# South African National Blood Service

## ANNUAL FINANCIAL STATEMENTS

For the year ended 31 March 2023

2023

SANBS
South African National Blood Service

TRUSTED TO **SAVE** LIVES

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The annual financial statements were prepared under the supervision of Chief Financial Officer, Tshepo Kgage

# DIRECTORS' STATEMENT OF RESPONSIBILITY FOR THE ANNUAL FINANCIAL STATEMENTS

The directors are required, in terms of good governance and the South African Companies Act 71 of 2008 ("Companies Act"), as amended, to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report.

The directors are further responsible to ensure that the annual financial statements fairly present the state of affairs of the organisation as at the end of the financial year, and the results of its operations and cash flows for the year then ended, in conformity with International Financial Reporting Standards (IFRS).

The annual financial statements of the South African National Blood Service (SANBS) have been prepared in terms of International Financial Reporting Standards (IFRS), including any interpretations, guidelines and directives issued by the Accounting Standards Board, as well as in a manner required by the Companies Act. The directors have assessed SANBS' ability to continue as a going concern and have every reason to believe that SANBS will be a going concern in the year ahead. The directors' responsibility also includes maintaining an effective risk management system and an adequate system of internal controls that are designed to provide cost-effective assurance that assets are adequately safeguarded, and working capital are efficiently managed and that there are policies, procedures, structures and approval frameworks to provide direction, accountability and division of responsibilities.

The directors place considerable importance on management maintaining an effective control environment. The directors set standards for internal controls aimed at reducing the risk of error or loss in a cost-effective manner. These standards include proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk.

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

The external auditors are responsible for independently auditing and reporting on the SANBS's annual financial statements. Their report is presented on pages 6 to 7.

The annual financial statements set out on pages 1 to 42, which have been prepared on the going concern basis, were approved by the board on 20 September 2023 and were signed on their behalf by:

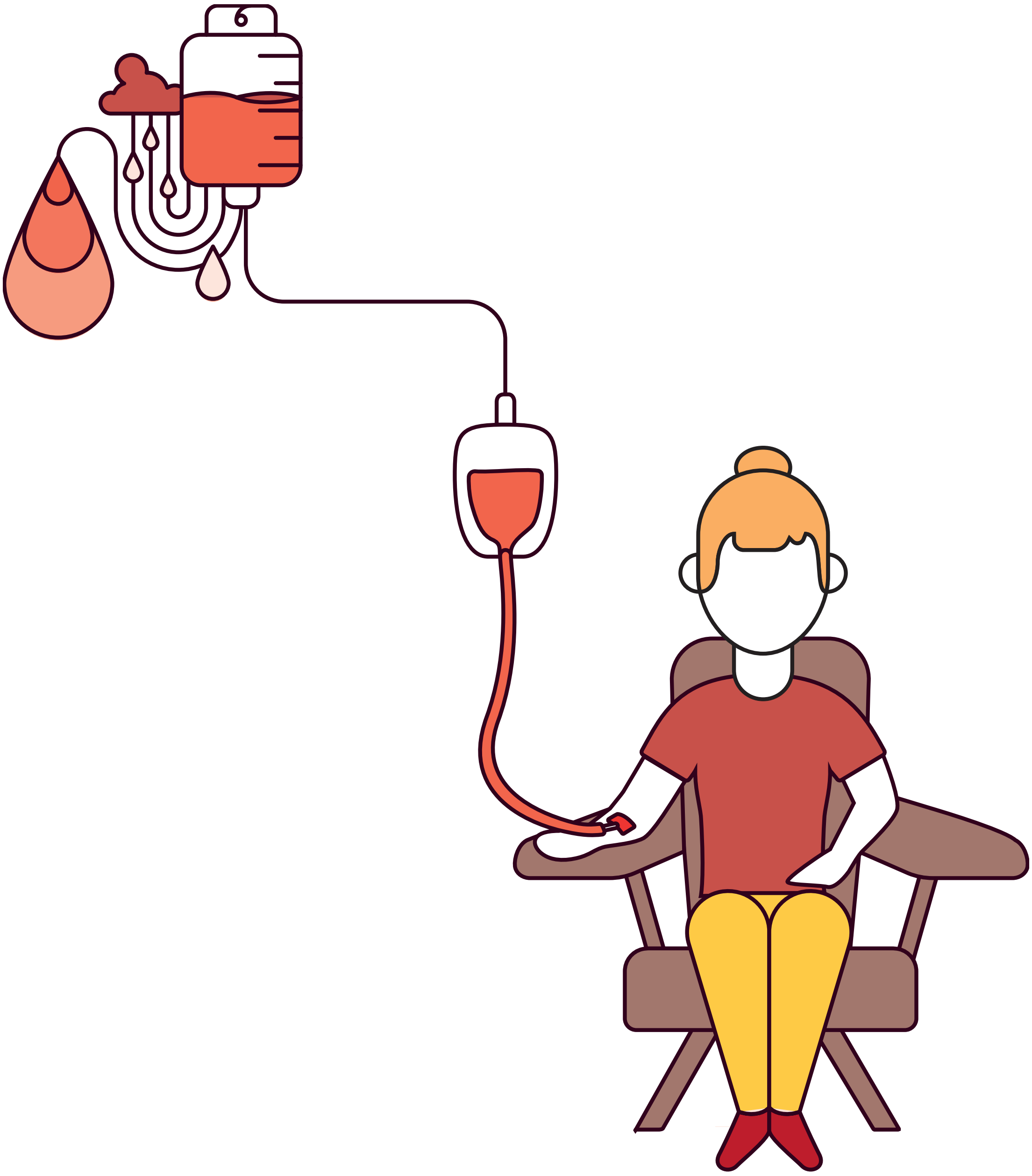
**Ms A Ramalho**
*Chairman*
20 September 2023

**Mr R Reddy**
*Chief Executive Officer*
20 September 2023

# CERTIFICATION BY COMPANY SECRETARY

I certify that in accordance with the provisions of section 88(2) of the South African Companies Act 71 of 2008 and to the best of my knowledge and belief all required returns and notices in terms of the Companies Act 71 of 2008 have been lodged with the Companies and Intellectual Property Commission (CIPC). I certify that all such returns and notices appear to be correct and up to date.

**A Manduna**
Company Secretary
Johannesburg
20 September 2023



# DIRECTORS' REPORT

The directors have the pleasure in presenting their report and the audited annual financial statements for the year ended 31 March 2023.

## 1. NATURE OF BUSINESS

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

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

## 2. MEMBERS OF THE ORGANISATION

SANBS is governed by the National Council. Members of the SANBS National Council are donors nominated from independent donor structures as set out in the Memorandum of Incorporation. The National Council appoints the donor directors and holds the full Board of Directors accountable for managing and controlling SANBS operations in accordance with its mandate.

## 3. DIRECTORS

As at 31 March 2023, the Board of Directors comprised twelve directors, seven donor non-executive directors, three appointed non-executive directors and two executive directors as listed hereunder.

**Donor Non-Executive**
Ms A Ramalho (Chair)
Ms F Burn
Mr G Leong
Ms P Mthethwa
Dr JM Black
Ms C Henry
Ms L Molefe (Appointed 19.11.2022)

**Executive**
Mr. V Reddy
Dr K van den Berg

**Appointed Non-Executives**
Mr S Fakie
Dr. M Vaithilingum
Mr T Mokgatlha

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

## 4. COMPANY SECRETARY

Ms. Avril Manduna is the appointed Company Secretary. The addresses of the Company Secretary are as follows:

**Business Address**
1 Constantia Boulevard
Constantia Kloof
Roodepoort
1724

**Postal Address**
Private Bag X14
Weltevreden Park
1715

# DIRECTORS' REPORT *(continued)*

## 5. AUDITORS

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

**Business Address**
5 Magwa Crescent
Waterfall City
Waterfall
2090
South Africa

**Postal Address**
Private Bag X6
Gallo Manor
2052

## 6. BUSINESS RESULTS SUMMARY

The financial position of SANBS at 31 March 2023 is set out in the statement of financial position. SANBS achieved a surplus of R394 million (2022: R212 million restated) for the year under review, as set out in the statement of surplus and deficit and other comprehensive income.

During the current financial year, a settlement agreement was reached between SANBS and GEMS, where GEMS agreed to pay R64.4m to SANBS as a settlement for the R127.6m claim. The outcome resulted in a write-off of R63.2m, this was provided for in the expected credit loss allowances.

## 7. CREDIT NOTE MATTER

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

In the financial year ended 31 March 2022, 23 settlement agreements were reached and 10 were outstanding at year end, 5 of which were on hold as they relate to the litigation initiated by SANBS against GEMS.

During the year ended 31 March 2023, 2 settlement agreements were reached and the litigation initiated against GEMS was settled in December 2022. At the end of the 31 March 2023 financial year, 3 settlement agreements were outstanding.

The directors believe the provision of R0.7 million (2022: R1.3 million) is sufficient to cover the liability on the remaining medical aids.

## 8. APPOINTMENTS AND RESIGNATIONS

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

Mr Abbey Mothokoa (Chief Human Capital Officer) left the organisation on 1 December 2022 and Mr Daniel Olifant was appointed as Acting Chief Human Capital Officer on that date.

# DIRECTORS' REPORT *(continued)*

## 9. GOING CONCERN STATUS

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

The Board undertakes regular rigorous assessments of whether SANBS is a going concern using all available information about future risks and uncertainties.

