

South African National Blood Service

ANNUAL
FINANCIAL
STATEMENTS

2022

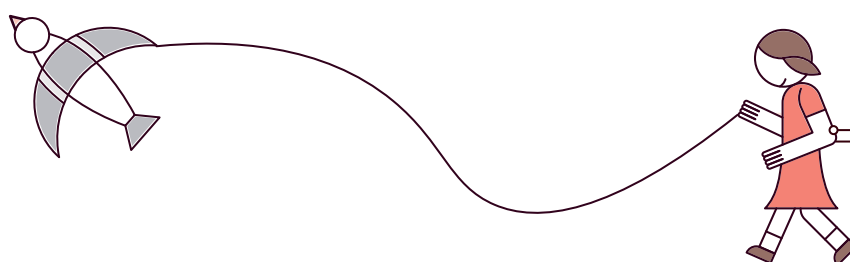


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The annual financial statements were prepared under the supervision of Acting Chief Financial Officer, Rianda Kruger.



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 International Financial Reporting Standards (IFRS).

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

The financial statements of the South African National Blood Service (SANBS) have been prepared in terms of 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's 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 adequately safeguarded, 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.

We have previously reported control weakness discovered in October 2018, that led to refunds and payments due to the medical aids. The quantification of the credit notes issued to the 53 medical aid schemes was completed during the 2019 financial year. The credit note issue remained an ongoing focus of our Audit Committee, and during the 2021/2022 financial year, all but five medical aid agreements were concluded. An amount of R1.3 million was provided for in the FY2022 accounts for these remaining settlements.

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 SANBS's annual financial statements. Their report is presented on page 6.

The annual financial statements set out on pages 3 to 41, which have been prepared on the going concern basis, were approved by the board on 27 September 2022 and were signed on their behalf by:



Ms A Ramalho
Chairman
4 October 2022



Mr R Reddy
Chief Executive Officer
4 October 2022

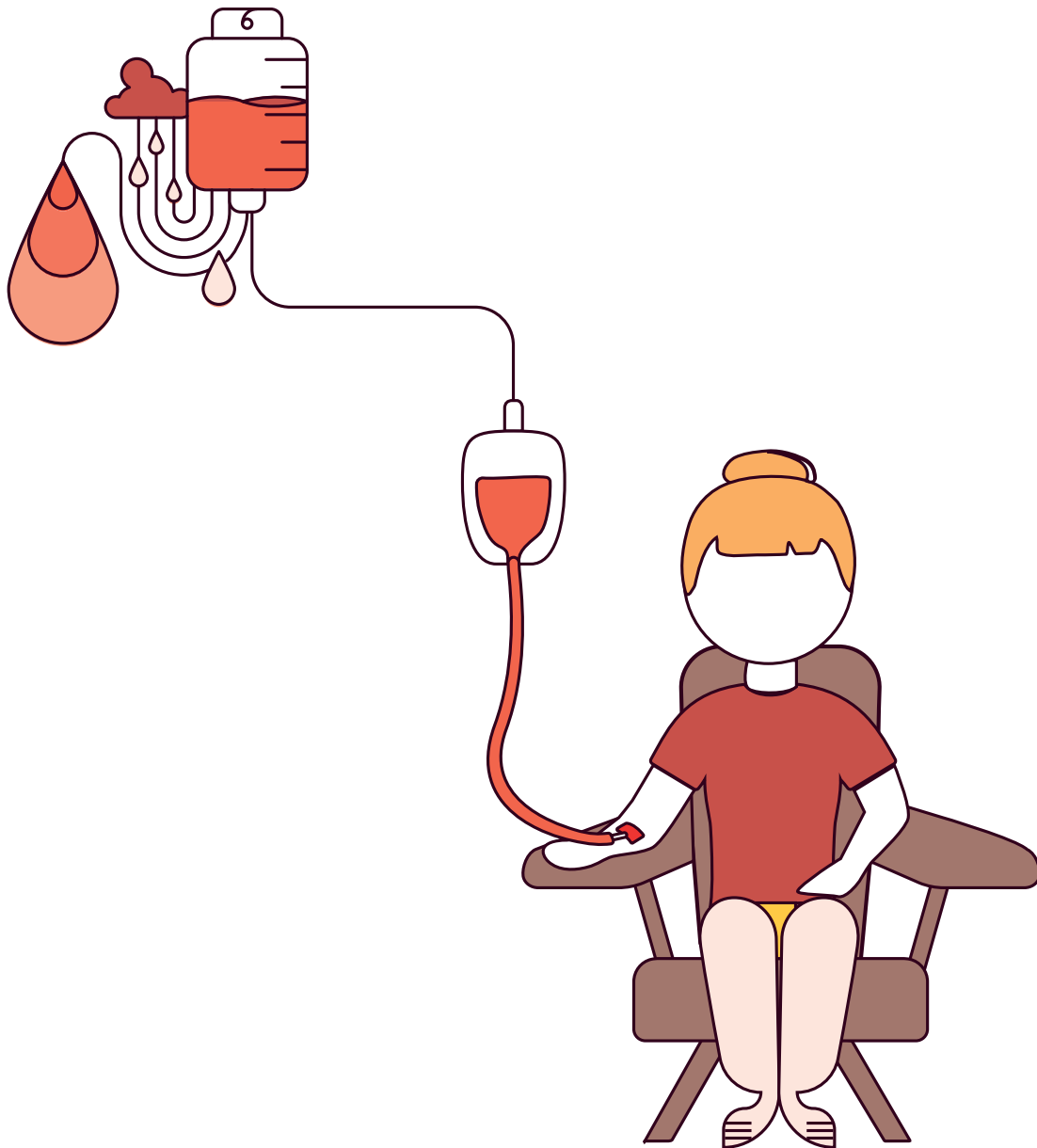


CERTIFICATION BY COMPANY SECRETARY

I certify that in accordance with the provisions of section 88(2) of the South African Companies Act 71 of 2008 and, to the best of my knowledge and belief, 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.



A Manduna
Company Secretary
Johannesburg
4 October 2022



DIRECTORS' REPORT

The directors have pleasure in presenting their report and the audited annual financial statements for the year ended 31 March 2022.

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 SANBS remain unchanged from the previous reporting period.

2. MEMBERS OF THE ORGANISATION

SANBS is governed by the National Council. Members of the SANBS National Council are donors nominated from independent donor structures 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 31 March 2022, the Board of Directors comprised 11 directors being six donor non-executive directors, three appointed non-executive directors and two executive directors as listed hereunder.

Donor Non-Executive

Ms A Ramalho (Chair)
Ms F Burn
Dr P Knox (Retired 20.11.2021)
Mr G Leong
Ms P Mthethwa
Mr R Theunissen (Retired 20.11.2021)
Dr JM Black (Appointed 20.11.2021)
Ms C Henry (Appointed 20.11.2021)

Executive

Mr V Reddy
Dr K van den Berg (Appointed 01.06.2021)

Appointed Non-Executives

Mr S Fakie
Dr M Vaithilingum
Mr T Mokgatlha (Appointed 16.04.2021)

All directors complete annual declarations of interest and recuse themselves from any discussions or decisions where they are conflicted.

4. COMPANY SECRETARY

Ms Avril Manduna is the appointed Company Secretary. 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 business and postal addresses are as follows:

Business Address

5 Magwa Crescent
Waterfall City
Waterfall
2090
South Africa

Postal Address

Private Bag X6
Gallo Manor
2052



DIRECTORS' REPORT *(continued)*

6. BUSINESS RESULTS SUMMARY

The financial position of SANBS at 31 March 2022 is set out in the statement of financial position. SANBS achieved a surplus of R172 million (2021: R210 million) for the year under review, as set out in the statement of surplus and deficit and other comprehensive income.

During the current financial year, SANBS sold two properties: 2 Bilson Street in Uitenhage, for a sum of R0.6 million (carrying value of R0.2 million), and 103 Jacqueline Avenue in Alberton, for a sum of R1.3 million (carrying value of R0.1 million). The registration process for these properties was completed on 8 September 2021 and 22 July 2021 respectively.

7. CREDIT NOTE MATTER

In October 2018, control weaknesses relating to credit notes were discovered. This control deficiency impacted 53 medical aids. At the end of the 31 March 2021 financial year, 33 settlement agreements were outstanding.

During the year ended 31 March 2022, 28 settlement agreements were reached and five were outstanding at year end.

The liability due to the remaining medical aid schemes is reflected in Note 17.2 of the financial statements.

Subsequent to year-end and up to date of the signature of the financials, a further two settlement agreements were signed and payments made.

