

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

(Registration Number 1943/016692/08)

ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 MARCH 2016

WESTERN PROVINCE BLOOD TRANSFUSION SERVICE

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

ANNUAL FINANCIAL STATEMENTS AT 31 MARCH 2016

DIRECTORS	P K Slack G R M Bellairs N du Toit Dr A R Bird Adv G R Bosman M R Burton* B Figaji* Dr A Huggett D Ndebele N Parker R Ramsbottom* Prof V J Louw P J Veldhuizen *Member of audit committee	(Chairman) (Executive) (Executive) (Retired 15 September 2015) (Appointed 15 September 2015) (Appointed 15 September 2015)
SECRETARY	I van Schalkwyk I Kaprey	(Appointed 20 July 2015) (Resigned 20 July 2015)
AUDITORS	Ernst & Young Inc.	
REGISTERED OFFICE	Southern House Old Mill Road Pinelands 7405	P O Box 79 Howard Place 7450
REGISTRATION NUMBER	1943/016692/08	
NPO REGISTRATION NUMBER	031-336-NPO	
PBO REFERENCE NUMBER	93000 4391	
ANNUAL FINANCIAL STATEMENTS PREPARED BY	Imtiaz Kaprey (Financial Manager)	

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APPROVAL OF ANNUAL FINANCIAL STATEMENTS

The annual financial statements set out on pages 5 to 37 were approved by the board of directors on 01 September 2016 and are signed on its behalf by:



CHAIRMAN



DIRECTOR

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

**Non-Profit Company Incorporated in Terms of the South African Companies Act 71 of 2008
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Report on the Financial Statements

We have audited the annual financial statements of Western Province Blood Transfusion Service set out on pages 5 to 37, which comprise the statement of financial position at 31 March 2016, 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 company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with the International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Service as at 31 March 2016, 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 2016, we have read the Directors' Report and the Company Secretary's Certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited financial statements. However, we have not audited these reports.

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

01 September 2016

WESTERN PROVINCE BLOOD TRANSFUSION SERVICE

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DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2016

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 interests.

RESULTS FOR THE YEAR

The results of operations for the year are set out in the attached Statement of Comprehensive Income which reflects a loss of R17.3 million for the year ended 31 March 2016 (2015: R9.2 million).

CAPITAL COMMITMENTS

In keeping with the Western Province Blood Transfusion Service's mission statement, the company continues investing in technical equipment to maintain its standards. Expected total capital expenditure for the next year is R12.7 million.

DIRECTORS AND SECRETARY

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

EMPLOYMENT EQUITY

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

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

As at 1 October 2015, the date of the last employment equity submission, the Service employed 544 permanent and 10 casual/temporary employees. As at the date of the last submission, 78% of permanent employees are from the black designated group and 63% are female. Of the 18 employees in management, 39% are from the black designated group and 55% are female.

NATIONAL BLOOD TRANSFUSION LICENCE

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

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

Legal opinion remains that the Act cannot be currently enforced, and that WPBTS is currently operating legally based on pre-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.

WESTERN PROVINCE BLOOD TRANSFUSION SERVICE

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DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2016

EVENTS SUBSEQUENT TO THE YEAR END

The operations of the Western Province Blood Transfusion Service have for many years included the manufacturing of plasma derived medicinal products, namely albumin, stabilised serum, and a Factor 8 product. The pharmaceutical manufacturing facility is sited in Parow, separate from the Service's Headquarters in Pinelands. Apart from the physical separation, regulation of the pharmaceutical division has been the responsibility of the Medicines Control Council (MCC), while the main business of the Service is regulated and accredited under a different legislative framework.

The pharmaceutical plant (also known as the Fractionation Plant, named after the manufacturing process used) had always placed a strong emphasis on meeting good manufacturing practice standards and over the years a number of costly refurbishments and upgrades were undertaken to meet MCC requirements.

In February 2016 the MCC conducted the first inspection in 14 years of the Fractionation Plant. Based on some of the findings of the inspection, a decision was made to voluntarily cease manufacturing plasma derived medical products, despite a long track record of product safety. One of the important adverse findings was the layout of the facility (which is in an old building), which cannot be changed without costly and lengthy building works, or a complete rebuild of the facility.

To correct the deficiencies would require major capital expenditure and after careful consideration of the investment required against the long-term sustainability of the Plant, a decision was made by the Board of Directors to close the Fractionation Plant.

National Bioproducts Institute (NBI), a non-profit company based in KZN, is the only other, and much larger manufacturer of plasma derived medicinal products in South Africa. For many years WPBTS has been supplying surplus plasma to NBI, and the plasma that would have been used by WPBTS will in future be sent to NBI. In addition, NBI makes a wider array of plasma derived medicinal products, and will continue to supply the whole of South Africa's needs.

WPBTS would like to acknowledge the blood donors in the Western Cape for their blood donations, from which plasma derived medicines have been made for many years by both WPBTS and NBI, and will continue to be made in future by NBI. (See note 25 for further information)

COMPANY SECRETARY'S CERTIFICATE

In my capacity as Company Secretary, I hereby certify, in terms of the Companies Act, that for the period ended 31 March 2016, the company has lodged with the Registrar of Companies all such returns as are required of a private company in terms of this Act, and that all such returns are, to the best of my knowledge and belief, true, correct and up to date.



.....
Irene van Schalkwyk

01 September 2016

WESTERN PROVINCE BLOOD TRANSFUSION SERVICE

**Non-Profit Company Incorporated in Terms of the South African Companies Act 71 of 2008
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STATEMENT OF FINANCIAL POSITION AT 31 MARCH 2016