The projections for SANBS have been prepared, covering its future performance, capital and liquidity for a period of 12 months from the date of approval of these annual financial statements including performing sensitivity analyses.

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

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

- Revenue reduction impact due to a decrease in blood collections and usage,
- The projected increase in interest rates affecting the interest income from money market investments,
- The volatility of the rand relative to major currencies especially the dollar and the euro, affecting the cost of imported consumables and services,
- The fixed cost base and the ability to reduce it by reduced capital spend and other cost saving initiatives,
- The ability to defer or renegotiate payment terms, and
- The impact of the steep increase in CPI in the new financial year.

The above assumptions used in the sensitivity analyses represent the possible "worst case scenario" based on our current understanding of that economic climate.

The assessment shows that SANBS has sufficient capital, liquidity and positive future performance outlook to continue to meet its short-term obligations and as a result, it is appropriate to prepare these annual financial statements on a going concern basis.

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

## 10. EVENTS AFTER REPORTING DATE

Mr Daniel Olifant was appointed as Chief Human Capital Officer of SANBS effective 1 May 2023 whilst Ms Sibusisiwe Sibanda was appointed as Executive: Corporate Services of SANBS effective 1 June 2023.

## 11. POLICY DIRECTIVES

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

Deloitte.

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Gallo Manor 2052
South Africa

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Registered Auditors
Audit & Assurance
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Waterfall City
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**INDEPENDENT AUDITOR'S REPORT**
**To the members of South African National Blood Service NPC**

Report on the Audit of the Financial Statements

## Opinion

We have audited the financial statements of South African National Blood Service NPC set out on pages 8 to 42, which comprise the statement of financial position as at 31 March 2023, and the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of South African National Blood Services NPC as at 31 March 2023, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and the requirements of the Companies Act of South Africa.

## Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Statements section of our report. We are independent of the Company in accordance with the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' (IESBA) International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA code). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Other Information

The directors are responsible for the other information. The other information comprises the information included in the document titled "South African National Blood Service NPC Annual Financial Statements for the year ended 31 March 2023" which includes the Directors' Report as required by the Companies Act of South Africa, the Directors' Statement of Responsibilities for the annual financial statements and the Certification by Company Secretary. The other information does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

## Responsibilities of the Directors for the Financial Statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

## Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

DocuSigned by:
Deloitte & Touche
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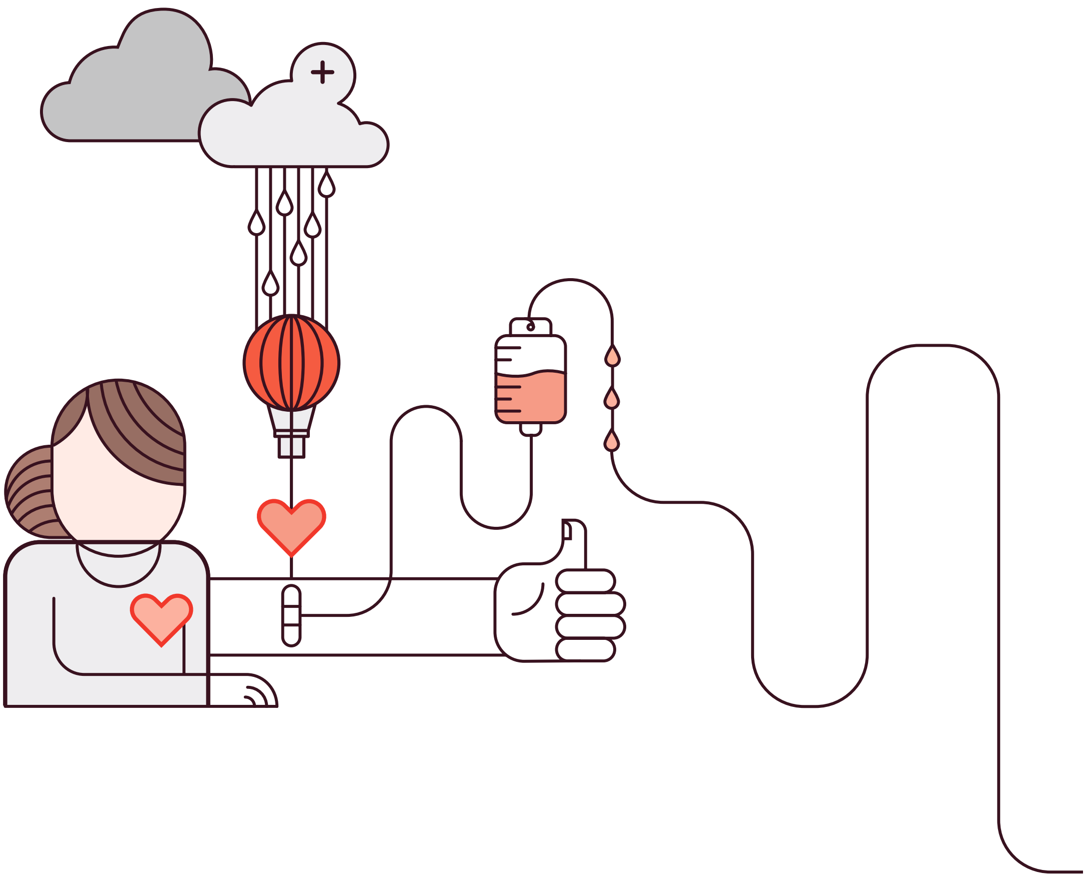
**Deloitte & Touche**
Registered Auditor
Per: Portia Nobantu Ngumbela
*Partner*
28 September 2023

# STATEMENT OF SURPLUS AND DEFICIT AND OTHER COMPREHENSIVE INCOME

## For the year ended March 2023

| | Notes | 2023 R'000 | 2022 R'000 |
|---|---|---|---|
| **REVENUE** | 4 | **3 995 434** | **3 645 261** |
| Operating expenses | 5 | **(3 578 439)** | (3 323 680) |
| Impairment losses on financial assets | 13 | **(143 030)** | (188 417) |
| Other income | 6 | **2 052** | 24 009 |
| **Net interest received** | | **108 008** | 53 951 |
| Interest received | 7 | **129 482** | 76 232 |
| Interest expense | 7 | **(21 474)** | (22 281) |
| **SURPLUS FOR THE YEAR** | 8 | **384 025** | **211 124** |
| Surplus for the year | | **384 025** | 211 124 |
| Items that will not be reclassified to surplus and deficit | | | |
| **Actuarial gains/(losses)** | 15 | **9 974** | 916 |
| **COMPREHENSIVE SURPLUS FOR THE YEAR** | | **393 999** | **212 040** |