8. APPOINTMENTS AND RESIGNATIONS

Dr Karin van den Berg was appointed as the new Medical Director on 1 June 2021. Ms Avril Manduna, the new Company Secretary, was appointed on 2 August 2021.

Tshepi Maesela (CFO) tendered her resignation on 13 October 2021. Rianda Kruger was appointed acting CFO on 25 October 2021.

9. GOING CONCERN STATUS

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

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

The projections for SANBS 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, as well as the economic outlook for the next financial year.

In addition, a downside analysis has been performed assessing the potential negative economic impact that the pandemic might have on the expected profitability of SANBS and how the current economic climate would affect the entity's ability to continue as a going concern.

In preparing this analysis, the following key assumptions were used:

- Revenue reduction impact due to a decrease in blood collections and usage;
- The projected increase in interest rates affecting the interest income from 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 by reduced capital spend and other cost saving initiatives;
- The ability to defer or renegotiate payment terms; and
- The impact of the steep increase in CPI in the new financial year.

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 unlikely as any future mutations are less likely to create an increase in the current mortality rate.



DIRECTORS' REPORT *(continued)*

9. GOING CONCERN STATUS *(continued)*

SANBS's assessment shows that SANBS 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 impacts of the COVID-19 pandemic and the economic outlook as noted above.

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

10. EVENTS AFTER REPORTING DATE

In the period subsequent to the financial year end, the following occurred:

10.1 Coronavirus (COVID-19) Impact

SANBS provides an essential service, and the impact on our operations for the period ended 31 March 2022 was not significant.

Subsequent to year-end, the impact of the fifth wave of the COVID-19 pandemic seems to be negligible on the operations of SANBS, and the South African government has repealed the country's few remaining lockdown restrictions, which included the compulsory wearing of masks in public. SANBS has since implemented these changes at all sites. As the situation could still change, we continue to monitor it closely.

10.2 Impact of KwaZulu-Natal Floods

In April 2022, rains across KwaZulu-Natal led to deadly floods severely impacting areas in and around Durban. The torrential rains destroyed homes and infrastructure, washed away roads and triggered mudslides.

SANBS was not spared from the devastating human and economic impact of those floods. Donor centres, blood banks, laboratories and offices were closed for a period until the floods subsided. This resulted in a reduction in blood collections by affected donor centres, resulting in lower than budgeted revenue for that period. Impacted blood banks and processing laboratories diverted all processing work to nearest provinces, resulting in higher transportation costs than what was budgeted. Property, plant and equipment was damaged and the costs of replacement and repairs have successfully been recovered from the insurance company.

SANBS has since recovered from the operational and economic impact of the floods and operations are back to normal at all sites which were affected.

10.3 Medical Aid Reimbursements

From April 2022 to the date of this report, an additional two medical aid settlements were signed and paid.

10.4 Appointments

Mr Tshepo Kgage was appointed as the CFO of SANBS effective 1 August 2022.

11. POLICY DIRECTIVES

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



INDEPENDENT AUDITOR'S REPORT

To the members of South African National Blood Service NPC

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of South African National Blood Service NPC set out on pages 11 to 48, which comprise the statement of financial position as at 31 March 2022, and the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of South African National Blood Services NPC as at 31 March 2022, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and the requirements of the Companies Act of South Africa.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Statements* section of our report. 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)* (IESBA code). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the document titled "South African National Blood Service NPC Annual Financial Statements for the year ended 31 March 2022" which includes the Directors' Report as required by the Companies Act of South Africa, the Directors' Statement of Responsibilities for the annual financial statements and the Certification by Company Secretary. The other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.



National Executive: *R Redfearn Chief Executive Officer *GM Berry Chief Operating Officer JW Eshun Managing Director Businesses LN Mahluza Chief People Officer *N Sing Chief Risk Officer AP Theophanides Chief Sustainability Officer *NA le Riche Chief Growth Officer *ML Tshabalala Audit & Assurance AM Babu Consulting TA Odukooya Financial Advisory G Rammego Risk Advisory DI Kubeka Tax & Legal DP Ndlovu Chair of the Board

A full list of partners and directors is available on request

* Partner and Registered Auditor

B-BBEE rating: Level 1 contribution in terms of the DTI Generic Scorecard as per the amended Codes of Good Practice

Associate of Deloitte Africa, a Member of Deloitte Touche Tohmatsu Limited



INDEPENDENT AUDITOR'S REPORT

To the members of South African National Blood Service NPC (continued)

Other Information (continued)

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider 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.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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 objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.



INDEPENDENT AUDITOR'S REPORT

To the members of South African National Blood Service NPC (continued)

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Deloitte + Touche

Deloitte & Touche

Registered Auditor

Per: Jolandi Grace

Partner

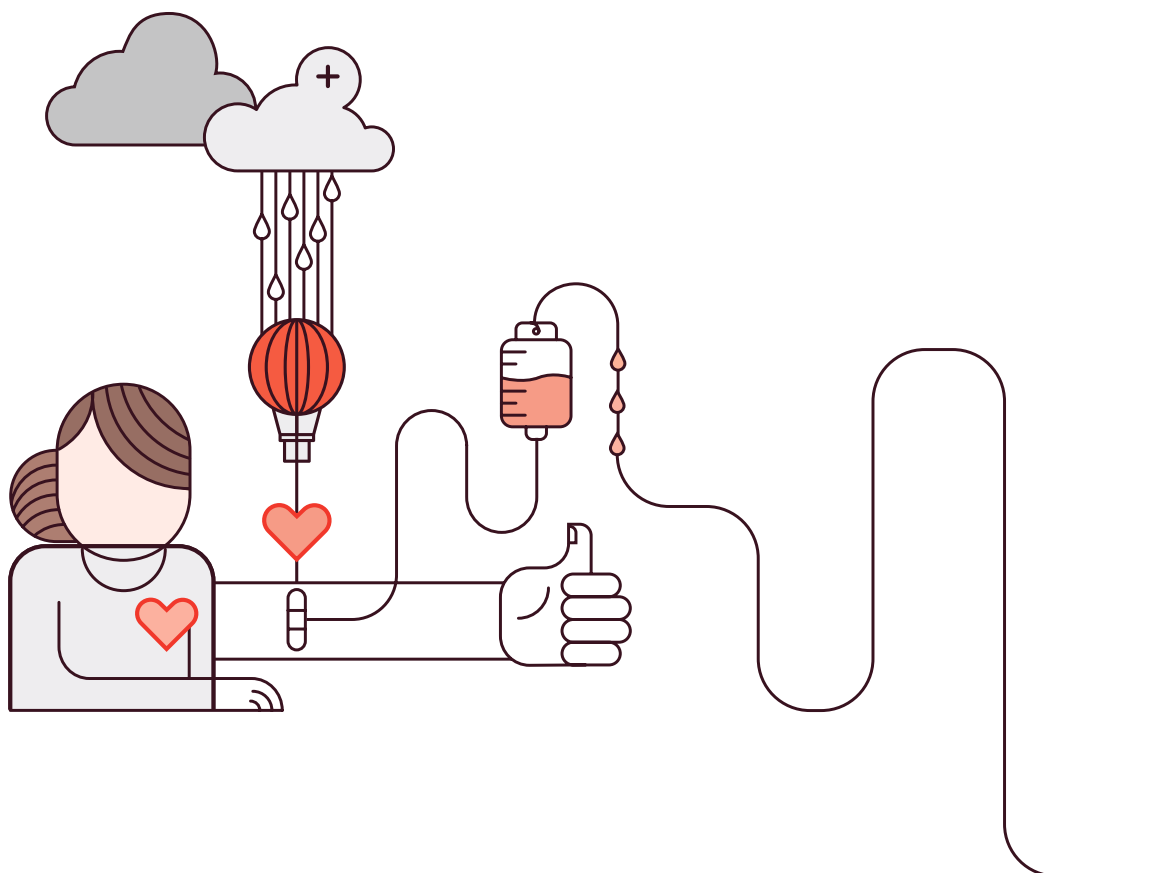
4 October 2022



STATEMENT OF SURPLUS AND DEFICIT AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2022

