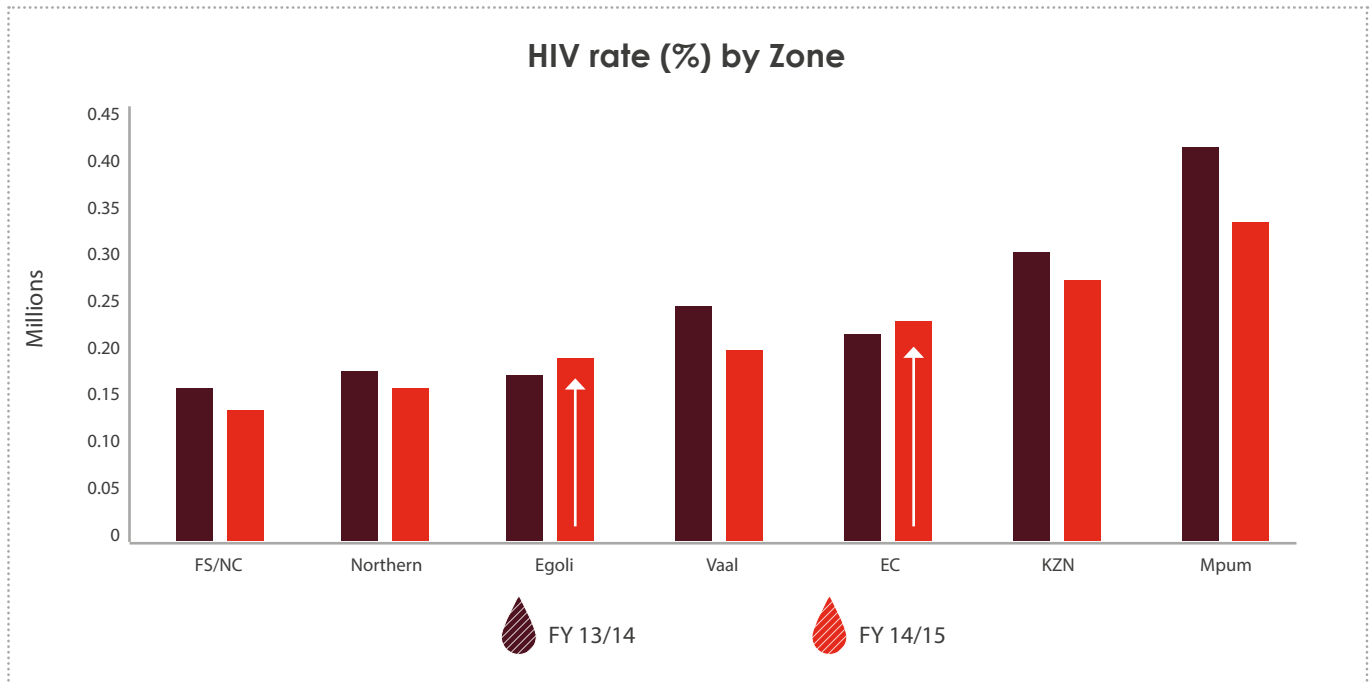
and stem cell transplants). SANBS remains the only provider for this service in State. Last year saw the service double its output.

SANBS has been granted the unique accreditation number of **PTS0006** indicating a SANAS Accredited Proficiency Testing Scheme Laboratory. Proficiency testing scheme laboratory to provide for 12 SADC countries in Southern Africa; as well as private and national laboratories.

Blood collected and blood products issued during the 2014/2015 Financial Year

<p>Apheresis Red Cell Collections</p>	<p>1 971 red cell apheresis collection procedures took place which yielded 3 826 adult Red Cell products (yield = 1.94 adult Red Cells per procedure). 99% of the RBC products were issued for transfusion.</p>
<p>Turn-around-time of Red Cell Products</p>	<p>Fifty six per cent of Red cells products were issued within 5 days of collection. For Group O Red Cells, 67% were issued within five days of collection.</p>
<p>Platelet Issues: April 2013 – March 2015</p>	<p>Platelet issues increased since the previous financial. The number of Apheresis Products and Pooled Platelet Product issued in this financial years were 27 344 and 32 140 respectively. (Apheresis Platelets: ▼ 803 and Pooled Platelets: ▲ 2 267). Neonatal and paediatric products accounted for 18.4% of apheresis platelet issues. Gauteng hospitals used 62% of the apheresis platelets.</p>
<p>Viral Surveillance</p>	<p>HIV: Quarterly HIV prevalence fluctuated between 0.20% and 0.24% during the past two financial years. The HIV rate was 0.21%. HCV: HCV prevalence decreased to 0.008% since the previous financial years' rate of 0.0.009%. HBV: HBV prevalence decreased to 0.14% since the previous financial years' rate of 0.16%.</p>

The following graph depicts HIV prevalence for the last two financial years per Zone



Research

SANBS is committed to advancing South Africa's innovation in transfusion. SANBS realised progress towards this objective through relevant and productive research, the training of highly qualified researchers and a series of development projects fully integrated into SANBS' core operations, in the pursuit of enhanced quality, efficiency and cost-effectiveness.

Recipient Epidemiology and Donor Evaluation Study-III (REDS-III) sponsored projects:

This is a partnership between the University of California San Francisco/Blood Systems Research Institute (UCSF/BSRI) and SANBS in order to perform cutting-edge clinical and epidemiologic research in transfusion medicine in South Africa.

The manuscript for the OH pilot study was submitted successfully and has since been published (Transfusion). The manuscript from the focus group analysis is under

review at Transfusion Medicine and has since been approved for publication in 2015.

Finally, a study to characterise HIV incidence and molecular profiles among blood donors in South Africa is in the analysis phase. An "incidence working group" has been formed together with representatives from the REDS-III international China and Brazil programs.

SANBS sponsored research initiatives

Data collection was completed for the following studies:

- A study to determine the prevalence of iron depletion and iron deficiency among potential, first time, lapsed and repeat donors in SANBS has been completed and analysis is underway.
- The laboratory work of a study to determine the sensitivity of HIV antigen/antibody combination assays has been completed. The study results are being written up as a dissertation to be submitted to the University of Johannesburg for M. Tech in Biomedical Technology.



- A study on the demographic correlates of low haemoglobin deferral among potential donors at SANBS has been completed. An MSc dissertation has been submitted to the University of the Witwatersrand for MSc degree.

Dissemination of knowledge

Our researchers continue to share their expertise by publishing their research findings. Over the last year, they have published three (including REDS 111 publications) peer-reviewed journal articles in prestigious journals such as Transfusion, Transfusion Medicine and Transfusion Today. SANBS' staff made a total of 19 presentations at national and international congresses. These congresses include the 7th Africa Society for Blood Transfusion (AfsBT) Congress, 2014 and The Apheresis 36th Annual Meeting, 2015.

President's Emergency Plan for Aids Relief Program (PEPFAR)

SANBS Human Research Ethic Committee (SANBS HREC) has been established as an independent committee with a mandate to review all health research proposals to ensure that ethical standards are met i.e. respects the dignity, rights, safety and well-being of research participants.

The Scientific Review Committee is responsible for reviewing and evaluating all research projects involving facilities, staff, donors and patients by ensuring that the scientific question being asked is relevant and that the design of the study is appropriate to answer that question.

