

**“Everyone has  
the potential to  
do something  
remarkable for  
someone else.”**

**ANNUAL REPORT 2013/2014**

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**WP Blood Transfusion Service**  
Do something remarkable

# OUR ORGANISATION

## MISSION

Western Province Blood Transfusion Service is a community based regional health care organisation formed by an association of voluntary blood donors, dedicated to providing the safest blood products and efficient service to the community, while operating at the highest professional and ethical standards and remaining a viable organisation.

## VISION

To maintain a Blood Transfusion Service that is appropriate to the needs of the South African community; to be prepared for wider Regional and National needs and to provide leadership in Transfusion Practice.

## VALUES



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## SENIOR PERSONNEL

### BOARD OF DIRECTORS

- + Paul Slack  
Chairman
- + Roger Ramsbottom\*  
Vice Chairman
- + Gregory Bellairs\*  
Chief Executive Officer /  
Medical Director
- + Nicky Du Toit\*  
Corporate Services Director /  
Chief Financial Officer
- + Arthur Bird
- + Gideon Bosman
- + Mervyn Burton\*
- + Fatima Essop
- + Brian Figaji\*
- + Nazir Parker
- + Dumisani Ndebele
- + Elmin Steyn

\* Member of audit committee

### COMPANY SECRETARY

Imtiaz Kaprey

### AUDITORS

Ernst & Young

### REGISTRATION NUMBER

1943/016692/08

### NPO REGISTRATION NUMBER

031-336-NPO

### PBO REFERENCE NUMBER

93000 4391

### MANAGERS

- + Duncan Anderton  
Information Systems
- + Michelle Breuninger  
Training
- + Lesley Bust  
Quality Assurance
- + Marika Champion  
Promotions & Public Relations
- + Ronald Davids  
George Region
- + Shereen Dollie / Delizia Montgomery  
Paarl Region
- + Karen Dramat  
Blood Bank Division
- + Vincent Erasmus  
Materials / Maintenance /  
Transport Administration
- + Helen Ferris  
Donor Administration
- + Ebrahiema Jacobs  
Worcester Region
- + Imtiaz Kaprey  
Accounts / Finance
- + Yasin Khan  
Scientific Division - Fractionation
- + Alan Kirby  
Processing
- + Janene Lusty / Ashleigh Button  
Human Resources
- + Juanita Makan  
Medical Officer
- + Bev Mitchell  
Technical Services

### REGISTERED OFFICE

Southern House, Old Mill Road,  
Pinelands, 7405  
P.O. Box 79, Howard Place, 7450

"Since I started giving  
blood many years ago, I have  
donated over 100 units and  
continue to do so."

Marcel Erispe



“While others spend their 67 minutes helping animals or cleaning parks, I take the time to donate blood and save lives.”

Nicolette Harzon

## DIRECTORS' REPORT

The strategic issues and objectives of Western Province Blood Transfusion Service (WPBTS) are derived directly from the analysis of its Mission and Vision statement. In terms of this statement the organisation must strive to be a viable concern, while fulfilling its core mandate of supplying sufficient safe blood to the Western Cape community. It should also ensure that it is sustainable, thus ensuring its survival for future generations.

Strategically this dictates that a sufficient proportion of the population of the Western Cape donate blood. The donor base must keep up with the growing demands of the Province and the population growth, while remaining as safe and risk-free as possible. At the same time the Service's donor recruitment and retention practices should remain sustainable and in line with public expectations.

Efficiency in terms of this mandate also requires that WPBTS ensures that blood is used responsibly and rationally. This requires building strategic relationships with regional and national government and private sectors to ensure optimal and responsible usage of blood and blood products. Blood products are a scarce resource for which there is no alternative in many clinical situations. The Service has an obligation to promote appropriate blood component usage based on *The Clinical Guidelines for the Use of Blood Products in South Africa*, and to document and monitor adverse reactions amongst both blood donor and transfusion recipients.



Dr GRM Bellairs  
CEO/Medical Director



Ms NB Du Toit  
CFO/Corporate Services  
Director

Another important strategic objective is that WPBTS should strive to ensure that its internal processes are of the highest standards of excellence. All internal processes should always comply with the National Blood Policy, Regulations, and the Standards of Practice for Blood Transfusion in South Africa. From these various guidelines, WPBTS compiles its internal Quality Management System and Safety policies. These policies are aimed at ensuring safe and efficient procedures from the vein of the donor to the vein of the recipient.

Strategically WPBTS cannot be isolated from the national perspective. To this end it always seeks to foster positive relationships with national stakeholders. Both the South African National Blood Service (SANBS) and the National Department of Health are important stakeholders in the general environment within which WPBTS operates. Many productive collaborations have

taken place between SANBS and WPBTS in recent years. WPBTS acknowledges that blood is a national resource and continues to recognise the national perspective within the regional context.

Sustainability in general also implies financial stability in particular. To this end WPBTS must ensure that transparent and efficient financial systems are in place to facilitate a good partnership with its user-stakeholders. Financial management must generate sufficient cash resources to fulfil the core mission of the organisation while minimising financial risk and ensuring good corporate governance.

The general sustainability of WPBTS also demands that it pays particular attention to the growth and continuous professional development of its staff. The development of human capital and retention of scarce skills are critical for ensuring the long-term sustainability of the Service.

A strategic issue that remains on the horizon is the Chapter 8 requirement of the National Health Act for a single licensed Transfusion Service, which currently is an unresolved potential threat to the Service's continued existence as a regionally independent organisation. Another strategic issue is that of the absence of regulatory bodies such as the National Blood Committee and National Blood Programme Unit. Furthermore, the Regulations for Blood and Blood Products were published in March 2012, but several recommendations made by WPBTS, SANBS and National Bioproducts Institute (NBI) were not included, and several errors were evident.

## OPERATIONAL REVIEW

During 2013/14 a number of projects were undertaken and completed that were in support of the above-mentioned strategic objectives. An abbreviated operational overview of them is as follows:

### GOVERNANCE

- + The Service's Articles and Memorandum of Association were replaced by a Memorandum of Incorporation according to the requirements of the new Companies Act.
- + During the Annual General Meeting, Mr Dumisani Ndebele's appointment to the Board of Directors was ratified, while Ernst & Young were reappointed as the financial auditors.
- + Six Directors are members of the Institute of Directors of South Africa, and several attended professional development activities during the year.

### DONOR

- + A total of 163 346 units of blood were collected throughout the Province during the 2013/14 financial year, which ensured adequate supplies of blood products.
- + Group O-Negative collections remain a challenge due to a number of factors. A restrictive blood bank policy and an information campaign were implemented in an effort to ensure sufficient and appropriate blood supplies to meet the demand.
- + There was progress regarding increasing the number of active donors in order to ensure a sustainable donor base, which increased by 3.54% during the year.

- + The 16-18 age group continues to grow to ensure a sustainable donor base, with 10.50% of the total blood collections being collected from this age group.
- + The Service opened another permanent clinic at Blue Route Mall (Tokai), and relocated the N1 City permanent clinic to larger premises in order to increase its capacity to match demand. Fixed-site clinics allow donors to donate at their own convenience throughout the year.
- + Internationally donor care has enjoyed much attention, with significant focus on the iron status amongst blood donors. The Service introduced an Iron Replacement Program to minimise adverse effects in donors most at risk of iron deficiency.
- + Patients requiring therapeutic venesection (donation of blood for the purpose of treating a condition, e.g. iron overload) increased, resulting in 30% more usable therapeutic donations.
- + The decrease in autologous and designated donations reflected the public perception of a safe blood supply.

### TECHNICAL

The WPBTS laboratories were involved in many collaborations, as well as educational developments regarding new technologies. The following projects were conducted by the laboratories:

- + Reference laboratory staff members attended "The Essential PCR course", presented by DNAbiotec in preparation for molecular testing on certain rare blood groups. Instruments were installed and testing has been implemented, which creates better systems.
- + In collaboration with the Tygerberg Hospital Virology Unit, organ donor samples are being tested at a provincial hospital, creating innovation.

- + The Nucleic Acid Testing (NAT) platforms were upgraded, enabling improved workflows. This creates greater efficiency and faster turn-around time.

WPBTS has Blood Banks in three teaching hospitals, as well as one at each regional branch. In addition WPBTS has a smaller blood bank at Vergelegen Mediclinic and over 90 emergency blood banks throughout the Western Cape. The Blood Bank team has been involved in the following:

- + The Blood Users Committee at Groote Schuur Hospital remained active, while the committees at the Red Cross Children's Hospital and the Tygerberg Hospital did not meet as regularly as before.
- + Due to the commissioning of two new hospitals, Khayelitsha and Mitchells Plain, workflows from the blood banks have shifted. Although the possibility of siting a blood bank at either of these hospitals was investigated, there were no suitable premises available and both hospitals are currently supplied with blood through routine transport for elective transfusions and emergency blood banks for urgent requirements.
- + Repeated network communications failures at Tygerberg Blood Bank necessitated the introduction of a microwave-based communication network which was later expanded to include all regional departments within the Service.

The Fractionation Plant again placed strong emphasis on risk and current good manufacturing practice standards according to the latest Pharmaceutical Inspection and Co-operation Scheme and Medicines Control Council guidelines. As a result, the following were implemented:



“It is wonderful to know that my donation saves lives. And the cookies afterwards aren’t bad either.”