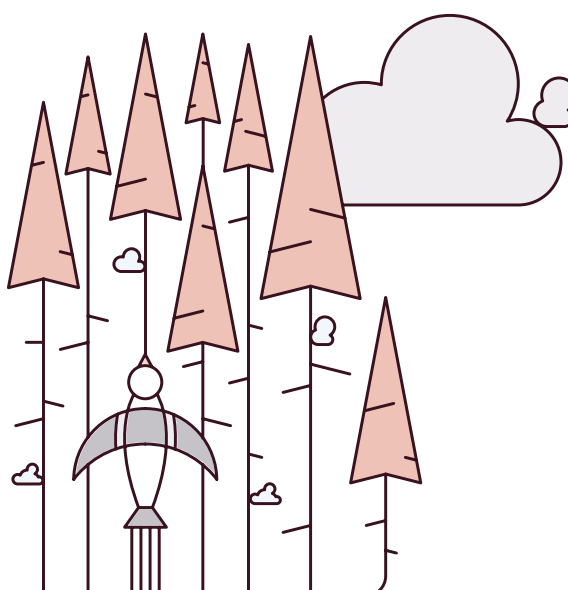
	Notes	2022 R'000	2021 R'000
REVENUE	4	3 621 628	3 195 267
Operating expenses	5	(3 330 687)	(2 977 994)
Impairment losses on financial assets		(188 417)	(93 349)
Other income	6	13 381	5 018
Net interest received		55 011	83 509
Interest received	7	76 232	97 680
Interest expense	7	(21 221)	(14 171)
SURPLUS FOR THE YEAR	8	170 916	212 451
Surplus for the year		170 916	212 451
Items that will not be reclassified to surplus and deficit			
Actuarial gains/(losses)	15	916	(1 990)
COMPREHENSIVE SURPLUS FOR THE YEAR		171 832	210 461



STATEMENT OF FINANCIAL POSITION

For the year ended 31 March 2022

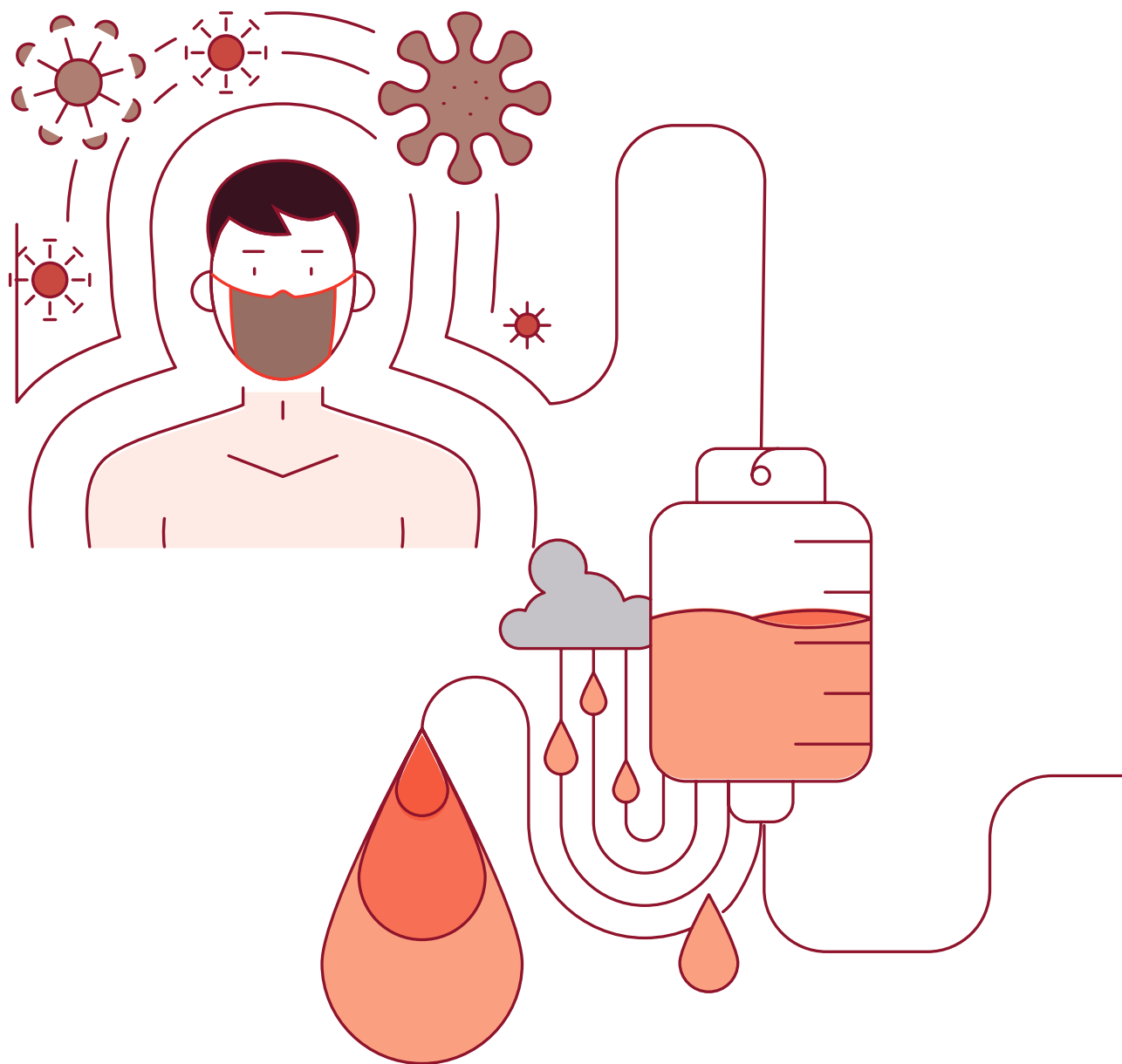
	Notes	2022 R'000	2021 R'000
ASSETS			
Non-current assets			
Property, plant and equipment owned	10	790 029	788 935
Right-of-use assets	11	111 807	70 344
Total property, plant and equipment		901 836	859 279
Total non-current assets		901 836	859 279
Current assets			
Inventories	12	119 664	127 375
Trade and other receivables	13	926 334	805 757
Assets held-for-sale	14	5 401	5 621
Cash and cash equivalents	19	1 891 567	1 843 268
Total current assets		2 942 966	2 782 021
Total assets		3 844 802	3 641 300
RESERVES AND LIABILITIES			
Reserves		3 199 133	3 027 301
Non-current liabilities			
Lease liabilities	11	75 133	46 202
Provision for post-retirement medical aid obligation	15	52 370	50 264
Total non-current liabilities		127 503	96 466
Current liabilities			
Current portion of lease liabilities	11	61 434	32 777
Current portion of provision for post-retirement medical aid obligation	15	3 465	3 275
Trade and other payables	16	271 029	265 932
Provisions	17.1	180 898	185 489
Medical aid reimbursement	17.2	1 340	30 060
Total current liabilities		518 166	517 533
Total reserves and liabilities		3 844 802	3 641 300



STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2022

	Reserves R'000
Balance at 31 March 2020	2 995 202
IFRS 9 initial adoption adjustment	(178 362)
Surplus for the year	212 451
Other comprehensive loss	(1 990)
Balance at 31 March 2021	3 027 301
Surplus for the year	170 916
Other comprehensive income	916
Balance at 31 March 2022	3 199 133



STATEMENT OF CASH FLOWS

For the year ended 31 March 2022

	Notes	2022 R'000	2021 R'000
Cash flows from operating activities			
Net cash from operating activities	18	132 358	133 133
Interest received	7	76 232	97 680
Interest paid	7	(14 255)	(8 695)
Net cash generated from operating activities		194 335	222 118
Cash flows from investing activities			
Acquisition of property, plant and equipment	10	(135 707)	(347 753)
Proceeds from sale of property, plant and equipment		26 124	5 158
Net cash utilised in investing activities		(109 583)	(342 595)
Cash flows from financing activities			
Contractual lease payments	11	(36 453)	(38 715)
Net cash utilised in financing activities		(36 453)	(38 715)
Increase/(Decrease) in cash for the year		48 299	(159 192)
Cash and cash equivalents at the beginning of the year		1 843 268	2 002 460
Cash and cash equivalents at the end of the year	19	1 891 567	1 843 268



ACCOUNTING POLICIES

1. ACCOUNTING POLICIES

Statement of Compliance

The annual financial statements of SANBS 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 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, IFRS 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 SANBS's functional currency.

These accounting policies are consistent with the previous period. "Recognised in profit or loss" refers to recognition in the statement of surplus or deficit.

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 surplus.

1.3 Financial Instruments

Financial assets and financial liabilities are recognised when SANBS 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 (FVTPL)) 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 FVTPL are recognised immediately in profit or loss.



ACCOUNTING POLICIES *(continued)*

1.3 Financial Instruments *(continued)*

1.3.1 Financial assets

SANBS classifies its financial assets in the following measurement categories:

- Amortised cost;
- Fair value through other comprehensive income (FVTOCI); or
- Fair value through profit or loss (FVTPL).

The classification depends on the business model for managing the financial assets and the contractual term of the cash flows. SANBS determines the classification of its financial assets at initial recognition.

