WESTERN PROVINCE BLOOD TRANSFUSION SERVICE
Non-Profit Company Incorporated in Terms of the
South African Companies Act 71 of 2008

(Registration Number 1943/016692/08)

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

WESTERN PROVINCE BLOOD TRANSFUSION SERVICE

Non-Profit Company Incorporated in Terms of the South African Companies Act 71 of 2008
(Registration Number 1943/016692/08)

ANNUAL FINANCIAL STATEMENTS AT 31 MARCH 2015

DIRECTORS	P K Slack	(Chairman)	
	G R M Bellairs	(Executive)	
	N du Toit	(Executive)	
	A R Bird		
	G R Bosman		
	M R Burton*		
	F Essop		(Resigned 30 March 2015)
	B Figaji*		
	A Huggett		(Appointed 30 September 2014)
	D Ndebele		
	N Parker		
	R Ramsbottom*		
	*Member of audit committee		

SECRETARY	I Kaprey	
AUDITORS	Ernst & Young Inc.	
REGISTERED OFFICE	Southern House Old Mill Road Pinelands 7405	P O Box 79 Howard Place 7450
REGISTRATION NUMBER	1943/016692/08	
NPO REGISTRATION NUMBER	031-336-NPO	
PBO REFERENCE NUMBER	93000 4391	
ANNUAL FINANCIAL STATEMENTS PREPARED BY	Imtiaz Kaprey (Financial Manager)	

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APPROVAL OF ANNUAL FINANCIAL STATEMENTS

The annual financial statements set out on pages 4 to 37 were approved by the board of directors on 20 July 2015 and are signed on its behalf by:

....	....
CHAIRMAN	**DIRECTOR**

INDEPENDENT AUDITORS' REPORT
TO THE COMMITTEE MEMBERS OF WESTERN PROVINCE BLOOD TRANSFUSION SERVICE

Non-Profit Company Incorporated in Terms of the South African Companies Act 71 of 2008
(Registration Number 1943/016692/08)

Report on the Financial Statements

We have audited the annual financial statements of Western Province Blood Transfusion Service set out on pages 4 to 37, which comprise the statement of financial position at 31 March 2015, and the statement of profit or loss, statement of changes in equity and statement of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Financial Statements
The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with the 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.

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

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

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

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

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

Ernst & Young Inc.
Director: Abdul Majid Cader
Registered Auditor
Chartered Accountant (SA)

20 July 2015

WESTERN PROVINCE BLOOD TRANSFUSION SERVICE

Non-Profit Company Incorporated in Terms of the South African Companies Act 71 of 2008
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DIRECTORS' REPORT
FOR THE YEAR ENDED 31 MARCH 2015

BUSINESS AND OPERATIONS

The principal activity of the Western Province Blood Transfusion Service is the collection, testing, processing and distribution of blood and certain of its derivatives.

CORPORATE STRUCTURE

Western Province Blood Transfusion Service is an association not for gain incorporated in 1943 in terms of Section 21 of the previous Companies Act, 1973. The company continues to exist and in terms of Schedule Transitional Arrangement of the Companies Act, 2008. The company is deemed to have been incorporated and registered under Section 8 of the said Act as a non-profit company, with at least one of its objects being a public benefit; or a cultural or social activities, or communal or group interests.

RESULTS FOR THE YEAR

The results of operations for the year are set out in the attached income statement which reflects a surplus of R9.2 million for the year ended 31 March 2015 (2014: R5.9 million).

CAPITAL COMMITMENTS

In keeping with the Western Province Blood Transfusion Service's mission statement, the company continues investing in technical equipment to maintain its standards. Expected total capital expenditure for the next year is R18.9 million.

DIRECTORS AND SECRETARY

Particulars of the present directors and secretary are given on page 1.

EMPLOYMENT EQUITY

The employment equity plan was originally developed in consultation with Protusa and is currently being monitored in consultation with PSA, the Union which now represents the majority of the workforce.

The action over the past three years has focused on maintaining or improving the ratios which have been achieved.

As at 1 October 2014, the date of the last employment equity submission, the Service employed 542 permanent and 16 casual/temporary employees. As at the date of the last submission, 76% of permanent employees are from the black designated group and 62% are female. Of the 18 employees in management, 39% are from the black designated group and 55% are female.

NATIONAL BLOOD TRANSFUSION LICENCE

Section 53 of the National Health Act was signed by the Office of the Presidency in June 2009. The Act makes provision for a single licence for a single blood transfusion service in South Africa.

Draft regulations for blood and blood products were published for comment during 2011. SANBS, NBI and WPBTS submitted recommendations in June 2011. The regulations published in early 2012 did not include several of our recommendations, and a response was subsequently sent to the National Department of Health. Official feedback is awaited.

Legal opinion remains that the Act cannot be currently enforced, and that WPBTS is currently operating legally based on existing licensing under the Human Tissues Act.

WPBTS continues to cooperate with SANBS and the National Department of Health and remains committed to a solution that best serves regional and national blood transfusion requirements.

EVENTS SUBSEQUENT TO THE YEAR END

No event or circumstance has occurred since the year end which has a significant impact on these financial statements.

COMPANY SECRETARY'S CERTIFICATE

In my capacity as Company Secretary, I hereby certify, in terms of the Companies Act, that for the period ended 31 March 2015, the company has lodged with the Registrar of Companies all such returns as are required of a private company in terms of this Act, and that all such returns are, to the best of my knowledge and belief, true, correct and up to date.

…………………………….
Imtiaz Kaprey

20 July 2015

WESTERN PROVINCE BLOOD TRANSFUSION SERVICE

Non-Profit Company Incorporated in Terms of the South African Companies Act 71 of 2008
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STATEMENT OF FINANCIAL POSITION AT 31 MARCH 2015

	Note	2015	Restated 2014	Restated 2013
		R	R	R
ASSETS				
Non-current assets				
Property, plant and equipment	8	100 583 040	96 831 951	97 225 079
Current assets				
Inventory	9	48 767 789	41 901 051	29 603 994
Trade and other receivables	10	37 777 724	38 157 131	33 210 765
Cash and cash equivalents	11	42 956 650	38 163 551	45 861 442
FEC asset	21.4	135 327	-	-
		129 637 490	118 221 733	108 676 201
Total assets		230 220 530	215 053 684	205 901 280
EQUITY AND LIABILITIES				
Accumulated funds		126 696 856	117 678 679	112 586 967
Revaluation reserve	12	40 676 973	40 778 112	40 778 112
Non-distributable reserves	13	2 296 734	2 354 007	2 384 401
Product liability reserve	14	6 101 005	5 799 412	5 000 000
		175 771 568	166 610 210	160 749 480
Non-current liabilities				
Post-retirement medical benefits	20	1 926 000	1 959 000	1 993 000
Current liabilities				
FEC liability	21.4	-	1 116 066	-
Trade and other payables	15	30 035 527	31 003 526	23 708 245
Provisions	16	22 487 435	14 364 882	19 450 555
		52 522 962	46 484 474	43 158 800
Total equity and liabilities		230 220 530	215 053 684	205 901 280

WESTERN PROVINCE BLOOD TRANSFUSION SERVICE

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STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 MARCH 2015