Christiaan du Toit

- + The Fractionation Plant has upgraded their sterile garments to ensure less risk to products.
- + The layout of the Fractionation Plant was also altered to allow for additional gowning between non-sterile and sterile areas, creating better workflows, safety and efficiency.
- + The Quantum analyser was validated to allow for in-house chemical testing of products during processing.

#### REGIONAL BRANCHES

- + The Worcester and Paarl branches exceeded blood collection targets due to strong support from donor communities and hard work from the respective teams. In spite of substantial efforts by the George branch collections again failed to meet expectations. Recruitment and retention of blood donors in this region will remain a key objective as we believe that there is further potential to grow collections from the Garden Route region.
- + Blood component processing was established at the George branch in 2012. This was to be expanded to include platelet component production during the year under review, but this was delayed due to final validation of the platelet incubator. At the time of writing, platelet products are being produced at the George branch resulting in improved stock levels and service to hospitals in this region.

#### QUALITY ASSURANCE

- + The Quality Management System was rationalised and improved.
- + The Quality Assurance Department ensured that the Service was subjected to external audit and accreditation by the South African National Accreditation System (SANAS) which

highlights the importance of safety and continuous improvement within the Service.

- + Together with SANAS, the Quality Assurance Department updated the national accreditation checklist, which is now streamlined and customised for each specific area being audited.

#### MEDICAL

- + The Service maintained a five-star occupational health and safety rating for the 9<sup>th</sup> consecutive year.
- + The Marketing Department focused on educational programmes targeted at blood users and a survey was conducted to assess blood users’ satisfaction with service levels. A few areas of improvement were identified and changes have been implemented to address these.
- + An educational video, produced by both Services, has been distributed free of charge to all hospitals in South Africa. The aim of this video is to improve bedside clinical transfusion practice and the safety of blood transfusion.
- + The Service actively participated in the National Haemovigilance Program which was expanded to include donor adverse events in recent years.
- + Data was submitted (as part of a National report) to the World Health Organisation’s Global Database for Blood Safety.

#### SUPPORT SERVICES

The core business of the Service rests on the foundation of the supporting disciplines, which are finance, information systems, maintenance, transport and human resources management.

**The Finance Department implemented the following project:**

The Service previously used Titan as the financial package, which could not provide real time information. The decision was made to switch to Pastel Evolution to improve efficiency. Development and implementation started in January 2014 and the Service went live on the system on 1 April 2014.

**The Human Resource Department managed the following projects:**

- + HR and Payroll Departments migrated to new management platforms.
- + Employee information was consolidated in one central database.
- + An automated access control system was implemented throughout the Service.
- + PSA remained the majority union at WPBTS and successful wage negotiations were concluded with a 6% increase for all staff. The Board also approved an adjustment to salaries taking experience and job grade into consideration, which resulted in an additional 3.50% increase to the payroll.

**The Maintenance Department was involved in the following projects:**

- + Constructing the new fixed-site clinic in Blue Route Mall and upgrading the clinic at the N1 City Mall.
- + Evacuation, relocation and clean-up of the Vergelegen Mediclinic Blood Bank due to the floods in November 2013. Their quick response led to no loss of blood products and minimal damage to equipment.
- + Renovation of Worcester Donor Clinic.
- + Renovation of the Tygerberg Hospital Blood Bank Laboratory.
- + Installations of new walk-in freezers at Tygerberg Hospital and Groote Schuur Hospital Blood Banks.

**The Computer Department made considerable progress in the following areas:**

- + The ADSL network has been upgraded to a broadband Wi-Fi network, which is more dependable, particularly after-hours. This creates efficiency within the Service.
- + Qlikview Business Intelligence was introduced to improve reporting systems and generate statistics in real-time.
- + The majority of WPBTS servers were virtualised to improve data backup, as well as security and disaster recovery of the computer room.
- + Visual Studio was introduced to provide user friendly data access in the customer call centre and is now being extended into the blood banks, which will assist with the introduction of electronic cross-matching.
- + Call Centre monitoring has been put in place to record conversations with donors for QMS purposes and to provide daily call performance statistics.
- + The Papertrail imaging system is now being used for storage of machine diagnostics for QMS purposes, as well as for results validation.
- + The Department assisted in the implementation of Access Control and VOIP and the financial package conversion from Titan to Pastel.

**LEARNING AND PROFESSIONAL DEVELOPMENT**

In line with Service objectives of continuing service excellence, professional development is of paramount importance to sustain WPBTS activities. Supporting this, the following activities have been carried out by the Service:

The 32<sup>nd</sup> SA National Blood Transfusion Congress was jointly organised and hosted by WPBTS and SANBS at the Lord Charles Hotel in Somerset West during October 2013, with the theme "Saving

Lives for 75 Years - Celebrating the Past, Planning for the Future". The Congress generated a small surplus, which will be used as seed capital for the 33<sup>rd</sup> SA National Blood Transfusion Congress in 2015.

Three staff members attended the ISBT congress in Amsterdam, two staff members attended the AABB meeting in Denver and two staff members presented their research at the ISBT Congress in Kuala Lumpur, Malaysia.

The Service was involved in the following training and aid towards interns, students and staff:

- + Eight medical technology interns passed the HPCSA Board examination.
- + Six bursaries were offered to BHSc Medical Laboratory Science students.
- + Five student phlebotomists passed their Board exam.
- + One student technician wrote his exam and was successful.

+ 72 students from Cape Peninsula University of Technology (CPUT) completed their experiential training at WPBTS.

+ Practical tutorials were conducted to 200 second year medical students at UCT and 400 student nurses from the Western Cape College of Nurses, Netcare Nursing Academy and Robyn Nursing Trust.

+ Approximately 80 PathCare Academy phlebotomy learners were assisted with training for the Blood Transfusion modules which form part of their qualification. In turn, PathCare assisted WPBTS learner phlebotomists with modules which are unique to PathCare laboratories.

+ Two staff members successfully completed their National Diploma in Biomedical Technology from CPUT.

+ Six staff members achieved their BTech Degree in Biomedical Technology (three cum laude).

## CONCLUSION

The 2013/2014 year was successful despite the significant challenge due to the economic climate and unfavourable Rand/Dollar exchange rate - which particularly affected the costs of the many products and reagents that we have to import. In addition, many of the changes and improvements made to business operations during the year required significant investments in time and expertise of staff and suppliers. The strategic business objectives were achieved despite these major internal and external challenges.

The Directors would like to thank the Board, all staff members, suppliers and customers for their contributions to the success of the Service. WPBTS also recognise that loyal blood donors are the foundation of a safe blood supply and we reiterate our sincerest thanks to the blood donor community for their selfless donations which ultimately save so many lives.

We are looking forward to yet another successful year, building on our foundation of sufficiency, efficiency, safety and sustainability.



## GOVERNANCE REPORT

The Board is guided by corporate best practices as contained in the King Reports on Corporate Governance (King III). These sound principles are taken into account on a continuous basis in the decision-making process. During the year under review the Board once again critically evaluated its role in providing strategic guidance to the Service and confirmed as such that it would continue to focus on the material aspects which could promote the continued sustainability and growth of the Service.

At Western Province Blood Transfusion Service (WPBTS) we define sustainability as follows: *Sustainability refers to the responsible, efficient and ethical manner in which current generations use all types of resources to meet their own needs and realise their goals and aspirations; thereby impacting the socio-economic and ecological environment in a way that does not compromise, but enhances the ability of future generations to meet their own needs and realise their own goals, aspirations and potential* (Adapted from The Brundtland Commission's definition created in 1987).

We understand that all WPBTS team members, including the Board, are merely custodians of the organisation and have been given the responsibility of operating sustainably, in order to hand over the business to future generations in a better state than it was when we received it from past generations. We believe that it is critical for our organisation to have a sustainability-oriented culture, structures and processes for the governance of sustainability. Key indicators and material sustainability issues and risks are monitored on an ongoing basis. It is important to stay abreast of local and international regulatory and



Mr PK Slack  
Chairman of the Board

technical developments in the field of sustainability and to ensure that the management thereof meets the minimum requirements as set out by King III.

The Board assumes collective responsibility and accountability for the strategic direction and performance of the organisation. The WPBTS Board is comprised of up to 10 non-executive directors and two executive directors. Non-executive directors are elected based on a combination of their custodianship of donor interest and their specialised individual skills.

In terms of the *Memorandum of Incorporation*, the term of office for non-executive directors is three years, after which they have to retire by means of rotation. Retiring directors can be re-elected.

I would like to thank my co-directors for their support and guidance during the 2014 financial year. Exceptional co-operation, diverse thinking and sober reasoning made us a formidable team. Your contributions are of great value.

The composition of the Board makes provision for appropriate and effective decision-making, which ensures that no individual can exercise undue influence. The activities of the Board are controlled by the provisions of the *Memorandum of Incorporation*.

"I don't always have money to give, so donating blood is my way of helping others and doing my bit."

Esther Chando





The primary responsibilities and powers of the Board are as follows:

- + Approval of the strategy and budgets.
- + Appointment of executive directors and the monitoring of the performance of executive directors.
- + Custody of the values and ethical principles of the Service.
- + Effective control over the Service.
- + Conscientious risk management and attention to sustainability issues.
- + Consideration of important financial and non-financial aspects, such as corporate and social responsibilities and transformation.

Board meetings are held at least four times annually and relevant agendas and documentation are circulated prior to the meetings. The Board has

established a number of committees to facilitate efficient decision-making and to assist the Board in the execution of its duties, powers and authority. The committees function in a transparent manner and report to the Board on a regular basis.