1.3.2 Amortised cost

A financial asset shall be measured at amortised cost if it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset gives rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding. Financial assets classified as amortised cost shall be measured using the effective interest method.

1.3.3 Fair value through other comprehensive income (FVTOCI)

A financial asset shall be measured at FVTOCI if it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, whose contractual terms gives rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

1.3.4 Fair value through profit and loss (FVTPL)

A financial asset shall be measured at FVTPL unless it is measured at amortised cost in accordance with paragraph 1.3.2.

1.3.5 Reclassifications

SANBS will only reclassify any financial assets only when there are changes in its business model concerning the management of those financial assets. SANBS will not reclassify any financial liabilities.

1.3.6 De-recognition of financial assets

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

1.3.7 Impairment of financial assets

The allowance for credit losses on financial assets are based on expected credit losses (ECLs). ECLs are a probability-weighted estimate of the present value of cash shortfalls over the expected life of the financial instrument. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

SANBS applies the simplified approach to calculate the lifetime ECLs for trade receivables, as they do not contain a significant financing component as defined in IFRS 15; using a provision matrix. The provision matrix used is based on its historical credit loss experience, adjusted for forward-looking factors specific to the trade receivables and the economic environment. Trade receivables are grouped based on shared credit risk characteristics which takes into account the geographical location (i.e. local or Foreign), nature of the person (i.e. natural or juristic persons), business sector (i.e. private and public sector entities) and the size of a trade debtor.



ACCOUNTING POLICIES *(continued)*

1.3 Financial Instruments *(continued)*

1.3.7 Impairment of financial assets *(continued)*

SANBS considers a financial asset to be in default when contractual payments are more than 120 days past due. However, in certain cases, SANBS may also consider a financial asset to be in default when internal or external information indicates that SANBS is unlikely to receive the outstanding contractual amounts in full. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

1.4 Financial Liabilities and Equity Instruments

1.4.1 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.

1.4.2 Financial liabilities

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

1.4.2.1 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 SANBS 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 SANBS's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- It forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments; Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on re-measurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the other gains and losses' line item in the statement of surplus and deficit and other comprehensive income. Fair value is determined in the manner described in note 21.

1.4.2.2 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.



ACCOUNTING POLICIES *(continued)*

1.5 Inventories

Inventories are valued at the lower of 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.
- Stock on hand for more than 180 days is fully provided for.

1.6 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.

1.7 Revenue recognition

SANBS recognises revenue with customers as it satisfies a performance obligation by supplying blood products to the customer at a point in time. SANBS 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.

1.8 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.

1.9 Retirement benefits

SANBS 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 of 1956. SANBS'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 basis determined actuarially every three years. The projected unit credit method of valuation is used to calculate the post-retirement benefits.

1.10 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.

1.11 Provisions

Provisions are recognised when SANBS 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.



ACCOUNTING POLICIES *(continued)*

1.12 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 SANBS'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 SANBS 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 SANBS 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 SANBS 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 SANBS 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 stand-alone 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 renegotiated 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 re-measured 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.

SANBS 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 11 of the financial statements. SANBS has also elected to combine the lease and non-lease components of a contract and account for them as a single lease component.



ACCOUNTING POLICIES *(continued)*

2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

2.1 Critical accounting judgements

In the process of applying SANBS'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:

2.1.1 Impairment of assets

2.1.1.1 Impairment of non-financial assets

SANBS reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value-in-use of tangible assets are inherently uncertain and could materially change over time.

2.1.1.2 Impairment of financial assets

SANBS recognises a loss allowance for ECLs on all financial assets measured at amortised cost. The amount of ECLs is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial assets.

SANBS measures the loss allowance at an amount equal to lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If the credit risk on a financial asset has not increased significantly since initial recognition, then the loss allowance for that financial asset is measured at 12-month ECLs.

2.1.2 Medical aid reimbursement provision

SANBS engaged the services of an external party to estimate the amount owing to medical aids as a result of the breakdown in the control systems in respect of credit notes issued identified in 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 SANBS'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. The provision was re-measured annually in line with negotiations and settlements agreed with medical aids. The provision at 31 March 2022 is in line with the directors' best estimate of remaining settlements with medical aids still in negotiation.

2.2 Key sources of estimation uncertainty

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

2.2.1 Estimation of residual values and useful lives

Property, plant and equipment are depreciated over their useful lives taking into account residual values, where appropriate.

The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining lives of the assets and projected disposal values. Refer to accounting policy 1.2 which sets out the estimated useful lives of property, plant and equipment.

2.2.2 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.



ACCOUNTING POLICIES *(continued)*

2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

2.2 Key sources of estimation uncertainty *(continued)*

2.2.3 Inventory

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

2.2.4 Assets held for sale

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.

2.2.5 Leases

2.2.5.1 Estimating the incremental borrowing rate

SANBS uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that SANBS 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 SANBS "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. SANBS estimates the IBR using government bond yield rates plus the credit spread (using an estimated credit rating) determined at the date of the lease inception, however, for the prior year SANBS estimated the IBR using observable inputs (such as swap rates) when available and made certain entity-specific estimates (such as the credit rating).

2.2.5.2 Measurement of lease liabilities

SANBS 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. SANBS estimates the incremental borrowing rate and the lease period taking into account renewal options to get to the lease liability.

2.2.5.3 Measurement of right-of-use assets

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

2.2.5.4 Renewal and termination options

SANBS applies judgement in determining the lease term by considering all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option and whether it is reasonably likely that options will be exercised by considering factors such as how far in the future an option occurs. Extension options are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

3.1 Standards and Interpretations effective and adopted in the current year

There were no standards, interpretations and amendments applicable to SANBS effective in the current financial year.



ACCOUNTING POLICIES *(continued)*

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(continued)*

3.2 Standards, interpretations and amendments not yet effective at 31 March 2022

SANBS has considered the following new standards, interpretations and amendments to existing standards, which are relevant to SANBS's operations and have been issued by the reporting date, but not yet effective as at 31 March 2022.

Standard	Details	Year-end beginning on or after
IAS 1 Presentation of Financial Statements	<ul style="list-style-type: none"> 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. Disclosure of Accounting Policies: The amendments require companies to disclose their material accounting policy information rather than their significant accounting policies, with additional guidance added to the Standard to explain how an entity can identify material accounting policy information with examples of when accounting policy information is likely to be material. 	1 January 2023
IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors	<ul style="list-style-type: none"> Definition of Accounting Estimates: The amendments clarify how companies should distinguish changes in accounting policies from changes in accounting estimates, by replacing the definition of a change in accounting estimates with a new definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". The requirements for recognising the effect of change in accounting prospectively remain unchanged. 	1 January 2023
IAS 37 Provisions, Contingent Liabilities and Contingent Assets	<ul style="list-style-type: none"> 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. 	1 January 2022
IAS 16 Property, Plant and Equipment	<ul style="list-style-type: none"> Proceeds Before Intended Use (Amendments to IAS 16) amends the standard to prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in surplus or deficit. 	1 January 2022
Annual improvements to IFRS Standards 2018–2020 (May 2020)	<ul style="list-style-type: none"> Annual Improvements to IFRS Standards 2018–2020 makes amendments to the following standards affecting SANBS: <ul style="list-style-type: none"> – IFRS 1 First-time Adoption of International Financial Reporting Standards – IFRS 9 Financial Instruments – IFRS 16 Leases 	1 January 2022

SANBS 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 SANBS's reported results, financial position and cash flows.



NOTES TO THE FINANCIAL STATEMENTS

	2022 R'000	2021 R'000
4. REVENUE		
Revenue is recognised when SANBS transfers control of goods and services to the customer. Revenue is derived from the following major categories:		
Service fees	3 621 628	3 195 260
Product sales	–	7
Total revenue	3 621 628	3 195 267

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

5. OPERATING EXPENSES		
Advertising and promotions	43 657	27 304
Communication costs	72 561	52 710
Consulting fees	61 435	58 037 ¹
Consumables used	896 608	769 318
Depreciation on owned property, plant and equipment	117 624	91 776
Depreciation on right-of-use assets	51 668	39 758
Employee benefits	1 386 055	1 337 379
Freight	197 363	171 156
Other expenses	275 480	202 639 ¹
Land and buildings – utilities	6 216	1 985
Loss on sale of property plant and equipment	–	5 376
Low value lease expenses	5 284	5 284
Motor vehicle costs (Includes motor vehicle running costs, repairs and maintenance)	20 077	17 431
Product testing	87 587	83 249
Services	88 023	89 384
Short-term lease expenses	4 037	10 617
Travel and accommodation	17 012	14 592
	3 330 687	2 977 995

¹ The disclosure has been changed due to a misallocation error in the prior year. Internal audit fees were disclosed as part of consulting fees in the prior year.