	Note	2015 R	Restated 2014 R
TURNOVER	2	312 117 879	276 080 143
COST OF SALES	7	116 080 989	101 542 046
Collections		30 334 061	26 156 820
Testing		47 980 645	42 077 689
Product costs		37 766 283	33 307 537
GROSS SURPLUS		196 036 890	174 538 097
INCOME		10 873 619	6 486 951
Interest received			
- bank deposits	2	2 063 282	1 670 627
- amortisation of debtors	2	3 551 375	3 117 750
Net surplus and scrapping on disposal of property, plant and equipment		1 134 095	-
Realised gains on forex		-	132
Realised gains on derivative financial instruments		963 870	-
Fair value of FEC asset – unrealised gain		135 327	-
Unrealised gains on foreign exchange		-	184 227
Sundry income	3	2 419 421	836 407
Grant income	4	235 756	357 856
Professional development fund income	13(a)	68 900	60 012
Product liability income	14	301 593	259 940
EXPENSES		197 749 151	175 164 318
Personnel	5	151 923 828	132 745 612
Administration	6	26 714 979	24 446 900
Net loss and scrapping on disposal of property, plant and equipment		-	225 494
Realised losses on foreign exchange		1 367 761	1 761 531
Unrealised losses on foreign exchange		290 092	-
Fair value of FEC liability – unrealised loss		-	1 116 066
Finance costs	17	1 504	7 986
Repairs and maintenance		7 954 338	6 403 529
Depreciation	8	9 370 476	8 366 794
Professional development fund expense	13(a)	126 173	90 406
SURPLUS FOR THE YEAR		9 161 358	5 860 730

WESTERN PROVINCE BLOOD TRANSFUSION SERVICE

Non-Profit Company Incorporated in Terms of the South African Companies Act 71 of 2008
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STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2015

	Note	Non-distributable reserves R	Revaluation reserve R	Product liability reserve R	Accumulated funds R	Total R
Balance at 31 March 2013 as previously reported		2 384 401	40 778 112	5 000 000	118 619 261	166 781 774
Prior period error	22	-	-	-	(6 032 294)	(6 032 294)
Balance at 31 March 2013 restated		2 384 401	40 778 112	5 000 000	112 586 967	160 749 480
Surplus for the year					5 860 730	5 860 730
Transfer from non-distributable reserve	13(a)	(30 394)	-		30 394	-
Transfer to product liability reserve	14		-	799 412	(799 412)	-
Balance at 31 March 2014 restated		2 354 007	40 778 112	5 799 412	117 678 679	166 610 210
Surplus for the year		-	-	-	9 161 358	9 161 358
Transfer from non-distributable reserve	13(a)	(57 273)	-	-	57 273	-
Transfer from revaluation reserve	12	-	(101 139)	-	101 139	-
Transfer to product liability reserve	14	-	-	301 593	(301 593)	-
Balance at 31 March 2015		2 296 734	40 676 973	6 101 005	126 696 856	175 771 568

WESTERN PROVINCE BLOOD TRANSFUSION SERVICE

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STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2015

	Note	2015 R	Restated 2014 R
Cash flows from operating activities			
Cash generated by operations	(i)	18 622 746	5 669 020
Interest received		3 551 375	4 788 377
Working capital movements	(ii)	(7 455 330)	(9 948 142)
Cash generated by operating activities		14 718 791	509 255
Finance costs		(1 504)	(7 986)
Net cash inflow from operating activities		14 717 287	501 269
Cash flows from investing activities			
Acquisition of property, plant and equipment	(iii)	(14 420 832)	(9 247 047)
Proceeds on disposal of property, plant and equipment	(iv)	2 433 362	1 047 887
Interest received		2 063 282	-
Net cash outflow from investing activities		(9 924 188)	(8 199 160)
Net movement in cash and cash equivalents for the year		4 793 099	(7 697 891)
Cash and cash equivalents at beginning of year	(v)	38 163 551	45 861 442
Cash and cash equivalents at end of year	(v)	42 956 650	38 163 551

WESTERN PROVINCE BLOOD TRANSFUSION SERVICE

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NOTES TO THE STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2015

		2015 R	Restated 2014 R
(i)	**Cash generated by operations**		
	Surplus for the year	9 161 358	5 860 730
	Adjustment for:		
	Finance costs	1 504	7 986
	Depreciation	9 370 476	8 366 794
	Post-retirement medical benefits	(33 000)	(34 000)
	Surplus on disposal of property, plant and equipment	(1 134 095)	225 494
	Interest received	(5 614 657)	(4 788 377)
	Movement in FEC asset/liability	(1 251 393)	1 116 066
	Movement in provisions	8 122 553	(5 085 673)
		18 622 746	5 669 020
(ii)	**Working capital movements**		
	Inventory	(6 866 738)	(12 297 057)
	Trade and other receivables	379 407	(4 946 366)
	Trade and other payables	(967 999)	7 295 281
		(7 455 330)	(9 948 142)
(iii)	**Acquisition of property, plant and equipment**		
	Technical equipment	7 997 961	4 949 186
	Office furniture and equipment	2 041 490	2 206 415
	Motor vehicles	4 381 381	2 091 446
		14 420 832	9 247 047
(iv)	**Proceeds on disposal of property, plant and equipment**		
	Book value of assets disposed of	1 299 267	1 273 381
	Surplus/(loss) on disposal	1 134 095	(225 494)
		2 433 362	1 047 887
(v)	**Cash and cash equivalents comprise:**		
	Cash at bank and on hand	42 956 650	38 163 551

WESTERN PROVINCE BLOOD TRANSFUSION SERVICE

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NOTES TO THE FINANCIAL STATEMENTS
AT 31 MARCH 2015

1 ACCOUNTING POLICIES

1.1 Basis of preparation

The financial statements for the year ended 31 March 2015 are prepared in accordance with International Financial Reporting Standards ("IFRS").

The company's presentation currency is South African Rands.

1.2 Property, plant and equipment

Plant, technical equipment, motor vehicles and office furniture & equipment are stated at cost and are depreciated on a straight line basis at rates considered appropriate to write down each asset to its estimated residual value over the term of its expected useful life at the following rates:

Plant		3,33% - 20% per annum
Technical equipment		2,56% -25%% per annum
Motor vehicles	- administration	16,67% - 25% with 20% residual value
	- service	16.67% with 10% residual value
Office furniture and equipment		4,17% - 33,33% per annum

Owner-occupied property is stated at revalued amount and is depreciated on the straight line basis at rates considered appropriate to write down each asset to its estimated residual value over the term of its expected useful life. Property is revalued externally on the net replacement basis every three years at open market value. Any surplus on valuation, in excess of net book value, is transferred directly to a revaluation reserve. Deficits on revaluation are charged directly against the non-distributable reserve only to the extent that the decrease does not exceed the amount held in the non-distributable reserve in respect of that same asset. Any balance on the revaluation reserve relating to disposed property is transferred to accumulated funds and not as depreciated.

Buildings are depreciated at 2%. Land is not depreciated.

Surpluses and losses on disposal of property, plant and equipment are recorded in the statement of profit or loss.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount. The recoverable amount of property, plant and equipment is the greater of fair value less costs to sell and value in use.

The estimated useful lives, residual values and depreciation methods are reviewed at each year end with the effect of any changes in estimate accounted for on a prospective basis.