# STATEMENT OF FINANCIAL POSITION

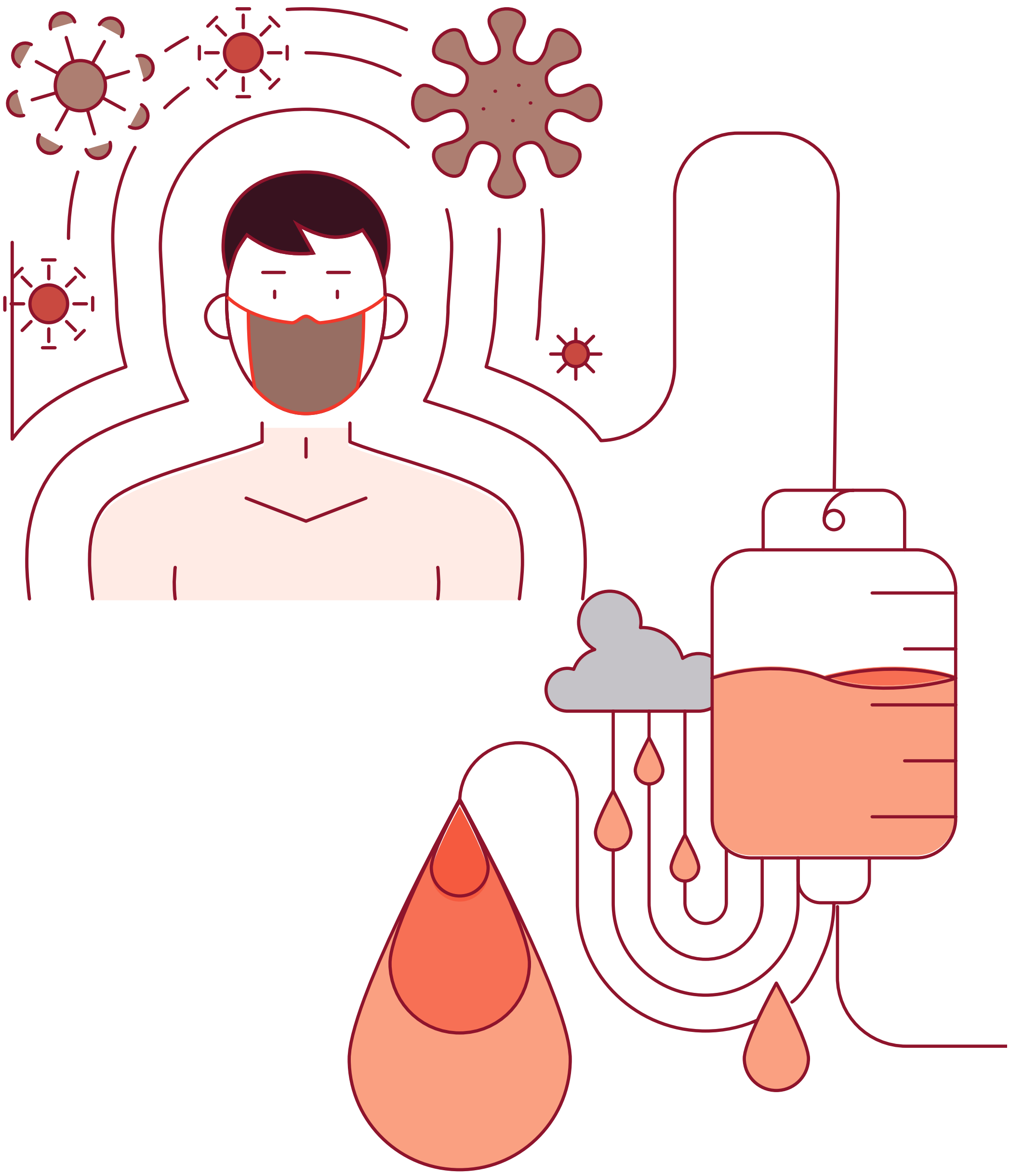
## For the year ended 31 March 2023

| | Notes | 2023<br>R'000 | 2022<br>R'000<br>Restated | 2022<br>R'000<br>Restated |
|---|---|---|---|---|
| **ASSETS** | | | | |
| **Non-current assets** | | | | |
| Property, plant and equipment owned | 10 | **791 811** | 790 028 | 788 935 |
| Right-of-use assets | 11 | **122 499** | 156 054 | 70 344 |
| **Total property, plant and equipment** | | **914 310** | 946 082 | 859 279 |
| **Total non-current assets** | | **914 310** | **946 082** | **859 279** |
| **Current assets** | | | | |
| Inventories | 12 | **126 783** | 119 664 | 127 375 |
| Trade and other receivables | 13 | **967 186** | 949 966 | 805 757 |
| Investment | 19 | **1 325 000** | 1 070 000 | 1 340 000 |
| Cash and cash equivalents | 20 | **926 352** | 821 567 | 503 268 |
| **Total current assets** | | **3 345 321** | **2 961 197** | **2 776 400** |
| Assets held-for-sale | 14 | **5 466** | 5 401 | 5 621 |
| **Total assets** | | **4 265 097** | **3 912 680** | **3 641 300** |
| **RESERVES & LIABILITIES** | | | | |
| Reserves | | **3 633 340** | 3 239 341 | 3 027 301 |
| **Non-current liabilities** | | | | |
| Lease liabilities | 11 | **78 225** | 103 893 | 46 202 |
| Provision for post-retirement medical aid obligation | 15 | **45 642** | 52 370 | 50 264 |
| **Total non-current liabilities** | | **123 867** | **156 263** | **96 466** |
| **Current liabilities** | | | | |
| Current portion of lease liabilities | 11 | **51 804** | 70 971 | 32 777 |
| Current portion of provision for post-retirement medical aid obligation | 15 | **3 362** | 3 465 | 3 275 |
| Trade and other payables | 16 | **256 398** | 260 399 | 265 932 |
| Provisions | 17.1 | **195 621** | 180 899 | 185 489 |
| Medical Aid Reimbursement | 17.2 | **705** | 1 342 | 30 060 |
| **Total current liabilities** | | **507 890** | **517 076** | **517 533** |
| **Total reserves and liabilities** | | **4 265 097** | **3 912 680** | **3 641 300** |

# STATEMENT OF CHANGES IN EQUITY

## For the year ended March 2023

| | Reserves R'000 |
|---|---|
| **Balance at 1 April 2021 – as previously stated** | **3 027 301** |
| Effect of restatement of prior period error | – |
| **Balance at 1 April 2021 – restated** | **3 027 301** |
| Surplus for the year – Restated | 211 124 |
| Other comprehensive income | 916 |
| **Balance at 1 April 2022 – Restated** | **3 239 341** |
| Surplus for the year | 384 025 |
| Other comprehensive income | 9 974 |
| **Balance at 31 March 2023** | **3 633 340** |



# STATEMENT OF CASH FLOWS

## For the year ended March 2023

| | Notes | 2023 R'000 | 2022 R'000 Restated |
|---|---|---|---|
| **Cash flow from operating activities** | | | |
| Net surplus | | **384 025** | 211 124 |
| **Adjustments:** | | | |
| Depreciation on Property, Plant and Equipment | | **113 868** | 117 624 |
| Depreciation on right of use asset | | **61 734** | 56 428 |
| Expected credit loss raised | | **143 030** | 188 417 |
| Net loss/(profit) on disposal of property, plant and equipment | | **8 451** | (8 922) |
| Interest received | | **(129 482)** | (76 232) |
| Interest expense | | **21 474** | 22 282 |
| Increase/(decrease) in provisions | | **14 723** | (4 589) |
| Increase/(decrease) in medical aid reimbursement | | **(637)** | (28 720) |
| Non cash items relating to leases | | **–** | (57) |
| Net gain on foreign currency transactions | | **62** | 7 |
| Post-retirement medical aid non-cash items | | **(3 005)** | (2790) |
| **Cash generated from operations** | | **614 243** | **474 572** |
| (Increase)/decrease in inventories | | **(7 119)** | 7 712 |
| (Increase)/decrease in trade and other receivables | | **(160 250)** | (332 625) |
| Increase/(decrease) in trade and other payables | | **(4 001)** | (5 534) |
| Net cash from operating activities | | **442 873** | 144 125 |
| Interest received | 7 | **129 482** | 76 232 |
| Interest paid | 7 | **(15 244)** | (15 316) |
| **Net cash generated from operating activities** | | **557 111** | **205 041** |
| **Cash flows from investing activities** | | | |
| Acquisition of property, plant and equipment | 10 | **(126 344)** | (135 706) |
| Proceeds from sale of property, plant, and equipment | | **2 114** | 26 124 |
| Acquisition of Investments | 19 | **(1 325 000)** | (1 070 000) |
| Proceeds from maturity of investments | 19 | **1 070 000** | 1 340 000 |
| **Net cash utilised in investing activities** | | **(379 230)** | **160 418** |
| **Cash flows from financing activities** | | | |
| Contractual lease payments | 11 | **(73 096)** | (47 160) |
| **Net cash utilised in financing activities** | | **(73 096)** | **(47 160)** |
| **Increase in cash for the year** | | **104 785** | **318 299** |
| Cash and cash equivalents at the beginning of the year | | **821 567** | 503 268 |
| **Cash and cash equivalents at the end of the year** | 20 | **926 352** | **821 567** |

# ACCOUNTING POLICIES

## 1. ACCOUNTING POLICIES

### Statement of compliance

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

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

### 1.1 Basis of preparation

The annual financial statements have been prepared on the going concern basis in accordance with, and in compliance with, International Financial Reporting Standards ("IFRS") and the Companies Act of South Africa, as amended.

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

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

### 1.2 Property, plant and equipment

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

Plant, equipment, furniture, fittings, and vehicles are stated at cost less accumulated depreciation and impairments. Depreciation is charged so as to write off the depreciable amount of the assets over their estimated useful lives, using the straight-line method. Depreciation commences when the assets are ready for their intended use.

The useful lives are:

| | |
|---|---|
| Buildings | 50 years |
| Plant, equipment and fittings | 4–10 years |
| Motor vehicles | 5 years |
| Computer equipment | 4 years |
| Furniture | 4–6 years |

Rates are considered appropriate to reduce the carrying amounts of the assets to their estimated residual values over their expected useful lives. The residual values and useful lives are assessed on an annual basis.

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

### 1.3 Financial Instruments

Financial assets and financial liabilities are recognised when SANBS becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair-value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair-value through profit or loss) are added to or deducted from the fair-value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair-value through profit or loss are recognised immediately in profit or loss.

#### 1.3.1 Financial assets

SANBS classifies its financial assets in the following measurement categories:

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

# ACCOUNTING POLICIES *(continued)*

## 1. ACCOUNTING POLICIES *(continued)*

### 1.3 Financial Instruments *(continued)*

#### 1.3.1 Financial assets *(continued)*

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

#### 1.3.2 Amortised cost

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

#### 1.3.3 Fair value through other comprehensive income (FVTOCI)

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

#### 1.3.4 Fair value through profit or loss (FVTPL)

A financial asset shall be measured at fair value through profit or loss unless it is measured at amortised cost in accordance with paragraph 1.3.2.

#### 1.3.5 Reclassifications

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

#### 1.3.6 De-recognition of financial assets

SANBS derecognises a financial asset only when the contractual rights to cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset. If SANBS neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, SANBS recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If SANBS retains substantially all the risks and rewards of ownership of a transferred financial asset, SANBS continues to recognise the financial asset and recognises a collateralised borrowing for the proceeds received.

On de-recognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and the receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

#### 1.3.7 Impairment of financial assets

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

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

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

## 1. ACCOUNTING POLICIES *(continued)*

### 1.4 Financial Liabilities and Equity Instruments

#### 1.4.1 Classification as debt

Debt instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an instrument.

#### 1.4.2 Financial liabilities

Financial liabilities are classified as either financial liabilities ‘at Fair value through profit or loss (FVTPL)’ or ‘other financial liabilities’.