At the beginning of the year the Board had five sub-committees:

- + Audit Committee
- + Remuneration and Nominations Committee
- + Risk and Governance Committee
- + IT-Steering Committee
- + Social and Ethics Committee

Committee meeting attendance and membership are indicated in the table on page 21.

**WPBTS Board members are listed below with an indication of their date of joining the Board, as well as their background:**

NAME	YEAR APPOINTED	AREA OF EXPERTISE
Mr N Parker	2002	Attorney, Parker Holt Attorneys
Dr G Bellairs	2008	WPBTS CEO and Medical Director
Dr A Bird	2012	Executive leadership, transfusion medicine
Mr D Ndebele	2013	Human Resources Director, Pathcare
Mr PK Slack	2004	Chartered Accountant
Ms N du Toit	2012	WPBTS CFO and Corporate Services Director
Mr BdL Figaji	2006	Education / Management / Engineering
Dr E Steyn	2004	Trauma and transplant surgeon, Christiaan Barnard Memorial Hospital
Adv D Bosman	2008	Advocate
Dr F Essop	2005	Anaesthetist
Mr R Ramsbottom	2000	Business Management / Chartered Accountant
Mr MR Burton	2011	Chartered Accountant

The efficiency and effectiveness of the Board are considered on an annual basis. I would like to compliment my fellow Board members on

maintaining open, transparent and honest participation in the execution of our duties.

## CONCLUSION

On behalf of the Board I would like to thank our donors, personnel, partners, suppliers and the community for continued support, loyalty and friendship. WPBTS is well positioned for future growth, but without these cornerstones in our business, success will not be possible.

We believe that the Service can make a contribution to our country and economy in which we operate by continuing to build on our current business model. The Service's core values of teamwork, caring, being professional, responsible and committed, position us well for the future. These values will ensure that WPBTS will be an admired, successful business that creates jobs, develops the community, provides blood for the people of our province, and earns the respect and generates pride in

the hearts of our donors and personnel.

I would like to conclude with the words of Brian Tracy, a well-known American television personality: *"Those who develop the ability to continuously gather new and better forms of knowledge which can be applied in their lives and work, will be the future 'ones who make things happen' in our community."*

May WPBTS be a Service which 'makes things happen' for the future and may each one of you strive towards gaining the knowledge required to realise your dreams for the present and the future.

**Paul Slack**  
*Chairman of the Board*

## SUB-COMMITTEES

### AUDIT COMMITTEE

The audit committee is required to report in terms of section 94(7)(f) of the Companies Act, Act 71 of 2008 on:

- + how the committee carried out its functions;
- + the independence of the auditor of the company; and
- + commenting on the financial statements, the accounting practices and internal control of the company.

The committee considers that it has adequately performed its duties in terms of its mandate, King III and the Companies Act 2008, as amended.

In line with the International Financial Reporting Standards and Corporate Governance, this committee must ensure Risk Management Oversight and responsible and transparent assurance processes. It meets several times a year to review company financial statements, and monitor the mechanisms of financial reporting.

### COMPOSITION

The Audit Committee is comprised of three non-executive directors, two executive directors and the financial manager. The senior management

dealing with the financial affairs of the company have no voting powers. Three meetings were held during the year and were also attended by the auditors, currently Ernst and Young (EY).

## MANDATE AND RESPONSIBILITIES

In terms of its mandate, this Committee is required inter alia to:

- + Review the financial statements of the Service, both interim and annual.
- + Ensure that the financial statements are prepared in accordance with appropriate accounting policies and International Financial Reporting Standards.
- + Review the accounting policies adopted by the Service and any changes thereto.
- + Consider the going concern principles and reasons for recommendation to the Board.
- + Make recommendations on the appointment of the external auditors and their fees.
- + Evaluate the independence and effectiveness of the external auditors, consider any non-audit services by such auditors and whether the rendering of such services would substantially affect their independence.
- + Accept the annual audit plan and audit budget.
- + Review the effectiveness of management information, the annual audit and the internal system of controls.
- + Monitor compliance with applicable legislation and regulatory aspects.
- + In addition, members of this committee recommend the payment of the performance bonus which is based on several key performance indicators.

The Committee performed all its duties as set out above.

The external auditors have unlimited access to the chairman of the committee and the monthly management reports received by the executives on day-to-day matters.

The Committee is satisfied that the 2014 audit conducted by the external auditors was independent and concurs with the audit report. The auditors' report is included in the annual financial statements on page 33.

**Mervyn Burton**

*Chairman: Audit Committee*

## REMUNERATION AND NOMINATIONS COMMITTEE

This committee ensures that the general remuneration strategy of the organisation is in line with industry standards. WPBTS continues to provide market-related salaries and a comprehensive benefits package, enabling us to attract and retain skilled staff. Wherever and whenever possible, we strive to appoint demographically representative staff with the appropriate skill sets. Future enhancements to the remuneration policy at WPBTS include individual performance measurement and reward, and further integration of HR and payroll functions.

## COMPOSITION

The Remuneration Committee is comprised of four non-executive directors and the two executive directors. The executive management however, is recused from the meeting during discussions regarding their remuneration. The Committee had three meetings during the year. Issues relating to remuneration were however comprehensively addressed at full board meetings.

## MANDATE AND RESPONSIBILITIES

The Committee is responsible for the following:

- + Determining and maintaining the remuneration philosophies of the Service.
- + Approving and maintaining appropriate human resources and remuneration policies.
- + Executive management succession planning.
- + Monitoring the implementation of relevant labour legislation.
- + Monitoring transformation policies in terms of employment equity and reporting to the Department of Labour.
- + Making recommendations regarding executive directors' remuneration to the Board.
- + Approving annual mandates for salary increases.
- + Approving annual bonus payments in terms of pre-approved incentive schemes.
- + The Committee also recommends the remuneration of non-executive directors to the Board. Non-executive directors are remunerated for their membership of the Board and Board appointed committees.

The remuneration levels reflect the size and complexity of the company as well as the time spent in dealing with the affairs of the Service. Market practices and remuneration surveys are taken into account in the determination of directors' remuneration.

The elements of non-executive directors' remuneration are:

- + A monthly retainer.
- + A meeting attendance fee.
- + Travelling and actual expenses where applicable.

The remuneration of the directors for the year under review is shown in the table on page 21.

WPBTS' approach is to set remuneration levels that attract, retain and motivate the appropriate calibre of directors and staff.

**Brian Figaji**

*Chairman: Remuneration and Nominations Committee*

## RISK AND GOVERNANCE COMMITTEE

The Risk and Governance Committee is tasked with the identification of potential risk issues for the organisation and to achieve overall compliance in terms of legal and governance principles. During the year, the committee focussed to a large extent on the implications of the new Companies Act, the King III Code, the Consumer Protection Act and the National Health Act. The National Health Act's requirement for a single licensed transfusion service in South Africa poses the greatest risk to WPBTS, but this risk is currently being managed by co-operation with the National Department of Health (NDoH) and the development of workable alternatives to the single license, that provide a comprehensive national blood programme. A risk register requires further development, and steps taken to mitigate risks wherever possible.

## COMPOSITION

The Risk Committee comprises of four non-executive directors and the two executive directors. One meeting was held through the year.

## MANDATE AND RESPONSIBILITIES

The Committee assists the Board with the identification, assessment, evaluation, mitigation and monitoring of actual and potential risks as they pertain to the Service. These risks encompass short, medium and long term risks.

Risk taking, in an appropriate manner, is an integral part of the business. The success of the business depends to a large extent on optimising the trade-off between risk and reward. In the normal course of conducting its business, the Service is exposed to a variety of risks; inter alia financial risk, business risk, environmental risk and strategic risk. The long term sustained growth, continued success and the reputation of the Service are critically important and dependent on the quality of risk management and good corporate governance.

WPBTS is exposed to and dependant on major fluctuations in limited international and local fundamentals, e.g. interest rates and exchange rates.

The following strategic risks have been identified and receive the necessary management attention on a continuous basis:

**+ Stagnation risk**

The business achieves a level of maturity at which further volume and surplus growth becomes difficult.

**+ Donor risk**

Donor fatigue and donor deferrals can influence donor availability.

**+ Transition risk**

The Service becomes overwhelmed by unforeseen changes in technology or its business model.

**+ Project risk**

The risk that a costly investment in a new project will fail.

**+ Lack of focus on current business**

The risk of losing focus on core business while busy with other issues.

**+ Brand risk**

The value of the brand collapses suddenly, or gradually shrinks in the wake of disastrous publicity or a long term failure to invest.

**Gideon Bosman**

*Chairman: Risk and Governance Committee*

## **IT STEERING COMMITTEE**

### **COMPOSITION**

The committee comprises of two non-executive directors and two executive directors. The IT manager attends meetings when required and other members are co-opted when required.

### **MANDATE AND RESPONSIBILITIES**

IT has become strategically critical in recent years and a strong responsive IT backbone is essential or most of WPBTS' processes. The IT Steering Committee has been established to ensure compliance with the King III Code, as well as to ensure that this important function continues to advance in pace with operational requirements. Improvements suggested by an external baseline audit of the IT function at WPBTS have been budgeted for and are either in progress or completed.

**Paul Slack**

*Chairman: IT Steering Committee*

## **SOCIAL AND ETHICS COMMITTEE**

### **COMPOSITION**

The committee comprises of four non-executive directors and the two executive directors. The Social and Ethics Committee was formally established in May 2012.

### **MANDATE AND RESPONSIBILITIES**

The Social and Ethics Committee will guide further improvements under the broad headings of:

- + Social and economic development.
- + Good corporate citizenship.