	Note	2016 R	2015 R
ASSETS			
Non-current assets			
Property, plant and equipment	8	103 997 617	100 583 040
Investments	9	15 534 933	-
		<u>119 532 550</u>	<u>100 583 040</u>
Current assets			
Inventory	10	33 334 719	48 767 789
Trade and other receivables	11	39 632 860	37 777 724
Cash and cash equivalents	12	21 427 616	42 956 650
FEC asset	22.4	-	135 327
		<u>94 395 195</u>	<u>129 637 490</u>
Total assets		<u><u>213 927 745</u></u>	<u><u>230 220 530</u></u>
EQUITY AND LIABILITIES			
Accumulated funds		109 395 718	126 696 856
Revaluation reserve	13	43 626 973	40 676 973
Non-distributable reserves	14	2 224 787	2 296 734
Product liability reserve	15	6 144 890	6 101 005
Actuarial gain/loss reserve	21	(64 000)	-
		<u>161 328 368</u>	<u>175 771 568</u>
Non-current liabilities			
Post-retirement medical benefits	20	<u>2 015 000</u>	<u>1 926 000</u>
Current liabilities			
FEC liability	22.4	4 301 378	-
Operating lease liability		265 350	-
Trade and other payables	16	29 198 223	30 035 527
Provisions	17	16 819 426	22 487 435
		<u>50 584 377</u>	<u>52 522 962</u>
Total equity and liabilities		<u><u>213 927 745</u></u>	<u><u>230 220 530</u></u>

WESTERN PROVINCE BLOOD TRANSFUSION SERVICE

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**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2016**

	Note	2016 R	2015 R
PROFIT OR LOSS			
TURNOVER	2	340 980 578	312 117 879
COST OF SALES	7	155 566 262	116 080 989
Collections		35 139 828	30 334 061
Testing		58 501 721	47 980 645
Product costs		61 924 713	37 766 283
GROSS SURPLUS		185 414 316	196 036 890
INCOME		9 798 200	10 873 619
Fair value gain on investments	9	534 933	-
Interest received			
- bank deposits	2	1 913 337	2 063 282
- amortisation of debtors	2	4 083 653	3 551 375
Net surplus and scrapping on disposal of property, plant and equipment		620 677	1 134 095
Realised gains on derivative financial instruments		-	963 870
Fair value of FEC asset – unrealised gain		-	135 327
Unrealised gains on foreign exchange		1 338 543	-
Sundry income	3	982 894	2 419 421
Grant income	4	265 541	235 756
Professional development fund income	14(a)	14 737	68 900
Product liability income	15	43 885	301 593
EXPENSES		212 541 716	197 749 151
Personnel	5	156 689 249	151 923 828
Administration	6	29 429 520	26 714 979
Realised losses on foreign exchange		2 258 361	1 367 761
Realised losses on derivative financial instruments		111 494	-
Unrealised losses on foreign exchange		-	290 092
Fair value of FEC liability – unrealised loss		4 301 378	-
Finance costs	18	2 624	1 504
Repairs and maintenance		9 928 942	7 954 338
Depreciation	8	9 733 464	9 370 476
Professional development fund expense	14(a)	86 684	126 173
(LOSS)/PROFIT FOR THE YEAR		(17 329 200)	9 161 358
OTHER COMPREHENSIVE INCOME			
Items not reclassified to profit or loss		2 886 000	-
Net (loss)/gain on actuarial gains and losses		(64 000)	-
Revaluation gain/(loss) on land and buildings		2 950 000	-
Items reclassified to profit or loss		-	-
TOTAL COMPREHENSIVE INCOME/ (LOSS)		(14 443 200)	9 161 358

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**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2016**

	Note	Non-distributable reserves R	Revaluation reserve R	Product liability reserve R	Actuarial gains/losses reserve R	Accumulated funds R	Total R
Balance at 31 March 2014		2 354 007	40 778 112	5 799 412	-	117 678 679	166 610 210
Profit/(loss) for the year		-	-	-	-	9 161 358	9 161 358
Other comprehensive income	13	-	-	-	-	-	-
Transfer to/from non-distributable reserves	14(a)	(57 273)	-	-	-	57 273	-
Transfer from revaluation reserve	13	-	(101 139)	-	-	101 139	-
Transfer to product liability reserve	15	-	-	301 593	-	(301 593)	-
Balance at 31 March 2015		2 296 734	40 676 973	6 101 005	-	126 696 856	175 771 568
Profit/(Loss) for the year		-	-	-	-	(17 329 200)	(17 329 200)
Other comprehensive income	13/21	-	2 950 000	-	(64 000)	-	2 886 000
Transfer to/from non-distributable reserves	14(a)	(71 947)	-	-	-	71 947	-
Transfer to product liability reserve	15	-	-	43 885	-	(43 885)	-
Balance at 31 March 2016		2 224 787	43 626 973	6 144 890	(64 000)	109 395 718	161 328 368

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**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2016**

	Note	2016 R	2015 R
Cash flows from operating activities			
Cash generated by operations	(i)	1 210 922	18 622 746
Interest received		4 083 653	3 551 375
Working capital movements	(ii)	<u>(4 156 958)</u>	<u>(7 455 330)</u>
Cash generated by operating activities		1 137 617	14 718 791
Interest paid		<u>(2 624)</u>	<u>(1 504)</u>
Net cash inflow from operating activities		<u>1 134 993</u>	<u>14 717 287</u>
Cash flows from investing activities			
Acquisition of property, plant and equipment	(iii)	(10 976 051)	(14 420 832)
Acquisition of investments		(15 534 933)	-
Proceeds on disposal of property, plant and equipment	(iv)	1 398 687	2 433 362
Interest received		<u>2 448 270</u>	<u>2 063 282</u>
Net cash outflow from investing activities		<u>(22 664 027)</u>	<u>(9 924 188)</u>
Net movement in cash and cash equivalents for the year		(21 529 034)	4 793 099
Cash and cash equivalents at beginning of year	(v)	<u>42 956 650</u>	<u>38 163 551</u>
Cash and cash equivalents at end of year	(v)	<u><u>21 427 616</u></u>	<u><u>42 956 650</u></u>

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**NOTES TO THE STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2016**

