Audited Annual Financial Statements 2020

TRUSTED TO SAVE LIVES!

SANBS
South African National Blood Service

AUDITED ANNUAL FINANCIAL STATEMENTS 2020

CONTENTS

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 (“Companies Act”), as amended, 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 financial statements.

The 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 assessed 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 management maintaining an effective 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. During October 2018, the directors were apprised of an irregularity and a breakdown in the control systems in respect of credit notes issued to medical aid administrators and public hospitals for blood not used and returned to SANBS, which is explained in the financial statements, please refer to Note 17.2. In response, additional controls have been introduced which include the review and standardisation of debtor transactions in the SAP ERP system, the immediate halting of processing medical aid credit notes using the Mediswitch system, and an external gap analysis and mapping of all debtor processes in order to consider the effectiveness of internal controls. Subsequent to the identification of the breakdown in control in respect of credit notes issued using the Mediswitch system, credit notes are manually submitted to Medical aid administrators and government on a monthly basis.

The control deficiency related to credit notes issued to medical aids impacted 92 medical aids. As at 31 March 2020, settlement agreements with 37 medical aids were concluded and for a further 55 medical aids, management is in the process of negotiating settlement agreements. During the year ended 31 March 2020, the liability to public hospitals was fully quantified and the credit notes were allocated to the hospitals. A full and final settlement agreement with the National Department of Health was signed on the 10th of November 2020 encompassing all affected public hospitals.

During July 2020 an instance was noted in which a receipt from a debtor was misallocated to another debtor’s account. A small number of misallocations were identified by tests performed by our Internal Audit team, and their report was completed and signed off on 18 February 2021. As at the date of this report our external audit team have not been able to perform audit procedures to satisfy themselves on the Medical aid reimbursement provision, Trade receivable balance and the impairment assessment of trade receivables.

Based on the credit note control deficiency and the few instances of debtor misallocations noted, the directors were unable to opine that the system of internal controls pertaining to accounts receivable and the medical aid reimbursement provision provided reasonable assurance that the financial records may be relied upon for the year under review but are satisfied that the provisions raised for potential refunds and doubtful debt are sufficient and appropriate and that other internal controls may be relied upon.

Further, the directors have been assured by management that any control weaknesses noted are appropriately and timeously rectified and that effective controls are now in place and can be relied upon.

The external auditors are responsible for independently auditing and reporting on the Company’s annual financial statements. Their report is presented on page 9.

The annual financial statements set out on pages 9 to 42, which have been prepared on the going concern basis, were approved by the board on 15 March 2021 and were signed on their behalf by:

Ms A Ramalho
Chairman

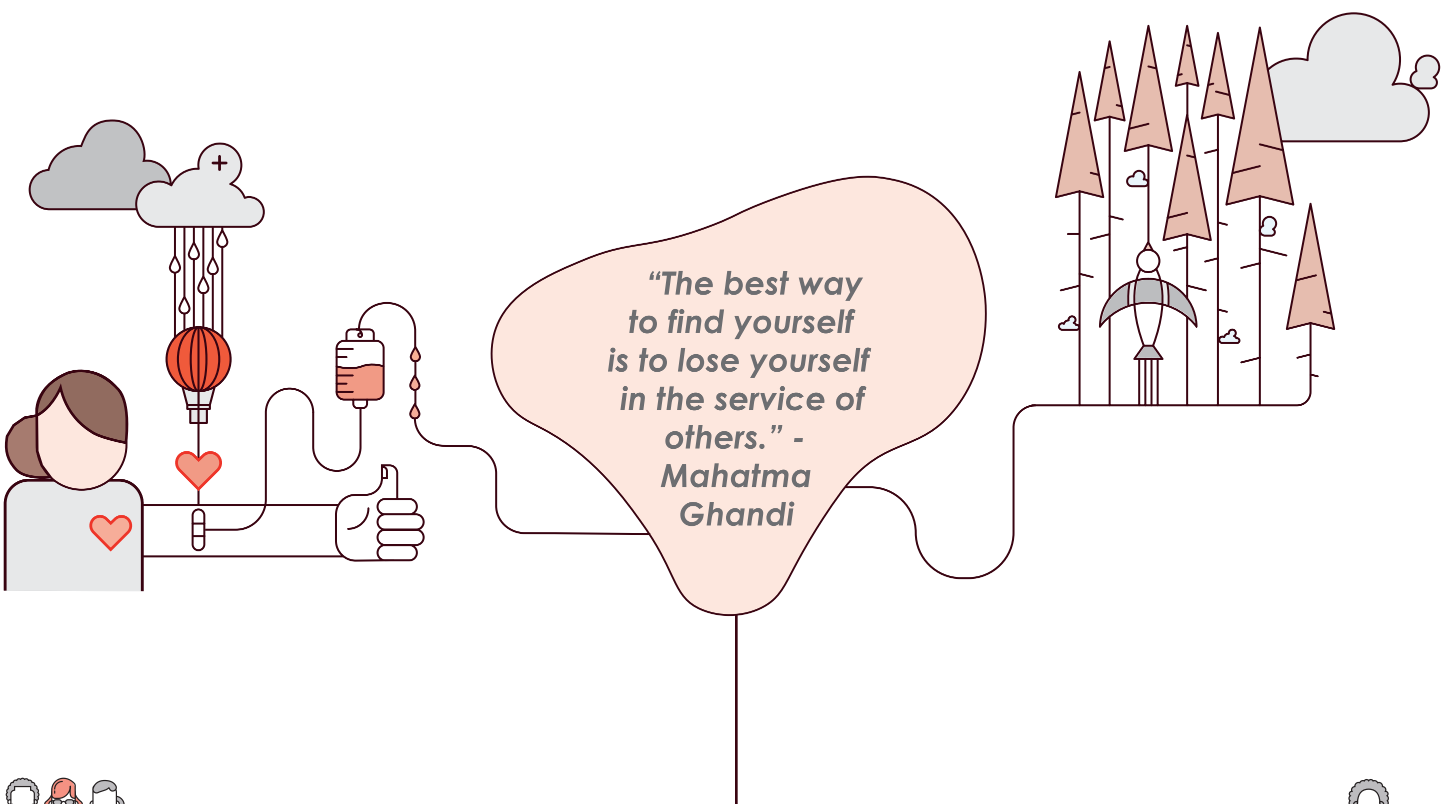
Mr R Reddy
Chief Executive Officer

Mr Rob Theunissen
Audit Committee Chair

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 beliefs all required returns and 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.

S Chisale
Acting Company Secretary
Johannesburg
3 March 2021



DIRECTORS' REPORT

The directors have pleasure in presenting their report and the audited annual financial statements for the year ended 31 March 2020.

1. NATURE OF BUSINESS

The South African National Blood Service (SANBS) is a not-for-profit organisation incorporated in terms of the South African Companies Act 71 of 2008.

The mandate of SANBS is to provide blood transfusion and related services. The principal activities of the Company remain unchanged from the previous reporting period.

2. MEMBERS OF THE ORGANISATION

The top of the Company's governance structure consists of the National Council. Members of the SANBS National Council are donors nominated from Independent Donor Structures into the National Council as set out in the Memorandum of Incorporation. The National Council appoints the donor directors and holds the full Board of Directors accountable for managing and controlling SANBS operations in accordance with its mandate.

3. DIRECTORS

As at the end of the year the Board of Directors comprised of eleven directors being seven donor non-executive directors, two appointed non-executive directors and two executive directors. At the date of the annual financial statements the Board of Directors comprised of nine directors being six independent donor non-executive directors, two independently appointed non-executive directors and one executive director as listed hereunder:

INDEPENDENT DONOR NON-EXECUTIVE

Mr R Brand (Retired 09.11.2019)
Ms F Burn
Dr P Knox
Mr G Leong (Joined 09.11.2019)
Ms P Mthethwa
Ms A Ramalho
Ms G Simelane (Retired 21.01.2021)
Mr R Theunissen

EXECUTIVE

Dr. J Louw (Resigned 31.12.2020)
Mr. R Reddy (Joined 01.01.2021)
Dr. J Thomson (Resigned 28.02.2021)

INDEPENDENT APPOINTED NON-EXECUTIVES

Prof. W Gumede (Retired 09.07.2020)
Dr. V Moodley (Retired 30.06.2020)
Mr S Fakie (Joined 23.11.2020)
Dr. M Vaithilingum (Joined 01.07.2020)

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

4. COMPANY SECRETARY

Mr. Siphiwe Chisale has been the Acting Company Secretary with effect from 20 November 2020. 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

5. AUDITORS

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

BUSINESS ADDRESS

5 Magwa Crescent
Waterfall City
Waterfall
2090
South Africa

POSTAL ADDRESS

Private Bag X6
Gallo Manor
2052

6. BUSINESS RESULTS SUMMARY

The financial position of the Company at 31 March 2020 is set out in the statement of financial position. The statement of profit and loss and other comprehensive income for the year reflects a surplus of R292 million (2019:R219 million). When a patient, covered either by a medical aid scheme or public hospital, receives a consignment of blood, and use only a portion, the remainder of the unused units are returned to the SANBS. In line with good accounting practice, a credit note is then issued. In October 2018, the directors became aware that these credit notes issued for public hospital patients do not always appear to have been sent to the provincial departments of health, rather the statement of account would be sent excluding the credit notes and therefore overstating the amount due. For patients whose medical aid used the Mediswitch system to process claims, these credit notes would be presented to the medical aid as invoices, therefore resulting in a possible payment of the credit note rather than a deduction from amount due. Any payments received were also allocated to other debtors accounts. During the year ended 31 March 2020, the liability to public hospitals was fully quantified and the amount due to the hospitals was issued as credit notes and allocated to the affected hospitals. A full and final settlement agreement with the National Department of Health was signed on the 10th of November 2020. The confirmation of the amount paid by medical aids is still in progress and the remaining liability due to medical aids is reflected in the financials for the year ended 31 March 2020 (refer Note 17.2).

7. GOING CONCERN STATUS

The directors believe that the Company has adequate financial resources to continue in operation for the foreseeable future and accordingly the annual financial statements have been prepared on a going concern basis. The directors have satisfied themselves that the Company is in a sound financial position to meet its foreseeable cash requirements.

The Board undertakes regular rigorous assessment of whether the Company is a going concern in the light of current economic conditions and all available information about future risks and uncertainties.

The projections for the Company have been prepared, covering its future performance, capital and liquidity for a period of 12 months from the date of approval of these financial statements including performing sensitivity analyses. These analyses have been updated to include the ongoing developments related to the COVID-19 pandemic. These pandemic scenarios continue to evolve as the effects of the pandemic continue to extend.

The Company's forecasts and projections of its current and expected profitability, taking account of reasonably possible changes in trading performance, show that the Company will be able to operate within the level of its cash resources for at least 12 months from the authorisation date of the Financial Statements. A downside analysis has been performed assessing the potential negative economic impact the pandemic might have on the expected profitability of the Company and how that would affect the entity's ability to continue as a going concern.