- 1) The PEPFAR program is a support to SANBS to enhance and continue safe blood practices in South Africa under PEPFAR and focuses on six objectives, which aim to develop a sustainable system to ensure an adequate supply of safe blood for patients in South Africa. The program aims primarily to strengthen the infrastructure of SANBS, to prevent new HIV infection transmissions and to build the capacity of the organisation to deliver a better quality of service to the patients. Funds awarded in the 2014/2015 financial

year by PEPFAR were utilised in various programs including Save Mothers Campaign. In 2015 the national DoH finally published the Maternity Care guidelines that SANBS contributed to. SANBS continues to have a strong partnership with the DoH with regards to the Save Mothers Campaign. This past year saw SANBS and the DoH following up on the recommendations made in 2011 with respect to reducing mortality and morbidity related to blood transfusion.

The QC Department participated in ISBT-WHO Platelet Transfusion Relevant Bacterial Reference Strain (PTRBRS) study to characterise new candidate strains for the enlargement of the existing WHO Repository. Eleven strains were evaluated by ten different countries, and those that demonstrate growth independent of donor effects will be nominated for inclusion in the WHO Repository.

7.3 Information and Communications Technology (ICT) Division

The core focus of SANBS' Information and Communications Technology (ICT) Department is to deliver innovative, cost-effective ICT solutions with leadership that enables the business to provide a safe and secure supply of blood products.

ICT has conducted extensive research in the areas of digitalisation that could enhance the Donor experience and provide visibility into the supply chain. The past financial year saw ICT focus on pilot projects, research and development, as well as the implementation of foundational infrastructure to support the vision in terms of harnessing future technologies:

- Wi-Fi facilities was rolled out successfully to eighty fixed donor sites.
- Internal business applications like SAP and Meditech were enhanced in support of new business requirements.
- Leveraging of existing technology saw the continued expansion of the IP telephony platform to branches which reduced communications costs.
- The first phase of the Customer Relationship

Management Project was initiated which included a Donor Survey to inform the priority of certain requirements and the implementation timeframe.

Flagships projects initiated for key focus areas, which will continue for the next three to five years are:

- Digitalisation;
- Customer Relationship Management;
- Data Analytics; and
- Business Systems and Infrastructure upgrades.

SANBS' ICT also places an emphasis on ensuring the availability of the ICT systems by maintaining an average systems uptime of 99%.

7.4 Marketing and Communications

The strategic focus of Marketing and Communication was on the attraction and retention of donors through brand awareness and communication interaction with stakeholders.

Above and below the line marketing initiatives ensures that the SANBS message is received by potential and regular donors.

2014 Blood Donor Month / World Blood Donor Day

SANBS has adopted June as blood donor month. The month was supported by many events and special blood drives with significant amounts of free publicity. The World Health Organisation's theme for World

Blood Donor Day was "Safe Blood for Saving Mothers". There were 4507 donations and 3901 collections during World Blood Donor Day.

Communications

- Social Media Platforms such as Facebook have increased to 19 312; with Twitter followers at 4 959.
- Publications: Blood Beat is published to inform the public and donors about blood donation and share donor successes. SANBS Internal News is published quarterly to inform internal stakeholders of current affairs.

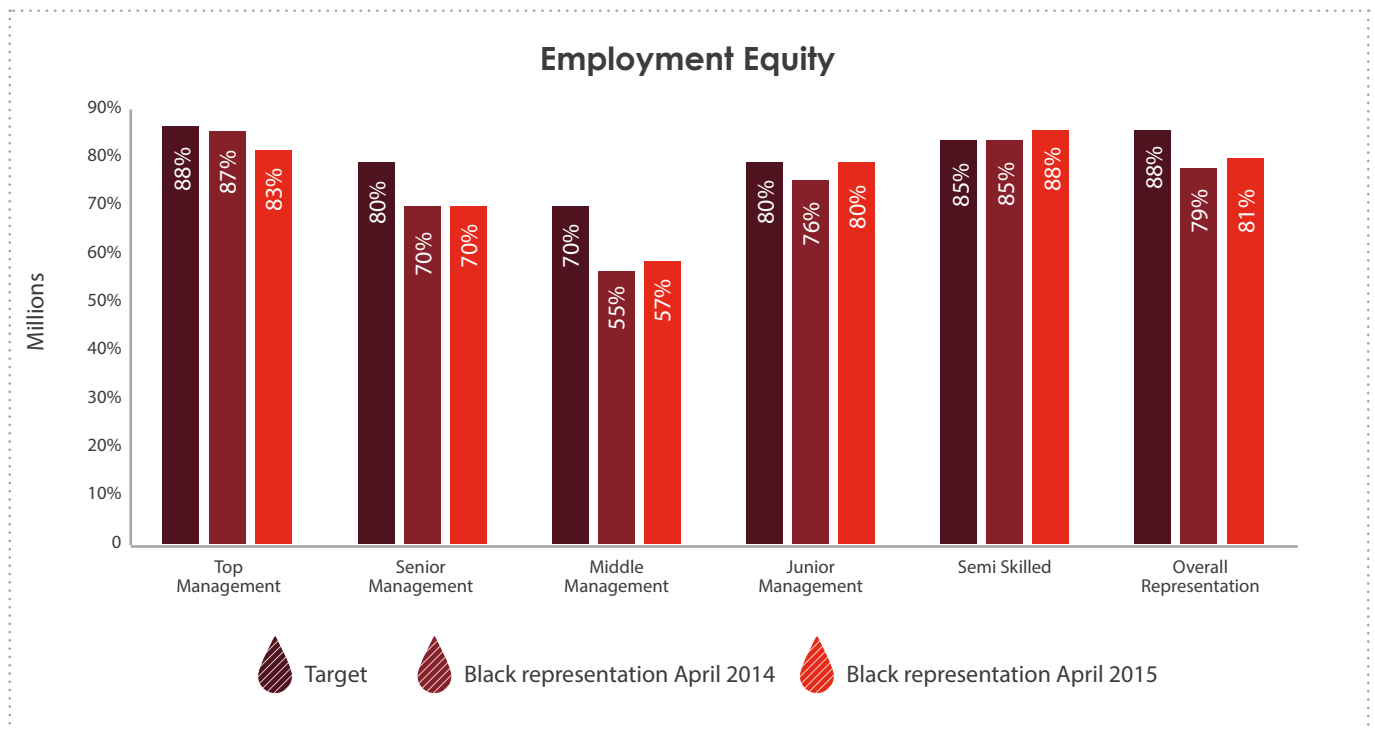
7.5 Human Capital Management

SANBS' strategic goal of "Enabled, Empowered and Engaged" employees remain the primary focus of Human Resources projects and processes. The aim is to promote a values based culture and a work environment designed to ensure that employees are committed and motivated to contribute to SANBS' success, and are able to enhance their own sense of well-being.

The Employment Equity target for the 2014-2015 is aligned to the economically active population (EAP) target of 88% overall black representation. SANBS believes that the demographics should reflect that of the communities served. During the previous financial year the organisation's overall black representation has improved from 79% to 81%.



The graph below depicts overall black representation per occupational level for 2014 and 2015.



BBBEE Elements

The table below depicts the Employment Equity and Skills Development Scores for 2014 and 2015

BBBEE Element	Weighting 2015	% Score for indicator 2015	Points 2014	Points 2015
Employment Equity ("EE")	15	80.94	12.38	12.14
Skills Development ("SD")	20	65.35	16.00	13.07

In order to improve the EE and SD score for next reporting period, the focus will be on targeted recruitment and skills development for employees with disabilities.

During the year under review employees' self-declared disability status is currently 1.09% of current staff complement.