	2016 R	2015 R
(i) Cash generated by operations		
(Loss)/surplus for the year	(17 329 200)	9 161 358
Adjustment for:		
Impairment of inventory	15 931 634	-
Finance costs	2 624	1 504
Depreciation	9 733 464	9 370 476
Post-retirement medical benefits	25 000	(33 000)
Surplus on disposal of property, plant and equipment	(620 677)	(1 134 095)
Movement in FEC liability/(asset)	-	(1 251 393)
Movement in provisions	-	8 122 553
Interest received	(6 531 923)	(5 614 657)
	<u>1 210 922</u>	<u>18 622 746</u>
(ii) Working capital movements		
Inventory	(498 564)	(6 866 738)
Trade and other receivables	(1 855 136)	379 407
Trade and other payables	(837 304)	(967 999)
Movement in FEC liability/(asset)	4 436 705	-
Movement in operating lease liability	265 350	-
Movement in provisions	(5 668 009)	-
	<u>(4 156 958)</u>	<u>(7 455 330)</u>
(iii) Acquisition of property, plant and equipment		
Land and buildings	513 907	-
Technical equipment	4 900 406	7 997 961
Office furniture and equipment	1 485 618	2 041 490
Motor vehicles	4 076 120	4 381 381
	<u>10 976 051</u>	<u>14 420 832</u>
(iv) Proceeds on disposal of property, plant and equipment		
Book value of assets disposed of	778 010	1 299 267
Surplus on disposal	620 677	1 134 095
	<u>1 398 687</u>	<u>2 433 362</u>
(v) Cash and cash equivalents comprise:		
Cash at bank and on hand	<u>21 427 616</u>	<u>42 956 650</u>

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NOTES TO THE FINANCIAL STATEMENTS AT 31 MARCH 2016

1 ACCOUNTING POLICIES

1.1 Basis of preparation

The financial statements for the year ended 31 March 2016 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

Technical equipment, motor vehicles, office furniture 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:

Buildings	2% per annum
Technical equipment	2,56% - 33,33% per annum
Motor vehicles - Administration	16,67% - 25% with 20% residual value
- Service	16,67% with 10% residual value
Office furniture and equipment	3,33% - 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 to open market value every three years. Any surplus on valuation, in excess of net book value, is recognised as a revaluation gain in other comprehensive income. Deficits on revaluation are charged against OCI only to the extent that the deficit is less than the amount held in the revaluation reserve in respect of that same asset. Any accumulated depreciation on buildings is eliminated on revaluation. Any balance in the revaluation reserve is not released to the accumulated surplus as the underlying asset is depreciated. Instead, the balance in the revaluation reserve is transferred to accumulated funds on de-recognition of the underlying asset. 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 fair value less costs to sell and value in use.

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

1.3 Leases

Lessee

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Service is classified as a finance lease.

Finance leases are capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the statement of comprehensive income.

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NOTES TO THE FINANCIAL STATEMENTS AT 31 MARCH 2016

1 ACCOUNTING POLICIES (CONTINUED)

1.3 Leases (continued)

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Service will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

An operating lease is a lease other than a finance lease. Operating lease payments are recognised as an operating expense in the statement of comprehensive income on a straight-line basis over the lease term.

Lessor

Leases in which the Service does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

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 Inventory

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

Cost is determined as follows:

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

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

1.6 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Service and the revenue can be reliably measured, regardless of when payment is being made. Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for goods and services provided in the normal course of business, net of trade discounts and volume rebates, and value added tax.

Sales of goods

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

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

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

Finance income

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

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NOTES TO THE FINANCIAL STATEMENTS
AT 31 MARCH 2016 (CONTINUED)

1 ACCOUNTING POLICIES (CONTINUED)

1.6 Revenue recognition (continued)

Project specific funding including Grant income

Project specific funding including Grant income is recognised when probable that receipt will occur at the fair value of what is received. These funds are received for specific purposes and require WPBTS to comply with specific conditions attached to the funding.

The only income that the Training Department potentially receives, is the return on the Skills levy.

As per legislation, the Service pays a 1% levy on the total monthly salary bill. In order to receive a partial refund, the Skills Development Facilitator has to develop a work place skills plan. If this plan is approved by the Health & Welfare Seta, WPBTS potentially receives 20% of the annual levy back which is payable in quarterly payments.

1.7 Retirement benefits

Defined contribution and benefit plans

The Service provides retirement benefits for its employees through a defined contribution plan.

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

Post-retirement medical benefits

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

1.8 Significant accounting judgments, estimates and assumptions

Judgments

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

Depreciation rates and useful life

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

Estimation and assumptions

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

Revaluation of property, plant and equipment

The Service engaged an independent valuation specialist to assess fair value as at 31 March 2016 for revalued land and buildings. It measures land and buildings at revalued amounts with changes in fair value being recognised in OCI. Land and buildings were valued by reference to market-based evidence, using comparable prices adjusted for specific market factors such as nature, location and condition of the property. The key assumptions used to determine the fair value of the properties and sensitivity analyses are provided in Note 23.

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NOTES TO THE FINANCIAL STATEMENTS AT 31 MARCH 2016 (CONTINUED)

1 ACCOUNTING POLICIES (CONTINUED)

1.8 Significant accounting judgments, estimates and assumptions (continued)

Fair value measurement of financial instruments

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow (DCF) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments. See Note 24 for further disclosures.

Impairment of financial assets

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

Impairment of non-financial assets

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

1.9 Financial instruments

Classification

The Service classifies its financial instruments into the following categories:

- Financial assets or liabilities at fair value through profit or loss
- Loans and receivables/loans and borrowings

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

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss or loans and receivables. All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Subsequent measurement

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value presented as fair value gain or fair value loss in the statement of profit or loss.

Loans and receivables

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

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NOTES TO THE FINANCIAL STATEMENTS AT 31 MARCH 2016 (CONTINUED)

1 ACCOUNTING POLICIES (CONTINUED)

1.9 Financial instruments (continued)

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. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

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

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

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

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Service first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Service determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

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 to profit or loss. Changes in the carrying amount of the allowance account are recognised in the statement of profit or loss.

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1 ACCOUNTING POLICIES (CONTINUED)

1.9 Financial instruments (continued)

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised when:

- The rights to receive cash flows from the asset have expired, or
- The Service has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either
 - a) the Service has transferred substantially all the risks and rewards of the asset, or
 - b) the Service has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

When the Service has transferred its rights to receive cash flows from an asset or has entered into a pass through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Service continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Service also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Service has retained.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings or payables.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Service' financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, financial guarantee contracts and derivative financial instruments.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IAS 39 are satisfied. The Service has not designated any financial liability as at fair value through profit or loss.

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

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NOTES TO THE FINANCIAL STATEMENTS AT 31 MARCH 2016 (CONTINUED)

1 ACCOUNTING POLICIES (CONTINUED)

1.9 Financial instruments (continued)

Financial liabilities (continued)

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

1.10 Translation of foreign currencies

Transactions in foreign currencies are initially recorded by the Service at the spot rate at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the spot rate at the reporting date. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

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:

No significant standards or interpretations were adopted in the current year.