##### 1.4.2.1 Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- It has been acquired principally for the purpose of repurchasing it in the near term; or
- On initial recognition it is part of a portfolio of identified financial instruments that SANBS manages together and has a recent actual pattern of short-term profit taking; or
- It is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- The financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair-value basis in accordance with SANBS’s documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- It forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments; Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

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

##### 1.4.2.2 Other financial liabilities

Other financial liabilities (including borrowings) are subsequently measured at amortised cost using the effective-interest method.

The effective-interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective-interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective-interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

### 1.5 Inventories

Inventories are valued at the lower of cost and the net realisable value, using the weighted average costing method. Cost is determined as follows:

- Blood packs, accessories, packaging materials, filtration stocks, chemicals and the reagents at a weighted average costing method.
- Fractionated plasma in process products and finished products at a weighted average costing method.
- Consumable stores at a weighted average costing method.
- Plasma and purchased finished goods at a weighted average costing method.
- Blood stocks on hand at the year-end are not included in inventories.

# ACCOUNTING POLICIES *(continued)*

**1.5 Inventories** *(continued)*

- Test kits using the weighted average costing method.
- Obsolete or slow-moving inventories are identified and suitable reductions in value are made where necessary.
- Stock on hand for more than 180 days is fully provided for.

**1.6 Assets held-for-sale**

Non–current assets are classified as held-for-sale if the carrying amount will be recovered through sale. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition and management is committed to the sale and the sale is expected to be completed within one year from date of classification.

Immediately prior to being classified as held-for-sale the carrying amount of the asset is measured in accordance with the applicable standards. After classification as held-for-sale the asset is measured at the lower of the carrying amount and fair-value less costs to sell.

**1.7 Revenue recognition**

SANBS recognises revenue when it satisfies the performance obligation by supplying blood products to the customer at a point in time. SANBS recognizes revenue in accordance with the core principles by applying the following steps:

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

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

**1.8 Interest**

Income is recognised as the interest accrues using effective-interest rate method. Interest income is recognised when it is probable that the economic benefits associated with the transaction will flow to the entity and the amount of revenue can be measured reliably.

**1.9 Retirement benefits**

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

The company contributes to a defined contribution provident fund which is governed by the Pension Funds Act of 1956. SANBS's contribution to the fund in respect of service during a particular period is recognised as an expense in that period.

Provision is made for the present value of future post-retirement medical benefits due to current and former employees on the accrual basis determined actuarially every three years. The projected unit credit method of valuation is used to calculate the post-retirement benefits.

**1.10 Foreign currencies**

Transactions in foreign currencies are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are translated at the rates prevailing at the reporting date. Exchange differences are recognised in profit or loss in the period in which they arise.

**1.11 Provisions**

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

**1.12 Leases**

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

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

**1.12 Financial assets** *(continued)*

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

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

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

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

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

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

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

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

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

SANBS has elected not to recognise a right-of-use asset and lease liability for all short-term leases with a lease term of 12 months or less and all low-value assets. The lease payments of these leases are recognised on a straight-line basis over the lease term. Refer to note 11 of the annual financial statements. SANBS has also elected to combine the lease and non-lease components of a contract and account for them as a single lease component.

# ACCOUNTING POLICIES *(continued)*

## 2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

### 2.1 Critical accounting judgements

In the process of applying SANBS's accounting policies, management has made the following judgements, apart from those involving estimations, that affect the amounts recognised in the annual financial statements and related disclosure:

#### 2.1.1 Impairment of assets

##### 2.1.1.1 Impairment of non-financial assets

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

##### 2.1.1.2 Impairment of financial assets

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

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

#### 2.1.2 Medical aid reimbursement provision

SANBS engaged the services of an external party to estimate the amount owing to medical aids as a result of the breakdown in the control systems in respect of credit notes issued identified in note 17. The service provider estimated the total of all credit notes based on all cleared credit notes to medical aids. A provision was raised in March 2019, equal to twice the amount of the credit notes issued, as SANBS's liability would be the amount of the credit note as well the relating invoice amount, should the credit note be paid by the medical aid scheme as a normal claim. The provision was re-measured annually in line with negotiations and settlements agreed with medical aids. The provision at 31 March 2023 is in line with the directors' best estimate of remaining settlements with medical aids still in negotiation.

### 2.2 Key sources of estimation uncertainty

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

#### 2.2.1 Estimation of residual values and useful lives

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

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

#### 2.2.2 Provision for post-retirement medical obligation

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

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

### 2.2 Key sources of estimation uncertainty *(continued)*

#### 2.2.3 Inventory

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

#### 2.2.4 Assets held for sale

Assets held for sale are measured at lower of their carrying amount and fair value less cost to sell. Fair values are taken from observable markets.

#### 2.2.5 Leases

##### 2.2.5.1 Estimating the incremental borrowing rate

SANBS uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that SANBS would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what SANBS 'would have to pay', which requires estimation when no observable rates are available or when there is need to be adjusted to reflect the terms and conditions of the lease. SANBS estimates the IBR using government bond yield rates plus the credit spread (using an estimated credit rating) determined at the date of the lease inception however for the prior year SANBS estimated the IBR using observable inputs (such as swap rates) when available and made certain entity-specific estimates (such as the credit rating).

##### 2.2.5.2 Measurement of lease liabilities

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

##### 2.2.5.3 Measurement of right-of use-assets

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

##### 2.2.5.4 Renewal and termination options

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

## 3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

### 3.1 Standards and Interpretations effective and adopted in the current year

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

### 3.2 Standards, interpretations and amendments not yet effective at 31 March 2023

SANBS has considered the following new standards, interpretations and amendments to existing standards, which are relevant to SANBS's operations and have been issued by the reporting date, but not yet effective as at 31 March 2023.

# ACCOUNTING POLICIES *(continued)*

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

### 3.2 Standards, interpretations and amendments not yet effective at 31 March 2023 *(continued)*

| Standard | Details | Year-end beginning on or after |
|---|---|---|
| IAS 1 Presentation of Financial Statements | • Non-current Liabilities with Covenants. | 1 January 2024 |
| IAS 16 Leases | • Lease Liability in a Sale and Leaseback. | 1 January 2024 |
| IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures | • Supplier Finance Arrangements. | 1 January 2024 |

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

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

| | 2023 R'000 | 2022 R'000 Restated |
|---|---|---|

## 4. REVENUE

Revenue is recognised when SANBS has satisfied the performance obligation by supplying blood products to the customer at a point in time. Revenue is derived from the following major categories:

| | | |
|---|---|---|
| Service fees | **3 995 434** | 3 645 260 |
| Total revenue | **3 995 434** | **3 645 260** |

Revenue is measured at the consideration SANBS is entitled to under the contract with the customer and excludes any amounts collected on behalf of third parties.

## 5. OPERATING EXPENSES

| | | Restated |
|---|---|---|
| Advertising and promotions | **23 191** | 43 657 |
| Communication costs | **59 359** | 72 561 |
| Consulting fees | **66 783** | 61 435 |
| Consumables used | **883 254** | 886 900 |
| Depreciation on owned property, plant and equipment | **113 867** | 117 624 |
| Depreciation on right-of-use assets | **61 735** | 56 428 |
| Employee benefits | **1 497 745** | 1 386 055 |
| Freight | **209 671** | 197 363 |
| Other expenses | **372 511** | 275 480 |
| Loss on sale of property plant and equipment | **8 451** | |
| Land and buildings – utilities | **24 356** | 4 157 |
| Low value lease expenses | **11** | 5 284 |
| Motor vehicle costs (Includes motor vehicle running costs, repairs and maintenance) | **30 025** | 20 077 |
| Product testing | **90 101** | 87 587 |
| Services received | **100 878** | 88 023 |
| Short term lease expenses | **2 712** | 4 037 |
| Travel and accommodation | **33 789** | 17 012 |
| | **3 578 439** | **3 323 680** |

## 6. OTHER INCOME

| | | Restated |
|---|---|---|
| Grant Income | | 10 628 |
| Miscellaneous Income | **2 050** | 3 773 |
| Discount received | **2** | 686 |
| Profit on sale of property, plant and equipment | **–** | 8 922 |
| | **2 052** | **24 009** |

| | 2023 R'000 | 2022 R'000 Restated |
|---|---|---|
| **7. NET INTEREST RECEIVED** | | |
| Interest received – Bank | **129 482** | 76 232 |
| **Interest Expense** | **(21 474)** | **(22 282)** |
| Interest charged by suppliers | **(6 152)** | (6 350) |
| Interest on lease liabilities | **(15 322)** | (15 931) |
| | **108 008** | **53 950** |
| **Interest paid** | | |
| Interest charged to the surplus and deficit | **21 474** | 22 282 |
| Unpaid IFRS 16 lease liability interest | **(82)** | (964) |
| Interest accrued on post-retirement medical aid obligation | **(6 148)** | (6 002) |
| Interest paid per cash flow statement | **15 244** | 15 316 |

## 8. SURPLUS FOR THE YEAR

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

| | 2023 R'000 | 2022 R'000 Restated |
|---|---|---|
| Auditor's remuneration | **17 574** | 18 903 |
| External audit – current year fees | **5 299** | 4 717[2] |
| External audit – prior year fees | **635** | 2 265[2] |
| Internal audit fees | **11 640** | 11 921[1] |

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

[2] The prior year disclosure has been changed to split the current and prior year audit fee in line with the current year's disclosure.