During the year under review SANBS HR undertook the following projects:

Performance Management System

The implementation of the SAP based performance management system has enabled the organisation to align employee performance with remuneration at management level.

For the union members, the organisation will continue to compensate them through the negotiated agreements concluded with the majority union.

Individual Scorecards for all employees for the 2015/16 financial year will be implemented throughout the organisation using the new performance management system.

Broad banding

In order to align employees' responsibilities and their role profiles, the organisation embarked on a Broad banding project. All role profiles of executive, management and supervisory levels were reviewed and graded. The project will be completed in the next financial year.

E-Recruitment

The E-Recruitment project was initiated in order to automate the recruitment process and replace the cumbersome and paper based recruitment process. Some of the objectives were to improve efficiencies and reduce the costs associated with the paper based system. There has been a positive uptake of the usage of the online recruitment system from vacancy requisitions, adverts and response handling. There are currently 28,552 candidates on our database.

SANBS has achieved full accreditation as an education and training provider with the Health and Welfare SETA (HWSETA). With this accreditation, SANBS will be able to offer:

- Nationally and internationally recognised programmes;
- An externally validated quality management system; and
- Be recognised by peers as a best-practice organisation in learning and development.

National Board examination results (Health Professions Council of South Africa)

As most of the critical competencies required in the blood transfusion value chain is not readily available in the market, SANBS has to train and orientate various professionals in the discipline of blood transfusion. The training programmes vary in length from twelve (12) to thirty six (36) months and ends with the writing of a national Board examination. Successful completion of the programme leads to registration with the Health Professions Council of South Africa (HPCSA) as a health professional. These include Laboratory Assistants, Medical Technicians, Medical Technologists and Phlebotomists.

SLS is also involved in a student internship training program with the University of KZN for cytogenetic technologists and scientists. During 2014, two internship scientists qualified through the program. There is a program in place for development of laboratory assistants within SLS.

Succession and vacancy risk is continuously monitored, in particular for key management positions. The final implementation of the new Performance Management System during the year under review will greatly improve succession planning. Management is reviewing the current Talent Management Framework and a new system will be implemented in the next financial year. SANBS prides itself on their ability to retain key staff members and therefore report that employee turnover increased marginally to 7.3% (5.8% 2013/14).

SANBS has a bursary scheme for employee dependants.



ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2015

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These financial statements were prepared by the Chief Financial Officer,
Ms Nandi Mankungu (CA) SA.

DIRECTORS' APPROVAL

OF THE ANNUAL FINANCIAL STATEMENTS

The annual financial statements set out on pages 43 to 80 and the Directors' Report were approved by the Board of Directors on 21 August 2015 and were signed on its behalf by: R. Theunissen and T. Vroom.

DIRECTORS' STATEMENT OF RESPONSIBILITY FOR THE ANNUAL FINANCIAL STATEMENTS

The Directors are required, in terms of good governance and the South African Companies Act 71 of 2008, to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report.

The Directors are further responsible to ensure that the annual financial statements fairly present the state of affairs of the organisation as at the end of the financial year, and the results of its operations and cash flows for the year then ended, in conformity with the International Financial Reporting Standards (IFRS).

The external auditors are engaged to express an independent opinion on the annual financial statements.

The annual financial statements of the South African National Blood Service (SANBS) have been prepared in terms of the International Financial Reporting Standards (IFRS), including any interpretations, guidelines and directives issued by the Accounting Standards Board, as well as in a manner required by the Companies Act. The Directors have made an assessment of SANBS' ability to continue as a going concern and have every reason to believe that SANBS will be a going concern in the year ahead. The Directors' responsibility also includes maintaining an effective risk management system and an adequate system of internal controls that are designed to provide cost-effective assurance that assets are safeguarded, that liabilities and working capital are efficiently managed

and that there are policies, procedures, structures and approval frameworks to provide direction, accountability and division of responsibilities.

The Directors place considerable importance on maintaining a strong control environment. The Directors set standards for internal controls aimed at reducing the risk of error or loss in a cost-effective manner.

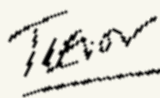
These standards include proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. Nothing has come to the attention of the Directors to indicate that any material breakdown in functioning of these controls, procedures and systems occurred during the year under review.

Based on the information and explanations provided by management, the Directors are of the opinion that the system of internal controls provides reasonable assurances that the financial records may be relied upon for the preparation of the annual financial statements.

The Directors are also of the opinion that the annual financial statements, including the cash flow information, fairly present the financial performance and cash flows of SANBS as at the 31st of March 2015, and the results of its operations for the year then ended.



R Theunissen
Chairman



T Vroom
Chief Executive Officer



CERTIFICATION BY COMPANY SECRETARY

I certify that in accordance with the provisions of section 88(2) of the South African Companies Act 71 of 2008 that to the best of my knowledge and belief all required returns notices in terms of the Companies Act 71 of 2008 have been lodged with the Companies and Intellectual Property Commission (CIPC). I certify that all such returns and notices appear to be correct and up to date.

M Luthuli
Company Secretary
Johannesburg
21 August 2015

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF THE SOUTH AFRICAN NATIONAL BLOOD SERVICE

We have audited the annual financial statements of The South African National Blood Service set out on pages 50 to 80, which comprise the statement of financial position as at 31 March 2015, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the annual financial statements

The company's directors are responsible for the preparation and fair presentation of these annual financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of the annual financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the annual financial statements present fairly, in all material respects, the annual financial position of The South African National Blood Service as at 31 March 2015, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.



Other reports required by the Companies Act

As part of our audit of the annual financial statements for the year ended 31 March 2015, we have read the Directors' Report and the Company Secretary's Certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited annual financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited annual financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

A handwritten signature in black ink that reads "Deloitte & Touche".

Deloitte & Touche
Registered Auditor
Per: D H Uys
21 August 2015

DIRECTORS' REPORT

The Directors have pleasure in presenting their report and the audited annual financial statements for the year ended 31 March 2015.

1. NATURE OF BUSINESS

The main purpose and objective of the South African National Blood Service (SANBS) is to provide blood components and related services.

The mandate of SANBS is derived from the National Health Act, Act No. 61 of 2003.

The members of SANBS are donors elected by Donor Structures onto the National Council as set out in the Memorandum of Incorporation. The National Council elects the donor Directors and holds the Board accountable for managing and controlling SANBS' operations in accordance with its mandate.

2. DIRECTORS

The Board of Directors currently comprises twelve Directors, seven being non-executive donor Directors elected by Council, two non-executive Directors appointed by the Board and three executive Directors as listed hereunder. Ms Mankungu was appointed to the Board and the other executive Directors are ex officio Directors.

During the year and up to the date of the annual financial statements the Board of Directors comprised the following members:

Elected Non-Executive Directors

R Theunissen - Chairman
(Appointed by the Board on
19 November 2014)
D Dondur
C Mey (Resigned 30 June 2014)
G Simelane
A Christians
P Knox
A Ramalho
(Appointed by the Board on
19 November 2014)
M Gani
(Appointed by the Board on
19 November 2014)

Executive Directors

L Mpuntsha*
T Vroom#
C Ingram
N Mankungu

Board appointed Non-Executive Directors

C Sanangura
(Resigned 26 August 2014)
W Gumede
V Moodley

*The term of L Mpuntsha's contract came to an end on 31 March 2015.

#Mr T Vroom has been appointed as CEO from 1 August 2015.

All non-executive Directors have confirmed that they have no conflict of interest.