1.3 Leases

Operating lease payments are recognised as an operating expense in the statement of profit or loss on a systematic basis representative of the Service's benefit.

1.4 Provisions

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

1 ACCOUNTING POLICIES (CONTINUED)

1.5 Inventory

Inventory is valued at the lower of cost and net realisable value.

Cost is determined as follows:
- Blood packs, accessories, packaging materials, filtration stocks, chemicals, reagents, testing kits, raw materials and consumables on the weighted average cost basis.
- Blood stocks, fractionated plasma, in process products and finished goods at a standard cost.
- Obsolete or slow moving inventory is identified and provision made where appropriate.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

1.6 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Service and the revenue can be reliably measured, regardless of when payment is being made. 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 volume rebates, and value added tax.

Sales of goods
Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods.

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:
- the Service has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Service retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- it is probable that the economic benefits associated with the transaction will flow to the Service; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Finance income
Interest is recognised, in profit or loss, using the effective interest rate method.

Project specific funding including Grant income
Project specific funding including Grant income is recognised on receipt or when the Service becomes entitled to it. These funds are received for specific purposes and require WPBTS to comply with specific conditions attached to the funding.

1.7 Retirement benefits

Defined contribution and benefit plans
The Service provides retirement benefits for its employees through a defined contribution plan.

Contributions by the Service to the defined contribution plan are recognised as an expense in the year in which the related services are rendered by employees.

1 ACCOUNTING POLICIES (CONTINUED)

1.7 Retirement benefits (Continued)

Post-retirement medical benefits
The cost arising in respect of post-retirement medical aid benefits is charged to profit or loss as incurred. The Service has an obligation to provide certain post-retirement medical aid benefits to certain employees and pensioners. The present value of future medical aid subsidies for past service is actuarially determined in accordance with IAS 19 – Employee benefits. The cost of provided benefits under the plan is determined using the projected unit credit valuation method. Actuarial gains and losses are recognised immediately and are taken directly to other comprehensive income in the year in which they arose. Any curtailment benefits or settlement amounts are recognised against income as incurred.

1.8 Significant accounting judgments, estimates and assumptions

Judgments
In the process of applying the Service accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements.

Depreciation rates and useful life
Property, plant and equipment are depreciated on a straight line basis over the expected useful lives of the various classes of assets, after taking into account residual values.

Estimation and assumptions
The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Impairment of financial assets
An allowance for the impairment loss is made against trade receivable accounts that in the estimation of management may be impaired. The impairment is assessed monthly with a detailed review of balances conducted at the reporting date. Determining the recoverability of an account involves estimation as to the likely financial condition of the customer and their ability to make payment.

Impairment of non-financial assets
The carrying value of the company's assets is reviewed at each statement of financial position date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The recoverable amount is the greater of the fair value less costs to sell and the value in use. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the statement of profit or loss.

1.9 Financial instruments

Classification

The Service classifies its financial instruments into the following categories:
- Financial assets or liabilities at fair value through profit or loss
- Loans and receivables/loans and borrowings

Classification depends on the purpose for which the financial instruments were obtained/incurred and takes place at initial recognition.

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NOTES TO THE FINANCIAL STATEMENTS
AT 31 MARCH 2015 (CONTINUED)

1 ACCOUNTING POLICIES (CONTINUED)

1.9 Financial instruments (Continued)

Financial assets

Initial recognition and measurement
Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, AFS financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Subsequent measurement

Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value presented as finance costs (negative net changes in fair value) or finance income (positive net changes in fair value) in the statement of profit or loss.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method, less impairment.

Impairment of financial assets

At each reporting date the company assesses all financial assets, other than those at fair value through profit or loss, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

For amounts due to the company, significant difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

Impairment losses are recognised in the statement of profit or loss.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Reversals of impairment losses are recognised in the statement of profit or loss.

Financial assets other than those at fair value through profit and loss are assessed for indicators of impairment at each statement of financial position date. Financial assets are impaired where 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 impacted.

For all financial assets evidence of impairment could include:
- significant financial difficulty of the issue or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently 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 year, as well as observable changes in national or local economic conditions that correlate with default on receivables.

1 ACCOUNTING POLICIES (CONTINUED)

1.9 Financial instruments (Continued)

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

Derecognition

The company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

If the company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the company retains substantially all the risks and rewards of ownership of a transferred financial asset, the company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Subsequent to initial recognition, financial instruments are measured as follows:

Trade and other receivables
Trade and other receivables are recognised and carried at amortised cost using the effective interest rate method less an allowance for impairment. Provision is made when there is objective evidence that the Service will not be able to collect the debts. The amounts of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. Bad debts are recognised in profit or loss when identified.

Cash and cash equivalents
Bank balances and cash in the statement of financial position comprise cash at banks and on hand and short term deposits with an original maturity of three months or less. For the purposes of the cash flow statement, bank balances and cash consists of cash and cash equivalents as defined above. These are initially and subsequently recorded at fair value.

Trade and other payables
After initial recognition, trade payables are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

Foreign currency transactions
A foreign currency transaction is recorded, on initial recognition in Rands, by applying to the foreign currency amount the spot exchange rate between currency and the foreign currency at the date of the transaction.

At each reporting date:

- Foreign currency monetary items are translated using the closing rate.
- Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and
- Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rate at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous annual financial statements are recognised in profit or loss in the period in which they arise.

1 ACCOUNTING POLICIES (CONTINUED)

1.10 Translation of foreign currencies

Cash flows arising from transactions in a foreign currency are recorded in Rands by applying to the foreign currency amount the exchange rate between the Rand and the foreign currency at the date of the cash flow.

Exchange gains/losses on derivative financial instruments represent the difference between what the Service would have paid for foreign currency at spot rates versus the exchange rates contracted for using Forward Exchange Contracts (FEC's).

1.11 New Standards and Interpretations

1.11.1 Standards and interpretations effective and adopted in the current year

In the current year, the company has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

- **Amendment to IAS 36: Recoverable Amount Disclosures for Non-Financial Assets**
  The amendment to IAS 36 Impairment of Assets now require:
  - Disclosures to be made to all assets which have been impaired, as opposed to only material impairments,
  - The disclosure of each impaired asset's recoverable amount, and
  - Certain disclosures for impaired assets whose recoverable amount is fair value less costs to sell in line with the requirements of IFRS 13 Fair Value Measurement.

  The effective date of the amendment is for years beginning on or after 1 January 2014.

  The company has adopted the amendment for the first time in the 2015 audited financial statements.

  The impact of the amendment is not material.

- **Amendment to IAS 32: Offsetting Financial Assets and Financial Liabilities**
  Clarification of certain aspects concerning the requirements for offsetting financial assets and financial liabilities.

  The effective date of the amendment is for years beginning on or after 1 January 2014.

  The company has adopted the amendment for the first time in the 2015 audited financial statements.

  The impact of the amendment is not material.

- **Amendment to IAS 39: Novation and Derivatives and Continuation of Hedge Accounting**
  The amendment provides guidance on whether an entity is required to discontinue hedging when the derivatives which are designated hedging instruments are novated to a central counterparty.

  The effective date of the amendment is for years beginning on or after 1 January 2014.

  The company has adopted the amendment for the first time in the 2015 audited financial statements.