- + The environment, health and public safety, and impact of activities.
- + Consumer relationships.
- + Labour and employment practices.
- + WPBTS requires an internal ethics approval forum for research protocols; and requests for blood samples and product samples for third parties.

**Arthur Bird**

*Chairman: Social and Ethics Committee*

## **FINANCIAL STATUS**

The company's financial status continues to be healthy, and the position of WPBTS remains favourable in terms of maintaining an excellent, sustainable transfusion service. The accumulated surplus will be required by the Service over the next 2-5 years to fund capital acquisitions and building expansion. The Board takes final responsibility for approving the annual budget plan, price increases and salary increases.

## **SUSTAINABILITY**

In accordance with the Vision and Mission of the organisation, WPBTS must be sustainable in terms of its resources by minimising material waste and nurturing broader human resources (including donors and patients).

Sustainability encompasses various facets, all of which are not necessarily obvious. In my opinion good corporate governance and ethical values are the cornerstones of a sustainable business.

Add thereto a fit business model with a long term investment philosophy and proven transformation actions and it should be possible to hand a sustainable entity down to the next generation.

## **CORPORATE SOCIAL INVESTMENT**

The Service provided financial support to two organisations during the financial year. A R20 000 donation was made to the South African Haemophilia Society for a camp for Persons with Haemophilia, while another R20 000 was donated to SHAWCO.

The Service was also involved in Operation Smile, an international children's medical charity, in collaboration with the Nava Cavour, an Italian Navy ship, which anchored in Cape Town Harbour for several days. Operation Smile performs cleft lip and cleft palate surgery and delivers post-operative and ongoing medical therapies to children from low and middle income countries. The medical facilities on board the Nava Cavour included operating theatres, scanning facilities and wards. The Service was requested to place an emergency blood bank on the ship. The usual fees associated with this service were waived for this humanitarian programme.


## **FUTURE DEVELOPMENTS**

WPBTS has actively participated in the development of a National Blood Policy and remains committed to a comprehensive national blood programme. We take seriously our corporate citizenship in South Africa and continue to strive to be one of the best medium-sized blood services in the world, particularly in terms of service delivery, value and the use of appropriate technologies.



**Director's meeting attendance and remuneration:**

NAME	BOARD	AUDIT	SOCIAL & ETHICS	RISK & GOVERNANCE	REMUNERATION & NOMINATIONS	REMUNE- RATION
Number of meetings	6	3	1	1	3	
<b>Non-executive directors</b>						
Dr A Bird	5		1			R 14 417
Adv D Bosman	3			1		R 12 559
Mr M Burton	6	3	1	1		R 19 868
Dr F Essop	4		1			R 12 559
Mr B Figaji	6	3			3	R 19 946
Mr N Parker	5				1	R 14 477
Mr D Ndebele	6				1	R 13 576
Mr R Ramsbottom	4	3				R 14 417
Mr P Slack	4			1	3	R 18 558
Dr E Steyn	3		1	1		R 11 570
<b>Executive directors</b>						
Dr G Bellairs	6	3	1	1	3	R 1 754 663
Ms N du Toit	6	3	1	1	3	R 1 435 815



"I like the whole process of donating blood. From getting the call and giving a life-saving unit, to enjoying the cookie and juice afterwards."

Karen Augustyn

# FACTS AND FIGURES

(PERIOD OF REPORTING: 1 APRIL 2013 - 31 MARCH 2014)

DONATIONS REGISTERED AT CLINICS

	2011/2012	2012/2013	2013/2014
	140 155	147 953	150 797
Cape Peninsula	91 986	101 265	100 542
Paarl	18 775	18 201	21 270
Worcester	15 176	16 111	16 974
George	9 703	11 581	12 011

Note 1: Donations registered at clinics excludes not bled, insufficient, test only, dry pack, blood grouping, low HB, mailing list donors and underweight.

DONOR AND CLINIC INFORMATION

	2011/2012	2012/2013	2013/2014
Number of first time donors	14 941	15 024	15 482
Number of donors who donated including new donors	69 372	72 703	70 299
New clinics initiated	46	53	21
Donation frequency of donors	2.2 donations	2.2 donations	2.2 donations

TOTAL UNITS TESTED

	2011/2012	2012/2013	2013/2014
Apr	11 093	11 573	12 377
May	10 788	12 327	13 488
Jun	11 560	11 619	11 363
Jul	12 662	12 071	13 835
Aug	11 274	13 566	12 814
Sept	12 482	12 535	11 585
Oct	12 571	13 398	14 504
Nov	12 158	13 251	13 184
Dec	12 881	12 852	12 927
Jan	11 125	13 756	13 268
Feb	13 192	12 193	12 963
Mar	11 824	12 077	12 097

Note 1: The totals units indicate all donations tested through the analyser. This includes apheresis and autologous units.

**CONFIRMED POSITIVE TEST RESULTS**

	2011/2012	2012/2013	2013/2014
Hepatitis B	96	103	121
Hepatitis C	7	4	6
HIV	51	49	66
Syphilis	86	74	110

**NUMBER OF APHERESIS PLATELETS ISSUED FOR THIS PERIOD**

	2011/2012	2012/2013	2013/2014
Adult apheresis platelets	3 575	3 382	3 715
Infant apheresis platelets	928	1 012	889

**SPECIALISED DONOR SERVICES INFORMATION**

	2011/2012	2012/2013	2013/2014
Autologous	92	47	31
Designated	89	45	72
Therapeutic	2 085	2 011	2 404

**ADVERSE TRANSFUSION REACTIONS**

	2011/2012	2012/2013	2013/2014
<b>Allergic</b> (occurrence of an itchy rash / hives following a transfusion)	81	115	116
<b>Febrile</b> (rise in temperature accompanied by a rapid pulse and an increase in blood pressure)	54	73	82
<b>Haemolytic (delayed)</b> (the lysis of red cells following an incompatible transfusion)	1	0	0
<b>Mislabelled</b> (compatibility test specimens are incorrectly labelled with a different person's name and folder number)	n/a	6	7
<b>Hypotensive</b> (when the blood pressure drops immediately after a transfusion)	5	2	8
<b>Misdirected transfusion</b> (incorrect blood component transfused)	2	5	2
<b>Anaphylactic</b> (a very severe allergic reaction)	13	16	22
<b>Symptoms due to underlying disorder</b> (patient has symptoms in keeping with their illness, not due to the transfusion)	17	22	26
<b>TACO</b> (transfusion associated circulatory overload)	1	0	0



**BLOOD BANK INFORMATION - ISSUED PRODUCTS**

	2011/2012	2012/2013	2013/2014
Red cell concentrates	126 824	131 931	137 527
Platelets	4 796	4 830	4 787
Fresh frozen plasma	23 207	27 574	26 959
Whole blood	289	282	236
Emergency blood	7 255	8 553	9 684
After hours requests	51 834	56 107	57 062

**Note 1**

Platelets includes both infant and adult platelets.

**Note 2**

Fresh frozen plasma includes both infant and adult fresh frozen plasma.

**Note 3**

Emergency blood includes blood issued by Stock Control, as well as those issued from the Blood Banks.

**Note 4**

The figures indicate Apheresis platelets only and exclude the random donor platelets.

**Note 5**

The figures include those of the whole Western Cape region.

**FRACTIONATION UNITS SUPPLIED**

	2011/2012	2012/2013	2013/2014
Stabilised serum	13 701	5 352	10 314
Factor VIII	5 333	3 912	4 599
Albumin units	23 791	30 745	23 388

**Note 1**

Factor VIII production rate is still dependant on the available supply of cryoprecipitate.

**Note 2**

A nationwide increase in demand for Stabilised Serum (SHS) has prompted an increase in production thereof.

**Note 3**

HSA (Albumin) production continues at a consistent level.

**QUALITY & SAFETY**



	2011/2012	2012/2013	2013/2014
SANAS Accreditation status	Full	Full	Full
Technilaw Health and Safety	5 star	5 star	5 star

**EQUITY FIGURES**









Once again we monitored and met our equity targets, which form part of our key performance measurement criteria for the awarding of a performance bonus at WPBTS.

The actual targets set are regularly reviewed and improved upon and our performance in relationship to this is communicated quarterly to all employees. Currently, 76.01% of our permanent staff comes from the "black" designated group, while 61.07% of our staff are females.