3. COMPANY SECRETARY

Mr Mduduzi Luthuli is the company secretary for SANBS with effect from 15 May 2014. The addresses of the Company Secretary are as follows:

Business Address

1 Constantia Boulevard
Constantia Kloof
Roodepoort
1724

Postal Address

Private Bag X14
Weltevreden Park
1715

4. AUDITORS

The auditors of SANBS are Deloitte & Touche whose addresses are as follows:

Business Address

Building 1
Deloitte Place
The Woodlands
Woodmead
Sandton
2191

Postal Address

Private Bag X6
Gallo Manor
2052

5. BUSINESS RESULTS SUMMARY

The financial position of the Company at 31st March 2015 is set out in the statement of financial position.

The statement of comprehensive income for the year reflects a surplus of R342.5 million (2014 : R323.2 million).

6. EVENTS AFTER THE REPORTING DATE

The Directors are not aware of any material matters or circumstance arising since the end of the financial year to the date of this report, which requires consideration for adjustment to or disclosure in the annual financial statements for the year ended on the 31st of March 2015.

7. GOING CONCERN STATUS

Having reviewed SANBS' cash flow forecast for the year 2015/2016 and, in light of the current financial position, the Directors are satisfied that the organisation has, or has access to, adequate resources to continue its operational existence for the foreseeable future.

8. POLICY DIRECTIVES

During the year under review, no new policy directives or operating license reviews were received by SANBS from the Regulator

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2015

	Notes	2015 R'000	2014 R'000
REVENUE	3	2 250 041	2 116 966
Expenses	4	(1 993 476)	(1 863 384)
Other income		17 532	24 131
Net interest received		68 437	45 504
Interest received	5	68 609	45 982
Interest expense	5	(172)	(478)
SURPLUS FOR THE YEAR	6	342 534	323 217
Other comprehensive surplus for the year		337 642	323 217
Actuarial losses		4 892	-
COMPREHENSIVE SURPLUS FOR THE YEAR		342 534	323 217



STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2015

	Notes	2015	2014
		R'000	R'000
ASSETS			
Non-current assets			
Property, plant and equipment	8	297 764	273 330
Assets held-for-sale	11	5 883	5 883
Current assets			
Inventories	9	102 513	79 507
Trade and other receivables	10	480 083	557 063
Cash and cash equivalents	16.3	1 374 189	1 011 410
Total current assets		<u>1 956 785</u>	<u>1 647 980</u>
Total assets		<u>2 260 432</u>	<u>1 927 193</u>
RESERVES & LIABILITIES			
Reserves		1 924 224	1 581 690
Non-current liabilities			
Provision for post-retirement medical aid obligation	12	40 292	45 421
Total non-current liabilities		<u>40 292</u>	<u>45 421</u>
Current liabilities			
Interest-bearing liabilities	13	24	2 143
Current portion of provision for post-retirement medical aid obligation	12	2 187	-
Trade and other payables	14	185 123	199 653
Provisions	15	108 582	98 286
Total current liabilities		<u>295 916</u>	<u>300 082</u>
Total reserves and liabilities		<u>2 260 432</u>	<u>1 927 193</u>

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2015

	RESERVES
	R'000
Balance at 31 March 2013	1 258 473
Surplus for the year	323 217
Balance at 31 March 2014	1 581 690
Surplus for the year	342 534
Balance at 31 March 2015	1 924 224



STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2015

	Notes	2015	2014
		R'000	R'000
Cash flows from operating activities			
Cash generated from operations	16.1	325 454	319 841
Changes in working capital	16.2	49 740	(42 496)
Cash generated from operating activities		375 194	277 345
Interest received	5	68 609	45 982
Interest expense	5	(172)	(478)
Net cash generated from operating activities		443 631	322 849
Cash flows from investing activities			
Acquisition of property, plant and equipment	8	(76 780)	(68 455)
Proceeds from sale of plant and equipment		989	3 306
Net cash utilised in investing activities		(75 791)	(65 149)
Cash flows from financing activities			
Decrease in interest-bearing liabilities		(2 119)	(4 834)
(Decrease)/Increase in provision for post-retirement medical aid obligation		(2 942)	2 000
Net cash utilised in financing activities		(5 061)	(2 834)
Increase in cash for the year		362 779	254 866
Cash and cash equivalents at the beginning of the year		1 011 410	756 544
Cash and cash equivalents at the end of the year	16.3	1 374 189	1 011 410

1. ACCOUNTING POLICIES

Statement of compliance

The annual financial statements of the company are prepared in accordance with IFRS. The principal accounting policies adopted, which have been consistently applied in all material respects, are set out below.

The basis of preparation is consistent with the prior year, except for new and revised standards and interpretations adopted as detailed below.

1.1. Adoption of revised accounting standards

In the current year, the company has adopted all the new and revised Standards and Interpretations issued by the International Accounting Standards Board (IASB) that are relevant and effective for the accounting period beginning 1 April 2014.

At the date of approval of the financial statements, the following relevant Standards, Amendments and Interpretations were in issue but are not yet effective:

IFRS 9 Financial Instruments – Classification and Measurement (Effective for annual periods beginning on or after 1 January 2015).

IFRS 7 Financial instruments - disclosure (Effective for annual periods beginning on or after 1 January 2016)

The Directors are in the process of evaluating the effects of these new Standards and Interpretations, but they are not expected to have a significant impact on the company's disclosures.

1.2. Basis of preparation

The annual financial statements are prepared on the historical cost basis, except for certain financial instruments carried at fair-value.

These financial statements are presented in South African rand since that is the currency in which the majority of the company's transactions are denominated.

1.3. Property, plant and equipment

Land and buildings are stated at cost. Buildings are depreciated over their useful lives to their residual values.

Plant, equipment, furniture and fittings and vehicles are stated at cost less accumulated depreciation and impairments. Depreciation is charged so as to write off the depreciable amount of the assets over their estimated useful lives, using the straight-line method. Depreciation commences when the assets are ready for their intended use.

The useful lives are:

Buildings	50 years
Plant and equipment	4 to 10 years
Motor vehicles	4 years
Computer equipment	4 years
Furniture and fittings	4 years

Rates are considered appropriate to reduce the carrying amounts of the assets to their estimated residual values over their expected useful lives. The residual values and useful lives are assessed on an annual basis.

Assets held under finance leases are depreciated over the useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.



Gains and losses on disposals are determined by comparing proceeds with carrying amounts and these are included in the operating profit.

1.4. Leases

Assets held under finance leases are capitalised at their fair-value at the date of acquisition. The corresponding liability, net of deferred finance charges, is included in the statement of financial position as a long-term liability.

Finance costs, which represent the difference between the total leasing commitments and the fair-value of the assets acquired, are charged to the statement of comprehensive income over the terms of the lease so as to produce a consistent periodic charge on the remaining balance of the obligation.

Leases, where a significant portion of the risks and rewards of ownership are retained by the lessor, are classified as operating leases. Payments made under operating leases are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

1.5. Financial Instruments

Financial assets and financial liabilities are recognised when the company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair-value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair-value through profit or loss) are added to or deducted from the fair-value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities

at fair-value through profit or loss are recognised immediately in profit or loss.

1.6. Financial assets

Financial assets are classified into the following specified categories: financial assets 'at fair-value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available for sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

1.6.1. Effective-interest method

The effective-interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective-interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective-interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective-interest bases for debt instruments other than those financial assets classified as at FVTPL.