  The impact of the amendment is not material.

1 ACCOUNTING POLICIES (CONTINUED)

1.11 New Standards and Interpretations (Continued)

1.11.2 Standards and Interpretations not yet effective

The company has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the company's accounting periods beginning on or after 1 April 2015 or later periods.

- **Amendment to IAS 19: Defined Benefit Plans: Employee Contributions**
  The amendment relates to contributions received from employees or third parties for defined benefit plans. These contributions could either be discretionary or set out in the formal terms of the plan. If they are discretionary then they reduce the service cost. Those which are set out in the formal terms of the plan are either linked to service or not. When they are not linked to service then the contributions affect the remeasurement. When they are linked to service and to the number of years of service, they reduce the service cost by being attributed to the periods of service. If they are linked to service but not to the number of years' service then they either reduce the service cost by being attributed to the periods of service or they reduce the service cost in the period in which the related service is rendered.

  The effective date of the amendment is for years beginning on or after 01 July 2014.

  The company expects to adopt the amendment for the first time in the 2016 audited financial statements.

  It is unlikely that the amendment will have a material impact on the company's audited financial statements.

- **Amendment to IFRS 13: Fair Value Measurement: Annual improvements project**
  The amendment clarifies that references to financial assets and financial liabilities in paragraphs 48–51 and 53–56 should be read as applying to all contracts within the scope of, and accounted for in accordance with, IAS 39 or IFRS 9, regardless of whether they meet the definitions of financial assets or financial liabilities in IAS 32 Financial Instruments: Presentation.

  The effective date of the amendment is for years beginning on or after 01 July 2014.

  The company expects to adopt the amendment for the first time in the 2016 audited financial statements.

  It is unlikely that the amendment will have a material impact on the company's audited financial statements.

- **Amendment to IFRS 7: Financial Instruments: Disclosures: Annual Improvements project**
  The amendment provides additional guidance regarding transfers with continuing involvement. Specifically, it provides that cash flows exclude cash collected which must be remitted to a transferee. It also provides that when an entity transfers a financial asset but retains the right to service the asset for a fee, that the entity should apply the existing guidance to consider whether it has continuing involvement in the asset.

  The effective date of the company is for years beginning on or after 01 January 2016.

  The company expects to adopt the amendment for the first time in the 2017 audited financial statements.

  It is unlikely that the amendment will have a material impact on the company's audited financial statements.

1 ACCOUNTING POLICIES (CONTINUED)

1.11 New Standards and Interpretations (Continued)

1.11.2 Standards and Interpretations not yet effective (continued)

- **Disclosure Initiative: Amendment to IAS 1: Presentation of Financial Statements**
  The amendment provides new requirements when an entity presents subtotals in addition to those required by IAS 1 in its audited financial statements. It also provides amended guidance concerning the order of presentation of the notes in the audited financial statements, as well as guidance for identifying which accounting policies should be included. It further clarifies that an entity's share of comprehensive income of an associate or joint venture under the equity method shall be presented separately into its share of items that a) will not be reclassified subsequently to profit or loss and b) that will be reclassified subsequently to profit or loss.

  The effective date of the company is for years beginning on or after 01 January 2016.

  The company expects to adopt the amendment for the first time in the 2017 audited financial statements.

  It is unlikely that the amendment will have a material impact on the company's audited financial statements.

- **Amendment to IAS 16: Property, Plant and Equipment: Annual improvements project**
  The amendment adjusts the option to proportionately restate accumulated depreciation when an item of property, plant and equipment is revalued. Instead, the gross carrying amount is to be adjusted in a manner consistent with the revaluation of the carrying amount. The accumulated depreciation is then adjusted as the difference between the gross and net carrying amount.

  The effective date of the amendment is for years beginning on or after 01 July 2014.

  The company expects to adopt the amendment for the first time in the 2016 audited financial statements.

  It is unlikely that the amendment will have a material impact on the company's audited financial statements.

- **IFRS 9 Financial Instruments**
  IFRS 9 issued in November 2009 introduced new requirements for the classification and measurements of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting.

  <u>Another revised version of IFRS 9 was issued in July 2014 mainly to include:</u>
  a) impairment requirements for financial assets, and
  b) limited amendments to the classification and measurement requirements by introducing a "fair value through other comprehensive income" (FVTOCI) measurement category for certain simple debt instruments.

  <u>Key requirements of IFRS 9:</u>
  - All recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the outstanding principal are generally measured at amortised cost at the end of subsequent reporting periods. Debt instruments that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on outstanding principal, are measured at FVTOCI. All other debt and equity investments are measured at fair value at the end of subsequent reporting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income with only dividend income generally recognised in profit or loss.

1 ACCOUNTING POLICIES (CONTINUED)

1.11 New Standards and Interpretations (Continued)

1.11.2 Standards and Interpretations not yet effective (continued)

Key requirements of IFRS 9: (continued)

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9
  requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of the liability is presented in other comprehensive income, unless the recognition of the effect of the changes of the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Under IAS 39, the entire amount of the change in fair value of a financial liability designated as at fair value through profit or loss is presented in profit or loss.

- In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. It is therefore no longer necessary for a credit event to have occurred before credit losses are recognised.

- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been replaced with the principal of an "economic relationship". Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The effective date of the standard is for years beginning on or after 01 January 2018.

The company expects to adopt the standard for the first time in the 2019 audited financial statements.

It is unlikely that the standard will have a material impact on the company's audited financial statements.

1.11.3 Standards and Interpretations not yet effective (continued)

Key requirements of IFRS 15

- IFRS 15 replaces all existing revenue requirements in IFRS (IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC 31 Revenue – Barter Transactions Involving Advertising Services) and applies to all revenue arising from contracts with customers. It also provides a model for the recognition and measurement of disposal of certain non-financial assets including property, equipment and intangible assets.
- The standard outlines the principles an entity must apply to measure and recognise revenue. The core principle is that an entity will recognise revenue at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring goods or services to a customer.

The principles in IFRS 15 will be applied using a five-step model:

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

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers.

1.11.3 Standards and Interpretations not yet effective (continued)

The principles in IFRS 15 will be applied using a five-step model (continued):

The standard also specifies how to account for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

Application guidance is provided in IFRS 15 to assist entities in applying its requirements to certain common arrangements, including licences, warranties, rights of return, principal-versus-agent considerations, options for additional goods or services and breakage.

The effective date of the standard is for years beginning on or after 01 January 2017.

The company expects to adopt the standard for the first time in the 2018 audited financial statements.

It is unlikely that the standard will have a material impact on the company's audited financial statements.

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NOTES TO THE FINANCIAL STATEMENTS
AT 31 MARCH 2015 (CONTINUED)

			2015 R	2014 R
2	**REVENUE**			
	Turnover		312 117 879	276 080 143
	Interest received	- bank deposits	2 063 282	1 670 627
		- amortisation of debtors	3 551 375	3 117 750
			317 732 536	280 868 520

Turnover, which is stated net of value added tax, represents amounts invoiced to third parties. It is attributable to the collection, processing and distribution of blood and certain of its derivatives.

The amortised cost of trade and other receivables is measured at fair value on initial recognition date plus the cumulative amortisation using the effective interest rate method. The effective interest rate discounts estimated future cash receipts through the expected life of the financial asset. The finance income effect of applying the effective interest rate method amounts to R3 551 375 (2014: R3 117 750).