**HUMAN RESOURCES**

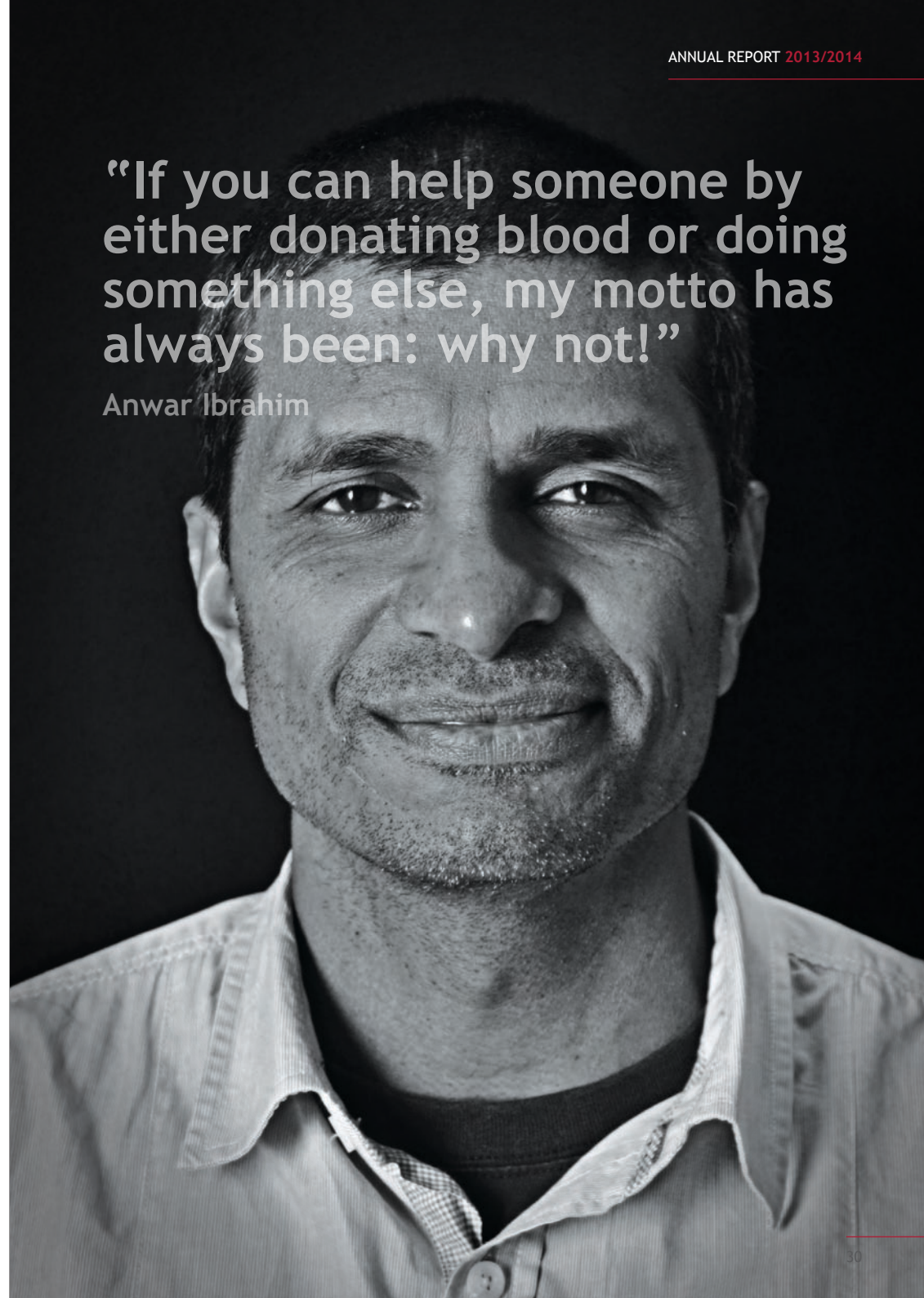
	2011/2012	2012/2013	2013/2014
Resignations	 26	 28	 38
New appointments	 33	 50	 51

**WPBTS RACIAL PROFILE COMPARED WITH WESTERN CAPE DEMOGRAPHICS**

	2011/2012	2012/2013	2013/2014	Western Cape
African / Black	 15.0%	 13.9%	 12.9%	 33.9%
Coloured	 59.5%	 60.5%	 60.8%	 51%
Indian / Asian	 0.8%	 0.8%	 0.9%	 0.3%
White	 24.7%	 24.6%	 25.4%	 14.8%

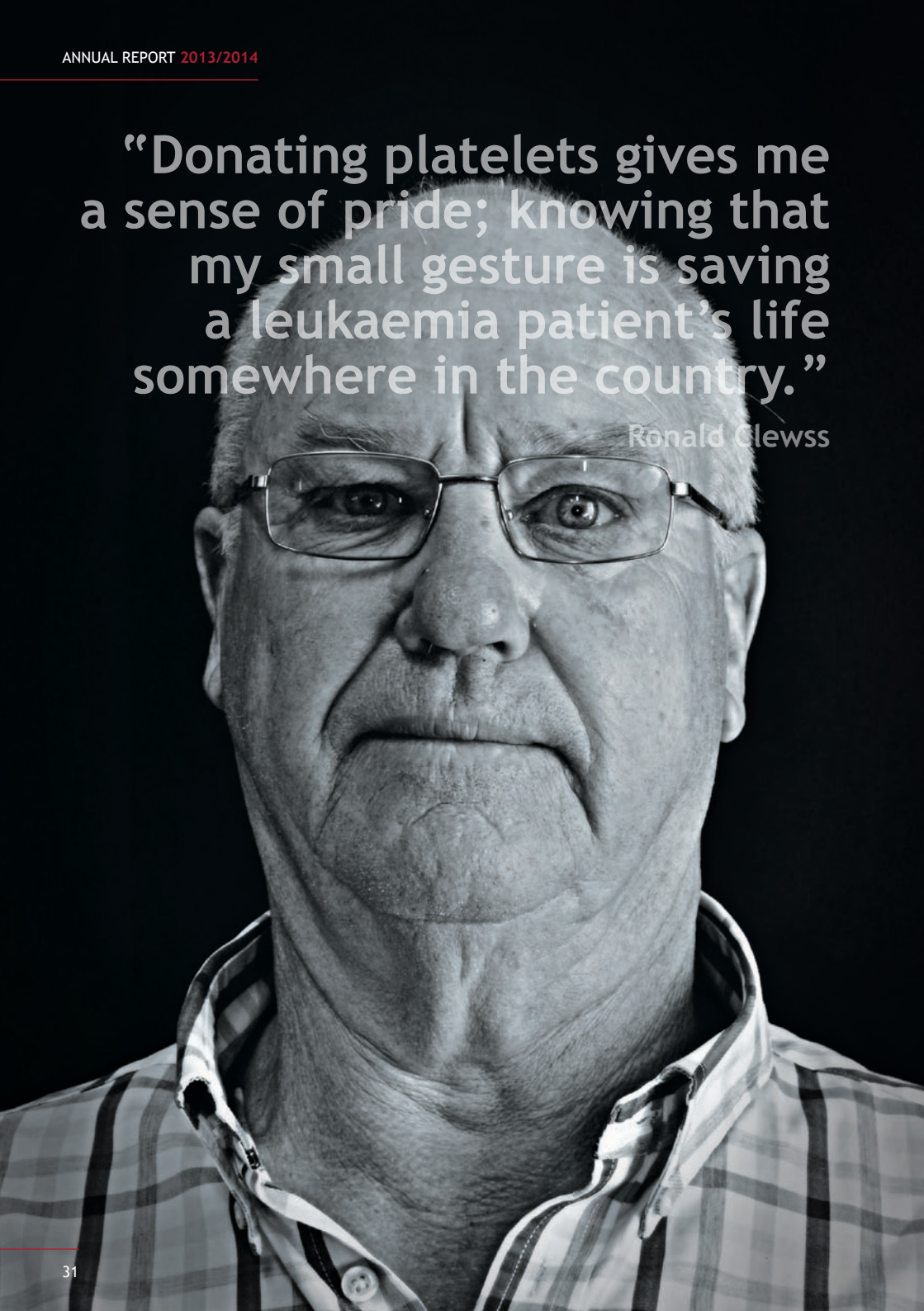
**“If you can help someone by either donating blood or doing something else, my motto has always been: why not!”**

Anwar Ibrahim



“Donating platelets gives me a sense of pride; knowing that my small gesture is saving a leukaemia patient’s life somewhere in the country.”

Ronald Clewss



## **ANNUAL FINANCIAL STATEMENTS**

### **WESTERN PROVINCE BLOOD TRANSFUSION SERVICE**

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

### **ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014**

#### **APPROVAL OF ANNUAL FINANCIAL STATEMENTS**

The annual financial statements set out on pages 37 to 63 were approved by the board of directors on 5 September 2014 and are signed on its behalf by:

Mr PK Slack  
Chairman

Ms N Du Toit  
Director



## INDEPENDENT AUDITORS' REPORT

Independent Auditors' Report to the committee members of:

### WESTERN PROVINCE BLOOD TRANSFUSION SERVICE

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

### REPORT ON THE FINANCIAL STATEMENTS

We have audited the annual financial statements of Western Province Blood Transfusion Service set out on pages 37 to 63, which comprise the statement of financial position at 31 March 2014, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

### DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Service's directors are responsible for the preparation and fair presentation of these 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.

### 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 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 the directors, 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 2014, 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 2014, we have read the directors' report for the purpose of identifying whether there are material inconsistencies between this report and the audited financial statements. This report is the responsibility of the preparer. Based on reading this report we have not identified material inconsistencies between this report and the audited financial statements. However, we have not audited this report.



### ERNST & YOUNG INC.

Director: Abdul Majid Cader  
Registered Auditor  
Chartered Accountant (SA)  
9 September 2014

## DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2014

### 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 R6 062 561 for the year ended 31 March 2014 (2013: R10 625 541).

### 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 R14,7 million.

**DIRECTORS AND SECRETARY**

Particulars of the present directors and secretary are given on page 4.

**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 2013, the date of the last employment equity submission, the Service employed 542 permanent and 22 casual/temporary employees. As at the date of the last submission, 76% of permanent employees are from the black designated group and 61% are female. Of the 18 employees in management, 44% 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.