| | 2023 R'000 | 2022 R'000 Restated |
|---|---|---|
| Depreciation on owned property, plant and equipment | **113 868** | 117 624 |
| Buildings | **19 147** | 14 374 |
| Computer equipment | **46 389** | 42 236 |
| Furniture and fittings | **4 920** | 5 658 |
| Motor vehicles | **10 077** | 21 288 |
| Plant and equipment | **33 335** | 34 068 |
| Depreciation on right-of-use assets | **61 735** | 56 427 |
| Plant and equipment | **24 746** | 17 730 |
| Land and Buildings | **36 989** | 38 697 |
| Directors' emoluments (refer to Note 24) | **28 374** | 24 972 |
| Executive directors and prescribed officers | **23 216** | 20 369 |
| Non-Executive directors | **5 158** | 4 603 |
| Net gain on foreign currency transactions | **62** | (7) |
| Employee benefits | **1 497 745** | 1 386 055 |
| Salaries and wages | **964 921** | 901 373 |
| Bonus | **156 543** | 136 107 |
| Other | **158 893** | 153 241 |
| Pension | **124 343** | 115 268 |
| Medical Aid | **80 436** | 73 245 |
| Leave | **12 609** | 6 821 |
| Net (profit)/loss on disposal of property, plant and equipment | **8 451** | (8 922) |
| Lease expenses | **27 079** | 13 838 |
| Land and buildings – utilities | **24 356** | 4 517 |
| Plant and equipment – Low value lease expenses | **11** | 5 284 |
| Land and buildings – Short term lease expenses | **2 712** | 4 037 |

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*

## 9. TAXATION

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

## 10. PROPERTY, PLANT AND EQUIPMENT OWNED

| 2023 | Beginning of year R'000 | Additions R'000 | Disposals R'000 | Transfer to assets held for sale R'000 | End of year R'000 |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| Land and buildings | **580 806** | 20 543 | (17) | – | **601 332** |
| Plant and equipment | **345 704** | 29 568 | (17 827) | – | **357 445** |
| Motor vehicles | **144 698** | 42 285 | (20 710) | (467) | **165 806** |
| Computer equipment | **311 405** | 30 388 | (2 383) | – | **339 410** |
| Furniture and fittings | **41 069** | 3 560 | (2 168) | – | **42 461** |
| | **1 423 682** | **126 344** | **(43 105)** | **(467)** | **1 506 454** |

| | Beginning of year R'000 | Charge for the year R'000 | Disposals R'000 | Held for sale R'000 | End of year R'000 |
|---|---|---|---|---|---|
| **Accumulated depreciation** | | | | | |
| Land and buildings | **79 167** | 19 147 | (2) | – | **98 312** |
| Plant and equipment | **267 348** | 33 335 | (15 714) | – | **284 969** |
| Motor vehicles | **66 440** | 10 077 | (14 256) | (320) | **61 941** |
| Computer equipment | **185 006** | 46 389 | (558) | – | **230 837** |
| Furniture and fittings | **35 692** | 4 920 | (2 028) | – | **38 584** |
| | **633 653** | **113 868** | **(32 558)** | **(320)** | **714 643** |

| | Cost R'000 | Accumulated depreciation R'000 | Net carrying value R'000 |
|---|---|---|---|
| **Net carrying value** | | | |
| Land and buildings | 601 332 | 98 312 | **503 020** |
| Plant and equipment | 357 445 | 284 969 | **72 476** |
| Motor vehicles | 165 806 | 61 941 | **103 865** |
| Computer equipment | 339 410 | 230 837 | **108 573** |
| Furniture and fittings | 42 461 | 38 584 | **3 877** |
| | **1 506 454** | **714 643** | **791 811** |

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

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*

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

| 2022 | Beginning of year R'000 | Additions R'000 | Disposals R'000 | Held for sale R'000 | End of year R'000 |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| Land and buildings | **563 811** | 29 048 | (12 049) | (4) | **580 806** |
| Plant and equipment | **392 475** | 16 545 | (63 316) | – | **345 704** |
| Motor vehicles | **155 443** | 6 457 | (15 848) | (1 354) | **144 698** |
| Computer equipment | **312 724** | 77 540 | (78 860) | – | **311 404** |
| Furniture and fittings | **39 693** | 6 116 | (4 740) | – | **41 069** |
| | **1 464 146** | **135 706** | **(174 813)** | **(1 358)** | **1 423 681** |

| | Beginning of year R'000 | Charge for the year R'000 | Disposals R'000 | Held for sale R'000 | End of year R'000 |
|---|---|---|---|---|---|
| **Accumulated depreciation** | | | | | |
| Land and buildings | **69 877** | 14 400 | (5 114) | 4 | **79 167** |
| Plant and equipment | **292 175** | 34 068 | (58 895) | – | **267 348** |
| Motor vehicles | **56 978** | 21 262 | (10 893) | (907) | **66 440** |
| Computer equipment | **221 511** | 42 236 | (78 741) | – | **185 006** |
| Furniture and fittings | **34 670** | 5 658 | (4 636) | – | **35 692** |
| | **675 211** | **117 624** | **(158 279)** | **(903)** | **633 653** |

| | Cost R'000 | Accumulated depreciation R'000 | Net carrying value R'000 |
|---|---|---|---|
| **Net carrying value** | | | |
| Land and buildings | 580 806 | 79 167 | **501 639** |
| Plant and equipment | 345 704 | 267 348 | **78 356** |
| Motor vehicles | 144 698 | 66 440 | **78 258** |
| Computer equipment | 311 404 | 185 006 | **126 398** |
| Furniture and fittings | 41 069 | 35 692 | **5 377** |
| | **1 423 681** | **633 653** | **790 028** |

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

## 11. RIGHT-OF-USE ASSETS

| 2023 | Property R'000 | Equipment R'000 | Total R'000 |
|---|---|---|---|
| **Cost** | | | |
| As at 31 March 2022 | 166 394 | 119 823 | 286 217 |
| Additions | 28 181 | – | 28 181 |
| Disposals | (31 393) | – | (31 393) |
| **As at 31 March 2023** | **163 182** | **119 823** | **283 005** |
| **Accumulated depreciation** | | | |
| As at 31 March 2022 | 103 739 | 26 426 | 130 165 |
| Depreciation for the year | 36 988 | 24 746 | 61 734 |
| Disposals | (31 393) | – | (31 393) |
| **As at 31 March 2023** | **109 334** | **51 172** | **160 506** |

| Net carrying value | Cost | Accumulated Depreciation | Net Carrying value |
|---|---|---|---|
| Property | 163 182 | (109 334) | 53 848 |
| Equipment | 119 823 | (51 172) | 68 651 |
| | **283 005** | **(160 506)** | **122 499** |

| 2022 | Property R'000 | Equipment R'000 | Restated Total R'000 |
|---|---|---|---|
| **Cost** | | | |
| As at 31 March 2021 | 125 306 | 19 328 | 144 634 |
| Additions | 42 116 | 100 495 | 142 611 |
| Disposals | (1 027) | – | (1 027) |
| **As at 31 March 2022** | **166 395** | **119 823** | **286 218** |
| **Accumulated depreciation** | | | |
| As at 31 March 2021 | 65 594 | 8 696 | 74 290 |
| Depreciation for the year | 38 697 | 17 730 | 56 427 |
| Disposals | (553) | – | (553) |
| **As at 31 March 2022** | **103 738** | **26 426** | **130 164** |

| Net carrying value | Cost | Accumulated Depreciation | Net Carrying value |
|---|---|---|---|
| Property | 166 395 | (103 738) | 62 657 |
| Equipment | 119 823 | (26 426) | 93 397 |
| | **286 218** | **(130 164)** | **156 054** |

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*

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

| | 2023 R'000 | Restated 2022 R'000 |
|---|---|---|
| **Lease liabilities** | | |
| Opening balance | **174 864** | 78 979 |
| Additions | **28 180** | 142 641 |
| Disposals | **–** | (559) |
| Interest accrued | **82** | 964 |
| Lease payments | **(73 096)** | (47 161) |
| **Closing balance** | **130 030** | 174 864 |

| | 2023 R'000 | Restated 2022 R'000 |
|---|---|---|
| **Long term lease liabilities** | | |
| Property | **32 504** | 36 110 |
| Equipment | **45 721** | 67 783 |
| | **78 225** | 103 893 |
| **Short term lease liabilities** | | |
| Property | **28 836** | 34 831 |
| Equipment | **22 968** | 36 140 |
| | **51 804** | 70 971 |
| **Total liabilities** | | |
| Property | **61 341** | 70 941 |
| Equipment | **68 689** | 103 923 |
| | **130 030** | 174 864 |
| **Maturity analysis – Contractual undiscounted cash flows** | | |
| Less than one year | **62 911** | 71 588 |
| One to five years | **87 698** | 119 551 |
| Total undiscounted cash flows | **150 609** | 191 139 |

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

| | | |
|---|---|---|
| **Expense** | | |
| Short-term lease expenses | **2 712** | 4 037 |
| Low-vale lease expenses | **11** | 5 284 |
| | **2 723** | 9 321 |

## 12. INVENTORIES

| | | |
|---|---|---|
| Consumables | 171 115 | 130 161 |
| Provision for obsolescence | (44 332) | (10 497) |
| | 126 783 | 119 664 |

Total consumables charged to operating expenditure during the year amounted to R883 million (2022: R885 million).