1.11.2 Standards and Interpretations not yet effective

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

IFRS 9 Financial Instruments

Effective for annual periods beginning on or after 1 January 2018.

Classification and measurement of financial assets

All financial assets are measured at fair value on initial recognition, adjusted for transaction costs, if the instrument is not accounted for at fair value through profit or loss (FVTPL).

Debt instruments are subsequently measured at FVTPL, amortised cost, or fair value through other comprehensive income (FVOCI), on the basis of their contractual cash flows and the business model under which the debt instruments are held. There is a fair value option (FVO) that allows financial assets on initial recognition to be designated as FVTPL if that eliminates or significantly reduces an accounting mismatch.

Equity instruments are generally measured at FVTPL. However, entities have an irrevocable option on an instrument-by instrument basis to present changes in the fair value of non-trading instruments in other comprehensive income (OCI) without subsequent reclassification to profit or loss.

Impairment

The impairment requirements are based on an expected credit loss (ECL) model that replaces the IAS 39 incurred loss model.

The standard is expected to have a material impact on the Service's financial statements, but the exact impact is still to be determined.

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NOTES TO THE FINANCIAL STATEMENTS AT 31 MARCH 2016 (CONTINUED)

1 ACCOUNTING POLICIES (CONTINUED)

1.11 New Standards and Interpretations (Continued)

1.11.2 Standards and Interpretations not yet effective (Continued)

IFRS 15 Revenue from Contracts with Customers

Effective for annual periods beginning on or after 1 January 2018.

IFRS 15 replaces all existing revenue requirements in IFRS (IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC 31 Revenue – Barter Transactions Involving Advertising Services) and applies to all revenue arising from contracts with customers, unless the contracts are in the scope of other standards, such as IAS 17. Its requirements also provide a model for the recognition and measurement of gains and losses on disposal of certain non-financial assets, including property, equipment and intangible assets.

The standard outlines the principles an entity must apply to measure and recognise revenue. The core principle is that an entity will recognise revenue at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring goods or services to a customer.

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

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

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

The standard also specifies how to account for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. Application guidance is provided in IFRS 15 to assist entities in applying its requirements to certain common arrangements, including licences of intellectual property, warranties, rights of return, principal-versus-agent considerations, options for additional goods or services and breakage.

The standard is expected to have a material impact on the Service's financial statements, but the exact impact is still to be determined.

IFRS 16 Leases

Effective for annual periods beginning on or after 1 January 2019.

The scope of IFRS 16 includes leases of all assets, with certain exceptions. A lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration.

IFRS 16 requires lessees to account for all leases under a single on-balance sheet model in a similar way to finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset).

Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will be required to re-measure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the re-measurement of the lease liability as an adjustment to the right-of-use asset.

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NOTES TO THE FINANCIAL STATEMENTS AT 31 MARCH 2016 (CONTINUED)

1 ACCOUNTING POLICIES (CONTINUED)

1.11 New Standards and Interpretations (Continued)

1.11.2 Standards and Interpretations not yet effective (Continued)

IFRS 16 Leases (Continued)

Effective for annual periods beginning on or after 1 January 2019. (Continued)

Lessor accounting is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

The standard is expected to have a material impact on the Service's financial statements, but the exact impact is still to be determined.

IAS 1 Disclosure Initiative – Amendments to IAS 1

Effective for annual periods beginning on or after 1 January 2016.

The amendments to IAS 1 Presentation of Financial Statements clarify, rather than significantly change, the existing IAS 1 requirements.

The amendments clarify:

- The materiality requirements in IAS 1
- That specific line items in the statement(s) of profit or loss and OCI and the statement of financial position may be disaggregated
- That entities have flexibility as to the order in which they present the notes to financial statements
- That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and OCI.

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

IAS 7 Disclosure Initiative – Amendments to IAS 7

Effective for annual periods beginning on or after 1 January 2017.

The amendments to IAS 7 Statement of Cash Flows are part of the IASB's Disclosure Initiative and require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

IAS 16 and IAS 38 Clarification of Acceptable methods of Depreciation and Amortisation – Amendments to IAS 16 and IAS 38

Effective for annual periods beginning on or after 1 January 2016.

The amendments clarify the principle in IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, the ratio of revenue generated to total revenue expected to be generated cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets.

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

All other amendments are not expected to have a material impact on the entity's annual financial statements, the Service will adopt these standards and amendment in the first accounting period when they become effective.

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	2016 R	2015 R
2 REVENUE		
Turnover	340 980 578	312 117 879
Interest received - bank deposits	1 913 337	2 063 282
- amortisation of debtors	<u>4 083 653</u>	<u>3 551 375</u>
	<u><u>346 977 568</u></u>	<u><u>317 732 536</u></u>

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 related to the sale of blood.

The amortised cost of trade and other receivables is measured at fair value on initial recognition date plus the cumulative amortisation using the effective interest rate method. The effective interest rate discounts estimated future cash receipts through the expected life of the financial asset. The finance income effect of applying the effective interest rate method amounts to R4 083 653 (2015: R3 551 375).

	2016 R	2015 R
3 SUNDRY INCOME		
Donation received on technical equipment	-	1 663 673
Other income	<u>982 894</u>	<u>755 748</u>
	<u><u>982 894</u></u>	<u><u>2 419 421</u></u>

4 PROJECT SPECIFIC FUNDING INCLUDING GRANT INCOME

Grant income

Grant income from the Health and Welfare SETA (HWSETA) is received for the purpose of skills development and training and is recognised as income when the costs that the funding is intended to cover are incurred.