		2015 R	Restated 2014 R
3	**SUNDRY INCOME**		
	Discount on technical equipment	1 663 673	-
	Other income	755 748	836 407
		2 419 421	836 407

4 PROJECT SPECIFIC FUNDING INCLUDING GRANT INCOME

Grant income

Grant income from the Health and Welfare SETA (HWSETA) is received for the purpose of skills development and training and is recognised on receipt.

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31 MARCH 2015 (CONTINUED)

	2015 R	Restated 2014 R
5 PERSONNEL COSTS		
Staff costs		
- salaries and wages	114 251 723	105 434 631
- contributions to retirement fund	13 104 680	12 028 670
- contributions to medical aids	10 885 384	9 657 368
- bonuses	7 205 340	-
- staff canteen costs	797 501	609 399
- staff uniform and protective clothing	1 095 220	868 814
- other staff costs	847 265	804 340
Directors' emoluments		
- non-executive directors' fees	144 881	151 911
- salaries	2 970 195	2 797 927
- contributions to retirement fund	353 445	331 062
- medical aid contributions	67 547	61 490
- bonuses	200 647	-
	151 923 828	132 745 612

Included in personnel costs above is the post-retirement medical benefit expense (see note 20 for further information)

Average number of employees	534	522

	2015 R	Restated 2014 R
6 ADMINISTRATION EXPENSES		
Administration expenses include:		
Auditor's remuneration	419 630	389 545
- audit fee provision	381 600	360 000
- under provision previous year	38 030	29 545
Other	5 244	4 244
Rent		
- buildings	544 902	411 531
- equipment	1 075 852	678 960

	2015 R	Restated 2014 R
7 COST OF SALES		
Cost of inventories sold	116 080 989	101 542 046

Cost of sales includes the historical costs of inventory expensed during the year.

Refer to note 22 for disclosure relating to correction of error

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NOTES TO THE FINANCIAL STATEMENTS
AT 31 MARCH 2015 (CONTINUED)

8 PROPERTY, PLANT AND EQUIPMENT

2015

	(At valuation) Land and buildings R	Technical equipment R	Office furniture and equipment R	Motor vehicles R	Total R
Beginning of year					
- Cost	52 818 969	50 683 778	9 689 519	20 100 484	133 292 750
- Accumulated depreciation	(309 880)	(24 936 731)	(3 534 907)	(7 679 281)	(36 460 799)
- Net book value	52 509 089	25 747 047	6 154 612	12 421 203	96 831 951
Current year movements					
- Additions	-	7 997 962	2 041 490	4 381 380	14 420 832
- Disposals at net book value	(101 139)	(187 333)	(118 225)	(892 570)	(1 299 267)
- Depreciation	(31 923)	(5 106 676)	(1 218 185)	(3 013 692)	(9 370 476)
Balance at end of year	52 376 027	28 451 000	6 859 692	12 896 321	100 583 040
Made up as follows:					
- Cost	52 717 830	56 607 906	10 967 095	22 094 752	142 387 583
- Accumulated depreciation	(341 803)	(28 156 906)	(4 107 403)	(9 198 431)	(41 804 543)
- Net book value	52 376 027	28 451 000	6 859 692	12 896 321	100 583 040

The estimated remaining useful lives of assets were re-evaluated during the financial year. This was done to more accurately reflect the pattern of economic consumption of the assets being used by the organisation.

This change in accounting estimate resulted in a decrease in depreciation amounting to R1 011 270.

2014

	(At valuation) Land and buildings R	Technical equipment R	Office furniture and equipment R	Motor vehicles R	Total R
Beginning of year					
- Cost	52 818 969	51 189 320	8 452 179	19 857 581	132 318 049
- Accumulated depreciation	(277 957)	(24 878 302)	(3 861 376)	(6 075 335)	(35 092 970)
- Net book value	52 541 012	26 311 018	4 590 803	13 782 246	97 225 079
Current year movements					
- Additions	-	4 949 186	2 206 415	2 091 446	9 247 047
- Disposals at net book value	-	(737 672)	(33 806)	(501 903)	(1 273 381)
- Depreciation	(31 923)	(4 775 485)	(608 800)	(2 950 586)	(8 366 794)
Balance at end of year	52 509 089	25 747 047	6 154 612	12 421 203	96 831 951
Made up as follows:					
- Cost	52 818 969	50 683 778	9 689 519	20 100 484	133 292 750
- Accumulated depreciation	(309 880)	(24 936 731)	(3 534 907)	(7 679 281)	(36 460 799)
- Net book value	52 509 089	25 747 047	6 154 612	12 421 203	96 831 951

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8 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Land and buildings consist of:

(i) Beaconvale

A factory situated at Connaught Road, Beaconvale, Parow, erected on freehold erven 12364, 12365 and 12367 (in extent 2578 square metres) in the Municipality of Parow, acquired on May 29 1986, under Deed of Transfer No T20026/86. 595 square metres of erf 12365 was sold in July 2014.

(ii) Pinelands

An office block situated in Old Mill Road, Pinelands, erected on remainder of freehold erf 24179, Cape Town at Maitland (in extent 1,3701 hectares) in the Municipality of Pinelands, acquired on July 14 1988, under Deed of Transfer No T39826/88.

(iii) Paarl

An office building situated at 263 Main Road, Paarl, erected on remainder of freehold erf 15375 (in extent 1193 square metres) in the Municipality of Paarl, acquired on August 12 1992, under Deed of Transfer No T50274/92.

(iv) George

An office building situated at Courtenay Street, George, Sections 4,9,10 and 11 of Sectional Plan No 55217/93 of Medical Centre (in extent 354 square metres) in the Municipality of George, acquired on June 28 1993, under Deed of Transfer No T10014/93.

(v) Worcester

An office building situated at 26 Napier Street, Worcester, erected on freehold Erf 4326, Worcester (in extent 1736 square metres) in the Municipality and Division of Worcester, acquired on June 10 1994, under Deed of Transfer No T38986/94.

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NOTES TO THE FINANCIAL STATEMENTS
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8 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The cost of the properties comprises:

	Acquired in	Acquisition cost	Improvements since acquisition	2015	2014
Beaconvale	May 1986	500 000	977 179	1 477 179	1 477 179
Pinelands	July 1988	2 811 236	4 989 753	7 800 989	7 800 989
Paarl	August 1992	372 633	348 935	721 568	721 568
George	June 1993	160 200	234 979	395 179	395 179
Worcester	June 1994	505 697	1 140 245	1 645 942	1 645 942
Total cost		4 349 766	7 691 091	12 040 857	12 040 857
Revaluation surplus				40 676 973	4 0 778 112
Total valuation at cost				52 717 830	52 818 969

	2015 R	2014 R
The properties were valued at:		
Beaconvale	11 225 000	11 225 000
Pinelands	31 370 000	31 370 000
Paarl	2 975 000	2 975 000
George	2 400 000	2 400 000
Worcester	3 880 000	3 880 000
	51 850 000	51 850 000
Additions net of depreciation since last valuation date 31 March 2013	627 166	659 089
Disposals net of depreciation since last valuation date 31 March 2013	(101 139)	
	52 376 027	52 509 089

The properties were independently valued on an open market basis, as at 31 March 2013 by A R Gibbons, AEI (Zim), FIV (SA), Professional Valuer. Refer to Note 24 for the detail of the fair value information on the revalued land and buildings.