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*

## 13. TRADE AND OTHER RECEIVABLES

| | 2023 R'000 | Restated 2022 R'000 |
|---|---|---|
| Trade receivables | **826 946** | 861 396 |
| Sundry receivables | **140 240** | 88 570 |
| | **967 186** | 949 966 |
| Trade receivables: | | |
| Gross receivables | **1 845 595** | 1 799 333 |
| Expected credit loss | **(1 018 649)** | (937 937) |
| | **826 946** | 861 396 |

SANBS applies the simplified approach for providing for expected credit losses prescribed by IFRS 9, which permits the use of lifetime expected loss provisions for all trade receivables. The consolidated loss allowance as at 31 March 2023 is determined as follows:

| Consolidated | Current R'000 | 1–30 days past due R'000 | 31–60 days past due R'000 | 61–90 days past due R'000 | 91–120 days past due R'000 | More than 120 days past due R'000 | Total R'000 |
|---|---|---|---|---|---|---|---|
| **2023** | | | | | | | |
| Gross carrying amount | 237 017 | 136 400 | 123 244 | 140 181 | 42 316 | 1 166 438 | 1 845 595 |
| Expected credit loss | (4 397) | (14 964) | (24 147) | (55 270) | (27 388) | (892 483) | (1 018 649) |
| Net carrying amount | **232 620** | **121 436** | **99 097** | **84 911** | **14 928** | **273 955** | **826 946** |
| Expected weighted average loss rate | **2%** | **11%** | **20%** | **39%** | **39%** | **77%** | **55%** |

The loss allowance per different customer segments as at 31 March 2023 is as follows:

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **2023** | | | | | | | |
| **State hospitals** | | | | | | | |
| Gross carrying amount | 115 056 | 137 793 | 102 898 | 87 200 | 18 780 | 244 806 | 706 533 |
| Expected credit loss | (1 126) | (11 411) | (12 132) | (24 090) | (7 449) | (105 934) | (162 144) |
| Net carrying amount | **113 930** | **126 382** | **90 766** | **63 110** | **11 331** | **138 871** | **544 389** |
| Expected credit loss rate | **1%** | **8%** | **12%** | **28%** | **40%** | **43%** | **23%** |
| **Government Institutions** | | | | | | | |
| Gross carrying amount | 2 714 | 3 450 | 3 764 | 3 681 | 3 461 | 178 214 | 195 285 |
| Expected credit loss | (292) | (1 731) | (2 283) | (2 835) | (2 842) | (152 693) | (162 675) |
| Net carrying amount | **2 422** | **1 719** | **1 481** | **846** | **619** | **25 521** | **32 610** |
| Expected credit loss rate | **11%** | **50%** | **61%** | **77%** | **82%** | **86%** | **83%** |

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*

### 13. TRADE AND OTHER RECEIVABLES *(continued)*

| Consolidated | Current R'000 | 1–30 days past due R'000 | 31–60 days past due R'000 | 61–90 days past due R'000 | 91–120 days past due R'000 | More than 120 days past due R'000 | Total R'000 |
|---|---|---|---|---|---|---|---|
| **2023** | | | | | | | |
| **Medical aid institutions** | | | | | | | |
| Gross carrying amount | 77 683 | 1 267 | 14 509 | 4 176 | 14 906 | 371 608 | 484 150 |
| Expected credit loss | (1 331) | (419) | (7 244) | (2 797) | (12 118) | (315 237) | (339 147) |
| Net carrying amount | 76 352 | 848 | 7 265 | 1 379 | 2 788 | 56 371 | 145 003 |
| Expected credit loss rate | 2% | 33% | 50% | 67% | 81% | 85% | 70% |
| **Foreign entities** | | | | | | | |
| Gross carrying amount | 2 148 | 4 110 | 1 165 | 1 397 | 3 150 | 40 999 | 52 969 |
| Expected credit loss | (275) | (2 660) | (1013) | (1 215) | (2739) | (35 651) | (43 553) |
| Net carrying amount | 1 873 | 1 450 | 152 | 182 | 411 | 5 348 | 9 416 |
| Expected credit loss rate | 13% | 65% | 54% | 87% | 87% | 87% | 82% |
| **Foreign Private Patients** | | | | | | | |
| Gross carrying amount | 437 | 873 | 757 | 519 | 1 104 | 23 977 | 27 667 |
| Expected credit loss | (27) | (224) | (374) | (379) | (893) | (20 850) | (22 746) |
| Net carrying amount | 410 | 649 | 383 | 140 | 211 | 3 127 | 4 922 |
| Expected credit loss rate | 6% | 26% | 49% | 73% | 81% | 87% | 82% |
| **Private institutions** | | | | | | | |
| Gross carrying amount | 35 055 | (16 861) | (5 671) | 37 039 | (5 548) | 77 890 | 121 904 |
| Expected credit loss | (997) | 3 718 | 2 111 | (19 432) | 3 701 | (67 051) | (77 951) |
| Net carrying amount | 34 058 | (13 143) | (3 560) | 17 607 | (1 847) | 10 839 | 43 953 |
| Expected credit loss rate | 3% | (22%) | (37%) | 52% | 67% | 86% | 64% |
| **Private Patients** | | | | | | | |
| Gross carrying amount | 3 922 | 5 769 | 5 823 | 6 169 | 6 463 | 228 942 | 257 088 |
| Expected credit loss | (348) | (2 237) | (3 213) | (4 523) | (5 048) | (195 065) | (210 435) |
| Net carrying amount | 3 574 | 3 532 | 2 610 | 1 646 | 1 415 | 33 877 | 46 663 |
| Expected credit loss rate | 9% | 39% | 55% | 73% | 78% | 85% | 82% |

## 13. TRADE AND OTHER RECEIVABLES *(continued)*

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

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

| | Current R'000 | 1–30 days past due R'000 | 31–60 days past due R'000 | 61–90 days past due R'000 | 91–120 days past due R'000 | More than 120 days past due R'000 | Total R'000 |
|---|---|---|---|---|---|---|---|
| **2022** | | | | | | | |
| **State hospitals** | | | | | | | |
| Gross carrying amount | 296 091 | (2 225) | 125 338 | 74 564 | (1 765) | 238 651 | 730 654 |
| Expected credit loss | (2 798) | 182 | (15 057) | (19 308) | 549 | (160 284) | (196 716) |
| Net carrying amount | **293 293** | **(2 043)** | **110 281** | **55 256** | **(1 216)** | **78 367** | **533 938** |
| Expected credit loss rate | **1%** | **(8%)** | **12%** | **26%** | **(31%)** | **67%** | **27%** |
| **Government Institutions** | | | | | | | |
| Gross carrying amount | 7 815 | – | 5 769 | 2 354 | (1) | 142 413 | 158 350 |
| Expected credit loss | (732) | – | (3 119) | (1 551) | – | (123 872) | (129 274) |
| Net carrying amount | **7 083** | **–** | **2 650** | **803** | **(1)** | **18 541** | **29 076** |
| Expected credit loss rate | **9%** | **0%** | **54%** | **66%** | **0%** | **87%** | **82%** |
| **Medical aid institutions** | | | | | | | |
| Gross carrying amount | 116 125 | 1 020 | 26 603 | 10 505 | 241 | 382 897 | 537 391 |
| Expected credit loss | (2 269) | (421) | (12 926) | (6 713) | (209) | (333 471) | (356 009) |
| Net carrying amount | **113 856** | **599** | **13 677** | **3 792** | **32** | **49 426** | **181 382** |
| Expected credit loss rate | **2%** | **41%** | **49%** | **64%** | **87%** | **87%** | **66%** |
| **Foreign entities** | | | | | | | |
| Gross carrying amount | 4 264 | 2 | 1 774 | 1 363 | (7) | 35 518 | 42 914 |
| Expected credit loss | (231) | (1) | (960) | (945) | 6 | (30 904) | (33 035) |
| Net carrying amount | **4 033** | **1** | **814** | **418** | **(1)** | **4 614** | **9 879** |
| Expected credit loss rate | **5%** | **50%** | **54%** | **69%** | **(86%)** | **87%** | **77%** |
| **Foreign Private Patients** | | | | | | | |
| Gross carrying amount | 1 017 | 2 | 586 | 369 | – | 18 615 | 20 589 |
| Expected credit loss | (47) | – | (264) | (236) | – | (16 045) | (16 592) |
| Net carrying amount | **970** | **2** | **322** | **133** | **–** | **2 570** | **3 997** |
| Expected credit loss rate | **5%** | **0%** | **45%** | **64%** | **0%** | **86%** | **81%** |

# NOTES TO THE FINANCIAL STATEMENTS *(continued)*

## 13. TRADE AND OTHER RECEIVABLES *(continued)*

| | Current R'000 | 1–30 days past due R'000 | 31–60 days past due R'000 | 61–90 days past due R'000 | 91–120 days past due R'000 | More than 120 days past due R'000 | Total R'000 |
|---|---|---|---|---|---|---|---|
| **Private institutions** | | | | | | | |
| Gross carrying amount | 39 610 | 59 | 31 793 | 1 165 | (13) | 36 821 | 109 435 |
| Expected credit loss | (646) | (14) | (10 701) | (608) | 9 | (32 241) | (44 201) |
| Net carrying amount | **38 964** | **45** | **21 092** | **557** | **(4)** | **4 580** | **65 234** |
| Expected credit loss rate | **2%** | **24%** | **34%** | **52%** | **(69%)** | **88%** | **40%** |
| **Private Patients** | | | | | | | |
| Gross carrying amount | 10 541 | (7) | 8 891 | 4 965 | (1) | 175 611 | 200 000 |
| Expected credit loss | (879) | 3 | (4 978) | (3 612) | – | (152 644) | (162 110) |
| Net carrying amount | **9 662** | **(4)** | **3 913** | **1 353** | **(1)** | **22 967** | **37 890** |
| Expected credit loss rate | **8%** | **43%** | **56%** | **73%** | **0%** | **87%** | **81%** |

The negative balances on the debtor's ageing are due to receipts being above the outstanding balance as a result of unallocated partial and total receipts.