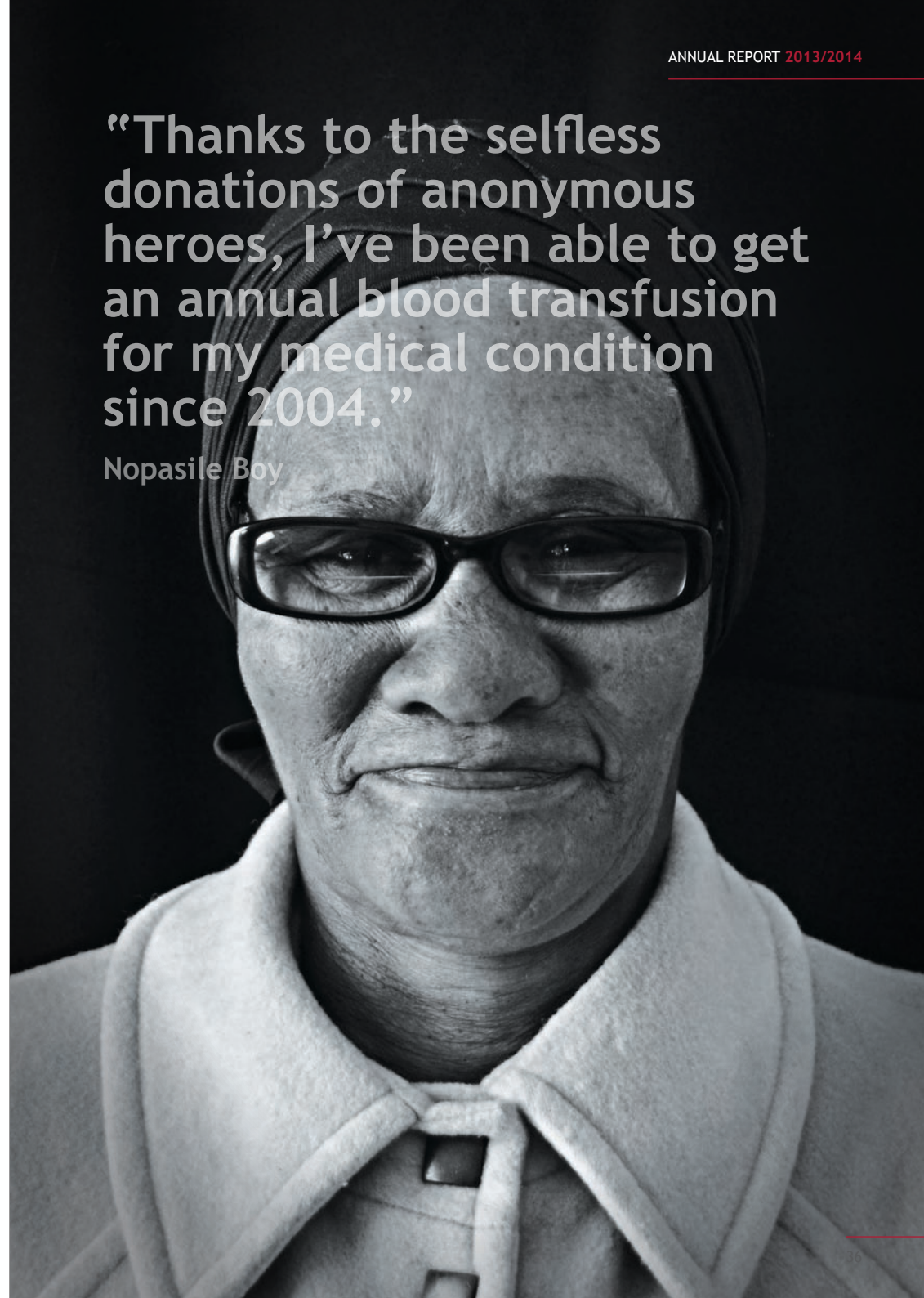
WPBTS continues to cooperate with SANBS and the National Department of Health and remains committed to a solution that best serves regional and national blood transfusion requirements.

**EVENTS SUBSEQUENT TO THE YEAR END**

On 4 July 2014 the Service sold its Beaconvale property at a selling price of R600 000. No further subsequent events were identified to date of this report.

**“Thanks to the selfless donations of anonymous heroes, I’ve been able to get an annual blood transfusion for my medical condition since 2004.”**

**Nopasile Boy**



## STATEMENT OF FINANCIAL POSITION

	Note	2014 R	2013 R
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment	7	96 831 951	97 225 079
<b>Current Assets</b>			
Inventory	8	48 135 176	35 636 288
Trade and other receivables	9	38 157 131	33 210 765
Cash and cash equivalents	10	38 163 551	45 861 442
		124 455 858	114 708 495
<b>TOTAL ASSETS</b>		<b>221 287 809</b>	<b>211 933 574</b>
<b>EQUITY AND LIABILITIES</b>			
Accumulated funds		123 912 804	118 619 261
Revaluation reserve	11	40 778 112	40 778 112
Non-distributable reserves	12	2 354 007	2 384 401
Product liability reserve	13	5 799 412	5 000 000
		172 844 335	166 781 774
<b>Non-current liabilities</b>			
Post-retirement medical benefits	19	1 959 000	1 993 000
<b>Current liabilities</b>			
FEC liability	20.3	1 116 066	-
Trade and other payables	14	31 003 526	23 708 245
Provisions	15	14 364 882	19 450 555
		46 484 474	43 158 800
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>221 287 809</b>	<b>211 933 574</b>

## STATEMENT OF COMPREHENSIVE INCOME

	Note	2014 R	2013 R
<b>REVENUE</b>	2	<b>281 128 459</b>	<b>259 801 937</b>
<b>INCOME</b>		<b>282 537 067</b>	<b>263 722 544</b>
Turnover	2	276 080 143	254 967 069
Interest received			
- bank deposits	2	1 930 566	2 320 877
- amortisation of debtors	2	3 117 750	2 513 991
Net surplus and scrapping on disposal of property, plant and equipment	1.9	-	1 337 190
Realised gains on foreign exchange	1.9	132	366
Realised gains on derivative financial instruments	5	-	1 408 050
Unrealised gains on foreign exchange	6	184 227	-
Sundry income	4	806 381	340 243
Professional development fund income	4	60 012	71 917
Grant income	3	357 856	762 841
<b>EXPENSES</b>		<b>276 474 506</b>	<b>253 097 003</b>
Personnel	4	136 246 825	127 805 116
Collection		26 156 820	22 480 488
Testing		42 077 688	33 633 687
Product costs		32 037 004	31 431 697
Administration	5	21 984 363	20 807 908
Net loss and scrapping on disposal of property, plant and equipment		225 494	-
Realised losses on foreign exchange	1.9	1 761 531	1 266 515
Unrealised losses on foreign exchange		-	404 175
Fair value of FEC liability - unrealised loss		1 116 066	-
Finance costs	16	7 986	8 396
Repairs and maintenance		6 403 529	6 937 295
Depreciation	7	8 366 794	8 273 657
Professional development fund expense	12	90 406	48 069
<b>SURPLUS FOR THE YEAR</b>		<b>6 062 561</b>	<b>10 625 541</b>
<b>OTHER COMPREHENSIVE INCOME</b>		<b>799 412</b>	<b>7 898 200</b>
Transfer (from)/to non-distributable reserve		(30 394)	23 848
Transfer to/(from) retained earnings		30 394	(23 848)
Product liability reserve		799 412	-
Revaluation surplus on property		-	6 890 000
Employer surplus WPBTS Retirement Fund		-	1 008 200
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>6 861 973</b>	<b>18 523 741</b>



## STATEMENT OF CHANGES IN EQUITY

	Note	Non-distributable reserves R	Revaluation reserve R	Product liability reserve R	Accumulated funds R	Total R
<b>BALANCE AT 31 MARCH 2012</b>		1 352 353	33 888 112	5 000 000	108 017 568	148 258 033
Net surplus for the year		-	-	-	10 625 541	10 625 541
Other comprehensive income	12(a)	23 848	6 890 000	-	(23 848)	6 890 000
Transfer to non-distributable reserve	12(b)	1 008 200	-	-	-	1 008 200
<b>BALANCE AT 31 MARCH 2013</b>		2 384 401	40 778 112	5 000 000	118 619 261	166 781 774
Net surplus for the year		-	-	-	6 062 561	6 062 561
Other comprehensive income	12(a)	(30 394)	-	-	30 394	-
Transfer to product liability reserve	13	-	-	799 412	(799 412)	-
<b>BALANCE AT 31 MARCH 2014</b>		2 354 007	40 778 112	5 799 412	123 912 804	172 844 335

## STATEMENT OF CASH FLOWS

	Note	2014 R	2013 R
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash generated by operations	(i)	5 610 912	15 374 008
Interest received	(ii)	5 048 316	4 834 868
Working capital movements		(10 149 973)	(7 134 902)
Cash generated by operating activities		509 255	13 073 974
Finance costs		(7 986)	(8 396)
Net cash inflow from operating activities		501 269	13 065 578
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Acquisition of property, plant and equipment	(iii)	(9 247 047)	(16 390 852)
Proceeds on disposal of property, plant and equipment	(iv)	1 047 887	2 190 943
Net cash outflow from investing activities		(8 199 160)	(14 199 909)
Net movement in cash and cash equivalents for the year		(7 697 891)	(1 134 331)
Cash and cash equivalents at beginning of year	(v)	45 861 442	46 995 773
Cash and cash equivalents at end of year	(v)	38 163 551	45 861 442

## NOTES TO THE STATEMENT OF CASH FLOWS

	2014 R	2013 R
<b>(i) CASH GENERATED BY OPERATIONS</b>		
Surplus for the year	6 062 561	10 625 541
Adjustment for:		
Finance costs	7 986	8 396
Depreciation	8 366 794	8 273 657
Post retirement medical benefits	(34 000)	285 000
Training Development Fund	-	1 008 200
Loss/(surplus) on disposal of property, plant and equipment	225 494	(1 337 190)
Interest received	(5 048 316)	(4 834 868)
Movement in FEC liability	1 116 066	-
Movement in provisions	(5 085 673)	1 345 272
	5 610 912	15 374 008
<b>(ii) WORKING CAPITAL MOVEMENTS</b>		
Inventory	(12 498 888)	(691 490)
Trade and other receivables	(4 946 366)	(7 896 352)
Trade and other payables	7 295 281	1 452 940
	(10 149 973)	(7 134 902)
<b>(iii) ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT</b>		
Land and buildings	-	103 478
Technical equipment	4 949 186	7 717 890
Office furniture and equipment	2 206 415	1 919 614
Motor vehicles	2 091 446	6 649 870
	9 247 047	16 390 852
<b>(iv) PROCEEDS ON DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT</b>		
Book value of assets disposed of	1 273 381	853 753
(Loss)/surplus on disposal	(225 494)	1 337 190
	1 047 887	2 190 943
<b>(v) CASH AND CASH EQUIVALENTS COMPRISE:</b>		
Cash at bank and on hand	38 163 551	45 861 442

“Due to the small number of donors in my community, I do what I can to encourage people to become blood donors, just like me.”