1.6.2. Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- It has been acquired principally for the purpose of selling it on the near term; or
- On initial recognition it is a part of a portfolio of identified financial instruments that the company manages together and has a recent actual pattern of short-term profit taking; or
- It is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise: or
- The financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair-value basis, in accordance with the Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- It forms a part of a contract containing one or more embedded derivatives, and IAS39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair-value, with any gains or losses arising on re-measurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the other gains and losses' line items in the statement of comprehensive income. Fair-value is determined in the manner described in note 19.

1.6.3. Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the company has the positive intent and ability to hold to maturity.

Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective-interest method less any impairment.

1.6.4. Available-for-sale financial assets (AFS)

AFS financial assets are non-derivatives that are either designated as AFS or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair-value through profit or loss.

Changes in the carrying amount of AFS monetary financial assets relating to changes in foreign currency rates (see below), interest income calculated using the effective-interest method and dividends on AFS equity investments are recognised in profit or loss.

Dividends on AFS equity instruments are recognised in profit or loss when the Company's right to receive the dividends is established.

The fair-value of AFS monetary financial assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate prevailing at the end of the reporting period.

The foreign exchange gains and losses that are recognised in the profit or loss are determined based on the amortised cost of the monetary asset. Other foreign exchange gains and losses are recognised in other comprehensive income.



1.6.5. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are measured at amortised cost using the effective-interest method, less any impairment. Interest income is recognised by applying the effective-interest rate, except for short-term receivables when the recognition of interest would be immaterial.

1.6.6. Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For AFS equity investments, a significant or prolonged decline in the fair-value of the security below its costs is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- Significant financial difficulty of the issuer or counterparty; or
- Breach of contract, such as a default or delinquency in interest or principal payments; or
- It becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- The disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on

a collective basis. Objective evidence of impairment for a portfolio of receivables could include the company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 30 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective-interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account.

When a trade receivable is considered uncollectible it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit and loss.

When AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income and reclassified to profit or loss in the period.

For financial assets measured at amortised cost, if in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date of impairment is reversed, does not exceed what the amortised cost would have been had the impairment not been so recognised.

In respect of AFS equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair-value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. In respect of the AFS debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair-value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

1.6.7. De-recognition of financial assets

The company derecognises a financial asset only when the contractual rights to cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the company retains substantially all the risks and rewards of ownership of a transferred financial asset, the company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On de-recognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and the receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

On de-recognition of a financial asset other than in its entirety (e.g. when the company retains an option to repurchase part of a transferred asset or retains a residual interest that does not result in the retention of substantially all the risks and rewards of ownership and the company retains control), the company allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair-values of those parts on the date of the transfer.

The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in profit or loss.

A cumulative gains or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair-values of those parts.

1.7. Financial Liabilities and Equity Instruments

1.7.1. Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.



1.7.2. Equity instrument for trading

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the company are recognised at the proceeds received, net of direct issue costs.

1.7.3. Financial liabilities

Financial liabilities are classified as either financial liabilities "at Fair Value to Profit and Loss (FVTPL)" or "other financial liabilities".

1.7.3.1. Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- It has been acquired principally for the purpose of repurchasing it in the near term; or
- On initial recognition it is part of a portfolio of identified financial instruments that the company manages together and has a recent actual pattern of short-term profit taking; or
- It is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- The financial liability forms part of a group of financial assets or financial liabilities or both, which

is managed and its performance is evaluated on a fair-value basis in accordance with the company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- It forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments; Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair-value, with any gains or losses arising on re-measurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the other gains and losses' line item in the statement of comprehensive income. Fair-value is determined in the manner described in note 19.

1.7.3.2. Other financial liabilities

Other financial liabilities (including borrowings) are subsequently measured at amortised costs using the effective-interest method.

The effective-interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective-interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective-interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

1.8. Grants

Local and foreign Government grants are not recognised in profit or loss on a systematic basis over the periods in

which the company recognises as expenses, the related costs which the grants are intended to compensate.

Specifically, Government grants whose primary condition is that the company should purchase, construct or otherwise acquire non-current assets. This is recognised as deferred revenue in the consolidated statement of financial position and transferred to the profit or loss on a systematic and rational basis over the useful lives of the related assets.

1.9. Inventories

Inventories are valued at the lower cost and the net realisable value, using the standard costing method. Cost is determined as follows:

- Blood packs, accessories, packaging materials, filtration stocks, chemicals and the reagents at a standard cost that approximates latest invoice price.
- Raw materials, for the use in the manufacturing process, at a standard cost that approximates latest invoice price.
- Fractionated plasma in process products and finished products at a standard cost.
- Consumable stores at a standard cost that approximates latest invoice price.
- Plasma and purchased finished goods at a standard cost that approximates latest invoice price.
- Blood stocks on hand at the year-end are not included in inventories.
- Test kits using the weighted average method.
- Obsolete or slow moving inventories are identified and suitable reductions in value are made where necessary.

1.10. Non-current assets held-for-sale

Non-current assets are classified as held-for-sale if the carrying amount will be recovered through sale.

This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition and management is committed to the sale and the sale is expected to be completed within one year from date of classification. Immediately prior to being classified as held-for-sale, the carrying amount of the asset is measured in accordance with the applicable standards. After classification as held-for-sale, the asset is measured at the lower of the carrying amount and fair-value less costs to sell.

1.11. Revenue recognition

Revenue comprises the net revenue from service fees and product sales, excluding value added taxation. Revenue is recognised when significant risks and rewards are transferred to the buyer and the receipt of economic benefits is probable.

Service revenue

Service revenue is recognised with reference to the stage-of-completion of the transaction. Revenue is recognised when the amount of revenue and cost incurred in respect of the transaction can be measured reliably.

Product sales

Product sales revenue is recognised when significant risks and rewards have been transferred to the buyer and it is probable that economic benefits associated with the transaction will flow to the buyer.

Interest

Revenue is recognised as the interest accrues using the effective-interest rate method. Interest revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the entity and the amount of revenue can be measured reliably.



1.12. Retirement benefits

The company provides provident and post-retirement medical aid benefits only for certain employees.

The company contributes to defined contribution provident fund which is governed by the Pension Funds Act 1956. The company's contribution to the fund in respect of service during a particular period is recognised as an expense in that period.

Provision is made for the present value of future post-retirement medical benefits due to current and former employees on the accrual bases determined actuarially every three years. The projected unit credit method of valuation is used to calculate the post-retirement benefits.

1.13. Impairment

At each reporting date, the company reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists the recoverable amount of the asset, being the higher of its net selling price and its value in use, is assessed in order to determine the extent of the impairment loss, if any.

If the recoverable amount of an asset is estimated to be less than its carrying amount, its carrying amount is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

1.14. Foreign currencies

Transactions in foreign currencies are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are translated at the rates prevailing at the reporting date. Exchange differences are recognised in profit or loss in the period in which they arise.

1.15. Research and development

Expenditure on research and development is charged against operating income in the year in which it is incurred.

1.16. Provisions

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

2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

2.1. Critical accounting judgements

In the process of applying the company's accounting policies, management has made the following judgements, apart from those involving estimations, that affect the amounts recognised in the financial statements and related disclosure:

Impairment of assets

In making the judgement, management has assessed at each reporting date whether there is an indication that items of property, plant and equipment and other assets may be impaired.

If any such indication exists the recoverable amount of the asset is assessed in order to determine the extent of the impairment loss, if any. The recoverable amount is the higher of fair-value less costs to sell and value in use.