In preparing this analysis the following key assumptions were used:

- The revenue reduction impact due to a drop in blood collections and usage,
- The reduction in interest rates affecting the interest income from our money market investments,
- The volatility of rand relative to major currencies especially the dollar and the euro, affecting the cost of imported consumables and services,
- The fixed cost base and the ability to reduce it in order to realise cost savings,
- The ability to defer or renegotiate payment terms,
- The impact of customer default rates.

The above assumptions used in the sensitivity analyses represent the possible "worst case scenario" based on our current understanding of the continued impact of the pandemic. This scenario is considered to be unlikely, however it is difficult to predict the overall outcome and impact of COVID-19.

The Company's projections and sensitivity analysis show that the Company has sufficient capital, liquidity and positive future performance outlook to continue to meet its short-term obligations and as a result it is appropriate to prepare these financial statements on a going concern basis, even considering the severe impacts of the COVID-19 pandemic as noted above.

The directors are not aware of any new material changes, non-compliance with statutory or regulatory requirements or of any pending changes to legislation, which may affect the Company.

8. EVENTS AFTER REPORTING DATE

On 30 January 2020, the World Health Organisation announced the outbreak of COVID-19 as a world health emergency of international concern, and on 11 March 2020 the outbreak was classified as a global pandemic. In South Africa, a National State of Disaster was declared in response to the pandemic, which created restrictions on travel and mass gatherings among other things in the country. A national lockdown was enforced from 26 March 2020 to 17 April 2020 and was subsequently extended on 9 April 2020, to end on 30 April 2020. On 23 April 2020, further measures were announced which would allow for the gradual re-opening of the South African economy in stages from 1 May 2020. The impact of the gradual reopening was different based on the sector and area in which businesses operate, and the spread of the outbreak post 1 May 2020. The outbreak of COVID-19 and the subsequent measures imposed by various Governments in an attempt to contain the spread of the virus, including travel and trade restrictions, social distancing measures and enforced lockdowns have caused disruption to businesses and economic activity in the country.

Outcomes ranging from successful virus containment with a short-term economic impact, to a prolonged global contagion resulting in a potential local or global recession are possible. At the same time, there are a number of policy and fiscal responses emerging across the globe intended to mitigate potential negative economic impacts. We are monitoring the COVID-19 outbreak and developments closely. The Company follows guidance from the World Health Organisation and abides by the requirements as activated by local governments. Contingency plans have been implemented as far as possible to mitigate the potential adverse impact on the Company's employees and operations.

As the events arising due to the Government interventions in response to the COVID-19 pandemic occurred from the 26 March 2020, which was just before the reporting date of the Company as such this was an adjusting event. The Company provides an essential service, and the impact on our operations for the period ending 31 March 2020 was not significant. Subsequent to year-end, the pandemic has had a negative impact on the operations of the Company, as demand for our blood transfusion and related services declined. As the situation remains fluid and is rapidly evolving (due to continuing changes in government policy and evolving business and customer reactions thereto) as at the date these financial statements are authorised for issue, the directors of the Company considered that the financial effects of COVID-19 on the Company's financial statements cannot be reasonably estimated. Nevertheless, the economic effects arising from the COVID-19 outbreak have affected the results of the Company subsequent to year-end.

During January 2021, the Company received an offer to purchase the property at 103 Jacqueline Avenue, Alberton, with a carrying value of R149k, for R1.2m. The registration process is due to commence in March 2021.

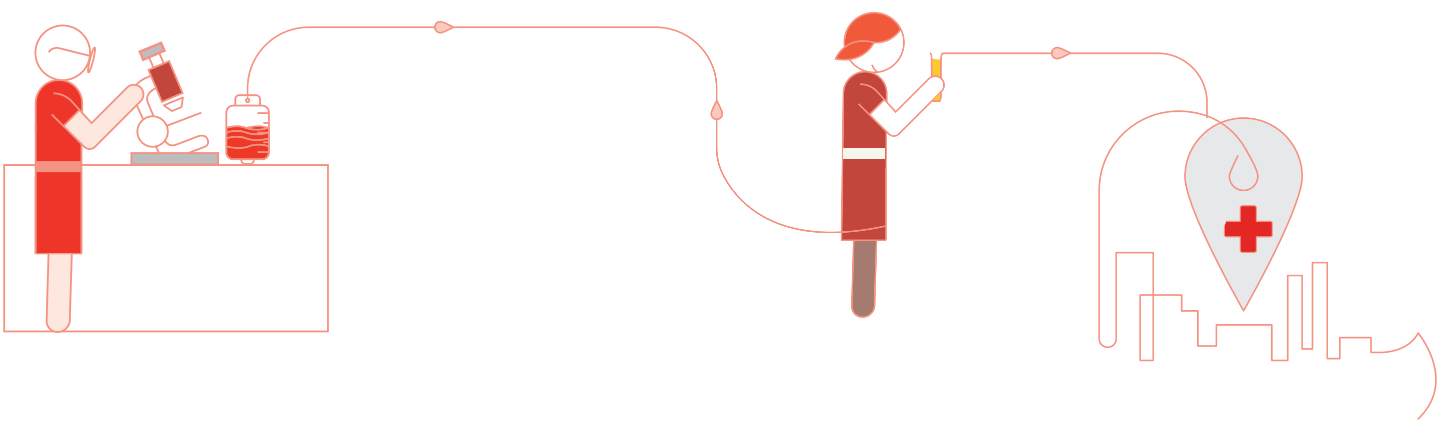
Medical Aid Reimbursements

Agreement with Medscheme medical aid on the credit notes issued was reached on 19 May 2020.

In March 2020, R47m was provided as the amount to be written off against the National Department of Health's balance outstanding relating to medical aid credit notes. During November 2020 the Company signed an agreement, which was equal to the R47m provided, with the National Department of Health in which both parties agreed the total quantity of credit notes issued to public hospitals and the write-off of the credit notes against current balances outstanding as full and final settlement.

9. POLICY DIRECTIVES

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



INDEPENDENT AUDITOR'S REPORT

To the members of South African National Blood Services NPC

Report on the Audit of the Financial Statements

Disclaimer of Opinion

We were engaged to audit the financial statements of South African National Blood Services NPC set out on pages 9 to 42 which comprise the statement of financial position as at 31 March 2020, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

We do not express an opinion on the financial statements of South African National Blood Services NPC.

Because of the significance of the matter described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for Disclaimer of Opinion

As disclosed in the provisions note 17.2 of the annual financial statement an irregularity was identified in prior periods relating to credit notes issued to medical aids and public hospitals, including inappropriate allocation of receipts from debtors relating to the prior and current financial periods. Although progress has been made, the Company has not yet completed the process of quantifying and agreeing with all its customers on the amounts overpaid which are due to be refunded.

Given the uncertainty of the value of refunds due and in the absence of reaching agreements between the Company and its customers impacted by the irregularity identified, we are unable to obtain sufficient appropriate audit evidence to substantiate the completeness, valuation and allocation and rights and obligations of the medical aid reimbursement provision of R108 million (2019: R136 million).

As a result of the inappropriate allocation of receipts from debtors identified in the prior and current financial periods, at the date of this report, we were unable to perform audit procedures to obtain sufficient and appropriate audit evidence to substantiate the existence, completeness, valuation and allocation and rights and obligations of the trade receivable balance of R 975 million (2019: R 1 097 million). Furthermore, as described in note 12, the Company did not adopt the IFRS 9 Financial Instruments accounting standard which was applicable from the 31 March 2019 financial period and therefore we were unable to obtain sufficient and appropriate evidence on the impairment assessment of the trade receivable balance.

We were unable to confirm or verify by alternative means the trade receivable balance, the trade receivable provision balance and the medical aid reimbursement provision for settlement of the claims included in the statement of financial position at 31 March 2020 and 31 March 2019.

As a result of these matters, we were unable to determine the quantum of the adjustments that are required in respect of the trade receivable balance, the trade receivable provision and medical aid reimbursement provision and the impact on the statement of comprehensive income, statement of changes in equity and statement of cash flows for the opening and year-end closing balances.

Had the Company adopted and applied the IFRS 9 Financial Instruments accounting standard and finalised its quantification and assessment of the Medical aid reimbursement provision as noted in note 17.2 many of the elements of the financial statements, including the comparative information may have been materially impacted and therefore the matters described above are considered to be pervasive to the financial statements.

Other Matter – Reports Required by the Companies Act

The annual financial statements include the Directors' Report as required by the Companies Act of South Africa. The directors are responsible for this other information.

We have read the other information and, in doing so, considered whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. However, due to the disclaimer of opinion in terms of the International Standard on Auditing (ISA) 705 (Revised), Modifications to the Opinion in the Independent Auditor's Report, we are unable to report further on this other information.

Responsibilities of the Directors for the Financial Statements

The directors are responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

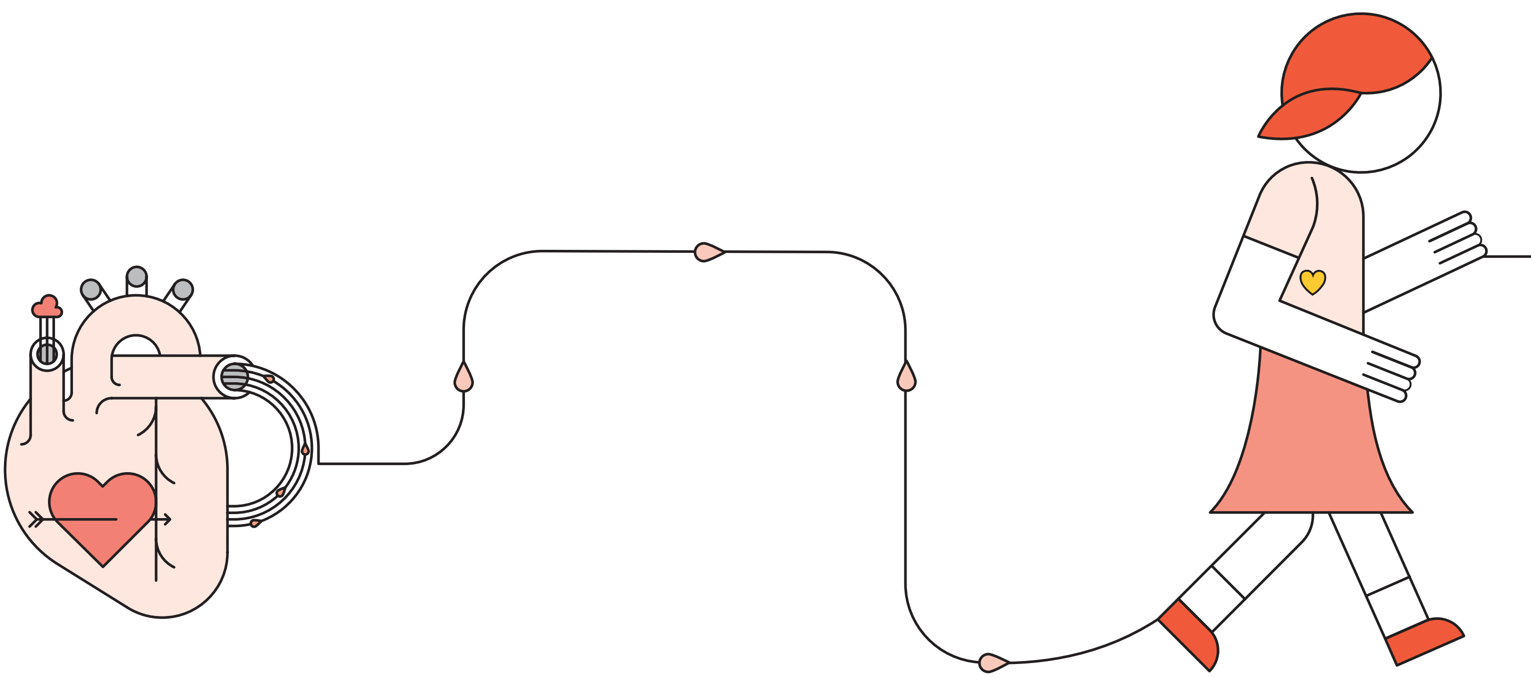
Auditor's Responsibilities for the Audit of the Financial Statements

Our responsibility is to conduct an audit of the Company's financial statements in accordance with International Standards on Auditing and to issue an auditor's report. However, because of the matter described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We are independent of the Company in accordance with the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' (IESBA) International Code of Ethics for Professional Accountants (including International Independence Standards).