Thulani Desile

## NOTES TO THE FINANCIAL STATEMENTS

### 1. ACCOUNTING POLICIES

#### 1.1 BASIS OF PREPARATION

The financial statements for the year ended 31 March 2014 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 and 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.

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 comprehensive income.

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 net selling price 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 INVENTORY

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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 1. ACCOUNTING POLICIES (CONTINUED)

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.

#### 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.

#### 1.5 REVENUE RECOGNITION

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 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.

#### 1.6 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.

##### Post retirement medical benefits

The cost arising in respect of post-retirement medical aid benefits is charged to income 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 the income statement in the year in which they arose. Any curtailment benefits or settlement amounts are recognised against income as incurred.

#### 1.7 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

##### Judgements

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

##### Depreciation rates

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 uncertainty

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.

#### 1.8 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 net selling price 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 comprehensive income.

#### 1.9 FINANCIAL INSTRUMENTS

##### Classification

The company classifies financial assets and financial liabilities into the following categories:

- + Financial assets at fair value through profit or loss
- + Loans and receivables

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

##### 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.

In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator of impairment. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and current fair value, less any impairment



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 1. ACCOUNTING POLICIES (CONTINUED)

loss on that financial asset previously recognised in profit or loss - is removed from equity as a reclassification adjustment to other comprehensive income and recognised in the statement of comprehensive income.

Impairment losses are recognised in the statement of comprehensive income.

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 comprehensive income.

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.

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 comprehensive income.

### 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.

#### + 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 and 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.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 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:

- + *IAS 1*  
Amendment - Financial statement presentation  
- Presentation of items of OCI to align IFRS and US GAAP (effective 1 July 2012).
- + *IAS 19*  
Revised standard - Employee Benefits (effective 1 January 2013). The revised standard requires full balance sheet recognition of pension surpluses and deficits - previous deferral mechanisms are removed. Actuarial gains and losses will be recognised in other comprehensive income as they occur. The amendment

could lead to fluctuations in the total comprehensive income due to actuarial gains and losses being recognised immediately. Short and long-term benefits will now be distinguished based on the expected timing of settlement, rather than employee entitlement. Where applicable, leave pay benefit classified as other long-term benefits, and actuarial calculation taking into account for example the expected leave usage and time value of money must be prepared.

- + *IFRS 7*  
Amendment - Offsetting Financial Assets and Financial Liabilities - Amends the required disclosures to include information that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's financial position. (effective 1 January 2013).
- + *IAS 1*  
2012 Annual improvements Project - Clarification of requirements for comparative information - Clarifications of requirements around comparatives, especially in the instances of restatements. (effective 1 January 2013).
- + *IFRS 13*  
2013 Annual improvement (2010-2012 cycle) - Short-term receivables and payables - Minute change to BC, clarifies the intention of IFRS 13, therefore effective concurrently with IFRS 13 (although no date given) (effective 1 January 2013).

##### 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 2014 or later periods.

- + *IFRS 9*  
New - Financial Assets and Financial Liabilities (no effective date).
- + *IAS 32*  
Amendment - Offsetting Financial Assets and Financial Liabilities - The IASB issued an amendment to clarify the meaning of "currently has a legally enforceable right to set off the recognised amounts" (IAS 32.42(a)). This means that the right of set-off:
  - must not be contingent on a future event; and
  - must be legally enforceable in all of the following circumstances:
    - the normal course of business;
    - the event of default; and
    - the event of insolvency or bankruptcy of the entity and all of the counterparties (effective 1 January 2014)
- + *IAS 39*  
Amendment - Continuing hedge accounting after novation - The Standard now permits the continuation of hedge accounting in certain circumstances in which the counterparty to a hedging instrument changes in order to achieve clearing for that instrument (effective 1 January 2014).

- + *IAS 36*  
Amendment - Recoverable Amount Disclosures (effective 1 January 2014).
- + *IAS 16*  
2013 Annual improvement (2010-2012 cycle)  
- Revaluation method - proportionate restatement of accumulated depreciation (effective 1 July 2014).
- + *IAS 24*  
2013 Annual improvement (2010-2012 cycle)  
- Key management personnel (effective 1 July 2014).
- + *IFRS 1*  
2013 Annual improvement (2011-2013 cycle)  
- Meaning of 'effective IFRSs' (effective 1 July 2014).
- + *IAS 19*  
Amendment - Employee contributions (effective 1 July 2014).
- + *IAS 16*  
Amendment - Clarification of acceptable methods of depreciation and amortisation (effective 1 January 2016).

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 2. REVENUE

	2014 R	2013 R
Turnover	276 080 143	254 967 069
Interest received		
- bank deposits	1 930 566	2 320 877
- amortisation of debtors	3 117 750	2 513 991
	281 128 459	259 801 937

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 initial recognition minus 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 117 750 (2012: R2 513 991).

### 3. 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.

### 4. PERSONNEL COSTS

	2014 R	2013 R
Personnel costs include:		
Staff costs		
- salaries and wages	105 434 631	93 001 615
- contributions to retirement fund	12 028 670	10 618 982
- contributions to medical aids	9 657 368	8 387 606
- bonuses	-	6 521 697
Directors' emoluments		
- non-executive directors' fees	151 911	135 398
- salaries	2 797 927	3 387 274
- contributions to retirement fund	331 062	327 543
- medical aid contributions	61 490	87 983
- bonuses	-	232 556

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

Average number of employees	522	507
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### 5. ADMINISTRATION EXPENSES

	2014 R	2013 R
Administration expenses include:		
Auditor's remuneration	389 545	308 098
- audit fee provision	360 000	338 000
- under / (over) provision previous year	29 545	(29 902)
Other	4 244	-
Rent		
- buildings	411 531	423 198
- equipment	628 960	665 925

### 6. COST OF SALES

Cost of inventories sold	236 151 929	214 517 802
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Cost of sales includes the historical costs of inventory expensed during the year.

### 7. PROPERTY, PLANT AND EQUIPMENT

	(At valuation) Land and buildings R	Technical equipment R	Office furniture and equipment R	Motor vehicles R	Total R
2014					
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

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 373 911.



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 7. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	(At valuation) Land and buildings R	Technical equipment R	Office furniture and equipment R	Motor vehicles R	Total R
<b>2013</b>					
<b>Beginning of year</b>					
- Cost	45 825 491	44 629 458	7 220 355	16 417 568	114 092 872
- Accumulated depreciation	(246 096)	(21 034 143)	(3 656 882)	(6 084 114)	(31 021 235)
- Net book value	45 579 395	23 595 315	3 563 473	10 333 454	83 071 637
<b>Current year movements</b>					
- Additions	103 478	7 717 890	1 919 614	6 649 870	16 390 852
- Revaluations	6 890 000	-	-	-	6 890 000
- Disposals at net book value	-	(196 108)	(111 935)	(545 710)	(853 753)
- Depreciation	(31 861)	(4 806 079)	(780 349)	(2 655 368)	(8 273 657)
<b>Balance at end of year</b>	<b>52 541 012</b>	<b>26 311 018</b>	<b>4 590 803</b>	<b>13 782 246</b>	<b>97 225 079</b>
<b>Made up as follows:</b>					
- 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

#### 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 3173 square metres) in the Municipality of Parow, acquired on May 29 1986, under Deed of Transfer No T20026/86.
- (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.

### 7. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Acquired in	Acquisition cost	Improvements since acquisition	Total
<b>The cost of the properties comprises:</b>				
Beaconvale	May 1986	500 000	977 179	1 477 179
Pinelands	July 1988	2 811 236	4 989 753	7 800 989
Paarl	August 1992	372 633	348 935	721 568
George	June 1993	160 200	234 979	395 179
Worcester	June 1994	505 697	1 140 245	1 645 942
<b>Total cost</b>		<b>4 349 766</b>	<b>7 691 091</b>	<b>12 040 857</b>
Revaluation surplus				40 778 112
<b>Total valuation</b>				<b>52 818 969</b>

	2014 R	2013 R
<b>The properties were valued at:</b>		
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 valuation date	659 089	691 012
	52 509 089	52 541 012

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.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**8. INVENTORY**

	2014 R	2013 R
Raw materials	16 775 517	9 491 016
Work in progress	15 871 573	10 953 842
Finished goods	5 604 670	6 356 202
Consumables	9 883 416	8 835 228
	<b>48 135 176</b>	<b>35 636 288</b>

**Change in accounting policy**

During the current year, the accounting policy to value inventory changed from first-in, first-out (FIFO) to weighted average cost (WAC). The recalculation of the prior year balance has been evaluated and is deemed not to be material to warrant a retrospective adjustment.