Provision for doubtful debts

Judgement is required to determine the recoverability of trade and other receivables. Various factors are considered when deciding on whether to impair receivables, including general economic terms, payment history and any other financial viability of the customer.

2.2. Key sources of estimation uncertainty

In the process of applying the company's accounting policies, management has made the following key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date:

Plant, equipment and vehicles residual values and useful lives

These assets are written down to their estimated residual values over their anticipated useful lives using the straight-line basis. Management reviews the residual values annually considering market conditions and projected disposal values. In assessing useful lives, maintenance programmes and technological innovations are considered.

Provision for post-retirement medical aid obligation

A liability exists in respect of current and retired employees to whom these benefits have been granted. These costs are provided on the accrual basis, determined actuarially. Refer to assumptions set out in note 12.

Inventories

Management periodically reviews inventories to identify any obsolete or slow moving inventory. Judgement and estimate is required to do these reviews. Any change in the estimate could result in the revision of the valuation of inventories.



NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2015

2015	2014
R'000	R'000

3. REVENUE

Revenue consists of the invoiced value of goods and services to customers excluding value added taxes.

Service fees	2 249 081	2 115 468
Product sales	960	1 498
Total revenue	<u>2 250 041</u>	<u>2 116 966</u>

4. EXPENSES

Advertising and promotions	31 228	33 522
Communication costs	32 187	31 200
Consulting fees	25 173	25 419
Consumables	519 413	458 760
Depreciation	51 094	42 944
Employee benefits	851 999	829 469
Freight	125 736	103 677
Hired premises	30 115	26 562
Motor vehicle costs	13 654	12 828
Product testing	54 252	49 268
Services	63 410	65 248
Travel and accommodation	36 663	31 223
Other expenses (includes bad debts write off, computer costs, foreign exchange variance; insurance and repairs and maintenance)	158 552	153 264
	<u>1 993 476</u>	<u>1 863 384</u>

5. NET INTEREST RECEIVED

Interest received : Bank	68 609	45 982
Interest charged by suppliers	(117)	(347)
Interest on finance lease obligations	(55)	(131)
Interest expense	(172)	(478)
Net Interest received	<u>68 437</u>	<u>45 504</u>

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2015

2015	2014
R'000	R'000

6. SURPLUS FOR THE YEAR

The surplus for the year is stated after taking into account the following items:

Auditor's remuneration	2 727	2 512
Audit fees	2 650	2 450
Fees for other services	77	62
Depreciation	51 094	42 944
Buildings	9 917	5 198
Plant and equipment	16 862	13 865
Motor vehicles	8 437	8 181
Computer equipment	12 596	12 502
Furniture and fittings	3 282	3 198
Directors' emoluments (refer to Note 22)	17 014	16 550
Executive Directors	13 626	12 785
Non-executive Directors	3 388	3 765
Net loss (gain) on foreign currency transactions	1 688	(3 497)
Employee benefits	851 999	829 469
Salaries and wages	602 394	568 381
Pension	82 404	76 113
Bonus	49 068	49 826
Leave	21 824	23 341
Medical aid	46 336	53 147
Other	49 973	58 661
Net loss/(profit) on disposal of property, plant and equipment	263	(815)
Operating lease expenses	41 039	35 770
Land and buildings	30 115	26 562
Plant and equipment	10 924	9 208



NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2015

7. TAXATION

No provision for taxation is made as the company is specifically exempt from taxation in terms of Section 10(1)(cN) of the South African Income Tax Act.

8. PROPERTY, PLANT AND EQUIPMENT

2015

Cost	Beginning of year	Additions	Disposals	Transfers	End of year
	R'000	R'000	R'000	R'000	R'000
Land and buildings	181 408	17 512	(119)	(64)	198 737
Plant and equipment	188 852	46 135	(6 792)	-	228 195
Motor vehicles	73 920	6 741	(3 199)	-	77 462
Computer equipment	78 568	3 037	(614)	-	80 991
Furniture and fittings	16 018	3 355	(107)	64	19 330
	538 766	76 780	(10 831)	-	604 715

Accumulated depreciation	Beginning of year	Additions	Disposals	Transfers	End of year
	R'000	R'000	R'000	R'000	R'000
Land and buildings	35 499	9 917	(52)	7	45 371
Plant and equipment	131 054	16 862	(6 496)	-	141 420
Motor vehicles	35 107	8 437	(2 347)	-	41 197
Computer equipment	51 910	12 596	(588)	-	63 918
Furniture and fittings	11 866	3 282	(96)	(7)	15 045
	265 436	51 094	(9 579)	-	306 951

Net carrying value	Cost	Accumulated depreciation	Net carrying value
	R'000	R'000	R'000
Land and buildings	198 737	(45 371)	153 366
Plant and equipment	228 195	(141 420)	86 775
Motor vehicles	77 462	(41 197)	36 265
Computer equipment	80 991	(63 918)	17 073
Furniture and fittings	19 330	(15 045)	4 285
	604 715	(306 951)	297 764

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2015

8 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

2014

Cost	Beginning of year	Additions	Disposals	Transfers	Assets held-for-sale	End of year
	R'000	R'000	R'000	R'000	R'000	R'000
Land and buildings	166 771	22 021	-	(20)	(7 364)	181 408
Plant and equipment	162 944	28 296	(2 344)	(44)	-	188 852
Motor vehicles	74 263	9 513	(9 856)	-	-	73 920
Computer equipment	75 318	3 983	(391)	(342)	-	78 568
Furniture and fittings	11 000	4 642	(30)	406	-	16 018
	490 296	68 455	(12 621)	-	(7 364)	538 766

Accumulated depreciation	Beginning of year	Charge for the year	Disposals	Transfers	Assets held-for-sale	End of year
	R'000	R'000	R'000	R'000	R'000	R'000
Land and buildings	31 845	5 198	-	(63)	(1 481)	35 499
Plant and equipment	119 493	13 865	(2 342)	38	-	131 054
Motor vehicles	34 049	8 181	(7 451)	328	-	35 107
Computer equipment	39 715	12 502	(307)	-	-	51 910
Furniture and fittings	9 001	3 198	(30)	(303)	-	11 866
	234 103	42 944	(10 130)	-	(1 481)	265 436

Net carrying value	Cost	Accumulated depreciation	Net carrying value
	R'000	R'000	R'000
Land and buildings	181 408	(35 499)	145 909
Plant and equipment	188 852	(131 054)	57 798
Motor vehicles	73 920	(35 107)	38 813
Computer equipment	78 568	(51 910)	26 658
Furniture and fittings	16 018	(11 866)	4 152
	538 766	(265 436)	273 330



NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2015

	2015 R'000	2014 R'000
9. INVENTORIES		
Consumable stores	103 631	80 694
Provision for obsolescence	(1 118)	(1 187)
	<u>102 513</u>	<u>79 507</u>
10. TRADE AND OTHER RECEIVABLES		
Trade receivables	467 885	546 290
Sundry receivables	12 198	10 773
	<u>480 083</u>	<u>557 063</u>
Trade receivables:		
Gross trade receivables	652 844	717 115
Provision for doubtful debts	(184 959)	(170 825)
	<u>467 885</u>	<u>546 290</u>
Not past due date trade receivables	<u>305 478</u>	<u>341 347</u>
Ageing of trade receivables that are past due date but not impaired:		
30 Days	67 094	70 439
60 Days	51 337	48 091
Total	<u>118 431</u>	<u>118 530</u>
Ageing of impaired trade receivables:		
90 Days	28 114	36 053
120 Days	20 034	25 965
150+ Days	180 787	195 220
Total	<u>228 935</u>	<u>257 238</u>

The company considers its provision against these trade receivables adequate.