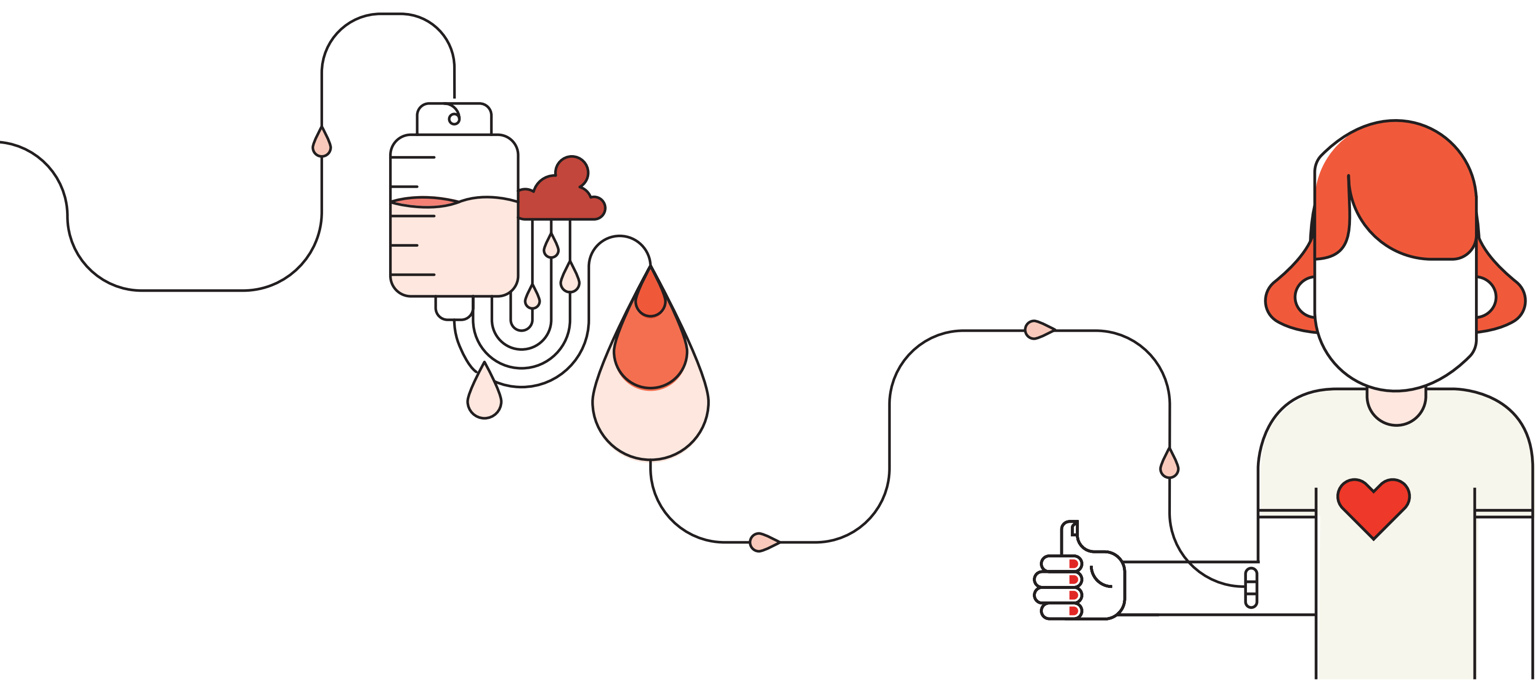
Deloitte & Touche

Deloitte & Touche
Registered Auditor
Per: Portia Nobantu Ngumbela
Partner
8 March 2021



STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME
for the year ended 31 March 2020

	Notes	2020 R'000	2019 R'000
REVENUE	**3**	**3 316 356**	**2 839 400**
Expenses	4	(3 165 241)	(2 841 332)
Other income	5	7 528	95 399
Net interest received		**126 714**	**118 708**
Interest received	6	143 059	123 684
Interest expense	6	(16 345)	(4 976)
SURPLUS FOR THE YEAR	**7**	**285 356**	**212 175**
Surplus for the year		285 356	212 175
Items that will not be reclassified to profit and loss			
Actuarial gains	15	6 972	6 409
COMPREHENSIVE SURPLUS FOR THE YEAR		**292 328**	**218 584**



STATEMENT OF FINANCIAL POSITION
for the year ended 31 March 2020

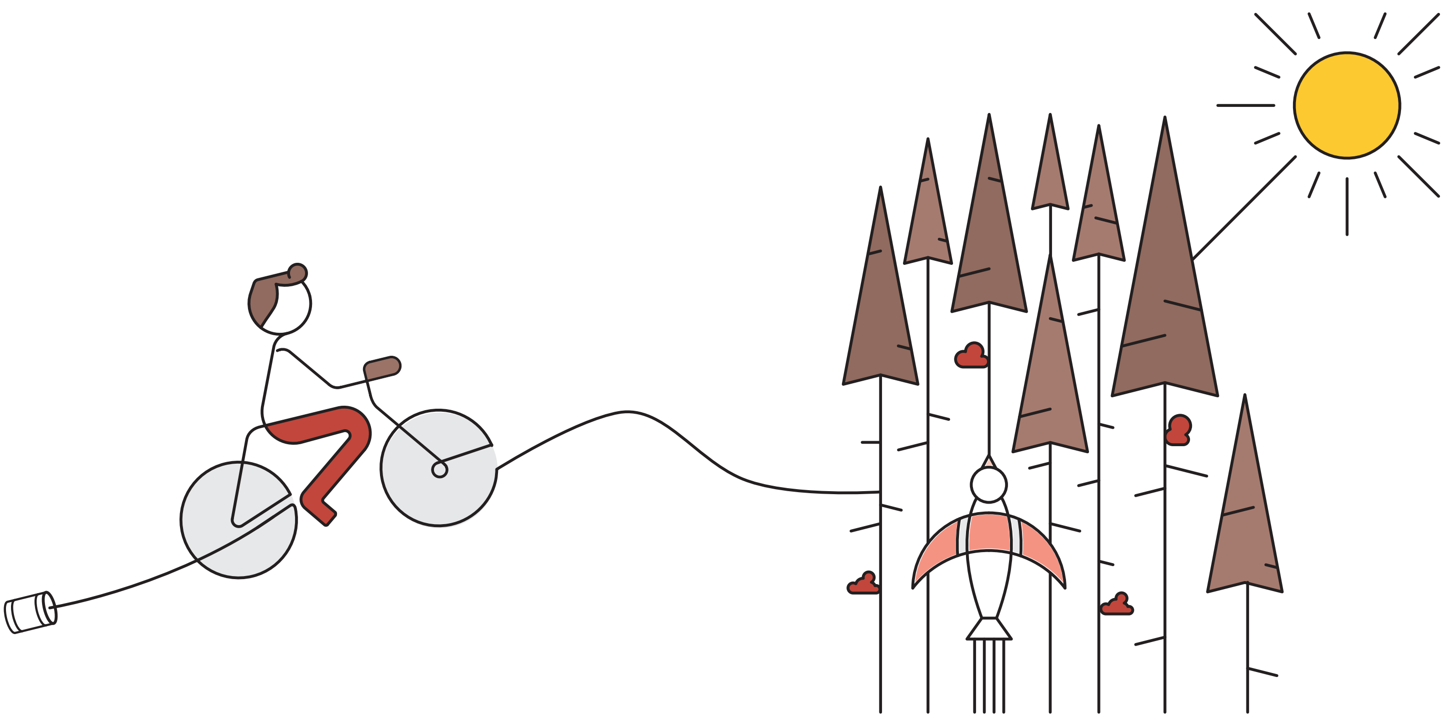
	Notes	2020 R'000	2019 R'000
ASSETS			
Non-current assets			
Property, plant and equipment owned	9	543 645	372 405
Right-of-use assets	10	78 625	-
Total property, plant and equipment		**622 270**	**372 405**
Total non-current assets		**622 270**	**372 405**
Current assets			
Inventories	11	150 231	121 802
Trade and other receivables	12	988 624	1 116 090
Asset held-for-sale	13	5 469	149
Cash and cash equivalents	19.3	2 002 460	1 634 543
Total current assets		**3 146 784**	**2 872 584**
Total assets		**3 769 054**	**3 244 989**

RESERVES & LIABILITIES			
Reserves		2 995 202	2 702 874
Non-current liabilities			
Interest bearing liabilities	14	-	199
Lease liabilities	10	52 229	-
Provision for post-retirement medical aid obligation	15	45 892	50 211
Total non-current liabilities		**98 121**	**50 410**
Current liabilities			
Current portion of Interest-bearing liabilities	14	-	340
Current portion of lease liabilities	10	33 654	-
Current portion of provision for post-retirement medical aid obligation	15	3 208	3 063
Trade and other payables	16	350 536	219 548
Provisions	17.1	179 840	131 953
Medical Aid Reimbursement	17.2	108 493	136 801
Total current liabilities		**675 731**	**491 705**
Total reserves and liabilities		**3 769 054**	**3 244 989**

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 March 2020

	RESERVES R'000
Balance at 31 March 2018	**2 484 291**
Surplus for the year	212 175
Other comprehensive income	6 409
Balance at 31 March 2019	**2 702 874**
Surplus for the year	285 356
Other comprehensive income	6 972
Balance at 31 March 2020	**2 995 202**

There was no change as a result of adopting IFRS16 in respect of opening balances.