9 INVENTORY

	2015 R	Restated 2014 R
Raw materials – at lower of cost and net realisable value	16 193 930	16 775 517
Work in progress – at standard cost	10 938 650	9 956 859
Finished goods – at lower of cost and net realisable value	7 749 957	5 285 259
Consumables – at lower of cost and net realisable value	13 885 252	9 883 416
	48 767 789	41 901 051

During 2015, an amount of R1 189 621 (2014: R2 156 602) was recognised as an expense for inventories carried at net realisable value. This is recognised in cost of sales.

Refer to Note 22 for disclosure relating to correction of error.

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NOTES TO THE FINANCIAL STATEMENTS
AT 31 MARCH 2015 (CONTINUED)

		2015 R	2014 R
10	**TRADE AND OTHER RECEIVABLES**		
	Gross trade receivables	41 329 989	40 712 544
	Impairment of trade debtors	(6 764 402)	(5 575 419)
	Net trade receivables	34 565 587	35 137 125
	Other receivables*	1 863 333	1 509 085
	Deposits paid to suppliers	1 348 804	1 510 921
		37 777 724	38 157 131
	Movements in the provision for impairment of debtors:		
	Opening balance	5 575 419	6 074 705
	Charge for the year	2 045 027	599 712
	Amounts written off	(856 044)	(1 098 998)
	Closing balance	6 764 402	5 575 419

On 31 March 2015, the analysis of trade receivables net of impairment is as follows:

	Current R	30 days R	60 days R	90 days R	120 days R	150 plus days R	Total R
2015	22 262 604	4 533 340	3 466 904	675 231	637 204	2 990 304	34 565 587
2014	24 104 487	4 333 882	1 410 143	1 098 558	594 000	3 596 055	35 137 125

Accounts receivable are interest-free and have payment terms ranging from 30 to 60 days.

*Other receivables include prepayments, sundry debtors and staff loans.

		2015 R	2014 R
11	**CASH AND CASH EQUIVALENTS**		
	Cash at bank and on hand	42 956 650	38 163 551

Standard Bank Limited has issued guarantees to the value of R35 000.

		2015 R	2014 R
12	**REVALUATION RESERVE**		
	Revaluation at the beginning of the year	40 778 112	40 778 112
	Transfer to retained earnings	(101 139)	-
	Revaluation at the end of the year	40 676 973	40 778 112

The revaluation reserve relates to land and buildings only.

The transfer to retained earnings was due to the sale of the land in July 2014 (refer to note 8).

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NOTES TO THE FINANCIAL STATEMENTS
AT 31 MARCH 2015 (CONTINUED)

		2015 R	2014 R
13	**NON-DISTRIBUTABLE RESERVES**		
	(a) Professional development fund surplus	1 288 534	1 345 807
	Balance at beginning of period	1 345 807	1 376 201
	Transfer to retained earnings	(57 273)	(30 394)
	Balance at end of period	1 288 534	1 345 807

The Professional Development Fund was established with surplus funds from hosting the International Society of Blood Transfusion Congress 2006. The essential purpose of the fund is to support staff in post-graduate education and training. Income earned for the period was R68,900 (2014: R60,012) and expenses incurred for the period was R126,173 (2014: R90,406)

		2015 R	2014 R
	(b) Training development fund	1 008 200	1 008 200

The Training Development fund was established with employer surplus funds received from the Western Province Blood Transfusion Service Retirement Fund in 2012. The surplus is to be utilised for training and leadership development of staff.

		2015 R	2014 R
	Total non-distributable reserves	2 296 734	2 354 007

14 PRODUCT LIABILITY RESERVE

The Product Liability Reserve has been established to cover potential uninsurable product liability claims.

Interest earned during the year is capitalised and transferred to the reserve from retained earnings.

	2015 R	2014 R
Opening balance	5 799 412	5 000 000
Transfer from retained earnings	301 593	799 412
Balance at end of year	6 101 005	5 799 412

15 TRADE AND OTHER PAYABLES

	2015 R	2014 R
Trade payables	24 229 179	22 994 414
Other payables*	5 806 348	8 009 112
	30 035 527	31 003 526

Trade and other payables are non-interest bearing and are normally settled on 30 day terms.

*Other payables include VAT payable, sundry creditors, accruals and salary creditors

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NOTES TO THE FINANCIAL STATEMENTS
AT 31 MARCH 2015 (CONTINUED)

		2015 R	2014 R
16	**PROVISIONS**		
	Leave pay provision		
	At 1 April 2014	11 854 715	10 784 862
	Arising during the year	12 044 162	1 069 853
	Utilised	(11 411 732)	-
	At 31 March 2015	12 487 145	11 854 715
	Salary related accruals		
	At 1 April 2014	2 510 167	8 665 693
	Arising during the year	10 000 290	2 510 167
	Utilised	(2 510 167)	(8 665 693)
	At 31 March 2015	10 000 290	2 510 167
	TOTAL	22 487 435	14 364 882
17	**FINANCE COSTS**		
	Interest paid	1 504	7 986

18 TAXATION

No provision has been made for taxation as the income of the Service is exempt in terms of Section 10 (cN) of the Income Tax Act, 1962.

19 COMMITMENTS

19.1 Capital commitments

Commitments in respect of capital expenditure

	2015	2014
- contracted for	150 880	362 076
- not contracted for	18 796 048	14 347 855
	18 946 928	14 709 931

The expenditure will be financed from cash generated from normal business operations and covers the replacement and maintenance of plant, technical equipment, motor vehicles and office furniture & equipment.

19.2 Commitments in respect of operating leases

	Due within 1 year	Due within 2 to 5 years
2015		
Operating leases	2 590 055	7 929 379
2014		
Operating leases	2 298 459	5 087 790

The service has entered into operating leases on certain buildings and machinery, with lease terms between three and five years and inflation based escalation.

20 RETIREMENT BENEFIT INFORMATION

Defined contribution plan

The Service continues to contribute to the Western Province Blood Transfusion Service Retirement Fund which is a defined contribution plan.

The fund is registered under and governed by the Pension Funds Act, 1956 as amended.

All of the Service's permanent employees belong to the fund.

The Financial Services Board now requires a fund to analyse the membership of the Fund in terms of citizenship. The Fund, together with the Fund benefit administrator, is in the process of analysing membership.

In terms of Board Notice 59 of 2014, Notice on Valuation Exemption, a Fund may apply for valuation exemption once the provisions set out in the Board Notice have been complied with. This exemption will remain valid until the termination date of the exemption unless it is withdrawn by the Registrar as a result of one or more of the provisions not being met.

The Fund applied for valuation exemption with effect from 31 December 2012 and the Registrar approved the application on 1 August 2013. The valuation exemption will terminate on 31 December 2015.

At 31 December 2014, 510 employees belonged to the defined contribution plan.

Post-retirement medical benefits

The Service offers medical aid schemes for the benefit of permanent employees. Members of the defined benefit retirement plan and certain pensioners are entitled to post retirement medical benefits consisting of a subsidy of a portion of the medical aid contributions. At the year-end there was 1 employee and 3 pensioners who were entitled to this benefit.