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

| | 2023 R'000 | 2022 R'000 |
|---|---|---|
| **Movement in expected credit loss** | | |
| Balance at beginning of the year | 937 937 | 891 546 |
| Expected credit loss provision raised | 143 030 | 188 417 |
| Expected credit loss provision utilised | (62 318) | (142 026) |
| Balance at the end of the year | 1 018 649 | 937 937 |

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*

## 14. ASSETS HELD-FOR-SALE

| | 2023 R'000 | 2022 R'000 |
|---|---|---|
| Cost | 7 502 | 7 253 |
| Accumulated depreciation | (2 036) | (1 852) |
| | **5 466** | **5 401** |

In the 2020 financial year, the Executive team approved the sale of the property situated at 25 & 27 Pearce Street, East London with a carrying value of R5.3m at 31 March 2020. The sale of this property was approved by the Board on 12 March 2020. No impairment loss was recognised on the reclassification of the properties to assets held for sale. The Executive of the organisation expects that the fair value (estimated based on recent market prices of similar properties in similar locations) less the cost to sell is higher than the carrying amount. An independent valuation valued the property between R9m and R12m. The building has, due to COVID-19, remained in the market for longer than anticipated. It is included in the Assets held for sale balance for both 2021 and 2022. On the 8th of July 2022, SANBS received a signed offer to purchase, for the value of R6 000 000 and the offer was declined by SANBS because it was below the market value. In November 2022, SANBS received a signed offer to purchase, for the value of R9 500 000. The offer price was negotiated and accepted; however, the buyer was not able to obtain funding. The intention to sell the property within the next 12 months still remains as potential clients are still viewing the building.

During the current financial year, the Executive team approved the sale of motor vehicles and they were sent for auction. At year end of the financial year March 2023, five vehicles with a total carrying value of R146 890, remained to be sold. No impairment loss was recognised on the reclassification of the vehicles to assets held for sale. The Executive of the organisation had expected that the fair value (estimated based on recent market prices of similar properties in similar locations) less the cost to sell is higher than the carrying amount.

## 15. PROVISION FOR POST-RETIREMENT MEDICAL AID OBLIGATION

The post-retirement medical aid arrangements provide health benefits to retired employees and certain dependants. Eligibility for cover is dependent upon certain criteria. There are no plan assets in respect of post-retirement medical plans. The post-retirement medical aid liability is valued at intervals of not more than three years using the projected unit credit method. The actual present value of the promised benefit at the most recent valuation performed in 2023 indicates that the contractual post-retirement medical aid liability is adequately provided for within the annual financial statements.

| | 2023 R'000 | 2022 R'000 |
|---|---|---|
| Provision for post-retirement medical obligations – long term | 45 642 | 52 370 |
| Short term portion | 3 362 | 3 465 |
| **Balance at the end of the year** | **49 004** | **55 835** |

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*

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

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

| | 2023 R'000 | 2022 R'000 |
|---|---|---|
| **Balance at the beginning of the year** | **55 835** | 53 539 |
| Current service cost | **637** | 657 |
| Interest cost | **6 148** | 6 002 |
| Expected employer benefit payments | **(3 642)** | (3 447) |
| Actuarial (gain)/loss | **(9 974)** | (916) |
| **Balance at the end of the year** | **49 004** | 55 835 |
| **Actuarial valuation assumptions** | | |
| Average retirement age | **65 years** | 65 years |
| Continuation of membership at retirement | **100,00%** | 100,00% |
| Health care cost inflation | **8.20%** | 8.40% |
| Discount rate | **12.20%** | 11.40% |

**Actuarial valuation assumptions and sensitivity analysis**

| **31 March 2023** | **Base assumption** | **Change in assumption** | **Decrease in assumption 2023 R'000** | **Increase in assumption 2023 R'000** |
|---|---|---|---|---|
| **Impact on post-retirement medical aid obligation** | | | | |
| Discount rate | **12.20%** | **1 %** | **5 189** | **(4 371)** |
| Health care cost inflation | **8.20%** | **1 %** | **(4 336)** | **5 517** |
| Current Service Cost + Interest Cost | **8.40%** | **1 %** | **(700)** | **763** |
| Expected Retirement Age | | **1 Year** | **1 681** | **(1 515)** |

| **31 March 2022** | Base assumption | Change in assumption | Decrease in assumption 2022 R'000 | Increase in assumption 2022 R'000 |
|---|---|---|---|---|
| **Impact on post-retirement medical aid obligation** | | | | |
| Discount rate | 11.40% | 1 % | 6 544 | (5 440) |
| Health care cost inflation | 8.40% | 1 % | (5 224) | 8 693 |
| Current Service Cost + Interest Cost | 8.50% | 1 % | (685) | 790 |
| Expected Retirement Age | | 1 Year | 1 413 | (1 634) |

## 16. TRADE AND OTHER PAYABLES

| | 2023 R'000 | 2022 R'000 |
|---|---|---|
| Trade payables | **175 559** | 137 370 |
| Accruals | **56 389** | 87 206 |
| Other payables | **24 450** | 35 827 |
| | **256 398** | 260 403 |

The average credit period from suppliers is 46 days (2022: 48 days).

Other payables includes Vat, income received in advance, PAYE, Compensation for injury on Duty and foreign, and other miscellaneous creditors.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*

## 17.1 PROVISIONS

| | 2023 R'000 | 2022 R'000 |
|---|---|---|
| Leave pay | **88 361** | 83 398 |
| Incentive bonus | **107 261** | 97 500 |
| | **195 622** | 180 898 |
| **Leave pay** | | |
| Opening Balance | **83 399** | 82 492 |
| Additional provisions recognised | **26 732** | 37 844 |
| Reduction due to leave taken | **(21 770)** | (36 938) |
| | **88 361** | 83 398 |

Leave pay provision represents the liability for leave days due to employees at 31 March 2023.

| | | |
|---|---|---|
| **Incentive Bonus** | | |
| Opening Balance | **97 500** | 102 997 |
| Additional provision recognised | **149 370** | 127 455 |
| Reduction due to payments made | **(139 609)** | (132 952) |
| | **107 261** | 97 500 |

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

## 17.2 MEDICAL AID REIMBURSEMENT

| | | |
|---|---|---|
| Opening Balance | **1 340** | 30 060 |
| Utilised during the year | **–** | (9 885) |
| Overprovision released to profit/loss | **–** | (18 835) |
| – Provision released relating to settlements finalised in the Prior year | **–** | – |
| – Provision released relating to settlements finalised in the Current year | **(635)** | (18 835) |
| | **705** | 1 340 |

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

In the financial year ended 31 March 2022, 23 settlement agreements were reached and 10 were outstanding at year end, 5 of which are on hold as they relate to the litigation initiated by SANBS against GEMS.

During the year ended 31 March 2023, 2 settlement agreements were reached and the litigation initiated against GEMS was settled in December 2022. At the end of the 31 March 2023 financial year, 3 settlement agreements were outstanding.

The provision of R0.7 million (2022: R1.3 million) is sufficient to cover the liability to remaining medical aids.

**Sensitivity analysis**

If provision had been 1% higher/lower and all other variables held constant, the surplus for the year would increase/decrease by R0.01 million (2022 increase/decrease by R0.01 million).

## 18. RESTATEMENT OF COMPARITIVES

### 18.1 Errors in Leases

In the financial year ended 31 March 2022, 6 contracts were awarded during the financial period which included the lease components, which were not treated in terms of IFRS 16. Errors are as follows:

- 5 contracts included lease components that relate to Equipment and Machinery
- 1 contract relates to a lease of property.