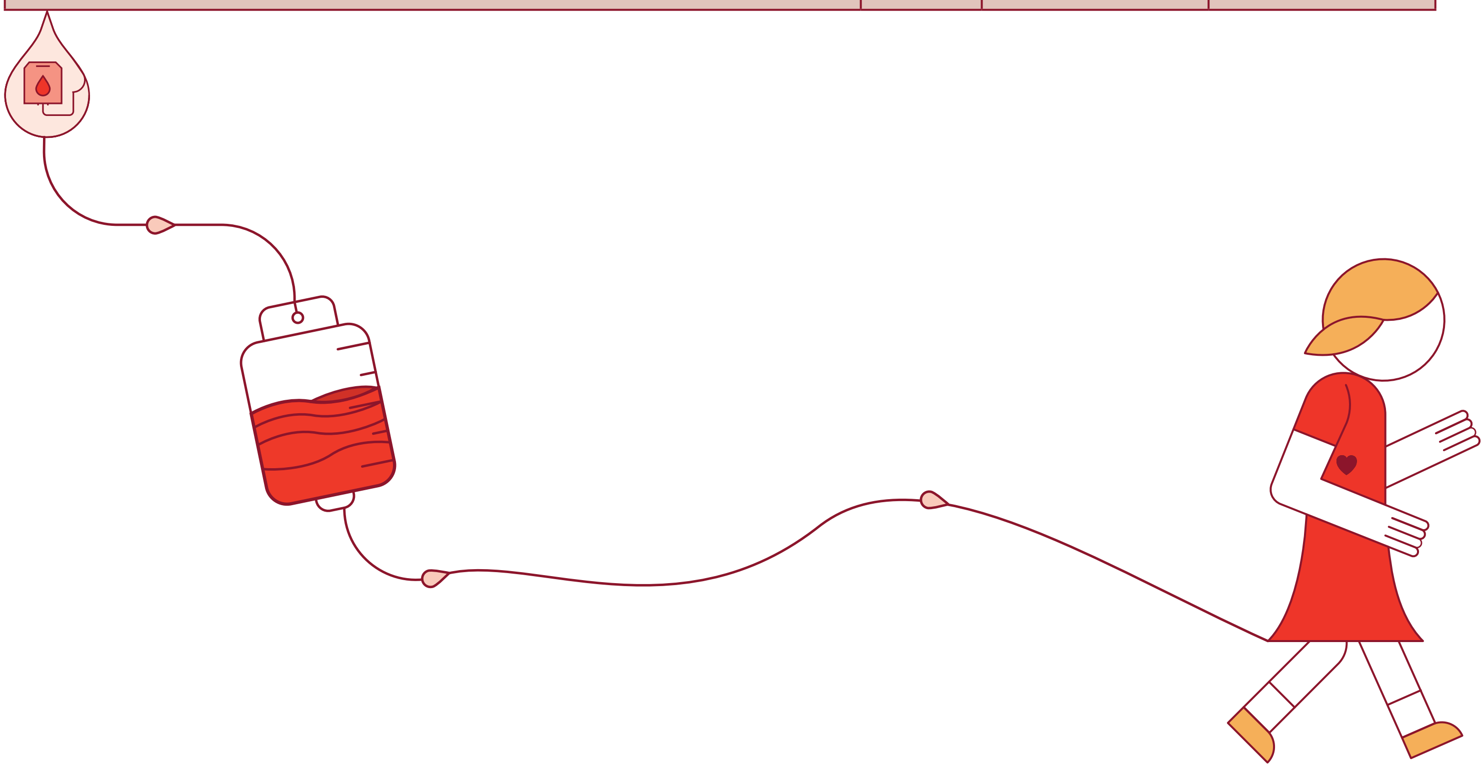
STATEMENT OF CASH FLOWS
for the year ended 31 March 2020

	Notes	2020 R'000	2019 R'000
Cash flow from operating activities			
Cash generated from operations	19.1	292 814	131 808
Changes in working capital	19.2	230 025	(195 824)
Cash from/(utilised) from operating activities		**522 839**	**(64 016)**
Interest received	6	143 059	123 684
Interest paid	6	(10 269)	(42)
Net cash generated from operating activities		**655 629**	**59 626**

Cash flows from investing activities			
Acquisition of property, plant and equipment	9	(256 722)	(93 514)
Proceeds from sale of property, plant, and equipment		200	91 877
Net cash utilised in investing activities		**(256 522)**	**(1 637)**

Cash flows from financing activities			
Decrease in interest - bearing liabilities	14	-	(340)
Contractual lease payments	10	(31 190)	-
Net cash utilised in financing activities		**(31 190)**	**(340)**

Increase in cash generated for the year		**367 917**	**57 649**
Cash and cash equivalents at the beginning of the year		1 634 543	1 576 894
Cash and cash equivalents at the end of the year	**19.3**	**2 002 460**	**1 634 543**



1. ACCOUNTING POLICIES

Statement of compliance

The annual financial statements of the Company are prepared in accordance with IFRS. Accounting policies which are useful to users, especially where particular accounting policies are based on judgement regarding choices within International Financial Reporting Standards ("IFRS") have been disclosed. Accounting policies for which no choice is permitted in terms of IFRS have been included only if management concluded that the disclosure would assist users in understanding the financial statements as a whole, taking into account the materiality of the item being discussed. Accounting policies which are not applicable from time to time, have been removed, but will be included if the type of transaction occurs in future.

The principal accounting policies adopted, which have been consistently applied in all material respects, are set out below.

1.1 Basis of preparation

The annual financial statements have been prepared on the going concern basis in accordance with, and in compliance with, International Financial Reporting Standards ("IFRS") and International Financial Reporting Interpretations Committee ("IFRIC") interpretations issued and effective at the time of preparing these annual financial statements and the Companies Act of South Africa, as amended.

The annual financial statements have been prepared on the historic cost convention, unless otherwise stated in the accounting policies, which follow and incorporate the principal accounting policies set out below. They are presented in Rands, which is the Company's functional currency.

These accounting policies are consistent with the previous period, except for the changes set out in note 2.

1.2 Property, plant and equipment

Land and buildings are stated at cost. Buildings are depreciated over their useful lives to their residual values. Land is not depreciated.

Plant, equipment, furniture, 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, equipment and fittings	4 - 10 years
Motor vehicles	4 years
Computer equipment	4 years
Furniture	4 - 6 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.

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

1.3 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.

1.4 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.

IFRS 9 Financial Instruments – Classification and Measurement. In general, the Company anticipates that the application of the expected credit loss model of IFRS 9 may result in earlier recognition of credit losses for the respective items and will increase the amount of loss allowance for those items.

1.4.1 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 base for debt instruments other than those financial assets classified as FVTPL.

1.4.2 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 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 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 profit and loss and other comprehensive income. Fair-value is determined in the manner described in note 22.

1.4.3 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.

1.4.4 Impairment of financial assets

Financial assets, other than those at "fair value through profit or loss" (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.

The objective evidence of impairment could include:
- Significant financial difficulty of the issue of counterparty; or
- Breach of contract, such as a default or delinquency in interest of 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.

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 recognised.

1.4.5 Derecognition 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. 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 derecognition 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 derecognition 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.

1.5 Financial Liabilities and Equity Instruments

1.5.1 Classification as debt

Debt 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 instrument.

1.5.2 Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

1.5.2.1 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 of 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 profit and loss and other comprehensive income. Fair-value is determined in the manner described in note 21.

1.5.2.2 Other financial liabilities

Other financial liabilities (including borrowings) are subsequently measured at amortised cost 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.

1.6 Grants

Local and foreign Government grants are 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 are recognised as deferred revenue in the statement of financial position and transferred to the profit of loss on a systematic and rational basis over the useful lives of the related assets.

1.7 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.
- 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.

1.8 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.

1.9 Revenue recognition

The Company recognises revenue with customers as it satisfies a performance obligation by supplying blood products to the customer. The Company recognises revenue in accordance with the core principles by applying the following steps:

- Identify the contract(s) with a customer.
- Identify the performance obligations in the contract.
- Determine the transaction price.
- Allocate the transaction price to the performance obligations in the contract.
- Recognise revenue when (or as) the entity satisfies a performance obligation.

Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for goods and services provided in the normal course of business net of trade discounts and value added tax.

1.10 Interest

Income is recognised as the interest accrues using effective-interest rate method. Interest income 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.

1.11 Retirement benefits

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

The Company contributes to a 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.

1.12 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.

1.13 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.

1.14 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.

1.15 Leases

All leases are accounted for by recognising a right-of-use asset and a lease liability except for:

- Leases of low value assets; and
- Leases with a term of 12 months or less.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the Company's incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

On initial recognition, the carrying value of the lease liability also includes:

- Amounts expected to be payable under any residual value guarantee;
- The exercise price of any purchase option granted in favour of the Company if it is reasonably certain to assess that option; and
- Any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

Right of use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- Lease payments made at or before commencement of the lease;
- Initial direct costs incurred; and
- The amount of any provision recognised where the Company is contractually required to dismantle, remove or restore the leased asset.

Subsequent to initial measurement, lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if, rarely, this is judged to be shorter than the lease term.

When the Company revises its estimate of the term of any lease (because, for example, it re-assesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted at the same discount rate that applied on lease commencement. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised. In both cases an equivalent adjustment is made to the carrying value of the right-of use asset, with the revised carrying amount being amortised over the remaining (revised) lease term.

When the Company renegotiates the contractual terms of a lease with the lessor, the accounting depends on the nature of the modification:

- If the renegotiation results in one or more additional assets being leased for an amount commensurate with standalone price for the additional rights-of-use obtained, the modification is accounted for as a separate lease in accordance with the above policy;
- In all other cases where the renegotiation increases the scope of the lease (whether that is an extension to the lease term, or one or more additional assets being leased), the lease liability is remeasured using the discount rate applicable on the modification date, with the right-of-use asset being adjusted by the same amount; and
- If the renegotiation results in a decrease in the scope of the lease, both the carrying amount of the lease liability and right-of-use asset are reduced by the same proportion to reflect the partial of full termination of the lease with any difference recognised in profit or loss. The lease liability is then further adjusted to ensure its carrying amount reflects the amount of the renegotiated payments over the renegotiated term, with the modified lease payments discounted at the rate applicable on the modification date. The right-of-use asset is adjusted by the same amount.

The Company has elected not to recognise a right-of-use asset and lease liability for all short-term leases with a lease term of 12 months or less and all low-value assets. The lease payments of these leases are recognised on a straight-line basis over the lease term. Refer to note 10 of the financial statements.

1.16 Leases (Comparative under IAS 17)

1.16.1 Operating leases

Leases of assets where the Company does not assume substantially all the benefits and risks of ownership are classified as operating leases. Payments made in respect of operating leases with a fixed escalation clause are charged to profit or loss on a straight-line basis over the lease term. All other lease payments are expensed as they occur. Minimum rentals due after year-end are reflected under commitments.

1.16.2 Finance 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 profit and loss and other comprehensive income over the terms of the lease so as to produce a consistent periodic charge on the remaining balance of the obligation.

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.

Medical aid reimbursement provision

The Company engaged the services of an external party to estimate the amount owing to medical aids as a result of the irregularity identified per note 17. The service provider estimated the total of all credit notes based on all cleared credit notes to medical aids. A provision was raised in March 2019, equal to twice the amount of the credit notes issued, as the Company's liability would be the amount of the credit note as well the relating invoice amount, should the credit note be paid by the medical aid scheme as a normal claim.

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 periodically 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 obligation
A liability exists in respect of present value of future post-retirement medical aid benefits due to qualifying current and former employees on the accrual basis determined actuarially every year. Refer to assumptions set out in note 15.

Inventory
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 inventory.