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31 MARCH 2016 (CONTINUED)**

	2016 R	2015 R
5 PERSONNEL COSTS		
Staff costs		
- salaries and wages	123 712 467	114 251 723
- contributions to defined contribution retirement fund	14 173 688	13 104 680
- contributions to medical aids	12 136 084	10 885 384
- bonuses	-	7 205 340
- staff canteen costs	713 244	797 501
- staff uniform and protective clothing	1 112 703	1 095 220
- other staff costs	1 028 530	847 265
Directors' emoluments		
- non-executive directors' fees	167 666	144 881
- salaries	3 199 305	2 970 195
- contributions to retirement fund	378 187	353 445
- medical aid contributions	67 375	67 547
- bonuses	-	200 647
	<u>156 689 249</u>	<u>151 923 828</u>
Included in personnel costs above is the post-retirement medical benefit expense (see note 21 for further information)		
Average number of employees	541	534
6 ADMINISTRATION EXPENSES		
Administration expenses include:		
Auditor's remuneration	432 134	419 630
- audit fee provision	396 864	381 600
- under provision previous year	35 270	38 030
Other	4 074	5 244
Rent	2 330 667	1 620 754
- buildings	839 275	544 902
- equipment	1 491 392	1 075 852
7 COST OF SALES		
Cost of inventories sold	<u>155 566 262</u>	<u>116 080 989</u>

In the current year due to the closure of the Fractionation Plant and the Service's inability to sell the inventory held in the plant resulted in an impairment loss due to the write-off of R15 931 634 recognised in Cost of Sales.

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NOTES TO THE FINANCIAL STATEMENTS AT 31 MARCH 2016 (CONTINUED)

8 PROPERTY, PLANT AND EQUIPMENT

	2016				
	(At valuation) Land and buildings R	Technical equipment R	Office furniture and equipment R	Motor vehicles R	Total R
Beginning of year					
- Gross carrying value	52 717 830	56 607 906	10 967 095	22 094 752	142 387 583
- Accumulated depreciation	(341 803)	(28 156 906)	(4 107 403)	(9 198 431)	(41 804 543)
- Net book value	52 376 027	28 451 000	6 859 692	12 896 321	100 583 040
Current year movements					
- Additions	513 907	4 900 406	1 485 618	4 076 120	10 976 051
- Revaluation	2 950 000	-	-	-	2 950 000
- Disposals at net book value	-	(96 183)	(69 074)	(612 753)	(778 010)
- Depreciation	(31 749)	(5 375 319)	(1 351 652)	(2 974 744)	(9 733 464)
Balance at end of year	55 808 185	27 879 904	6 924 584	13 384 944	103 997 617
Made up as follows:					
- Gross carrying value	56 181 737	60 766 762	11 982 446	23 164 080	152 095 025
- Accumulated depreciation	(373 552)	(32 886 858)	(5 057 862)	(9 779 136)	(48 097 408)
- Net book value	55 808 185	27 879 904	6 924 584	13 384 944	103 997 617

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 organization.

This change in accounting estimate resulted in a decrease in depreciation amounting to R991 851.

	2015				
	(At valuation) Land and buildings R	Technical equipment R	Office furniture and equipment R	Motor vehicles R	Total R
Beginning of year					
- Gross carrying value	52 818 969	50 683 778	9 689 519	20 100 484	133 292 750
- Accumulated depreciation	(309 880)	(24 936 731)	(3 534 907)	(7 679 281)	(36 460 799)
- Net book value	52 509 089	25 747 047	6 154 612	12 421 203	96 831 951
Current year movements					
- Additions	-	7 997 962	2 041 490	4 381 380	14 420 832
- Disposals at net book value	(101 139)	(187 333)	(118 225)	(892 570)	(1 299 267)
- Depreciation	(31 923)	(5 106 676)	(1 218 185)	(3 013 692)	(9 370 476)
Balance at end of year	52 376 027	28 451 000	6 859 692	12 896 321	100 583 040
Made up as follows:					
- Gross carrying value	52 717 830	56 607 906	10 967 095	22 094 752	142 387 583
- Accumulated depreciation	(341 803)	(28 156 906)	(4 107 403)	(9 198 431)	(41 804 543)
- Net book value	52 376 027	28 451 000	6 859 692	12 896 321	100 583 040

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8 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Land and buildings consist of:

(i) Beaconvale

A factory situated at Connaught Road, Beaconvale, Parow, erected on freehold erven 12364 and 12367 (in extent 2578 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 1,3093 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.

The cost of the properties comprises:

	Acquired in	Acquisition cost	Improvements since acquisition	2016	2015
Beaconvale	May 1986	500 000	977 179	1 477 179	1 477 179
Pinelands	July 1988	2 811 236	5 503 660	8 314 896	7 800 989
Paarl	August 1992	372 633	348 935	721 568	721 568
George	June 1993	160 200	234 979	395 179	395 179
Worcester	June 1994	505 697	1 140 245	1 645 942	1 645 942
Total cost		<u>4 349 766</u>	<u>8 204 998</u>	12 554 764	12 040 857
Revaluation surplus				<u>43 626 973</u>	<u>40 676 973</u>
Total valuation at cost				<u>56 181 737</u>	<u>52 717 830</u>

The properties were independently valued on an open market basis, as at 31 March 2016 by RA Gibbons, AEI (Zim), FIV (SA), Professional Valuers. Refer to Note 23 for the detail of the fair value information on the revalued land and buildings.

Had Land & Buildings been carried at cost (excluding depreciation) the value would be R4 349 766

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	2016 R	2015 R
9 INVESTMENTS		
Gateway Investments	6 534 933	-
Liberty Investment	9 000 000	-
	<u>15 534 933</u>	<u>-</u>
	2016 R Gateway Investment	2015 R
Initial investment as at 1 April 2015	-	-
Additions	6 000 000	-
Fair value movement for the year	534 933	-
	<u>6 534 933</u>	<u>-</u>
Closing balance as at 31 March 2016		
	2016 R Liberty Investment	2015 R
Initial investment as at 1 April 2015	-	-
Additions	9 000 000	-
Fair value movement for the year	-	-
	<u>9 000 000</u>	<u>-</u>
Closing balance as at 31 March 2016		
	2016 R	2015 R
10 INVENTORY		
Raw materials	12 281 358	16 193 930
Work in progress	989 445	10 938 650
Finished goods	8 659 183	7 749 957
Consumables	11 404 733	13 885 252
	<u>33 334 719</u>	<u>48 767 789</u>

During 2016, an amount of R15 931 634 (2015: R1 189 621) was recognised as an expense for inventories written down to net realisable value. The current year write down was due to the closure of the Fractionation Plant. These write-down costs were recognised in cost of sales. The year-end carrying value of inventory written down to net realisable value is R1 354 107 (2015: R0).