Full actuarial valuations are performed on an annual basis.

The last actuarial valuation was performed as at 31 March 2015, using the projected unit credit valuation method.

Principal actuarial assumptions at the reporting date:

Discount rate	8,00%
Health care cost inflation	7,86%
Average retirement age	55

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20 RETIREMENT BENEFIT INFORMATION (CONTINUED)

The provision for post-retirement health care benefits determined in terms of IAS19 is as follows:

	2015 R	2014 R
Funding liability	1 926 000	1 959 000
Reconciliation:		
Balance at the beginning of the year	1 959 000	1 993 000
- current service costs	-	2 000
- interest cost	164 000	146 000
- benefit payments	(197 000)	(182 000)
Balance at the end of the year	1 926 000	1 959 000
Post-retirement health care benefits expense include:		
- current service costs	-	2 000
- interest cost	164 000	146 000
- benefit payments	(197 000)	(182 000)
Total gain included in personnel costs	(33 000)	(34 000)

A quantitative sensitivity analysis for significant assumptions as at 31 March 2015 is as follows:

Health care cost inflation:	**Central assumption 7.80%**	**-1%**	**1%**
Accrued liability 31 March 2015	1 926 000	1 739 000	2 133 000
% Change	-	(9.7%)	10.7%
Current service cost and interest cost 2015/2016	149 000	134 000	165 000
% Change	-	(9.7%)	10.7%

Sensitivity results as at 31 March 2014 were:	**Central assumption 8.40%**	**-1%**	**1%**
Accrued liability 31 March 2015	164 000	148 000	182 000
% Change	-	(9.8%)	11.0%

Health care cost inflation:	**Central assumption 7.80%**	**-1%**	**1%**
Accrued liability 31 March 2015	1 926 000	2 288 000	2 517 000
% Change	-	(9.7%)	10.7%

Discount rate:	**Central assumption 8.00%**	**-1%**	**1%**
Accrued liability 31 March 2015	1 926 000	2 150 000	1 738 000
% Change	-	11.7%	(9.8%)

Expected retirement age:	**Central assumption 8.00%**	**-1%**	**1%**
Accrued liability 31 March 2015	1 926 000	1 926 000	1 926 000
% Change	-	0.0%	0.0%

21 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Market risk
Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk, such as equity price risk and commodity risk. Financial instruments affected by market risk include loans and borrowings, deposits, AFS investments and derivative financial instruments.

Liquidity risk
This is the risk of not meeting contractual liabilities as they fall due. Management monitors current cash position and future cash flow requirements on a routine basis.

Interest rate risk
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Service's exposure to the risk of changes in market interest rates relates primarily to the Service's long-term debt obligations with floating interest rates

Foreign currency risk
Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Service's exposure to the risk of changes in foreign exchange rates relates primarily to the Service's operating activities (when revenue or expense is denominated in a foreign currency).

Credit risk
Credit risk is the risk that a counter party will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Service is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

21.1 Financial Instruments

The Service's financial instruments can be summarised as follows:

Financial assets	**2015**			
	Financial assets at fair value through profit and loss **R**	**Loans and receivables** **R**	**Non-financial assets** **R**	**Total** **R**
Trade and other receivables	-	36 428 920	1 348 804	37 777 724
Cash and cash equivalents	-	42 956 650	-	42 956 650
FEC asset	135 327	-	-	135 327

Financial liabilities	**2015**			
	Financial liabilities measured at amortised cost **R**	**Financial liabilities at fair value through profit and loss** **R**	**Non-financial liabilities** **R**	**Total** **R**
Trade and other payables	28 989 262	-	1 106 265	30 095 527
FEC liability	-	-	-	-

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21 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

21.1 Financial Instruments (Continued)

Financial assets

	2014			
	Financial assets at fair value through profit and loss R	**Loans and receivables R**	**Non-financial assets R**	**Total R**
Trade and other receivables	-	36 646 210	1 510 921	38 157 131
Cash and cash equivalents	-	38 163 551	-	38 163 551
FEC asset	-	-	-	-

Financial liabilities

	2014			
	Financial liabilities measured at amortised cost R	**Financial liabilities at fair value through profit and loss R**	**Non-financial liabilities R**	**Total R**
Trade and other payables	29 476 305	-	1 527 221	31 003 526
FEC liability	1 116 066	-	-	1 116 066

21 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

21.2 Credit risk management

	2015			
CATEGORY		**RISK**		
	Low **R**	**Medium** **R**	**High** **R**	**Total** **R**
Hospitals	12 094 492	-	-	12 094 492
Medical aids	19 527 201	-	-	19 527 201
Private patients	-	-	1 323 389	1 323 389
Workman's compensation claims	-	1 620 505	-	1 620 505
Deposits paid to suppliers	1 348 804	-	-	1 348 804
Other receivables	1 863 333	-	-	1 863 333
Total	34 833 830	1 620 505	1 323 389	37 777 724

	2014			
CATEGORY		**RISK**		
	Low **R**	**Medium** **R**	**High** **R**	**Total** **R**
Hospitals	16 827 990	-	-	16 827 990
Medical aids	15 550 496	-	-	15 550 496
Private patients	-	-	1 388 739	1 388 739
Workman's compensation claims	-	1 262 138	-	1 262 138
Estates	-	78 634	-	78 634
Road accident fund	-	29 126	-	29 126
Deposits paid to suppliers	1 510 921	-	-	1 510 921
Other receivables	1 509 087	-	-	1 509 087
Total	35 398 494	1 369 898	1 388 739	38 157 131

21.3 Interest rate risk

	2015 **R**
The Service's exposure to interest rate risk can be quantified as follows:	
Cash and bank balance exposed to interest rate risk	
Income statement effect of interest rate risk to above balance:	429 567
1% increase in interest rates	(429 567)
1% decrease in interest rates	

Interest rates are expected to increase between 0.5% - 1% in the next financial year.

	2014 **R**
The Service's exposure to interest rate risk can be quantified as follows:	36 163 551
Cash and bank balance exposed to interest rate risk	
Income statement effect of interest rate risk to above balance:	
1% increase in interest rates	381 636
1% decrease in interest rates	(381 636)

Interest rates are expected to increase between 0.5% - 1% in the next financial year.

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21 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

21.3 Liquidity Risk

Financial assets	**2015**			
	Year 1 **R**	**Years 1 – 5** **R**	**Over 5 years** **R**	**Total** **R**
Trade and other receivables	36 428 920	-	-	36 428 920
Cash and cash equivalents	42 956 650	-	-	42 956 650
FEC asset	135 327	-	-	135 327
Financial liabilities				
Trade and other payables	28 929 262	-	-	28 929 262
FEC liability	-	-	-	-

Financial assets	**2014**			
	Year 1 **R**	**Years 1 – 5** **R**	**Over 5 years** **R**	**Total** **R**
Trade and other receivables	36 646 210	-	-	36 646 210
Cash and cash equivalents	38 163 551	-	-	38 163 551
FEC asset	-	-	-	-
Financial liabilities				
Trade and other payables	29 476 305	-	-	29 476 305
FEC liability	1 116 066	-	-	1 116 066

21.4 Foreign currency risk

	2015	**2014**
Fair value of FEC asset/(liability) at year end	135 327	(1 116 066)
Current liabilities		
2015: USD 1 011 021	12 430 305	
2014: USD 1 347 092		14 408 500
Exchange rates at 31 March used for conversion of foreign items were:		
USD	12.948	10.696

The spot rate on 31 March was used to revalue foreign currency balances at year end.