Impairment of financial assets
If a financial asset is deemed to be impaired, then this will impact on its carrying amount and future cash flows. The Company reviews financial assets for impairment based on the period through which it takes to receive contractual payments. Based on the duration that the financial asset has been outstanding, the provision for bad debts is calculated based on judgement, which relies on historic information, financial viability of the customer, and general market conditions, which are likely to affect the debtor.

Available for sale assets
Assets held for sale are measured at lower of their carrying amount and fair value less cost to sell. Fair values are taken from observable markets where possible, but where this was not feasible, a degree of judgement was required in establishing fair values.

Leases

Estimating the incremental borrowing rate
The Company uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Company 'would have to pay', which requires estimation when no observable rates are available or when there is need to be adjusted to reflect the terms and conditions of the lease. The Company estimates the IBR using observable inputs (such as swap rates) when available and is required to make certain entity-specific estimates (such as the credit rating).

Measurement of lease liabilities
The Company shall measure the lease liability at the present value of the lease payments that are not paid at that date. The lease payments shall be discounted using the incremental borrowing rate over the lease period. The Company estimates the incremental borrowing rate and the lease period taking into account renewal options to get to the lease liability.

Measurement of right-of use-assets
The Company's right-of-use assets shall comprise the amount of the initial measured liability and accumulated depreciation. The Company relies on the lease liability assumptions in calculating this value.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The annual financial statements have been prepared in accordance with International Financial Reporting Standards on a basis consistent with the prior year except for the adoption of the following new or revised standards.

3.1 Application of IFRS 16 leases
The Company has adopted IFRS 16: Leases, effective 01 April 2019. As permitted by the standard in the specific transitional provisions, the Company has elected not to restate any comparative information. Accordingly, reclassifications and adjustments arising upon adoption of IFRS 16 have been recognised in the opening balance sheet on 01 April 2019.

Upon adoption of IFRS 16, the Company recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17: Leases. These lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as at 01 April 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 01 April 2019 was 11.7%.

Impact on financial statements

The following table summarises the impact of adopting IFRS16 on the Annual Financial Statements.

Impact on statement of financial position

	30 March 2019	IFRS 16 effect	1 April 2019
Right-of-use assets	-	87 630	87 630
Lease liabilities	-	(87 630)	(87 630)

Impact on statement of profit and loss and other comprehensive income

	31 March 2020
Depreciation	(37 250)
Finance costs	(10 872)
	(79 312)

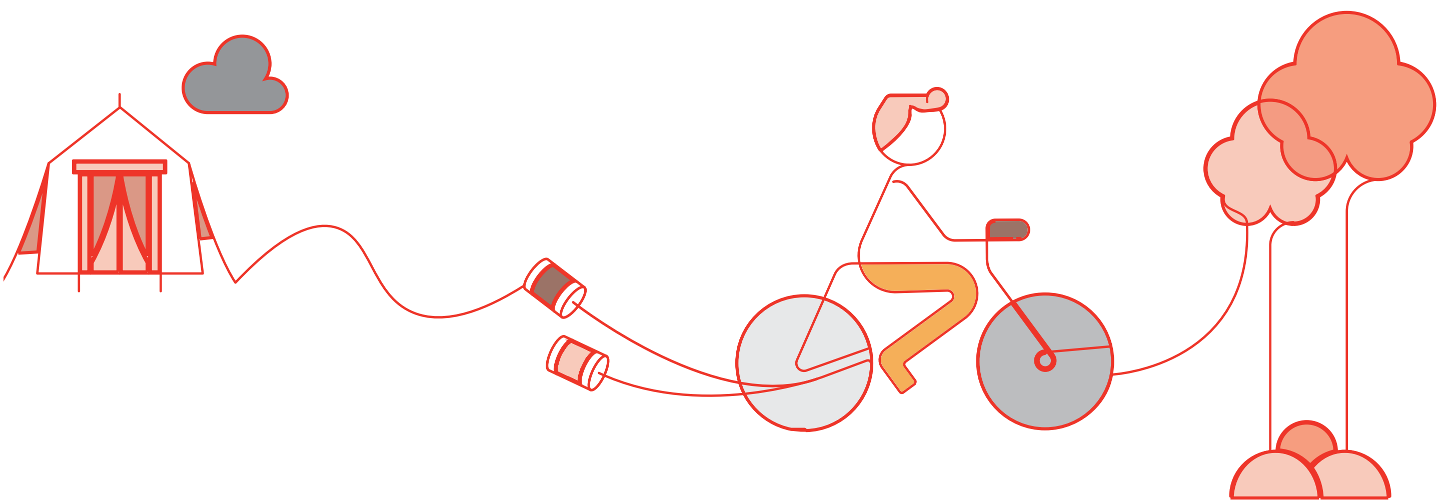
Impact on statement of cash flows

	31 March 2020
Contractual lease payments	(31 190)

Practical expedients applied

In applying IFRS16 for the first time, the Company has used the following practical expedients permitted by the standard:

- Operating leases with a remaining lease term of less than 12 months as at 1 April 2019 were accounted for as short-term leases.
- The exclusion of initial direct costs for the measurement of right of use assets at the date of initial application.
- The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.
- Reliance on previous assessments on whether leases are onerous.
- The Company has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date, the Company relied on its assessment made by applying IAS 17 and FRIC 4 Determining Whether an Arrangement Contains a Lease.



3.2 Standards and interpretations effective and adopted in the current year

The following new standards, interpretations and amendments to existing standards are effective for the year ended 31 March 2020.

Standard	Details
IFRS 16 Leases	IFRS 16 introduces a single lessee accounting model that requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. A lessee measures right-of-use assets similarly to other non-financial assets (such as property, plant and equipment) and lease liabilities similarly to other financial liabilities. Consequently, a lessee recognises depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. IFRS 16 contains expanded disclosure requirements for lessees. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. IFRS 16 also requires enhanced disclosures to be provided by lessors that will improve information disclosed about a lessor's risk exposure, particularly to residual value risk. IFRS 16 supersedes the following Standards and Interpretations: • IAS 17 Leases; • IFRIC 4 Determining Whether an Arrangement Contains a Lease; • SIC-15 Operating Leases—Incentives; and • SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

3.3 Standards, interpretations and amendments not yet effective at 31 March 2020

The Company has considered the following new standards, interpretations and amendments to existing standards, which are relevant to the Company's operations and have been issued by the reporting date, but not yet effective as at 31 March 2020.

Standard	Details	Effective for year ending
IAS 1 Presentation of Financial Statements	Definition of Material: The amendments clarify and align the definition of 'material' and provide guidance to help improve consistency in the application of that concept whenever it is used in IFRS Standards.	2021
	Classification of Liabilities as Current or Non-current: Narrow-scope amendments to IAS 1 to clarify how to classify debt and other liabilities as current or non-current.	2023
IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors	Definition of Material: The amendments clarify and align the definition of 'material' and provide guidance to help improve consistency in the application of that concept whenever it is used in IFRS Standards.	2021
IAS 37 Provisions, Contingent Liabilities and Contingent Assets	Onerous Contracts—Cost of Fulfilling a Contract: The amendments specify which costs should be included in an entity's assessment whether a contract will be loss-making.	2023
IFRS 16	COVID-19-Related Rent Concessions: Amendment providing lessees with an exemption from assessing whether a COVID-19-related rent concession (a rent concession that reduces lease payments due on or before 30 June 2021) is a lease modification.	2021

The Company has not early adopted any of the above amendments. The application thereof in future financial periods is not expected to have a significant impact on the Company's reported results, financial position and cash flows.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2020

1. REVENUE

Revenue is recognised when the Company transfers control of goods and services to the customer. Revenue is derived from the following major categories:

	2020 R'000	2019 R'000
Service fees	3 314 557	2 837 271
Product sales	1 799	2 129
Total revenue	**3 316 356**	**2 839 400**

For all major categories, revenue is measured at the consideration the Company is entitled to under the contract with the customer and excludes any amounts collected on behalf of third parties.

4. EXPENSES

	2020 R'000	2019 R'000
Advertising and promotions	40 272	34 156
Communication costs	44 169	37 050
Consulting fees	62 204	51 556
Consumables	823 053	744 993
Depreciation on owned property, plant and equipment	80 107	67 064
Depreciation on right-of-use assets	37 250	-
Employee benefits	1 332 539	1 187 202
Freight	178 600	180 497
Operating Lease - premises	7 036	45 620
Short term lease expenses	6 385	-
Low value lease expenses	5 284	-
Motor vehicle costs (Includes motor vehicle running costs, repairs and maintenance)	21 800	19 894
Product testing	84 182	68 220
Services	84 510	72 551
Travel and accommodation	54 620	50 584
Provision for doubtful debt	122 267	158 765
Insurance and repairs and maintenance	180 963	123 180
	3 165 241	**2 841 332**

5. OTHER INCOME

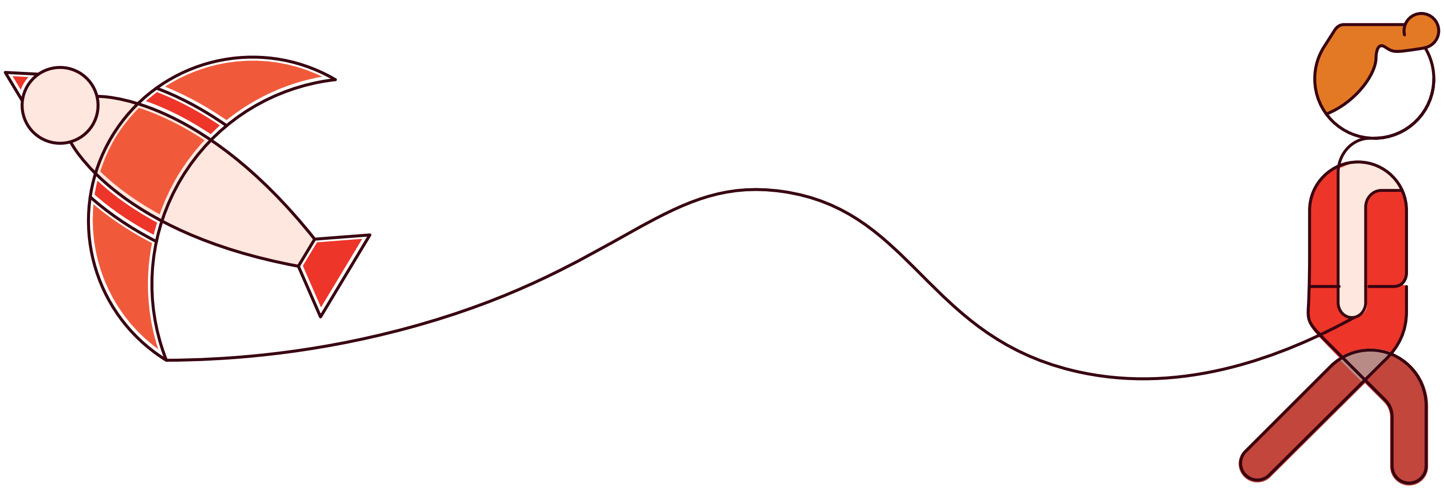
	2020 R'000	2019 R'000
Administration Fee	-	5 921
Miscellaneous Income	4 247	14 057
Discount received	3 138	2 240
Profit on sale of assets	143	64 674
Rent received	-	8 507
	7 528	**95 399**

In March 2019, the Company entered into a sale and lease back agreement on the Pinetown property (which they previously collected rental income on) with the National Bioproducts Institute (NBI).