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	2016 R	2015 R
11 TRADE AND OTHER RECEIVABLES		
Gross trade receivables	43 637 808	41 329 989
Impairment of trade debtors	<u>(7 123 593)</u>	<u>(6 764 402)</u>
Net trade receivables	36 514 215	34 565 587
Other receivables*	1 872 247	1 863 333
Deposits paid to suppliers	<u>1 246 398</u>	<u>1 348 804</u>
	<u>39 632 860</u>	<u>37 777 724</u>
<u>Movements in the provision for impairment of debtors:</u>		
Opening balance	6 764 402	5 575 419
Charge for the year	1 153 075	2 045 027
Amounts written off	<u>(793 884)</u>	<u>(856 044)</u>
Closing balance	<u>7 123 593</u>	<u>6 764 402</u>

On 31 March 2016, the analysis of trade receivables net of impairment is as follows:

	Current R	30 days R	60 days R	90 days R	120 days R	150 plus days R	Total R
2016	25 971 274	3 249 188	1 320 214	1 032 232	402 987	4 538 320	36 514 215
2015	22 262 604	4 533 340	3 466 904	675 231	637 204	2 990 304	34 565 587

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

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

	2016 R	2015 R
12 CASH AND CASH EQUIVALENTS		
Cash at bank and on hand	<u>21 427 616</u>	<u>42 956 650</u>

Standard Bank Limited has issued guarantees to the value of R40 000 (2015: R35 000) in favour of the Service to SAA as evidence of the Service's ability to cover its debt. The service has, in turn, pledged cash to the value of R40 000 (2015: R35 000) in favour of Standard Bank as security for the guarantee.

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	2016 R	2015 R
13 REVALUATION RESERVE		
Revaluation at the beginning of the year	40 676 973	40 778 112
Net gain/(loss) on revalued property through OCI	2 950 000	-
Transfer from revaluation reserve to retained earnings	<u>-</u>	<u>(101 139)</u>
Revaluation at the end of the year	<u>43 626 973</u>	<u>40 676 973</u>
The revaluation reserve relates to land and buildings only. The transfer to retained earnings in 2015 of R101 139 was due to the sale of the land in July 2014 (refer to note 8).		
14 NON-DISTRIBUTABLE RESERVES		
(a) Professional development fund surplus	<u>1 216 587</u>	<u>1 288 534</u>
Balance at beginning of period	1 288 534	1 345 807
Transfer to retained earnings	<u>(71 947)</u>	<u>(57 273)</u>
Balance at end of period	1 216 587	1 288 534
The Professional Development Fund was established with surplus funds from hosting the International Society of Blood Transfusion Congress 2006. The essential purpose of the fund is to support staff in post-graduate education and training. Income earned for the period was R14 737 (2015: R68 900) and expenses incurred for the period were R86 684 (2015: R126 173)		
(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	<u>2 224 787</u>	<u>2 296 734</u>
15 PRODUCT LIABILITY RESERVE		
The Product Liability Reserve has been established as a non-distributable reserve to cover potential uninsurable product liability claims.		
Interest earned during the year is capitalised and transferred to the reserve from retained earnings.		
Opening balance	6 101 005	5 799 412
Transfer from retained earnings	<u>43 885</u>	<u>301 593</u>
Balance at end of year	<u>6 144 890</u>	<u>6 101 005</u>

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	2016 R	2015 R
16 TRADE AND OTHER PAYABLES		
Trade payables	23 028 776	24 229 179
Other payables*	<u>6 169 447</u>	<u>5 806 348</u>
	<u>29 198 223</u>	<u>30 035 527</u>
Trade and other payables are non-interest bearing and are normally settled on 30 day terms.		
*Other payables include VAT payable, sundry creditors, accruals and salary creditors.		
<u>Other payables</u>		
VAT payable	2 071 351	1 106 265
Salary creditors	2 125 879	1 939 427
Sundry payables	<u>1 972 217</u>	<u>2 760 656</u>
	<u>6 169 447</u>	<u>5 806 348</u>
17 PROVISIONS		
Leave pay provision		
At 1 April 2015	12 487 145	11 854 715
Arising during the year	13 306 148	12 044 162
Utilised	<u>(12 274 511)</u>	<u>(11 411 732)</u>
At 31 March 2016	<u>13 518 782</u>	<u>12 487 145</u>
Salary related accruals		
At 1 April 2015	10 000 290	2 510 167
Arising during the year	3 300 644	10 000 290
Utilised	<u>(10 000 290)</u>	<u>(2 510 167)</u>
At 31 March 2016	<u>3 300 644</u>	<u>10 000 290</u>
TOTAL	<u>16 819 426</u>	<u>22 487 435</u>
Salary related accruals relate to prorata provision of guaranteed pay and accrual of overtime.		
18 FINANCE COSTS		
Interest expense	<u>2 624</u>	<u>1 504</u>
19 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.		

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	2016 R	2015 R
20 COMMITMENTS		
20.1 Capital commitments		
Commitments in respect of capital expenditure		
- contracted for	116 829	150 880
- not contracted for	12 610 288	18 796 048
	<u>12 727 117</u>	<u>18 946 928</u>

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

20.2 Commitments in respect of operating leases	Not later than one year R	Later than one year and not later than five years R
2016		
Operating leases	3 899 101	8 133 037
2015		
Operating leases	2 590 055	7 929 379

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

21 RETIREMENT BENEFIT INFORMATION

Defined contribution plan

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

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

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

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

At 31 December 2015, 4 employees (2014: 5 employees) belonged to the defined contribution plan.

Post-retirement medical benefits

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

Full actuarial valuations are performed on an annual basis.

The last actuarial valuation was performed as at 31 March 2016, using the projected unit credit valuation method.