At 31 March 2015, if the currency had weakened/strengthened by 10% against the US dollar with all other variables held constant, pre-tax profit for the year would have been R1 243 031 higher/lower (2014: R1 440 850) mainly as a result of foreign exchange gains or losses on translation of US dollar denominated financial liabilities at fair value measured to amortised cost.

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21 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

21.5 Price risk

The Service is not exposed to price risk.

22 CORRECTION OF ERROR

During the year it was noted that the work in progress and finished goods inventory costing method was not in line with IFRS requirements. As a result the inventories relating to in-house produced products on hand at year end were overstated in prior periods. This error has been corrected retrospectively.

The error has been corrected by restating each of the affected financial statement line items for the period periods, as follows:

Impact on equity (decrease in equity)	**2014** **R**	**2013** **R**
Inventory	(6 234 125)	(6 032 294)
Retained earnings	(6 234 125)	6 032 294
Total assets	-	-

Impact on statement of profit or loss (decrease in profit)	**2014** **R**
Cost of sales	(201 831)
Net impact on profit for the year	(201 831)

23 DIRECTORS' REMUNERATION

Executive Directors

2015	**Salaries** **R**	**Contributions to Retirement Fund** **R**	**Medical Aid** **R**	**Bonuses** **R**	**Total** **R**
Dr G Bellairs	1 625 999	195 287	41 607	110 863	1 973 756
Ms N du Toit	1 344 196	158 158	25 940	89 785	1 618 079
	2 970 195	353 445	67 547	200 648	3 591 835

2014	**Salaries** **R**	**Contributions to Retirement Fund** **R**	**Medical Aid** **R**	**Bonuses** **R**	**Total** **R**
Dr G Bellairs	1 534 737	182 920	37 006	-	1 754 664
Ms N du Toit	1 263 190	148 142	24 483	-	1 435 815
	2 797 927	331 062	61 489	-	3 190 479

23 DIRECTORS' REMUNERATION (CONTINUED)

Non-Executive Directors' Fees

	2015 R	2014 R
Dr A Bird	12 509	14 417
Adv D Bosman	13 568	12 559
Mr M Burton	20 329	19 868
Dr F Essop	8 534	12 559
Mr B Figaji	16 419	19 928
Mr N Parker	16 419	14 477
Mr D Ndebele	16 419	13 558
Mr R Ramsbottom	15 823	14 417
Mr P Slack	18 695	18 558
Dr E Steyn	-	11 570
Ms A Huggett	6 160	-
	144 875	**151 911**

24 FAIR VALUE INFORMATION

Fair value hierarchy

Level 1: Quoted unadjusted prices in active markets for identical assets or liabilities that the company can access at measurement date.

Level 2: Inputs other than quoted prices included in level 1 that are observable for the asset or liability either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

Recurring fair value measurements – Level 3	**Note**	**2015**	**2014**
Assets		**R**	**R**
Beaconvale – erven 12364, 12365 and 12367	8	11 206 357	11 312 284
Pinelands – erven 24179	8	31 522 240	31 541 394
Paarl – erven 15375	8	3 293 786	3 296 978
George – Sections 4, 9, 10 and 11 of Sectional Plan No 55217/93	8	2 507 010	2 508 606
Worcester – Erf 4326	8	3 846 636	3 849 827
		52 376 027	**52 509 089**

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24 FAIR VALUE INFORMATION (CONTINUED)

Reconciliation of recurring fair value measurements categorised within Level 3 of the fair value hierarchy:

2015

	Opening balance at fair value R	Additions R	Revaluation R	Disposals R	Depreciation R	Closing balance at fair value R
Beaconvale	11 312 284	-	-	(101 139)	(4 788)	11 206 357
Pinelands	31 541 394	-	-	-	(19 154)	31 522 240
Paarl	3 296 978	-	-	-	(3 192)	3 293 786
George	2 508 606	-	-	-	(1 596)	2 507 010
Worcester	3 849 827	-	-	-	(3 193)	3 846 635
	52 509 089	**-**	**-**	**(101 139)**	**(31 923)**	**52 376 027**

2014

	Opening balance at fair value R	Additions R	Revaluation R	Disposals R	Depreciation R	Closing balance at fair value R
Beaconvale	11 317 072	-	-	-	(4 788)	11 312 284
Pinelands	31 560 548	-	-	-	(19 154)	31 541 394
Paarl	3 300 170	-	-	-	(3 192)	3 296 978
George	2 510 203	-	-	-	(1 596)	2 508 606
Worcester	3 853 019	-	-	-	(3 193)	3 849 827
	52 541 012	**-**	**-**	**-**	**(31 923)**	**52 509 089**

Information about valuation techniques and inputs used to derive level 3 fair values

Owner –Occupied Property – Owner occupied property held at revalued amount

Owner Occupied Property - commercial property for leasing is determined applying a comparable sales method, using price per square metre for buildings, gross rentals in the market and applying a capitalisation rate. These are all derived from observable market data.

Beaconvale	**Weighted Average range of probabilities**	
	High	**Low**
Price per square metre – Rands	1 250	1 000
Rental Achievable per square metre – Rands	40	29
Capitalisation Rate	11.5%	8.5%

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24 FAIR VALUE INFORMATION (CONTINUED)

Pinelands	**Weighted Average range of probabilities**	
	High	**Low**
Price per square metre – Rands	-	-
Rental Achievable per square metre – Rands	70	40
Capitalisation Rate	10.5%	8%

Paarl	**Weighted Average range of probabilities**	
	High	**Low**
Price per square metre – Rands	-	-
Rental Achievable per square metre – Rands	65	55
Capitalisation Rate	11%	9%

George	**Weighted Average range of probabilities**	
	High	**Low**
Price per square metre – Rands	-	-
Rental Achievable per square metre – Rands	75	45
Capitalisation Rate	10.5%	8%

Worcester	**Weighted Average range of probabilities**	
	High	**Low**
Price per square metre – Rands	-	-
Rental Achievable per square metre – Rands	85	45
Capitalisation Rate	11%	9%

The higher the price per square metre, the higher the fair value.
It is unlikely that a variation in any input by a reasonably possible alternative amount will significantly impact the valuation.

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25 RESTATEMENT

In the current year, the Service reclassified specific income and expense line items to improve the manner in which costs are managed. As a result of these adjustments in the current period, to maintain comparability the Service has adjusted the related prior year line items to align with those disclosed in the current period. The overall effect of the restatement has not impacted the prior year net surplus.

	Before restatement R	**After restatement R**	**Movement R**
Change in statement of comprehensive income			
Sundry income	806 381	836 407	30 026
Bank deposits	1 930 566	1 670 627	(259 940)
Product liability income	-	259 940	259 940
Personnel costs	136 246 825	132 745 612	3 501 213
Administration	21 984 363	24 446 900	(2 462 537)
Product costs	32 037 004	33 105 706	(1 068 702)
Prior period error			-