6. NET INTEREST RECEIVED

Interest received - Bank	143 059	123 684
Interest Expense	**(16 345)**	**(4 976)**
Interest charged by suppliers	(5 473)	(4 976)
Interest on lease liabilities	(10 872)	-
	126 714	**118 708**

Interest paid		
Interest charged to the profit and loss	16 345	4 976
Unpaid IFRS 16 lease liability interest	(659)	-
Interest accrued on post-retirement medical aid obligation	(5 417)	(4 934)
	10 269	**42**



7. SURPLUS FOR THE YEAR

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

	2020 R'000	2019 R'000
Auditor's remuneration	**3 075**	**3 396**
Audit fees	3 075	3 328
Fees for other services	-	68
Depreciation on owned property, plant and equipment	**80 105**	**67 064**
Buildings	5 826	5 734
Plant and equipment	36 071	30 483
Motor vehicles	2 217	1 951
Computer equipment	31 307	24 815
Furniture and fittings	4 684	4 080
Depreciation on right-of-use assets	**37 251**	**-**
Land and Buildings	32 825	-
Plant and equipment	4 426	-
Directors' emoluments (refer to Note 25)	**27 286**	**22 486**
Executive directors and prescribed officers	22 567	18 558
Non-Executive directors	4 719	3 928
Net gain on foreign currency transactions	**(66)**	**(427)**
Employee benefits	**1 332 540**	**1 180 793**
Salaries and wages	825 477	763 631
Pension	110 325	104 518
Bonus	160 102	111 423
Leave	29 224	19 169
Medical Aid	67 361	57 476
Other	140 051	124 576
Net profit on disposal of property, plant and equipment	**(144)**	**(64 674)**
Operating lease expenses	**18 705**	**53 614**
Land and buildings – rental and utilities	-	45 620
Land and buildings - utilities	7 036	-
Plant and equipment - Low value lease expenses	5 284	7 994
Land and buildings - Short term lease expenses	6 385	-

8. TAXATION

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

9. PROPERTY, PLANT AND EQUIPMENT OWNED

2020					
Cost	**Beginning of year R'000**	**Additions R'000**	**Disposals R'000**	**Transfers R'000**	**End of year R'000**
Land and buildings	**234 024**	126 306	-	(7 035)	**353 295**
Plant and equipment	**364 893**	28 026	(144)	-	**392 775**
Motor vehicles	**86 340**	1 838	(193)	-	**87 985**
Computer equipment	**186 478**	96 377	-	-	**282 855**
Furniture and fittings	**34 345**	4 175	(14)	-	**38 506**
	906 080	**256 722**	**(351)**	**(7 035)**	**1 155 416**

Accumulated depreciation	**Beginning of year R,000**	**Charge for the year R'000**	**Disposals R'000**	**Transfers R'000**	**End of year R'000**
Land and buildings	**58 689**	5 828	-	(1 716)	**62 801**
Plant and equipment	**237 887**	36 071	(94)	-	**273 864**
Motor vehicles	**56 794**	2 217	(186)	-	**58 825**
Computer equipment	**152 270**	31 307	-	-	**183 577**
Furniture and fittings	**28 034**	4 684	(16)	-	**32 704**
	533 675	**80 107**	**(294)**	**(1 716)**	**611 771**

Net carrying value	**Cost R'000**	**Accumulated depreciation R'000**	**Net carrying value R'000**
Land and buildings	353 295	62 801	290 494
Plant and equipment	392 775	273 864	118 911
Motor vehicles	87 985	58 825	29 160
Computer equipment	282 855	183 577	99 278
Furniture and fittings	38 506	32 704	5 802
	1 155 416	**611 771**	**543 645**

No assets are encumbered other than the Spectra Optia machine used in therapeutic procedures. A register of properties is available for inspection at SANBS, 1 Constantia Boulevard, Constantia Kloof.

9. PROPERTY, PLANT AND EQUIPMENT OWNED (CONTINUED)

2019					
Cost	**Beginning of year R'000**	**Additions R'000**	**Disposals R'000**	**Held for sale R'000**	**End of year R'000**
Land and buildings	**247 330**	23 172	(36 479)	-	**234 024**
Plant and equipment	**324 710**	41 508	(1 323)	-	**364 893**
Motor vehicles	**79 417**	7 763	(840)	-	**86 340**
Computer equipment	**170 937**	15 605	(64)	-	**186 478**
Furniture and fittings	**29 046**	5 466	(167)	-	**34 345**
	851 440	**93 514**	**(38 873)**	**-**	**906 080**

Accumulated depreciation	Beginning of year R'000	Charge for the year R'000	Disposals R'000	Held for sale R'000	End of year R'000
Land and buildings	**63 388**	5 734	(10 433)	-	**58 689**
Plant and equipment	**208 564**	30 483	(1 160)	-	**237 887**
Motor vehicles	**55 454**	1 951	(610)	-	**56 794**
Computer equipment	**127 500**	24 815	(45)	-	**152 270**
Furniture and fittings	**24 115**	4 080	(161)	-	**28 034**
	479 022	**67 063**	**(12 410)**	**-**	**533 675**

Net carrying value	Cost R'000	Accumulated depreciation R'000	Net carrying value R'000
Land and buildings	234 024	58 689	175 333
Plant and equipment	364 893	237 887	127 006
Motor vehicles	86 340	56 794	29 546
Computer equipment	186 478	152 270	34 209
Furniture and fittings	34 345	28 034	6 311
	906 080	**533 675**	**372 405**

No assets are encumbered other than the Spectra Optia machine used in therapeutic procedures. A register of properties is available for inspection at SANBS, 1 Constantia Boulevard, Constantia Kloof.

10. RIGHT-OF-USE ASSETS

Cost	Property R'000	Equipment R'000	Total R'000
As at 1 April 2019	-	-	-
IFRS16 adoption	68 302	19 328	87 630
Additions	28 245	-	28 245
As at 31 March 2020	**96 547**	**19 328**	**115 875**
Accumulated depreciation			
As at 1 April 2019	-	-	-
Charge	32 825	4 425	37 250
As at 31 March 2020	**32 825**	**4 425**	**37 250**

10. RIGHT-OF-USE ASSETS (CONTINUED)

Net carrying value	Cost R'000	Accumulated Depreciation R'000	Net Carrying value R'000
Property	96 547	32 825	63 722
Equipment	19 328	4 425	14 903
	115 875	**37 250**	**78 625**

	2020 R'000	2019 R'000
Lease liabilities		
Opening balance	**-**	**-**
Adoption of IFRS 16	88 168	-
Additions	28 245	-
Interest accrued	660	-
Lease payments	(31 190)	-
Closing balance	**85 883**	**-**
Long term lease liabilities		
Property	39 674	-
Equipment	12 555	-
	52 229	**-**
Short term lease liabilities		
Property	30 079	-
Equipment	3 575	-
	33 654	**-**
Total liabilities		
Property	69 753	-
Equipment	16 130	-
	85 883	**-**
Maturity analysis – Contractual undiscounted cash flows		
Less than one year	42 122	-
One to five years	58 527	-
Total undiscounted cash flows	**100 649**	**-**

Leases in the Income Statement
Lease payments for short-term lease or leases of low-value items are recognised as an expense over the lease term.

Expense		
Short-term lease expenses	6 385	-
Low-value lease expenses	**5 284**	**-**
	11 669	**-**

11. INVENTORIES

Consumables	153 194	122 661
Provision for obsolescence	(2 963)	(859)
	150 231	**121 802**

Total inventories charged to cost of sales during the year amounted to R823 million (2019: R745 million)

12. TRADE AND OTHER RECEIVABLES

	2020 R'000	2019 R'000
Trade receivables	975 014	1 097 120
Sundry receivables	13 610	18 970
	988 624	**1 116 090**
Trade receivables:		
Gross receivables	1 594 849	1 642 026
Provision for doubtful debts	(619 835)	(544 906)
	975 014	**1 097 120**

Not past due	**410 297**	**451 667**

Age of receivables that are past due but not impaired:

30 Days	114 979	109 921
60 Days	67 601	99 826
90 Days	64 965	87 677
90+ Days	317 172	348 029
Total	**564 717**	**645 455**

Age of impaired receivables:

120 Days	41 163	29 450
150+ Days	578 672	515 456
Total	**619 835**	**544 904**
	1 594 849	**1 642 026**

The Company considers its provision against these debtors 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 receivable as potentially problematic if it ages beyond 120 days.

Movement in provision for doubtful debts

Balance at beginning of the year	544 906	386 141
Charged to the Statement of profit and loss and other comprehensive income - impairment	122 267	158 765
Department of Health related credit note adjustment	(47 338)	-
Balance at the end of the year	**619 835**	**544 906**

12. TRADE AND OTHER RECEIVABLES (CONTINUED)

During July 2020 an instance was noted in which a receipt from a debtor was misallocated to another debtor's account. A small number of misallocations were identified by tests performed by our Internal Audit team, and their report was completed and signed off on the 18 February 2021. As at the date of this report our external audit team have not been able to perform audit procedures to satisfy themselves on the Medical aid reimbursement provision, Trade receivable balance and the impairment assessment of trade receivables.

Due to the irregularity identified per note 17.2 and the few instances of debtor misallocations, the Company has not yet finalised the assessment of the inappropriate allocation of receipts from debtors and therefore the Company did not adopt the IFRS 9 Financial Instruments accounting standard which was applicable from the 31 March 2019 financial period.

Private sector patients/customers

Blood transfusion and related services are rendered following a requisition by a qualified medical physician on behalf of a patient admitted in a private hospital. No credit check is completed at the time of service. An assumption is made that the patient is admitted in a private hospital and will take responsibility for the full cost of services rendered.

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 in place with most of these departments.

	2020 R'000	% change	2019 R'000	% change
Private Sector	**804 121**	**50%**	**552 811**	**35%**
Medical aids	570 521		390 433	
Private patients	167 935		109 718	
Private institutions	63 271		51 144	
Others	2 394		1 516	
Government Sector	**790 728**	**50%**	**1 089 216**	**65%**
Government hospitals	780 980		1 008 870	
Workmen's Compensation Fund	1 682		22 437	
Road Accident Fund	1 634		50 502	
Other	6 432		7 406	
	1 594 849		**1 642 027**	

13. ASSET-HELD-FOR-SALE

	2020 R'000	2019 R'000
Cost	7 264	228
Accumulated depreciation	(1 795)	(79)
	5 469	**149**

During the current financial year the Executive team approved the sale of the property situated at 25 & 27 Pearce Street, East London with a carrying value of R5.3m at 31 March 2020. The sale of this property was approved by the Board on 12 March 2020. No impairment loss was recognised on the reclassification of the properties held for sale. The Executive of the organisation expect that the fair value (estimated based on recent market prices of similar properties in similar locations) less the cost to sell is higher than the carrying amount. The Company has not yet received a binding offer to purchase.