Principal actuarial assumptions at the reporting date:

Discount rate	9,80%
Health care cost inflation	9,50%
Average retirement age	55

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21 RETIREMENT BENEFIT INFORMATION (CONTINUED)

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

	2016 R	2015 R
Funding liability	<u>2 015 000</u>	<u>1 926 000</u>
Reconciliation:		
Balance at the beginning of the year	1 926 000	1 959 000
- interest cost	149 000	112 000
- benefit payments	(124 000)	(145 000)
- actuarial loss/(gain)	<u>64 000</u>	<u>-</u>
Balance at the end of the year	<u>2 015 000</u>	<u>1 926 000</u>
Post-retirement health care benefits expense included in profit or loss is as follows:		
- interest cost	<u>149 000</u>	<u>112 000</u>
Total expenses/(gain) included in personnel costs	<u>149 000</u>	<u>112 000</u>

A quantitative sensitivity analysis for significant assumptions as at 31 March 2016 is as follows:

Health care cost inflation:

	Central assumption 9.5%	-1%	1%
Accrued liability 31 March 2016	2 015 000	1 837 000	2 220 000
% Change		(8.8%)	10.2%
Current service cost and interest cost 2016/2017	190 000	173 000	211 000
% Change		(8.9%)	11.1%

Sensitivity results as at 31 March 2015 were:

	Central assumption 7.8%	-1%	1%
Accrued liability 31 March 2015	1 926 000	1 731 000	2 132 000
% Change		(10.1%)	10.7%

Health care cost inflation:

	Central assumption 9.5%	+5% for 5 years	+10% for 5 years
Accrued liability 31 March 2016	2 015 000	2 387 000	2 591 000
% Change		18.5%	28.6%

Discount rate:

	Central assumption 9.8%	+1%	-1%
Accrued liability 31 March 2016	2 015 000	2 240 000	1 826 000
% Change		11.1%	(9.4%)

Expected retirement age:

	Central assumption 55 years	1 year younger	1 year older
Accrued liability 31 March 2016	2 015 000	2 015 000	2 015 000
% Change		0.0%	0.0%

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21 RETIREMENT BENEFIT INFORMATION (CONTINUED)

Health care cost inflation:

Accrued liability 31 March 2015
% Change

Central assumption 7.8%	+5% for 5 years	+10% for 5 years
1 926 000	2 288 000	2 517 000
	18.8%	30.7%

Discount rate:

Accrued liability 31 March 2015
% Change

Central assumption 8.0%	+1%	-1%
1 926 000	2 152 000	1 738 000
	11.7%	(9.8%)

Expected retirement age:

Accrued liability 31 March 2015
% Change

Central assumption 55 years	1 year younger	1 year older
1 926 000	1 926 000	1 926 000
	0.0%	0.0%

22 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Market risk

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

Interest rate risk

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

Foreign currency risk

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

Equity price risk

The Service's equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. Reports on the equity portfolio are submitted to the Service's management on a regular basis. The Service's Board of Directors reviews and approves all equity investment decisions.

Liquidity risk

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

Credit risk

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

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22 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

22.1 Financial instruments (Continued)

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

	2016			
Financial assets	Financial assets at fair value through profit and loss	Loans and receivables	Non-financial assets	Total
	R	R	R	R
Trade and other receivables	-	36 715 147	2 917 713	39 632 860
Cash and cash equivalents	-	21 427 616	-	21 427 616
FEC asset	-	-	-	-
Investments	15 534 933	-	-	15 534 933
	2016			
Financial liabilities	Financial liabilities measured at amortised cost	Financial liabilities at fair value through profit and loss	Non-financial liabilities	Total
	R	R	R	R
Trade and other payables	27 126 872	-	2 071 351	29 198 223
FEC liability	-	4 301 378	-	4 301 378
Operating lease liability	-	-	265 350	265 350
	2015			
Financial assets	Financial assets at fair value through profit and loss	Loans and receivables	Non-financial assets	Total
	R	R	R	R
Trade and other receivables	-	36 428 920	1 348 804	37 777 724
Cash and cash equivalents	-	42 956 650	-	42 956 650
FEC asset	135 327	-	-	135 327
Investments	-	-	-	-
	2015			
Financial liabilities	Financial liabilities measured at amortised cost	Financial liabilities at fair value through profit and loss	Non-financial liabilities	Total
	R	R	R	R
Trade and other payables	28 929 262	-	1 106 265	30 095 527
FEC liability	-	-	-	-
Operating lease liability	-	-	-	-

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22 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

22.2 Credit risk management

CATEGORY	2016 RISK			Total R
	Low R	Medium R	High R	
Hospitals	11 903 925	-	-	11 903 925
Medical aids	20 932 430	-	-	20 932 430
Private patients	-	-	2 118 373	2 118 373
Workman's compensation claims	-	1 524 359	-	1 524 359
Estates	-	35 128	-	35 128
Other receivables	200 932	-	-	200 932
Total	33 037 287	1 559 487	2 118 373	36 715 147

CATEGORY	2015 RISK			Total R
	Low R	Medium R	High R	
Hospitals	12 094 492	-	-	12 094 492
Medical aids	19 527 201	-	-	19 527 201
Private patients	-	-	1 323 389	1 323 389
Workman's compensation claims	-	1 620 505	-	1 620 505
Other receivables	1 863 333	-	-	1 863 333
Total	33 485 026	1 620 505	1 323 389	36 428 920

The maximum exposure to credit risk approximates the carrying value.

22.3 Interest rate risk

**2016
R**

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

Cash and bank balance exposed to interest rate risk

Income statement effect of interest rate risk to above balance:

1% increase in interest rates

1% decrease in interest rates

214 276

(214 276)

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FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

22.3	Interest rate risk (continued)				2015
					R
	The Service's exposure to interest rate risk can be quantified as follows:				
	<u>Cash and bank balance exposed to interest rate risk</u>				
	Income statement effect of interest rate risk to above balance:				
	1% increase in interest rates				429 567
	1% decrease in interest rates				(429 567)
22.4	Liquidity risk				
	Financial assets		2016		
		Year 1	Years 2 – 5	Over 5 years	Total
		R	R	R	R
	Trade and other receivables	38 386 462	-	-	38 386 462
	Cash and cash equivalents	21 427 616	-	-	21 427 616
	FEC Asset	-	-	-	-
	Investments	15 534 000	-	-	15 534 000
	Financial liabilities				
	Trade and other payables	27 126 872	-	-	27 126 872
	FEC liability	4 301 378	-	-	4 301 378
	Operating lease liability	265 350	-	-	265 350
	Financial assets		2015		
		Year 1	Years 2 – 5	Over 5 years	Total
		R	R	R	R
	Trade and other receivables	36 428 920	-	-	36 428 920
	Cash and cash equivalents	42 956 650	-	-	42 956 650
	FEC asset	135 327	-	-	135 327
	Investments	-	-	-	-
	Financial liabilities				
	Trade and other payables	28 929 262	-	-	28 929 262
	FEC liability	-	-	-	-
	Operating lease liability	-	-	-	-

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22.5 Foreign currency risk

	2016	2015
Fair value of FEC (liability)/asset at year end	(4 301 378)	135 327
Current liabilities		
2016: USD 831 173	12 326 712	
2015: USD 1 011 021		12 430 305

Exchange rates at 31 March used for conversion of foreign items were:

USD	14.8305	12.2948
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The spot rate on 31 March was used to revalue foreign currency balances at year end.