The company grants credit terms of 30 days to its customers. Although this is also true for government related business, the company only views government trade receivables as potentially problematic if it ages beyond 120 days. The Public Finance Management Act (PFMA) that governs all Public Institutions does, however, provide that all Government Institutions should pay their creditors within 30 days. This is not currently practised by all relevant Government Institutions.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2015

2015	2014
R'000	R'000

10. TRADE AND OTHER RECEIVABLES (CONTINUED)

Movement in provision for doubtful debts

Balance at beginning of the year	170 825	166 715
Charged to the Statement of Comprehensive Income	70 997	79 333
Bad debts written off	(56 863)	(75 223)
Balance at the end of the year	184 959	170 825

Allowances for doubtful debts are recognised against trade receivables of 120 days and older based on estimated irrecoverable amounts determined by reference to past default experience of the counter parties.

Private sector patients/customers

Due to the nature of the business of the company no credit checks are performed on new private patients. This is due to the instruction for services emanating from a qualified medical physician in a private health institution. The company takes cognisance of the fact that the patient has at that stage been accepted for treatment in a private health institution and can, therefore, take responsibility for the resulting account.

Government sector patients/customers

The company trades significantly with government by way of the Provincial and National Departments of Health. There are detailed service level agreements (SLA) in place with most of these government departments with an active drive to have all these relationships governed by these agreements in the foreseeable future.

Included in the company's total trade receivables balance are the following amounts:



NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2015

	2015		2014	
	R'000		R'000	
Private sector	320 333	49%	350 388	49%
Medical aids	172 449		217 940	
Private patients	105 023		90 744	
Private institutions	38 907		39 354	
Other	3 954		2 350	
Government sector	332 511	51%	366 727	51%
Government hospitals	300 826		343 188	
Workmen's Compensation Fund	16 273		10 474	
Road Accident Fund	10 658		7 324	
Other	4 754		5 741	
	<u>652 844</u>		<u>717 115</u>	

The Directors are of the opinion that the carrying amounts of trade and other receivables approximate their fair values.

2015	2014
R'000	R'000

11 ASSETS HELD-FOR-SALE

Cost	7 364	7 364
Accumulated depreciation	(1 481)	(1 481)
	<u>5 883</u>	<u>5 883</u>

In December 2012, the Board of Directors approved the sale of the property situated on No. 1 Cedar Road, Auckland Park. An offer of R12 025 000 (Twelve million and twenty five thousand rands) was accepted in March 2014. As at 31 March 2015, all conditions necessary for the sale had not been concluded. Therefore, this building is still recorded as an asset held-for-sale.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2015

12 PROVISION FOR POST-RETIREMENT MEDICAL AID OBLIGATION

The post-retirement medical aid arrangements provide health benefits to retired employees and certain dependants. Eligibility for cover is dependent upon certain criteria. There are no plan assets in respect of post-retirement medical aid plans. The post-retirement medical aid liability is valued at intervals of not more than three years using the projected unit credit method. The actual present value of the promised benefit at the most recent valuation performed in 2015 indicates that the contractual post-retirement medical aid liability is adequately provided for within the financial statements.

	2015 R'000	2014 R'000
Provision for post-retirement long-term medical aid obligation	40 292	45 421
Short-term portion	2 187	-
Balance at the end of the year	42 479	45 421

The amounts recognised in the surplus in respect of the defined plans are as follows:

Current service cost	570	526
Interest on obligation	3 712	3 556
	4 282	4 082

Movement in the present value of the defined benefit obligation in the current year is as follows:

Balance at the beginning of the year	45 421	43 421
Current service cost	570	526
Interest cost	3 712	3 556
Expected employer benefit payments	(2 332)	(2 082)
Actuarial loss	(4 892)	-
Balance at the end of the year	42 479	45 421

The principal actuarial assumptions applied were :

Average retirement age	65 years	65 years
Continuation of membership at retirement	100.00%	100.00%
Health care cost inflation	8.10%	8.30%
Discount rate	8.40%	8.40%

The obligation of the company to provide medical aid benefits after retirement is no longer part of the conditions of employment for employees engaged after various dates within the company.



NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2015

2015	2014
R'000	R'000

13 INTEREST-BEARING LIABILITIES

Finance lease liabilities	24	2 143
Less : portion payable within one year	(24)	(2 143)
Long-term portion	-	-

The obligations are secured over motor vehicles with a net carrying value of R365 296 (2014 : R3 638 774). The obligations bear interest at between 7.5% and 8.25% (2014: 7.5% and 8.25%) and are repayable in monthly instalments of R24 420 (2014 : R248 109).

Reconciliation of future payments:

Within one year	Two to five years	Total
R'000	R'000	R'000

2015

Minimum repayments	24	-	24
Less : finance costs	-	-	-
Present value	24	-	24

2014

Minimum repayments	2 261	-	2 261
Less : finance costs	(118)	-	(118)
Present value	2 143	-	2 143

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2015

2015	2014
R'000	R'000

14 TRADE AND OTHER PAYABLES

Trade payables	80 773	93 955
Accruals	49 114	41 381
Debtors overpayment	24 645	38 692
Other payables	30 591	25 625
	<u>185 123</u>	<u>199 653</u>

The average credit period from suppliers is 30 days. No interest is charged on the trade payables.

The Directors are of the opinion that the carrying amounts of trade and other payables approximate their fair value.

15 PROVISIONS

Leave pay	50 088	48 460
Incentive bonus	58 494	49 826
	<u>108 582</u>	<u>98 286</u>
Leave pay		
Opening balance	48 460	39 454
Additional provisions recognised	16 940	18 620
Reduction due to payments	(15 312)	(9 614)
	<u>50 088</u>	<u>48 460</u>
Incentive bonus		
Opening balance	49 826	-
Additional provision recognised	49 068	49 826
Reduction due to payments	(40 400)	-
	<u>58 494</u>	<u>49 826</u>



NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2015

2015	2014
R'000	R'000

16 CASH FLOWS FROM OPERATIONS

16.1 Cash generated from operations

Surplus for the year	342 534	323 217
Adjustments:		
Depreciation	51 094	42 943
Net loss (profit) on disposal of property, plant and equipment	263	(815)
Interest received	(68 609)	(45 982)
Interest paid	172	478
Cash generated from operations	<u>325 454</u>	<u>319 841</u>

16.2 Changes in working capital

Increase in inventories	(23 006)	(9 303)
Decrease/(increase) in trade and other receivables	76 980	(127 069)
(Decrease)/increase in trade and other payables	(14 530)	35 044
Increase in provisions	10 296	58 832
Changes in working capital	<u>49 740</u>	<u>(42 496)</u>

16.3 Cash and cash equivalents

Bank balance	532 292	217 994
Money on call	841 897	793 416
Cash and cash equivalents	<u>1 374 189</u>	<u>1 011 410</u>

17 OPERATING LEASE COMMITMENTS

Land and buildings	93 674	43 751
Not later than one year	37 341	23 249
Later than one year, but not later than five years	56 333	20 502
	<u>93 674</u>	<u>43 751</u>

18 PENSION AND PROVIDENT FUND INFORMATION

The company provides retirement benefits for all eligible permanent employees through a defined contribution provident fund, which is governed by the Pension Funds Act in South Africa, 1956. At year-end there were 2 240 (2014: 2 247) employees on this fund. The company's contribution to this fund expensed during the current financial year amounted to R82 404 176 (2014 : R76 112 689).