In the 2019 financial year, the Executive team approved the sale of the property situated at 103 Jacqueline Avenue, Alberton, with a carrying value of R149 286. The sale of this property was approved by the Board on 30 June 2016. No impairment loss was recognised on the reclassification of the properties held for sale. The Executive of the organisation expect that the fair value (estimated based on recent market prices of similar properties in similar locations) less the cost to sell is higher than the carrying amount. In January 2021, the Company received and accepted an offer to purchase for R1.2m and the registration process is to commence before 31 March 2021.

14. INTEREST-BEARING LIABILITIES

	2020 R'000	2019 R'000
Finance lease liabilities	-	539
Less: portion payable within one year	-	(340)
Long-term portion	**-**	**199**

The obligation was secured over Spectra Optia, which is used in therapeutic apheresis procedures. The obligation bears interest at prime lending rate, which was 8.75% (2019: 10.25%) at the end of the financial year, and repayable in monthly instalments of R28 360 with a total value of R340 320. The Finance lease liability has been disclosed under lease liabilities in line with IFRS16 in the 31 March 2020 financial period.

15. 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 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 2020 indicates that the contractual post-retirement medical aid liability is adequately provided for within the financial statements.

	2020 R'000	2019 R'000
Provision for post-retirement medical obligations – long term	45 892	50 211
Short term portion	3 208	3 063
Balance at the end of the year	**49 100**	**53 274**

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

Balance at the beginning of the year	53 274	57 010
Current service cost	589	705
Interest cost	5 417	4 934
Expected employer benefit payments	(3 208)	(2 966)
Actuarial gain	(6 972)	(6 409)
Balance at the end of the year	**49 100**	**53 274**

Average retirement age	65 years	65 years
Continuation of membership at retirement	100,00%	100,00%
Health care cost inflation	8.10%	8,70%
Discount rate	10.80%	10,50%

16. TRADE AND OTHER PAYABLES

	2020 R'000	2019 R'000
Trade payables	224 472	120 774
Accruals	71 154	49 147
Other payables	54 910	49 627
	350 536	**219 548**

The average credit period from suppliers is 46 days.

17.1 PROVISIONS

	2020 R'000	2019 R'000
Leave pay	76 414	59 013
Incentive bonus	103 426	72 940
	179 840	**131 953**
Leave pay		
Opening Balance	59 014	52 890
Additional provisions recognised	86 904	19 375
Reduction due to leave taken	(69 504)	(13 252)
	76 414	**59 014**

Leave pay provision represents the liability for leave days due to employees at 31 March 2020.

Incentive Bonus		
Opening Balance	72 940	40 851
Additional provision recognised	106 214	109 701
Reduction due to payments	(75 728)	(77 612)
	103 426	**72 940**

Incentive bonuses are payable to employees on satisfaction of certain conditions stipulated in the incentive bonus policy.

17.2 MEDICAL AID REIMBURSEMENT

	2020 R'000	2019 R'000
Opening Balance	136 801	136 801
Provision utilised	(28 308)	-
	108 493	**136 801**

During October 2018 an irregularity was discovered that patients belonging to some medical aids, as well as public hospital patients, who were not transfused with all the blood consigned by SANBS had been incorrectly charged for all blood consigned. For several years credit notes issued in respect of blood returned to SANBS were not sent to public hospitals and, in the case of some medical aids, were incorrectly presented as invoices and paid by the medical aids. When payments were received, they would be inappropriately allocated to other debtor accounts.

The quantification of the medical aid credit notes was completed during the 2019 year. During the year ended 31 March 2020 some medical aids were agreed and settled. Agreements with medical aids on the credit notes issued were agreed with Discovery, Medscheme, and PPSHA group of medical aid schemes. As at year-end and at the date of signoff of the financial statements, not all settlements agreements with Medical aids had been finalised.

During the year ended 31 March 2020 the quantification of the amount of credit notes issued to public hospitals was completed and the relevant hospitals were credited in March 2020 according to the quantification. During November 2020 the Company signed an agreement with the National Department of Health in which both parties agreed that the write-off of amounts due from the public hospitals for the quantified credit notes issued to public hospitals is full and final settlement.

The directors believe the provision of R108 million (2019: R136 million) is sufficient to cover the liability to remaining medical aids.

18. CONTINGENT LIABILITIES

The organisation is from time to time involved in various claims and legal proceedings arising in the ordinary course of business. The Board and Executive does not believe that adverse decisions in any pending proceedings or claims against the Company will have a material adverse effect on the financial condition or future of the organisation.

19.1 OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES

	2020 R'000	**2019 R'000**
Surplus for the year	285 356	212 175
Adjustments:		
Depreciation on property, plant and equipment	80 107	67 064
Depreciation on right-of-use assets	37 250	-
Net profits on disposal of property, plant and equipment	(143)	(64 674)
Interest received	(143 059)	(123 684)
Interest paid	16 345	4 976
Movement in Provisions	47 886	38 212
Medical aid reimbursement	(28 308)	-
Post-retirement medical aid non-cash items	(2 620)	(2 261)
Cash generated from operations	**292 814**	**131 808**

19.2 WORKING CAPITAL CHANGES

(Increase) / decrease in inventories	(28 429)	(10 283)
Increase in trade and other receivables	127 466	(225 010)
Increase in trade and other payables	130 988	39 469
Changes in working capital	**230 025**	**(195 824)**

19.3 CASH AND CASH EQUIVALENT

Bank Balance	548 014	285 443
Money on Call	1 454 446	1 349 100
Cash and cash equivalents	**2 002 460**	**1 634 543**

Cash and cash equivalents includes cash on hand, and deposits held on call with banks and is available for use by the Company. Financial institutions have issued guarantees on behalf of the Company to the value of R5 761 091 (2019: R5 090 044).

20. OPERATING LEASE COMMITMENTS

	2020 R'000	2019 R'000
Not later than one year	5 657	29 602
Later than one year, but not later than five years	5 284	78 971
	10 941	**108 573**

20.1 OPERATING LEASE INCOME

Lease Revenue	-	8 507

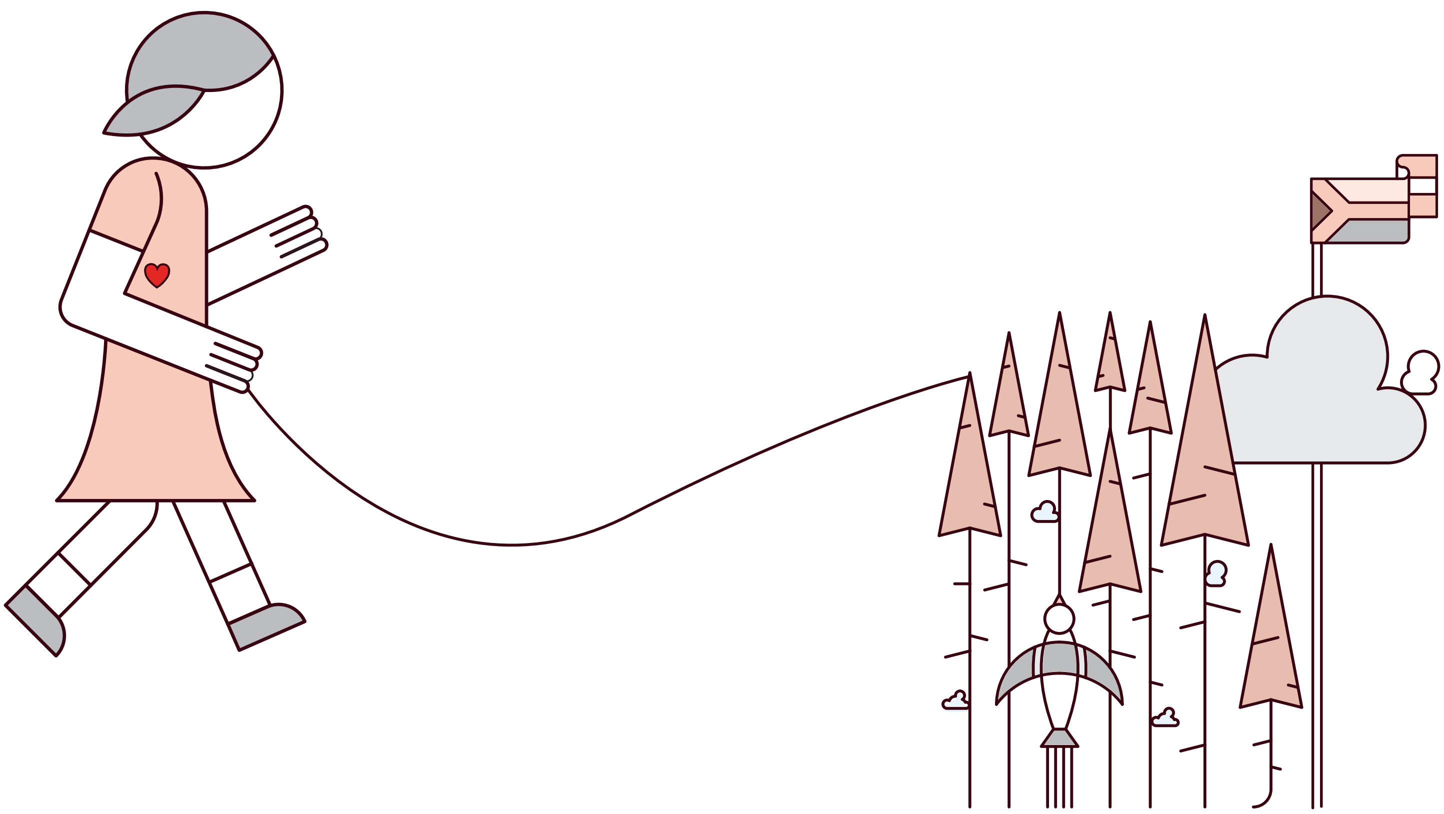
20.2 OPERATING LEASE INCOME

Receivable within 1 year	-	8 023
Receivable later than 1 year but not later than 5 years	-	-
	-	**8 023**

Note: Lease commitments relate to non-cancellable leases on buildings.

21. 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 2 408 (2019: 2 416) employees on this fund. The Company's contribution to this fund expensed during the current financial year amounted to R130 096 117 (2019: R104 518 480).



22. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT POLICIES

Interest rate risk
Fluctuations in interest rates impact the returns derived from bank deposits and on interest payable on 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. Per the Investment Policy, funds may only be invested in the top 4 banks in South Africa.

Interest rate sensitivity
If the interest rate had been 1% higher/lower and all other variables held constant, the surplus for the year would increase/ decrease by R19.5 million (2019 increase/decrease by R15.1 million).

Liquidity risk
The risk is managed by cash budgets and 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:

Exchange rates:	**2020**	**2019**
USD	14.14	14.43
Euro	24.78	16.20
GBP	19.97	18.67
Current liabilities in:	**R'000**	**R'000**
Trade payables in USD denominated, translated to functional currency	44 528	29 317
Trade payables in Euro denominated, translated to functional currency	59	2 303
Trade payables in AUD denominated, translated to functional currency	53	-
Trade payables in GBP denominated, translated to functional currency	719	-

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.

10% foreign currency sensitivity – USD	4 453	2 932

Credit risk management
The Company determines expected credit losses on accounts receivable based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions.