6. OTHER INCOME		
Miscellaneous income	3 771	2 364
Discount received	688	2 654
Profit on sale of property, plant and equipment	8 922	–
	13 381	5 018

7. NET INTEREST RECEIVED		
Interest received – Bank	76 232	97 680
Interest expense	(21 221)	(14 171)
Interest charged by suppliers	(6 349)	(5 139)
Interest on lease liabilities	(14 872)	(9 032)
	55 011	83 509
Interest paid		
Interest charged to the surplus and deficit	21 221	14 171
Unpaid IFRS 16 lease liability interest	(964)	(356)
Interest accrued on post-retirement medical aid obligation	(6 002)	(5 120)
Interest paid per cash flow statement	14 255	8 695



NOTES TO THE FINANCIAL STATEMENTS *(continued)*

	2022 R'000	2021 R'000
8. SURPLUS FOR THE YEAR		
The surplus for the year is stated after taking into account the following items:		
Auditor's remuneration	18 903	10 932
External audit – current year fees	4 717	3 260 ²
External audit – prior year fees	2 265	1 107 ²
Internal audit fees	11 921	6 565 ¹
<p>¹ The disclosure has been changed due to a misallocation error in the prior year. Internal audit fees were disclosed as part of consulting fees in the prior year.</p> <p>² The prior year disclosure has been changed to split the current and prior year audit fee in line with the current year's disclosure.</p>		
Depreciation on owned property, plant and equipment	117 624	91 776
Buildings	14 400	9 322
Computer equipment	42 236	38 213
Furniture and fittings	5 658	3 793
Motor vehicles	21 262	4 316
Plant and equipment	34 068	36 132
Depreciation on right-of-use assets	51 668	39 758
Land and buildings	38 299	35 487
Plant and equipment	13 369	4 271
Directors' emoluments (refer to Note 24)	24 972	27 618
Executive directors and prescribed officers	20 369	22 537
Non-executive directors	4 603	5 048
Net gain on foreign currency transactions	(7)	–
Employee benefits	1 386 055	1 337 379
Salaries and wages	901 373	875 913
Bonus	136 107	138 424
Other	153 241	124 281
Pension	115 268	115 012
Medical aid	73 245	72 886
Leave	6 821	10 863
Net (profit)/loss on disposal of property, plant and equipment	(8 922)	5 376
Lease expenses	15 537	17 886
Land and buildings – utilities	6 216	1 985
Plant and equipment – Low value lease expenses	5 284	5 284
Land and buildings – Short-term lease expenses	4 037	10 617

9. TAXATION

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



NOTES TO THE FINANCIAL STATEMENTS *(continued)*

10. PROPERTY, PLANT AND EQUIPMENT OWNED

2022	Beginning of year R'000	Additions R'000	Disposals R'000	Held for sale R'000	End of year R'000
Cost					
Land and buildings	563 811	29 048	(12 049)	(4)	580 806
Plant and equipment	392 475	16 545	(63 316)	–	345 704
Motor vehicles	155 443	6 457	(15 848)	(1 354)	144 698
Computer equipment	312 724	77 541	(78 860)	–	311 405
Furniture and fittings	39 693	6 116	(4 740)	–	41 069
	1 464 146	135 707	(174 813)	(1 358)	1 423 682
	Beginning of year R'000	Charge for the year R'000	Disposals R'000	Held for sale R'000	End of year R'000
Accumulated depreciation					
Land and buildings	69 877	14 400	(5 114)	4	79 167
Plant and equipment	292 175	34 068	(58 895)	–	267 348
Motor vehicles	56 978	21 262	(10 893)	(907)	66 440
Computer equipment	221 511	42 236	(78 741)	–	185 006
Furniture and fittings	34 670	5 658	(4 636)	–	35 692
	675 211	117 624	(158 279)	(903)	633 653
		Cost R'000	Accumulated depreciation R'000	Net carrying value R'000	
Net carrying value					
Land and buildings		580 806	79 167	501 639	
Plant and equipment		345 704	267 348	78 356	
Motor vehicles		144 698	66 440	78 258	
Computer equipment		311 405	185 006	126 399	
Furniture and fittings		41 069	35 692	5 377	
		1 423 682	633 653	790 029	

No assets are encumbered as security for debt. A register of properties is available for inspection at SANBS, 1 Constantia Boulevard, Constantia Kloof.



NOTES TO THE FINANCIAL STATEMENTS *(continued)*

10. PROPERTY, PLANT AND EQUIPMENT OWNED *(continued)*

2021	Beginning of year R'000	Additions R'000	Disposals R'000	Held for sale R'000	End of year R'000
Cost					
Land and buildings	353 295	215 133	(4 394)	(223)	563 811
Plant and equipment	392 775	23 036	(23 336)	–	392 475
Motor vehicles	87 985	76 305	(8 847)	–	155 443
Computer equipment	282 855	30 169	(300)	–	312 724
Furniture and fittings	38 506	3 110	(1 923)	–	39 693
	1 155 416	347 753	(38 800)	(223)	1 464 146
	Beginning of year R'000	Charge for the year R'000	Disposals R'000	Held for sale R'000	End of year R'000
Accumulated depreciation					
Land and buildings	62 801	9 322	(2 176)	(70)	69 877
Plant and equipment	273 864	36 132	(17 821)	–	292 175
Motor vehicles	58 825	4 316	(6 163)	–	56 978
Computer equipment	183 577	38 213	(279)	–	221 511
Furniture and fittings	32 704	3 793	(1 827)	–	34 670
	611 771	91 776	(28 266)	(70)	675 211
		Cost R'000	Accumulated depreciation R'000	Net carrying value R'000	
Net carrying value					
Land and buildings		563 811	69 877	493 934	
Plant and equipment		392 475	292 175	100 300	
Motor vehicles		155 443	56 978	98 465	
Computer equipment		312 724	221 511	91 213	
Furniture and fittings		39 693	34 670	5 023	
		1 464 146	675 211	788 935	

No assets are encumbered as security for debt. A register of properties is available for inspection at SANBS, 1 Constantia Boulevard, Constantia Kloof.



NOTES TO THE FINANCIAL STATEMENTS *(continued)*

11. RIGHT-OF-USE ASSETS

2022	Property R'000	Equipment R'000	Total R'000
Cost			
As at 31 March 2021	125 306	19 328	144 634
Additions	40 571	53 034	93 605
Disposals	(1 027)	–	(1 027)
As at 31 March 2022	164 850	72 362	237 212
Accumulated depreciation			
As at 31 March 2021	65 594	8 696	74 290
Charge for the year	38 299	13 369	51 668
Disposals	(553)	–	(553)
As at 31 March 2022	103 340	22 065	125 405
Net carrying value			
	Cost	Accumulated Depreciation	Net Carrying value
Property	164 850	(103 340)	61 510
Equipment	72 362	(22 065)	50 297
	237 212	(125 405)	111 807
2021			
Cost			
As at 31 March 2020	96 547	19 328	115 875
Additions	34 761	–	34 761
Disposals	(6 002)	–	(6 002)
As at 31 March 2021	125 306	19 328	144 634
Accumulated depreciation			
As at 31 March 2020	32 825	4 425	37 250
Charge for the year	35 487	4 271	39 758
Disposals	(2 718)	–	(2 718)
As at 31 March 2021	65 594	8 696	74 290
Net carrying value			
	Cost	Accumulated Depreciation	Net Carrying value
Property	125 306	(65 594)	59 712
Equipment	19 328	(8 696)	10 632
	144 634	(74 290)	70 344



NOTES TO THE FINANCIAL STATEMENTS *(continued)*

11. RIGHT-OF-USE ASSETS *(continued)*

	2022 R'000	2021 R'000
Lease liabilities		
Opening balance	78 979	85 883
Additions	93 636	34 977
Disposals	(559)	(3 522)
Interest accrued	964	356
Lease payments	(36 453)	(38 715)
Closing balance	136 567	78 979
Long-term lease liabilities		
Property	35 548	38 230
Equipment	39 585	7 972
	75 133	46 202
Short-term lease liabilities		
Property	33 895	28 592
Equipment	27 539	4 185
	61 434	32 777
Total liabilities		
Property	69 443	66 822
Equipment	67 124	12 157
	136 567	78 979
Maturity analysis – Contractual undiscounted cash flows		
Less than one year	60 663	46 185
One to five years	87 186	64 625
Total undiscounted cash flows	147 849	110 810
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	4 037	10 617
Low-value lease expenses	5 284	5 284
	9 321	15 901

12. INVENTORIES

Consumables	130 161	129 051
Provision for obsolescence	(10 497)	(1 676)
	119 664	127 375

Total consumables charged to operating expenditure during the year amounted to R897 million (2021: R769 million).