**9. TRADE AND OTHER RECEIVABLES**

Gross trade receivables	40 712 544	36 482 680
Impairment of trade debtors	(5 575 419)	(6 074 705)
Net trade receivables	35 137 125	30 407 975
Other receivables	1 509 085	829 577
Deposits paid to suppliers	1 510 921	1 973 213
	<b>38 157 131</b>	<b>33 210 765</b>

**Movements in the provision for impairment of debtors**

Opening balance	6 074 705	4 996 749
Charge for the year	599 712	1 555 274
Amounts written off	(1 098 998)	(477 318)
Closing balance	<b>5 575 419</b>	<b>6 074 705</b>

On 31 March 2014, the analysis of trade receivables past due but not impaired is as follows:

	Current R	30 days R	60 days R	90 days R	120 days R	150 plus days R	Total R
2014	24 104 487	4 333 882	1 410 143	1 098 558	594 000	3 596 055	35 137 125
2013	20 915 355	4 139 168	1 855 455	821 472	261 706	2 414 819	30 407 975

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

"I've been saving lives since my school days. It started out as something to do with friends, but developed into a passion for helping people."

Lolette Lubbe

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 10. CASH AND CASH EQUIVALENTS

	2014 R	2013 R
Cash at bank and on hand	38 163 551	45 861 442

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

### 11. REVALUATION RESERVE

Revaluation at the beginning of the year	40 778 112	33 888 112
Revaluation during the year	-	6 890 000
Revaluation at the end of the year	40 778 112	40 778 112

### 12. NON-DISTRIBUTABLE RESERVES

(a) Professional development fund surplus	1 345 807	1 376 201
Balance at beginning of period	1 376 201	1 352 353
Transfer from retained earnings	(30 394)	23 848
Balance at end of period	1 345 807	1 376 201
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.		
(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.		
Total non-distributable reserves	2 354 007	2 384 401

### 13. PRODUCT LIABILITY RESERVE

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

Opening balance	5 000 000	5 000 000
Transfer from retained earnings	799 412	-
Balance at end of year	5 799 412	5 000 000

### 14. TRADE AND OTHER PAYABLES

	2014 R	2013 R
Trade payables	22 994 414	14 046 776
Other payables	8 009 112	9 661 469
	31 003 526	23 708 245

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

### 15. PROVISIONS

Leave pay provision		
At 1 April 2013	10 784 862	10 483 559
Arising during the year	1 069 853	301 303
At 31 March 2014	11 854 715	10 784 862
Salary related accruals		
At 1 April 2013	8 665 693	7 621 724
Arising during the year	2 510 167	8 665 693
Utilised	(8 665 693)	(7 621 724)
At 31 March 2014	2 510 167	8 665 693
Total	14 364 882	19 450 555

### 16. FINANCE COSTS

Interest paid	7 986	8 396
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### 17. 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.



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 18. COMMITMENTS

	2014 R	2013 R
<b>18.1 Capital commitments</b>		
Commitments in respect of capital expenditure		
- contracted for	362 076	1 058 868
- not contracted for	14 347 855	19 091 503
	14 709 931	20 150 371

The expenditure will be financed from cash generated from normal business operations.

Due within  
1 year

Due within  
2 to 5 years

<b>18.2 Commitments in respect of operating leases</b>		
2014		
Operating leases	2 298 459	5 087 790
2013		
Operating leases	1 420 133	1 238 764

### 19. 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 latest fund valuation was performed as at 31 December 2010. The Financial Services Board approved the fund's valuation for exemption as at 31 December 2012. At 31 December 2013, 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 4 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 2014, using the projected unit credit valuation method.

Principal actuarial assumptions at the reporting date:

Discount rate	8,70%
Health care cost inflation	8,40%
Average retirement age	55

### 19. RETIREMENT BENEFIT INFORMATION (CONTINUED)

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

	2014 R	2013 R
Funding liability	1 959 000	1 993 000
<b>Reconciliation:</b>		
Obligation at the beginning of the year	1 993 000	1 708 000
- current service costs	2 000	23 000
- interest cost	146 000	141 000
- expected benefit payments	(131 000)	(98 000)
- actuarial (gain)/loss	(51 000)	219 000
Obligation at the end of the year	1 959 000	1 993 000
<b>Post retirement health care benefits expense included in comprehensive income is as follows:</b>		
- current service costs	2 000	23 000
- interest cost	146 000	141 000
- expected benefit payments	(131 000)	(98 000)
- actuarial loss	(51 000)	219 000
Total (gain)/expense included in personnel costs	(34 000)	285 000

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 20. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

#### LIQUIDITY RISK

This is the risk of not meeting contractual liabilities as they fall due. Management monitors its current cash position and future cash flow requirements on a routine basis. The Service's financial instruments can be summarised as follows:

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

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

	Financial assets at fair value through profit and loss R	Loans and receivables R	Non-financial assets R	Total R
<b>2013</b>				
<b>Financial Assets</b>				
Trade and other receivables	-	31 237 552	1 973 213	33 210 765
Cash and cash equivalents	-	45 861 442	-	45 861 442

	Financial liabilities measured at amortised cost R	Financial liabilities at fair value through profit and loss R	Non financial liabilities R	Total R
<b>2013</b>				
<b>Financial Liabilities</b>				
Trade and other payables	21 984 858	-	1 723 387	23 708 245
FEC liability	-	-	-	-

#### 20.1 CREDIT RISK MANAGEMENT

##### Credit risk

This is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Potential concentrations of credit risk consist principally of trade and other receivables and cash and cash equivalents.

Management has a credit policy in place and the exposure to credit risk is monitored on an on-going basis. Credit evaluations are performed on all customers.

The Service only deposits cash surpluses with major banks of high quality credit standing.

Trade accounts receivable comprises a widespread customer base. At year end, the Service considered that adequate provision had been made for all significant credit risk.

An analysis of the credit quality of the trade and other receivables balances provides the following results:

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
<b>Total</b>	<b>35 398 494</b>	<b>1 369 898</b>	<b>1 388 739</b>	<b>38 157 131</b>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2013

CATEGORY	RISK			
	Low R	Medium R	High R	Total R
Hospitals	14 677 694	-	-	14 677 694
Medical aids	13 155 807	-	-	13 155 807
Private patients	-	-	1 116 612	1 116 612
Workman's compensation claims	-	1 451 750	-	1 451 750
Estates	-	6 112	-	6 112
Road accident fund	-	-	-	-
Deposits paid to suppliers	1 973 213	-	-	1 973 213
Other receivables	829 577	-	-	829 577
<b>Total</b>	<b>30 636 291</b>	<b>1 457 862</b>	<b>1 116 612</b>	<b>33 210 765</b>

### 20.2 INTEREST RATE RISK

This is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

cash and bank balances with floating interest. Interest is charged on the bank overdraft at the prime overdraft rate while the interest on a positive bank balance is at daily bank rates.

The Service's exposure to the risk for changes in market interest rates relates primarily to the

2014  
R

The Service's exposure to interest rate risk can be quantified as follows:

Cash and bank balance exposed to interest rate risk	36 163 551
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.

2013  
R

The Service's exposure to interest rate risk can be quantified as follows:

Cash and bank balance exposed to interest rate risk	45 861 442
Income statement effect of interest rate risk to above balance:	
- 1% increase in interest rates	458 614
- 1% decrease in interest rates	(458 614)

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

	Year 1 R	Years 1-5 R	Over 5 years R	Total R
<b>2014</b>				
<b>Financial Assets</b>				
Trade and other receivables	36 646 210	-	-	36 646 210
Cash and cash equivalents	38 163 551	-	-	38 163 551
<b>Financial Liabilities</b>				
Trade and other payables	29 476 305	-	-	29 476 305
FEC liability	1 116 066	-	-	1 116 066

2013

<b>Financial Assets</b>				
Trade and other receivables	31 237 552	-	-	31 237 552
Cash and cash equivalents	45 861 442	-	-	45 861 442
<b>Financial Liabilities</b>				
Trade and other payables	21 984 858	-	-	21 984 858
FEC liability	-	-	-	-



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 20.3 FOREIGN CURRENCY RISK

#### Foreign currency exposure at the end of the reporting period

This is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The company is exposed to currency risk in respect to the extent that it sells goods and purchases products on credit in foreign currency.

As a result of the Service's dollar-denominated purchase of blood packs and filters from a US supplier the Service's statement of financial position can be affected by movements in the Rand Dollar exchange rate.

	2014 R	2013 R
Fair value of FEC Liability at year end	1 116 066	-
<b>Current liabilities</b>		
2014: USD 1 347 092	14 408 500	-
2013: USD 626 191	-	5 853 324
<b>Exchange rates used for conversion of foreign items were:</b>		
USD	10.696	9.348

At 31 March 2014, 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 440 850 higher/lower (2013: R585 332) 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.

#### Market risk

The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises of three types of risk: price, foreign currency and interest rate risks.

**"As a mother, I donate blood so my children and I may one day receive blood with a clear conscience."**

Yvette Abheuw