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2015

19 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT POLICIES

Interest rate risk

Fluctuations in interest rates impact on the returns derived from bank deposits and on interest payable on the leases.

Interest rate risk management

The company manages its interest rate risk by negotiating favourable rates with its bankers. When deemed necessary interest rate quotes are obtained from other financial institutions to ensure that rates paid are market related. Major banks of high quality and credit standing are used by the company.

Liquidity risk

The risk is managed by cash budgets and a centralised cash management control. The company has adequate cash resources.

Foreign currency risk

The company purchases certain inputs directly from foreign suppliers, consequently these input costs are influenced by fluctuations in the value of the rand. It is not the policy of the company to routinely take out forward exchange contracts.

The carrying amounts of the company's foreign currency denominated monetary liabilities at the reporting date is as follows:

	2015	2014
Exchange rates :		
USD	12.19	10.61
Euro	13.14	14.6
	R'000	R'000
Liabilities in:		
USD	18 328	15 593
Euro	303	455



NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2015

19 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT POLICIES (CONTINUED)

Foreign currency sensitivity

The company's exchange rate exposure relates mainly to the USD. The following table details the company's sensitivity to a 10% depreciation in the rand against the USD. 10% is the sensitivity rate that represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year-end for a 10% change in foreign currency rates.

	2015 R'000	2014 R'000
10% foreign currency sensitivity – USD	1 833	1 560

Credit risk management

Credit risk is the risk that a counter party will default on its contractual obligations resulting in financial loss to the company. The company by its nature as the National Blood Supplier has an imbedded risk in its ability to turn service and product delivery into cash resources. This is due to the objective of the company to save lives first and attend to financial consequences later. The company does not do credit checks on its private customers before supplying services and products, nor do they investigate the amount of cover applicable or available in cases where medical aids are involved. This by its nature makes the business of the company less economically viable. As at 31 March 2015, the company does not consider there to be any material credit risk that has not been adequately provided for.

Fair-value

The Directors are of the opinion that the carrying value of financial instruments approximates the fair-value.

Fair-value hierarchy

Level 1 : Fair-value derived from quoted prices in active markets

Level 2 : Fair-value derived through the use of valuation techniques based on observable inputs

Level 3 : Fair-value derived through the use of valuation techniques using inputs not based on observable market data.

The entity has no Level 1 financial instruments.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2015

19 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT POLICIES (CONTINUED)

2015

Financial assets

	Level 2	Level 3
	R'000	R'000
Trade and other receivables	-	480 083
Cash and cash equivalents	-	1 374 189
Total	-	1 854 272

Financial liabilities

Provision for post-retirement medical aid obligation	42 479	-
Trade and other payables	-	185 123
Provisions	-	108 582
Total	42 479	293 705

Classification of financial instruments

	Loans and receivables	Amortised cost	Total
	R'000	R'000	R'000
Assets			
Trade and other receivables	480 083	-	480 083
Cash and cash equivalents	1 374 189	-	1 374 189
Total	1 854 272	-	1 854 272
Liabilities			
Interest-bearing liabilities	-	24	24
Provision for post-retirement medical aid obligation	-	42 479	42 479
Trade and other payables	185 123	-	185 123
Provisions	-	108 582	108 582
Total	185 123	151 085	336 208



NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2015

19 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT POLICIES (CONTINUED)

2014

Financial assets

	Level 2	Level 3
	R'000	R'000
Trade and other receivables	-	557 063
Cash and cash equivalents	-	1 011 410
Total	-	1 568 473

Financial liabilities

Interest-bearing liabilities	-	2 143
Provision for post-retirement medical aid obligation	45 421	-
Trade and other payables	-	199 654
Provisions	-	98 286
Total	45 421	300 083

Classification of financial instruments

	Loans and receivables	Amorised cost	Total
	R'000	R'000	R'000
Assets			
Trade and other receivables	557 063	-	557 063
Cash and cash equivalents	1 011 410	-	1 011 410
Total	1 568 473	-	1 568 473
Liabilities			
Interest-bearing liabilities	-	2 143	2 143
Provision for post-retirement medical aid obligation	-	45 421	45 421
Trade and other payables	199 654	-	199 654
Provisions	-	98 286	98 286
Total	199 654	145 850	345 504

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2015

2015	2014
R'000	R'000

20 CAPITAL COMMITMENTS

Commitments in respect of capital expenditure:

Approved by Directors – not contracted for :

Plant and equipment	43 739	60 508
Motor vehicles	18 243	10 439
Furniture and fittings	5 121	2 925
Computer hardware and software	95 199	36 843
Building and leasehold improvements	50 748	39 634
	<u>213 050</u>	<u>150 349</u>

21 GUARANTEES

Financial Institutions have issued guarantees on behalf of the company to the value of R3 256 916 (2014 : R4 309 184).

22 DIRECTORS' EMOLUMENTS

2015

	Basic salary	Bonus	Other benefits	Total
	R'000	R'000	R'000	R'000
Executive Directors/prescribed officers				
L Mpuntsha	2 778	443	99	3 320
C Ingram	1 690	170	40	1 900
R Reddy	1 951	370	115	2 436
L Mothokoa	1 349	210	112	1 671
R Bardien (Joined 1 May 2014)	1 024	-	60	1 084
T Mokoena	1 122	118	76	1 316
S Mabuza (Resigned 30 April 2014)	187	49	-	236
N Mankungu	1 453	145	65	1 663
	<u>11 554</u>	<u>1 505</u>	<u>567</u>	<u>13 626</u>



NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2015

22 DIRECTORS' EMOLUMENTS (CONTINUED)

Non-executive Directors	Fees	Other expenses	Total
	R'000	R'000	R'000
A Christians	649	14	663
A Ramalho	127	-	127
D Dondur	483	11	494
C Mey	50	-	50
C Sanangura	189	4	193
G Simelane	456	2	458
M Gani	92	3	95
P Knox	397	9	406
R Theunissen	585	-	585
W Gumede	449	2	451
V Moodley	359	3	362
	3 836	48	3 384

Other expenses to non-executive Directors relate to travel reimbursement.

2014

Executive Directors/prescribed officers	Basic salary	Bonus	Other benefits	Total
	R'000	R'000	R'000	R'000
L Mpuntsha	2 566	262	66	2 894
C Ingram	1 547	157	22	1 726
R Reddy	1 752	191	182	2 125
L Mothokoa	1 178	133	153	1 464
L Mpofane (Resigned 31 October 2013)	562	-	120	682
T Mokoena	1 103	100	63	1 266
S Mabuza	1 078	113	51	1 242
N Mankungu	1 338	-	48	1 386
	11 124	956	705	12 785

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2015

22 DIRECTORS' EMOLUMENTS (CONTINUED)

Non-executive Directors	Fees	Other expenses	Total
	R'000	R'000	R'000
A Christians	584	43	627
D Dondur	373	11	384
C Mey	218	4	222
C Sanangura	342	11	353
G Simelane	367	4	371
M Nolan	192	3	195
P Knox	196	2	198
P Venter	251	32	283
R Theunissen	391	10	401
R Brand	291	9	300
W Gumede	346	3	349
V Moodley	78	4	82
	3 629	136	3 765

Other expenses to non-executive Directors relate to travel reimbursement.

celebrating life



SANBS

South African National Blood Service