NOTES TO THE FINANCIAL STATEMENTS *(continued)*

13. TRADE AND OTHER RECEIVABLES

	2022 R'000	2021 R'000
Trade receivables	861 396	757 307
Sundry receivables	64 938	48 450
	926 334	805 757
Trade receivables:		
Gross receivables	1 799 333	1 648 853
Expected credit loss	(937 937)	(891 546)
	861 396	757 307

SANBS applies the simplified approach for providing for expected credit losses prescribed by IFRS 9, which permits the use of lifetime expected loss provisions for all trade receivables. The consolidated loss allowance as at 31 March 2022 is determined as follows:

Consolidated	Current R'000	1–30 days past due R'000	31–60 days past due R'000	61–90 days past due R'000	91–120 days past due R'000	More than 120 days past due R'000	Total R'000
2022							
Gross carrying amount	475 463	(1 149)	200 754	95 285	(1 546)	1 030 526	1 799 333
Expected credit loss	(7 602)	(251)	(48 005)	(32 973)	355	(849 461)	(937 937)
Net carrying amount	467 861	(1 400)	152 749	62 312	(1 191)	181 065	861 396
Expected weighted average loss rate	2%	(22%)	24%	35%	23%	83%	52%

The loss allowance per different customer segments as at 31 March 2022 is as follows:

2022							
State hospitals							
Gross carrying amount	296 091	(2 225)	125 338	74 564	(1 765)	238 651	730 654
Expected credit loss	(2 798)	182	(15 057)	(19 308)	549	(160 284)	(196 716)
Net carrying amount	293 293	(2 043)	110 281	55 256	(1 216)	78 367	533 938
Expected credit loss rate	1%	8%	12%	26%	31%	67%	
Government Institutions							
Gross carrying amount	7 815	–	5 769	2 354	(1)	142 413	158 350
Expected credit loss	(732)	–	(3 119)	(1 551)	–	(123 872)	(129 274)
Net carrying amount	7 083	–	2 650	803	(1)	18 541	29 076
Expected credit loss rate	9%	0%	54%	66%	0%	87%	



NOTES TO THE FINANCIAL STATEMENTS *(continued)*

13. TRADE AND OTHER RECEIVABLES *(continued)*

2022	Current R'000	1–30 days past due R'000	31–60 days past due R'000	61–90 days past due R'000	91–120 days past due R'000	More than 120 days past due R'000	Total R'000
Medical aid institutions							
Gross carrying amount	116 125	1 020	26 603	10 505	241	382 897	537 391
Expected credit loss	(2 269)	(421)	(12 926)	(6 713)	(209)	(333 471)	(356 009)
Net carrying amount	113 856	599	13 677	3 792	32	49 426	181 382
Expected credit loss rate	2%	41%	49%	64%	87%	87%	
Foreign entities							
Gross carrying amount	4 264	2	1 774	1 363	(7)	35 518	42 914
Expected credit loss	(231)	(1)	(960)	(945)	6	(30 904)	(33 035)
Net carrying amount	4 033	1	814	418	(1)	4 614	9 879
Expected credit loss rate	5%	50%	54%	69%	86%	87%	
Foreign Private Patients							
Gross carrying amount	1 017	2	586	369	–	18 615	20 589
Expected credit loss	(47)	–	(264)	(236)	–	(16 045)	(16 592)
Net carrying amount	970	2	322	133	–	2 570	3 997
Expected credit loss rate	5%	0%	45%	64%	0%	86%	
Private institutions							
Gross carrying amount	39 610	59	31 793	1 165	(13)	36 821	109 435
Expected credit loss	(646)	(14)	(10 701)	(608)	9	(32 241)	(44 201)
Net carrying amount	38 964	45	21 092	557	(4)	4 580	65 234
Expected credit loss rate	2%	24%	34%	52%	69%	88%	
Private Patients							
Gross carrying amount	10 541	(7)	8 891	4 965	(1)	175 611	200 000
Expected credit loss	(879)	3	(4 978)	(3 612)	–	(152 644)	(162 110)
Net carrying amount	9 662	(4)	3 913	1 353	(1)	22 967	37 890
Expected credit loss rate	8%	43%	56%	73%	0%	87%	



NOTES TO THE FINANCIAL STATEMENTS *(continued)*

13. TRADE AND OTHER RECEIVABLES *(continued)*

Consolidated	Current R'000	1–30 days past due R'000	31–60 days past due R'000	61–90 days past due R'000	91–120 days past due R'000	More than 120 days past due R'000	Total R'000
2021							
Gross carrying amount	417 995	97 101	98 017	97 484	56 581	881 674	1 648 853
Expected credit loss	(20 592)	(23 415)	(27 566)	(35 691)	(41 806)	(742 476)	(891 546)
Net carrying amount	397 403	73 686	70 451	61 793	14 775	139 198	757 307
Expected weighted average loss rate	15%	44%	46%	50%	62%	75%	

The loss allowance per different customer segments as at 31 March 2021 is as follows:

2021

State hospitals

Gross carrying amount	270 504	66 160	76 083	76 030	33 223	121 758	643 758
Expected credit loss	(8 725)	(8 740)	(14 447)	(21 804)	(21 438)	(79 720)	(154 874)
Net carrying amount	261 779	57 420	61 637	54 226	11 785	42 038	488 884
Expected credit loss rate	4%	15%	22%	33%	48%	50%	

Government Institutions

Gross carrying amount	6 946	1 768	2 516	3 656	4 400	140 524	159 810
Expected credit loss	(1 599)	(1 018)	(1 626)	(2 456)	(3 833)	(122 487)	(133 019)
Net carrying amount	5 347	750	890	1 200	567	18 037	26 791
Expected credit loss rate	26%	66%	74%	77%	79%	79%	

Medical aid institutions

Gross carrying amount	87 247	16 930	11 720	10 559	11 354	367 946	505 756
Expected credit loss	(4 376)	(7 088)	(5 935)	(6 073)	(9 907)	(321 044)	(354 423)
Net carrying amount	82 871	9 842	5 785	4 486	1 447	46 902	151 333
Expected credit loss rate	6%	48%	58%	66%	71%	71%	

Foreign entities

Gross carrying amount	3 403	781	465	785	782	47 202	53 418
Expected credit loss	(661)	(454)	(298)	(534)	(682)	(41 167)	(43 796)
Net carrying amount	2 742	327	167	251	100	6 035	9 622
Expected credit loss rate	22%	67%	74%	78%	80%	80%	

Foreign Private Patients

Gross carrying amount	1 115	195	757	555	609	19 513	22 744
Expected credit loss	(356)	(136)	(546)	(420)	(531)	(17 013)	(19 002)
Net carrying amount	759	59	211	135	78	2 500	3 742
Expected credit loss rate	37%	80%	83%	87%	89%	89%	



NOTES TO THE FINANCIAL STATEMENTS *(continued)*

13. TRADE AND OTHER RECEIVABLES *(continued)*

	Current R'000	1–30 days past due R'000	31–60 days past due R'000	61–90 days past due R'000	91–120 days past due R'000	More than 120 days past due R'000	Total R'000
Private institutions							
Gross carrying amount	36 618	4 906	750	695	1 033	22 242	66 244
Expected credit loss	(537)	(1 136)	(259)	(271)	(900)	(19 372)	(22 475)
Net carrying amount	36 081	3 770	491	424	133	2 870	43 769
Expected credit loss rate	2%	27%	40%	45%	49%	51%	
Private Patients							
Gross carrying amount	12 161	6 362	5 727	5 203	5 180	162 489	197 122
Expected credit loss	(4 336)	(4 842)	(4 456)	(4 134)	(4 516)	(141 673)	(163 957)
Net carrying amount	7 825	1 520	1 271	1 069	664	20 816	33 165
Expected credit loss rate	41%	88%	89%	91%	92%	92%	

The following table shows the movement in lifetime ECL that has been recognised for trade receivables in accordance with the simplified approach set out in IFRS 9:

	2022 R'000	2021 R'000
Movement in expected credit loss		
Balance at beginning of the year	891 546	619 835
IFRS 9 initial adoption adjustment	–	178 362
Expected credit loss provision raised	188 417	93 349
Expected credit loss provision utilised	(142 026)	–
Balance at the end of the year	937 937	891 546



NOTES TO THE FINANCIAL STATEMENTS *(continued)*

14. ASSETS HELD-FOR-SALE

	2022 R'000	2021 R'000
Cost	7 253	7 486
Accumulated depreciation	(1 852)	(1 865)
	5 401	5 621

In the 2021 financial year, the Executive team approved the sale of the property situated at 2 Bilson Street, Uitenhage, with a carrying value of R152 836. The sale of this property was approved by the Board on 9 July 2020. No impairment loss was recognised on the reclassification of the properties to assets held for sale. The Executive of the organisation expected that the fair value (estimated based on recent market prices of similar properties in similar locations) less the cost to sell was higher than the carrying amount. The registration process of the 2 Bilson Street, Uitenhage property was completed on 8 September 2021. During the current financial year property was sold for R450 000.