At 31 March 2016, 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 232 671 higher/lower (2015: R1 243 031) 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.

22.6 Price risk

The Service is exposed to price risk through their investment holdings.

Sensitivity analysis

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

Increase in investment of 10%

R 1 553 493

Decrease in investment of 10%

(R 653 493)

The sensitivity of the investment in relation to the decrease as a result of the price risk are related only to the Gateway Investment of R6 534 933 as there is no downside risk to the Liberty Investment of R9 000 000.

23 DIRECTORS' REMUNERATION
Executive Directors

	Salaries R	Contributions to Retirement Fund R	Medical Aid R	Bonuses R	Total R
Dr G Bellairs	1 727 471	208 958	43 095	-	1 979 524
Ms N du Toit	1 471 834	169 229	24 280	-	1 665 343
	<u>3 199 305</u>	<u>378 187</u>	<u>67 375</u>	<u>-</u>	<u>3 644 867</u>

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23 DIRECTORS' REMUNERATION (CONTINUED)

Non-Executive Directors' fees

	Fees R	Total R
Dr A Bird	15 434	15 434
Adv G R Bosman	6 502	6 502
Mr M Burton	16 497	16 497
Mr B Figaji	19 618	19 618
Mr N Parker	13 238	13 238
Mr D Ndebele	17 491	17 491
Mr R Ramsbottom	17 561	17 561
Mr P Slack	24 839	24 839
Prof V J Louw	6 804	6 804
P J Veldhuizen	11 058	11 058
Dr A Huggett	18 624	18 624
Total	<u>167 666</u>	<u>167 666</u>

Directors fee paid to executive and non-executive directors are the only related party transactions.

Non-executive directors receive fees for attendance of meetings and a monthly retainer.

24 FAIR VALUE INFORMATION

Fair value hierarchy

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

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

Level 3: Unobservable inputs for the asset or liability.

Property, plant and equipment

Recurring fair value measurements – Level 3

Assets

	Note	2016 R	2015 R
Beaconvale – erven 12364 and 12367	8	10 476 669	11 206 357
Pinelands – erven 24179	8	35 647 689	31 522 240
Paarl – erven 15375	8	3 665 338	3 293 786
George – Sections 4, 9, 10 and 11 of Sectional Plan No 55217/93	8	2 655 312	2 507 010
Worcester – Erf 4326	8	3 363 177	3 846 634
		<u>55 808 185</u>	<u>52 376 027</u>

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24 FAIR VALUE INFORMATION (CONTINUED)

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

2016

	Opening balance at fair value R	Additions R	Revaluation R	Disposals R	Depreciation R	Closing balance at fair value R
Beaconvale	11 206 357	-	(725 000)	-	(4 688)	10 476 669
Pinelands	31 522 240	513 907	3 630 000	-	(18 458)	35 647 689
Paarl	3 293 786	-	375 000	-	(3 448)	3 665 338
George	2 507 010	-	150 000	-	(1 698)	2 655 312
Worcester	3 846 634	-	(480 000)	-	(3 457)	3 363 177
	52 376 027	513 907	2 950 000	-	(31 749)	55 808 185

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

2015

	Opening balance at fair value R	Additions R	Revaluation R	Disposals R	Depreciation R	Closing balance at fair value R
Beaconvale	11 312 284	-	-	(101 139)	(4 788)	11 206 357
Pinelands	31 541 394	-	-	-	(19 154)	31 522 240
Paarl	3 296 978	-	-	-	(3 192)	3 293 786
George	2 508 606	-	-	-	(1 596)	2 507 010
Worcester	3 849 827	-	-	-	(3 193)	3 846 634
	52 509 089	-	-	(101 139)	(31 923)	52 376 027

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

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

Owner Occupied Property - commercial property for leasing is determined by applying a comparable sales method, using price per square metre for buildings, gross rentals in the market and applying a capitalisation rate.

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24 FAIR VALUE INFORMATION (CONTINUED)

Beaconvale Actual Inputs

Price per square metre – Rands R36.50

Pinelands Actual Inputs

Price per square metre – Rands R70.00

Paarl Actual Inputs

Price per square metre – Rands R60.00

George Actual Inputs

Price per square metre – Rands R80.00

Worcester Actual Inputs

Price per square metre – Rands R42.50

The higher the price per square metre, the higher the fair value.

The carrying amount of all other financial assets and liabilities not disclosed above approximate fair value.

Investments

Fair value measurements of Level 1 investments are based on quoted prices and Fair Value Measurement of Level 2 Investments are based on quoted Prices adjusted for guaranteed amounts.

	Note	Level	Valuation date	2016 R	2015 R
Gateway Investments	9	Level 1	31 March 2016	6 534 933	-
Liberty Investment	9	Level 2	31 March 2016	9 000 000	-
				15 534 933	-

The carrying value of all other financial assets and liabilities not disclosed in the fair value note approximates fair value.

25 EVENTS AFTER THE REPORTING DATE

The Fractionation Plant situated in Beaconvale was voluntarily shut down during March 2016 due to the capital outflow required to comply with MCC findings regarding Good Manufacturing Practice. As a result, inventory to the value of R15 931 634 was written off and adjusted for at year end.

A decision to sell the Fractionation Plant and the related property, plant and equipment within has been made post year end and has therefore not been disclosed as held for sale as at 31 March 2016. As the value of the property, plant and equipment are material, the financial impact thereof has been disclosed below. In addition to the above, the cost of retrenchment for all employees employed at the Fractionation Plant has been disclosed below.

	Financial Impact
Restructuring costs	5 145 178
Net book value of property, plant and equipment	15 879 962

An assessment of the potential impairment of the Fractionation property, plant and equipment was performed at year end which did not result in a write down of the value of the plant, property and equipment.

Post year end the Service has taken the decision to sell the Fractionation property, plant and equipment however a committed buyer has not yet been found.