Fair-value
The directors are of the opinion that the book 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 or 2 financial instruments.

22. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT POLICIES (CONTINUED)

2020	
Financial assets	**Level 3 R'000**
Trade and other receivables	972 477
Cash and cash equivalents	2 002 460
Total	**2 974 937**

Items included in trade and other receivables but not classified as financial instruments

Prepaid expenses	16 147
Financial Liabilities	
Interest bearing liabilities	85 883
Trade and other payables	336 704
Provisions	108 493
Total	**531 080**

Items included in trade and other payables but not classified as financial instruments

VAT	7
Provision for audit fees	3 744
CIODA provision	5 066
Income received in advance	5 016
Total	**13 833**

Items included in provisions but not classified as financial instruments

Bonus provision	103 426
Leave pay provision	76 414
Total	**179 840**

22. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT POLICIES (CONTINUED)

Classification of financial instruments

	Loans and receivables R'000	Amortised costs R'000	Total R'000
Assets			
Trade and other receivables	972 477	-	972 477
Cash and cash equivalents	2 002 460	-	2 002 460
Total	**2 974 937**	**-**	**2 974 937**

	Loans and receivables R'000	Amortised costs R'000	Total R'000
Liabilities			
Interest bearing liabilities	-	85 884	85 884
Trade and other payables	336 704	-	336 704
Provisions	-	108 493	108 493
Total	**336 704**	**194 377**	**531 081**

2019	
Financial assets	**Level 3 R'000**
Trade and other receivables	1 106 081
Cash and cash equivalents	1 634 543
Total	**2 740 624**

Items included in trade and other receivables but not classified as financial instruments:

Prepaid expenses	10 009

Financial Liabilities	
Interest bearing liabilities	539
Trade and other payables	206 831
Provisions	136 801
Total	**344 171**

Items included in trade and other payables but not classified as financial instruments:

Provision for audit fees	2 989
CIODA provision	4 712
Income received in advance	5 016
Total	**12 717**

22. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT POLICIES (CONTINUED)

Items included in provisions but not classified as financial instruments:

	Level 3 R'000
Bonus provision	72 940
Leave pay provision	59 013
	131 953

Classification of financial instruments

2019			
	Loans and receivables R'000	Amortised costs R'000	Total R'000
Assets			
Trade and other receivables	1 106 081	-	1 106 081
Cash and cash equivalents	1 634 543	-	1 634 543
Total	**2 740 624**	**-**	**2 740 624**
Liabilities			
Interest-bearing liabilities	-	539	539
Trade and other payables	206 831	-	206 831
Provisions	-	136 801	136 801
Total	**206 831**	**137 340**	**344 171**

23. CAPITAL COMMITMENTS

Commitments in respect of capital expenditure:
Approved by directors – not contracted for

	2020 R'000	2019 R'000
Plant and equipment	174 219	8 972
Motor vehicles	9 938	32 015
Furniture and fittings	33 654	113 684
Computer hardware and software	35 698	188 715
Building and leasehold improvements	543 258	341 547
	796 767	**684 932**

24. GUARANTEES

Financial Institutions have issued guarantees on behalf of the Company to the value of R 5 761 091 (2019: R8 090 044). Guarantees are issued for our bankers to our lessors for deposits due for rental premises used by the Company.

25. DIRECTORS AND PRESCRIBED OFFICERS EMOLUMENTS

Executive Directors

2020	Basic Salary R'000	Bonus R'000	Other Benefits R'000	Total R'000
J Louw (Resigned 01.12.2020)	4 107	390	567	5 064
J Thomson (Resigned 28.02.2021)	2 376	196	-	2 572

Prescribed Officers

R Reddy	2 948	317	867	4 132
A Mothokoa	1 849	273	702	2 824
T Maesela	2 076	220	559	2 854
S Mlambo	1 891	213	251	2 355
F Monkwe	1 851	216	698	2 765
	17 098	**1 825**	**3 644**	**22 567**

Non-executive Directors

	Remuneration R'000	Other Benefits R'000	Total R'000
F Burn	427	-	427
R Brand (Retired 09.11.2019)	461	-	461
W Gumede	677	-	677
P Knox	442	-	442
V Moodley	365	-	365
A Ramalho	510	-	510
G Simelane	654	-	654
R Theunissen	714	-	714
P Mthethwa	375	-	375
G Leong (Joined 09.11.2019)	94	-	94
	4 719	**-**	**4 719**

Executive Directors

2019	Basic Salary R'000	Bonus R'000	Other Benefits R'000	Total R'000
J Louw	3 851	367	125	4 342
J Thomson	2 482	208	19	2 709

25. DIRECTORS AND PRESCRIBED OFFICERS EMOLUMENTS (CONTINUED)

Prescribed Officers

2019	Basic Salary R'000	Bonus R'000	Other Benefits R'000	Total R'000
R Reddy	2 913	292	160	3 365
A Mothokoa	1 809	200	94	2 103
T Maesela	1 960	207	96	2 264
S Mlambo	1 800	167	56	2 023
F Monkwe	1 702	173	86	1 960
	16 517	**1 405**	**636**	**18 558**

Non-executive Directors

	Remuneration R'000	Other Benefits R'000	Total R'000
F Burn (Joined 10.11.2018)	162	-	162
R Brand	478	-	478
W Gumede	553	-	553
P Knox	430	-	430
V Moodley	381	-	381
M Malebye (Joined: 01.02.2018, Retired by rotation 10.11.2018)	164	-	164
P Mthethwa (Joined 10.11.2018)	131	-	131
A Ramalho	476	-	476
G Simelane	597	-	597
R Theunissen	556	-	556
	3 928	**-**	**3 928**

26. RELATED PARTIES

There are no related parties.

27. SUBSEQUENT EVENTS

On 30 January 2020, the World Health Organisation announced the outbreak of COVID-19 as a world health emergency of international concern, and on 11 March 2020 the outbreak was classified as a global pandemic. In South Africa, a National State of Disaster was declared in response to the pandemic, which created restrictions on travel and mass gatherings among other things in the country. A national lockdown was enforced from 26 March 2020 to 17 April 2020 and was subsequently extended on 9 April 2020, to end on 30 April 2020. On 23 April 2020 further measures were announced which would allow for the gradual re-opening of the South African economy in stages from 1 May 2020. The impact of the gradual reopening was different based on the sector and area in which businesses operate, and the spread of the outbreak post 1 May 2020. The outbreak of COVID-19 and the subsequent measures imposed by various Governments in an attempt to contain the spread of the virus, including travel and trade restrictions, social distancing measures and enforced lockdowns have caused disruption to businesses and economic activity in the country.

Outcomes ranging from successful virus containment with a short-term economic impact, to a prolonged global contagion resulting in a potential local or global recession are possible. At the same time, there are a number of policy and fiscal responses emerging across the globe intended to mitigate potential negative economic impacts. We are monitoring the COVID-19 outbreak and developments closely. The Company follows guidance from the World Health Organisation and abides by the requirements as activated by local governments. Contingency plans have been implemented as far as possible to mitigate the potential adverse impact on the Company's employees and operations.

As the events arising due to the Government interventions in response to the COVID-19 pandemic occurred from the 26 March 2020, which was just before the reporting date of the Company as such this was an adjusting event. The Company provides an essential service, and the impact on our operations for the period ending 31 March 2020 was not significant.

Subsequent to year-end, the pandemic has had a negative impact on the operations of the Company, as demand for our blood transfusion and related services declined. As the situation remains fluid and is rapidly evolving (due to continuing changes in government policy and evolving business and customer reactions thereto) as at the date these financial statements are authorised for issue, the directors of the Company considered that the financial effects of COVID-19 on the Company's financial statements cannot be reasonably estimated. Nevertheless, the economic effects arising from the COVID-19 outbreak have affected the results of the Company subsequent to year-end.

During January 2021, the Company received an offer to purchase the property at 103 Jacqueline Avenue, Alberton, with a carrying value of R149k, for R1.2m. The registration process is due to commence in March 2021.

Medical Aid Reimbursements
Agreement with Medscheme medical aid on the credit notes issued was reached on 19 May 2020.

In March 2020, R47m was provided as the amount to be written off against the National Department of Health's balance outstanding relating to medical aid credit notes. During November 2020 the Company signed an agreement, which was equal to the R47m provided, with the National Department of Health in which both parties agreed the total quantity of credit notes issued to public hospitals and the write-off of the credit notes against current balances outstanding as full and final settlement.

28. GOING CONCERN STATUS

The directors believe that the Company has adequate financial resources to continue in operation for the foreseeable future and accordingly the annual financial statements have been prepared on a going concern basis. The directors have satisfied themselves that the Company is in a sound financial position to meet its foreseeable cash requirements.

The Board undertakes regular rigorous assessment of whether the Company is a going concern in the light of current economic conditions and all available information about future risks and uncertainties.

The projections for the Company have been prepared, covering its future performance, capital and liquidity for a period of 12 months from the date of approval of these financial statements including performing sensitivity analyses. These analyses have been updated to include the ongoing developments related to the COVID-19 pandemic. These pandemic scenarios continue to evolve as the effects of the pandemic continue to extend.

The Company's forecasts and projections of its current and expected profitability, taking account of reasonably possible changes in trading performance, show that the Company will be able to operate within the level of its cash resources for at least 12 months from the authorisation date of the Financial Statements. A downside analysis has been performed assessing the potential negative economic impact the pandemic might have on the expected profitability of the Company and how that would affect the entity's ability to continue as a going concern.

In preparing this analysis the following key assumptions were used:

- The revenue reduction impact due to a drop in blood collections and usage,
- The reduction in interest rates affecting the interest income from our money market investments,
- The volatility of the rand relative to major currencies especially the dollar and the euro, affecting the cost of imported consumables and services,
- The fixed cost base and the ability to reduce it in order to realise cost savings,
- The ability to defer or renegotiate payment terms,
- The impact of customer default rates.

The above assumptions used in the sensitivity analyses represent the possible "worst case scenario" based on our current understanding of the continued impact of the pandemic. This scenario is considered to be unlikely, however it is difficult to predict the overall outcome and impact of COVID-19.

The Company's projections and sensitivity analysis show that the Company has sufficient capital, liquidity and positive future performance outlook to continue to meet its short-term obligations and as a result it is appropriate to prepare these financial statements on a going concern basis, even considering the severe impacts of the COVID-19 pandemic as noted above.

The directors are not aware of any new material changes, non-compliance with statutory or regulatory requirements or of any pending changes to legislation, which may affect the Company.


OUR VISION
is to be the
CORNERSTONE
of healthcare services in
SOUTH AFRICA
through the
GIFT
of
LIFE
AND
we believe in our
MISSION
to reliably provide
trusted blood products
and
SERVICES
to all patients at a
WORLD CLASS LEVEL
of cost and quality while
innovating new treatments to enhance
human healthcare

SOUTH AFRICAN NATIONAL BLOOD SERVICE NPC
(Registration number 2000/026390/08)

REGISTERED OFFICE ADDRESS
1 Constantia Boulevard
Constantia Kloof
Roodeport, 1709
Tel: +27 (0)11 761 9000
Email: customerservice@sanbs.org.za

WEBSITE
www.sanbs.org.za