In the 2020 financial year, the Executive team approved the sale of the property situated at 25 & 27 Pearce Street, East London, with a carrying value of R5.3 million 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 to assets held for sale. The Executive of the organisation expects 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. An independent valuation valued the property between R9 million and R12 million. The building has, due to COVID-19, remained in the market for longer than anticipated. It is included in the Assets held for sale balance for both 2021 and 2022. On 8 July 2022, SANBS received a signed offer to purchase, for the value of R6 million. The offer price is still being negotiated. The intention to sell the property within the next 12 months still remains.

During the current financial year, the Executive team approved the sale of motor vehicles. At year end of the financial year March 2022, one of the vehicles with a carrying value of R65 010 remained to be sold. No impairment loss was recognised on the reclassification of the vehicles to assets held for sale. The Executive of the organisation had expected 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. They were correct, as the vehicle was sold on 26 April 2022 for R98 708.

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 2022 indicates that the contractual post-retirement medical aid liability is adequately provided for within the financial statements.

	2022 R'000	2021 R'000
Provision for post-retirement medical obligations – long-term	52 370	50 264
Short-term portion	3 465	3 275
Balance at the end of the year	55 835	53 539



NOTES TO THE FINANCIAL STATEMENTS *(continued)*

15. PROVISION FOR POST-RETIREMENT MEDICAL AID OBLIGATION *(continued)*

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

	2022 R'000	2021 R'000
Balance at the beginning of the year	53 539	49 100
Current service cost	657	537
Interest cost	6 002	5 120
Expected employer benefit payments	(3 447)	(3 208)
Actuarial (gain)/loss	(916)	1 990
Balance at the end of the year	55 835	53 539
Actuarial valuation assumptions		
Average retirement age	65 years	65 years
Continuation of membership at retirement	100,00%	100,00%
Health care cost inflation	8.40%	8,50%
Discount rate	11.40%	11,60%

Actuarial valuation assumptions and sensitivity analysis

31 March 2022	Base assumption	Change in assumption	Decrease in assumption	Increase in assumption
			2022 R'000	2022 R'000
Impact on post-retirement medical aid obligation				
Discount rate	11.40%	1%	6 544	(5 440)
Health care cost inflation	8.40%	1%	(5 224)	8 693
Current service cost + interest cost	8.50%	1%	(685)	790
Expected retirement age		1 Year	1 413	(1 634)
Impact on post-retirement medical aid obligation				
Discount rate	11.60%	1%	6 275	(5 217)
Health care cost inflation	8.50%	1%	(5 012)	5 762
Current service cost + interest cost	8.50%	1%	(685)	790
Expected retirement age		1 Year	1 921	(1 824)

16. TRADE AND OTHER PAYABLES

	2022 R'000	2021 R'000
Trade payables	137 370	142 909
Accruals	87 203	57 094
Other payables	46 456	65 929
	271 029	265 932

The average credit period from suppliers is 48 days (2021: 44 days).



NOTES TO THE FINANCIAL STATEMENTS *(continued)*

17.1 PROVISIONS

	2022 R'000	2021 R'000
Leave pay	83 398	82 492
Incentive bonus	97 500	102 997
	180 898	185 489
Leave pay		
Opening balance	82 492	76 414
Additional provisions recognised	37 844	39 008
Reduction due to leave taken	(36 938)	(32 930)
	83 398	82 492

Leave pay provision represents the liability for leave days due to employees at 31 March 2022.

Incentive bonus

Opening balance	102 997	103 426
Additional provision recognised	127 455	132 606 ¹
Reduction due to payments made	(132 952)	(133 035) ¹
	97 500	102 997

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

¹ The disclosure has been changed due to an omission (error) of the 13th cheque payment in the prior year.

17.2 MEDICAL AID REIMBURSEMENT

	2022 R'000	2021 R'000
Opening balance	30 060	108 493
Utilised during the year	(9 885)	(27 689)
Overprovision released to profit/loss	(18 835)	(50 744)
– Provision released relating to settlements finalised in the Prior year	–	(43 438)
– Provision released relating to settlements finalised in the Current year	(18 835)	(7 306)
	1 340	30 060

In October 2018, the directors became aware of control weaknesses relating to credit notes issued. This control deficiency impacted 53 medical aids.

During the year ended 31 March 2021, 13 settlement agreements were reached with medical aids for the medical aid reimbursement, and four medical aid schemes had been liquidated and therefore there was no legal liability against any entity. A total of 33 settlement agreements were outstanding.

During the year ended 31 March 2022, 28 settlement agreements were reached and five were outstanding at year end.

The directors believe the provision of R1.3 million (2021: R30 million) is sufficient to cover the liability to remaining medical aids.

Sensitivity analysis

If provision had been 1% higher/lower and all other variables held constant, the surplus for the year would increase/decrease by R0.01 million (2021 increase/decrease by R0.3 million).



NOTES TO THE FINANCIAL STATEMENTS *(continued)*

18. NET CASH FROM OPERATING ACTIVITIES

	2022 R'000	2021 R'000
Surplus for the year	170 916	212 451
Adjustments:		
Depreciation on property, plant and equipment	117 624	91 776
Depreciation on right-of-use assets	51 668	39 758
Interest charged to the surplus and deficit	21 221	14 171
Interest received	(76 232)	(97 680)
Medical aid reimbursement movement	(28 720)	(78 435)
Movement in provisions	(4 591)	5 650
Net (profit)/loss on disposal of property, plant and equipment	(8 922)	5 376
Net gain on foreign currency transactions	(7)	–
Non-cash items relating to leases	(40)	(21)
Post-retirement medical aid non-cash items	(2 790)	(2 670)
	240 127	190 375
WORKING CAPITAL CHANGES		
Decrease in inventories	7 711	22 857
(Increase)/Decrease in trade and other receivables	(120 577)	4 506
Increase/(Decrease) in trade and other payables	5 097	(84 605)
Changes in working capital	(107 769)	(57 242)
Net cash from operating activities	132 358	133 133

19. CASH AND CASH EQUIVALENTS

Bank balance	499 815	359 751
Money on call	1 391 752	1 483 517
Cash and cash equivalents	1 891 567	1 843 268

20. PENSION AND PROVIDENT FUND INFORMATION

SANBS provides retirement benefits for all eligible permanent employees through a defined contribution provident fund, which is governed by the Pension Funds Act (Act 24 of 1956). At year-end there were 2 339 (2021: 2 312) employees on this fund. SANBS's contribution to this fund expensed during the current financial year amounted to R115 267 545 (2021: R115 012 489).

21. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT POLICIES

Interest rate risk

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

Interest rate risk management

SANBS 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 four banks in South Africa.

Interest rate sensitivity

If interest rate had been 1% higher/lower and all other variables held constant, the surplus for the year would increase/decrease by R0.6 million (2021 increase/decrease by R0.8 million).



NOTES TO THE FINANCIAL STATEMENTS *(continued)*

21. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT POLICIES *(continued)*

Liquidity risk

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

Foreign currency risk

SANBS 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 SANBS to routinely take out forward exchange contracts.

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

Exchange rates:	2022	2021
USD	14.62	14.92
Euro	16.22	17.49

Current liabilities in:	R'000	R'000
Trade payables in USD denominated, translated to functional currency	8 224	10 399
Trade payables in Euro denominated, translated to functional currency	1 654	–

Foreign currency sensitivity

SANBS's exchange rate exposure relates mainly to the USD. The following table details SANBS'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	822	1 040
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Credit risk management

SANBS determines expected credit losses (ECL) 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.



NOTES TO THE FINANCIAL STATEMENTS *(continued)*

21. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT POLICIES *(continued)*

2022	R'000
Financial assets	
Cash and cash equivalents	1 891 567
Trade receivables	861 396
Total	2 752 963
Items included in trade and other receivables but not classified as financial instruments	
Prepaid expenses	64 938
	Total R'000
Financial liabilities	
Interest-bearing liabilities	136 567
Medical aid reimbursement provision	1 340
Trade and other payables	248 154
Total	386 061
Items included in trade and other payables but not classified as financial instruments	
Income received in advance	10 628
Compensation for occupational injuries and diseases provision	5 840
Provision for audit fees	4 713
Value added taxation	1 694
	22 875
Items included in provisions but not classified as financial instruments	
Bonus provision	97 500
Leave pay provision	83 398
Total	180 898

Classification of financial instruments

2022	Amortised cost R'000	Total R'000
Assets		
Cash and cash equivalents	1 891 567	1 891 567
Trade receivables	861 396	861 396
Total	2 752 963	2 752 963
Liabilities		
Interest-bearing liabilities	136 567	136 567
Trade and other payables	248 154	248 154
Medical aid reimbursement provision	1 340	1 340
Total	386 061	386 061



NOTES TO THE FINANCIAL STATEMENTS *(continued)*

21. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT POLICIES *(continued)*

2021	R'000
Financial assets	
Cash and cash equivalents	1 843 268
Trade receivables	757 307
Total	2 600 575
Items included in trade and other receivables but not classified as financial instruments	
Prepaid expenses	48 450
Financial liabilities	
Interest-bearing liabilities	78 979
Medical aid reimbursement provisions	30 060
Trade and other payables	245 965
Total	355 004
Items included in trade and other payables but not classified as financial instruments	
Compensation for occupational injuries and diseases provision	9 013
Income received in advance	5 105
Provision for audit fees	3 260
Value added taxation	2 589
Total	19 967
Items included in provisions but not classified as financial instruments	
Bonus provision	102 997
Leave pay provision	82 492
Total	185 489

Classification of financial instruments

2021	Amortised cost R'000	Total R'000
Assets		
Trade receivables	757 307	757 307
Cash and cash equivalents	1 843 268	1 843 268
Total	2 600 575	2 600 575
Liabilities		
Interest-bearing liabilities	78 979	78 979
Trade and other payables	245 800	245 800
Medical aid reimbursement provisions	30 060	30 060
Total	355 004	355 004



NOTES TO THE FINANCIAL STATEMENTS *(continued)*

22. CAPITAL COMMITMENTS

	2022 R'000	2021 R'000
Commitments in respect of capital expenditure:		
Approved by directors – not contracted for		
Building and leasehold improvements	22 922	144 774
Computer hardware and software	34 089	28 661
Furniture and fittings	72 234	36 022
IT projects	72 898	82 633
Motor vehicles	77 190	81 400
Plant and equipment	179 970	60 212
Total	459 303	433 702

23. GUARANTEES AND CREDIT FACILITIES

23.1 Guarantees

Financial Institutions have issued guarantees on behalf of SANBS to the value of R5 466 269 (2021: R5 896 291). Guarantees are issued for our bankers to our lessors for deposits due for rental premises used by the SANBS.

23.2 Credit facilities

SANBS entered into credit facility agreements with FNB. The agreement covers four facilities, which include the Short-term Contingent, Short-term Pre-settlement, Payments and Collections payment facilities. The collective available facility value has been disclosed below:

Limits of credit facilities available to SANBS	172 500	278 050
Total undrawn credit facilities at year end	172 500	278 050

23.3 Collateral

Cash and cash equivalents amounting to R173 million (2021: R97 million) have been ceded as security for credit facilities agreements.

24. DIRECTORS' AND PRESCRIBED OFFICERS' EMOLUMENTS

2022	Basic salary R'000	Bonus R'000	Other benefits R'000	Total R'000
Executive directors				
K van den Berg (Appointed 01.06.2021)	1 906	250	845	3 001
R Reddy	3 690	395	1 056	5 141
Prescribed officers				
A Mothokoa	2 048	235	772	3 055
F Monkwe	2 100	242	827	3 169
M Vermeulen (Joined 01.11.2021)	828	–	349	1 177
S Prithvi Raj (Joined 01.11.2021)	786	–	402	1 188
T Maesela (Resigned 13.10.2021)	1 204	243	2 191	3 638
	12 562	1 365	6 442	20 369



NOTES TO THE FINANCIAL STATEMENTS *(continued)*

24. DIRECTORS AND PRESCRIBED OFFICERS EMOLUMENTS *(continued)*

	Bonus R'000	Other benefits R'000	Total R'000
Non-executive directors			
A Ramalho	693	–	693
C Henry (Appointed 20.11.2021)	98	–	98
F Burn	506	–	506
G Leong	456	–	456
J Black (Appointed 20.11.2021)	105	–	105
M Vaithilingum	492	–	492
P Knox (Retired 20.11.2021)	411	–	411
P Mthethwa	447	–	447
R Theunissen (Retired 20.11.2021)	415	–	415
S Fakie	551	–	551
T Mokgatlha (Appointed 16.04.2021)	429	–	429
	4 603	–	4 603

2021	Basic salary R'000	Bonus R'000	Other benefits R'000	Total R'000
Executive directors				
J Louw (Resigned 31.12.2020)	3 296	417	1 031	4 744
J Thomson (Resigned 28.02.2021)	2 302	209	263	2 774
R Reddy (Joined 01.01.2021)	945	–	198	1 143
Prescribed officers				
A Mothokoa	2 015	223	660	2 898
F Monkwe	2 188	229	565	2 982
R Reddy	2 567	339	812	3 718
S Mlambo	902	–	375	1 277
T Maesela	2 157	231	613	3 001
	16 372	1 648	4 517	22 537

	Bonus R'000	Other benefits R'000	Total R'000
Non-executive directors			
A Ramalho	783	–	783
F Burn	503	–	503
G Leong	533	–	533
G Simelane (Retired 21.01.2021)	559	–	559
M Vaithilingum (Joined 01.07.2020)	408	–	408
P Knox	568	–	568
P Mthethwa	529	–	529
R Theunissen	677	–	677
S Fakie (Joined 23.11.2020)	168	–	168
V Moodley (Retired 30.06.2020)	92	–	92
W Gumede (Retired 09.07.2020)	228	–	228
	5 048	–	5 048



NOTES TO THE FINANCIAL STATEMENTS *(continued)*

25. RELATED PARTIES

Directors above are key management therefore related parties.

26. SUBSEQUENT EVENTS

In the period subsequent to the financial year end, the following occurred:

26.1 Coronavirus (COVID-19) Impact

SANBS provides an essential service, and the impact on our operations for the period ended 31 March 2022 was not significant.

Subsequent to year-end, the impact of the fifth wave of the COVID-19 pandemic seems to be negligible on the operations of SANBS, and the South African government has repealed the country's few remaining lockdown restrictions, which included the compulsory wearing of masks in public. SANBS has since implemented these changes at all sites. As the situation could still change, we continue to monitor it closely.

26.2 Impact of KwaZulu-Natal Floods

In April 2022, rains across KwaZulu-Natal led to deadly floods severely impacting areas in and around Durban. The torrential rains destroyed homes and infrastructure, washed away roads and triggered mudslides.

SANBS was not spared from the devastating human and economic impact of those floods. Donor centres, blood banks, laboratories and offices were closed for a period until the floods subsided. This resulted in a reduction in blood collections by affected donor centres, resulting in lower than budgeted revenue for that period. Impacted blood banks and processing laboratories diverted all processing work to nearest provinces, resulting in higher transportation costs than what was budgeted. Property, plant and equipment was damaged and the costs of replacement and repairs have successfully been recovered from the insurance company.

SANBS has since recovered from the operational and economic impact of the floods and operations are back to normal at all sites which were affected.

26.3 Medical Aid Reimbursements

From April 2022 to the date of this report, an additional two medical aid settlements were signed and paid, leaving three outstanding.

26.4 Appointments

Mr Tshepo Kgage was appointed as the CFO of SANBS effective 1 August 2022.

27. GOING CONCERN

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

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

The projections for SANBS 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, as well as the economic outlook for the next financial year.

In addition, a downside analysis has been performed assessing the potential negative economic impact the pandemic might have on the expected profitability of SANBS and how the current economic climate would affect the entity's ability to continue as a going concern.



NOTES TO THE FINANCIAL STATEMENTS *(continued)*

27. GOING CONCERN *(continued)*

In preparing this analysis, the following key assumptions were used:

- Revenue reduction impact due to a decrease in blood collections and usage;
- The projected increase in interest rates affecting the interest income from 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 by reduced capital spend and other cost saving initiatives,
- The ability to defer or renegotiate payment terms; and
- The impact of the steep increase in CPI in the new financial year.

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 unlikely as any future mutations are less likely to create an increase in the current mortality rate.

SANBS's assessment shows that SANBS 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 impacts of the COVID-19 pandemic and the economic outlook 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 SANBS.