The annual financial statements have been restated for the year ended 31 March 2022 to correct this error. The effect of the restatement resulted in the following:

| | 2022 | | |
|---|---|---|---|
| **STATEMENT OF FINANCIAL POSITION** | **Previously Report R'000** | **Adjustment R'000** | **Restated R'000** |
| **Non – current assets** | | | |
| Right of use assets | 111 808 | 44 246 | 156 054 |
| **Non – current liabilities** | | | |
| Lease liabilities | 75 132 | 28 761 | 103 893 |
| **Current liabilities** | | | |
| Lease liabilities | 61 434 | 9 537 | 70 971 |
| **STATEMENT OF SURPLUS AND DEFICIT AND OTHER COMPREHENSIVE INCOME** | | | |
| Operating expenses | 3 330 687 | *(7 007) | 3 323 680 |
| Interest expense | 21 222 | 1 059 | 22 281 |

*NOTE 5

| | |
|---|---|
| Depreciation | 4 760 |
| Hire of premises | (2 059) |
| Consumables | (9 708) |
| | (7 007) |

### 18.2 Errors in Revenue

Not all revenue relating to services performed was accrued in the month of March 2022, which resulted in an understatement of R23.6m in revenue and trade and other receivables. The effect of restatement resulted in the following:

| | 2022 | | |
|---|---|---|---|
| **STATEMENT OF FINANCIAL POSITION** | **Previously Report R'000** | **Adjustment R'000** | **Restated R'000** |
| **Current assets** | | | |
| Trade and other receivables | 926 334 | 23 632 | 949 966 |
| **STATEMENT OF SURPLUS AND DEFICIT AND OTHER COMPREHENSIVE INCOME** | | | |
| Revenue | 3 621 629 | 23 632 | 3 645 261 |

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*

## 18. RESTATEMENT OF COMPARITIVES *(continued)*

### 18.3 Errors in Other income

In the financial year ended 31 March 2022, R10.6m grant income relating to research completed was included in Income received in advance that resulted in an overstatement of trade and other payables. This resulted in the restatement of the other Income and trade payables. The effect of restatement resulted in the following:

| | 2022 | | |
|---|---|---|---|
| **STATEMENT OF FINANCIAL POSITION** | **Previously Report R'000** | **Adjustment R'000** | **Restated R'000** |
| **Current liabilities** | | | |
| Trade and other payables | 271 026 | (10 628) | 260 398 |
| **STATEMENT OF SURPLUS AND DEFICIT AND OTHER COMPREHENSIVE INCOME** | | | |
| Other Income | 13 381 | 10 628 | 24 009 |

### 18.4 Overall effect on Reserve

The errors resulted in the restatement of Reserves. The effect of restatement resulted in the following:

| | | | |
|---|---|---|---|
| Reserve | 3 199 133 | 40 208 | 3 239 341 |

### 18.5 Incorrect classification of Investments as Cash and cash equivalents

The Investments were incorrectly classified as Cash and other cash equivalents. This resulted in the restatement of the Investments and Cash and other cash equivalents. The effect of restatement resulted in the following:

| | 2022 | | |
|---|---|---|---|
| **STATEMENT OF FINANCIAL POSITION** | **Previously Report R'000** | **Adjustment R'000** | **Restated R'000** |
| **Current assets** | | | |
| Investments | – | 1 070 000 | 1 070 000 |
| Cash and cash equivalents | 1 891 567 | (1 070 000) | 821 567 |

| | 2021 | | |
|---|---|---|---|
| **STATEMENT OF FINANCIAL POSITION** | **Previously Report R'000** | **Adjustment R'000** | **Restated R'000** |
| **Current assets** | | | |
| Investments | – | 1 340 000 | 1 340 000 |
| Cash and cash equivalents | 1 843 268 | (1 340 000) | 503 268 |

## 18. RESTATEMENT OF COMPARITIVES *(continued)*

| | | 2022 R'000 |
|---|---|---|
| 18.6 | **Cash flow effect based on the above** | |
| | The above correction of errors resulted in the following effect: | |
| | **Cash flow from operating activities** | |
| | Net surplus | 40 208 |
| | Depreciation on right of use asset | 4 760 |
| | Interest expense | 1 059 |
| | **Cash generated from operations** | 46 027 |
| | (Increase)/decrease in trade and other receivables | (23 632) |
| | Increase/(decrease) in trade and other payables | (10 628) |
| | **Net cash from operating activities** | 11 767 |
| | Interest paid | (1 059) |
| | **Net cash generated from operating activities** | 10 708 |
| | **Cash flows from investing activities** | |
| | Acquisition of Investments | (1 070 000) |
| | Proceeds from maturity of investments | 1 340 000 |
| | **Net cash utilised in investing activities** | 270 000 |
| | **Cash flows from financing activities** | |
| | Contractual lease payments | (10 708) |
| | **Net cash utilised in financing activities** | (10 708) |
| | **Increase/(Decrease) in cash for the year** | 270 000 |
| | Cash and cash equivalents at the beginning of the year | (1 340 000) |

| | **2023 R'000** | Restated 2022 R'000 |
|---|---|---|
| **19. INVESTMENT** | | |
| Opening balance | **1 070 000** | 1 340 000 |
| Additions | **1 325 000** | 1 070 000 |
| Maturity of investments | **(1 070 000)** | (1 340 000) |
| | **1 325 000** | 1 070 000 |
| **20. CASH AND CASH EQUIVALENTS** | | |
| Bank Balance | **771 302** | 499 815 |
| Money on Call | **155 050** | 51 752 |
| Cash and cash equivalents | **926 352** | 821 567 |

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*

## 21. CHANGE IN ESTIMATE

During the current financial period, the useful life for vehicles was revised from 4 to 5 years and the residual value was standardised across all the vehicles to 33%. The analysis of the fixed assets register with regard to the vehicles has shown that they are used on average over 5 years and that is not aligned to the current useful life. The residual value was revised to 33% of the acquisition cost which was based on the offered action prices from the third party.

The impact of the above is as follows:

| | 2023<br>R'000 |
|---|---|
| Decrease in depreciation | **12 371** |

The fleet modernization project that is still underway resulted in the disposal of the old fleet in the current financial year which was auctioned through a third party. From this exercise, we obtained the latest and more accurate information to estimate the estimated residual values on future sales, which information was unavailable in the past financial year. The project is still underway and many old vehicles still exist in the asset register. The many changes resulting in the economy and organization strategy will have an effect on the future estimates of the organization. Below are the factors why we cannot do future estimates:

- The project of disposing of the old fleet
- The price change of vehicles
- The unstable economy in South Africa
- The changing base in the needs of the organization
- The introduction of drones

## 22. PENSION AND PROVIDENT FUND INFORMATION

SANBS provides retirement benefits for all eligible permanent employees through a defined contribution provident fund, which is governed by the Pension Funds Act (Act 24 of 1956). At year-end there were 2 517 (2022: 2 339) employees on this fund. SANBS's contribution to this fund expensed during the current financial year amounted to R124 342 815 (2022: R115 267 545).

## 23. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT POLICIES

**Interest rate risk**

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

**Interest rate risk management**

SANBS manages its interest rate risk by negotiating favourable rates with its bankers. When deemed necessary interest rate quotes are obtained from other financial institutions to ensure that rates paid are market-related. Per the Investment Policy, funds may only be invested in the top four banks in South Africa.

**Interest rate sensitivity**

If the interest rate had been 1% higher/lower and all other variables held constant, the surplus for the year would increase/decrease by R1.2 million (2022 increase/decrease by R0.6 million).

**Liquidity risk**

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

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*

## 23. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT POLICIES *(continued)*

### Foreign currency risk

SANBS purchases certain inputs directly from foreign suppliers; consequently, these input costs are influenced by fluctuations in the value of the rand. It is not the policy of SANBS to routinely take out forward exchange contracts.

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

| Exchange rates: | 2023 | 2022 |
|---|---|---|
| USD | **17.74** | 14.62 |
| Euro | **19.28** | 16.22 |
| AUD | **11.89** | 10.96 |
| GBP | **21.94** | 19.23 |

| Current liabilities in: | R'000 | R'000 |
|---|---|---|
| Trade payables in USD denominated, translated to functional currency | **6 972** | 8 224 |
| Trade payables in Euro denominated, translated to functional currency | **12 530** | 1 654 |
| Trade payables in AUD denominated, translated to functional currency | **9** | – |
| Trade payables in GBP denominated, translated to functional currency | **23** | – |

### Foreign currency sensitivity

SANBS's exchange rate exposure relates mainly to the USD/UERO. The following table details SANBS's sensitivity to a 10% depreciation in the rand against the USD/UERO. 10% is the sensitivity rate that represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year-end for a 10% change in foreign currency rates.

| | | |
|---|---|---|
| 10% foreign currency sensitivity – USD | **697** | 822 |
| 10% foreign currency sensitivity – Euro | **1 253** | 165 |
| 10% foreign currency sensitivity – AUD | **1** | – |
| 10% foreign currency sensitivity – GBP | **2** | – |

### Fair-value

The directors are of the opinion that the book value of financial instruments approximates the fair-value.

### Fair-value hierarchy

Level 1: Fair-value derived from quoted prices in active markets.

Level 2: Fair-value derived through the use of valuation techniques based on observable inputs.

Level 3: Fair-value derived through the use of valuation techniques using inputs not based on observable market data.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*

## 23. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT POLICIES *(continued)*

| 2023 | R'000 |
|---|---|
| **Financial assets** | |
| Investments | 1 325 000 |
| Cash and cash equivalents | 926 352 |
| Trade receivables | 826 946 |
| Total | **3 078 298** |
| **Items included in trade and other receivables but not classified as financial instruments** | |
| Prepaid expenses | **140 240** |

| 2023 | R'000 |
|---|---|
| **Financial Liabilities** | |
| Interest bearing liabilities | 130 030 |
| Medical Aid Reimbursement Provision | 705 |
| Trade and other payables | 256 398 |
| Total | **387 133** |
| **Items included in trade and other payables but not classified as financial instruments** | |
| Compensation for Occupational Injuries and Diseases provision | 6 431 |
| Provision for audit fees | 5 299 |
| Value Added Taxation | 5 200 |
| | **16 930** |
| **Items included in provisions but not classified as financial instruments** | |
| Bonus provision | 107 261 |
| Leave pay provision | 88 361 |
| | **195 622** |

**Classification of financial instruments**

| 2023 | Amortised cost R'000 | Total R'000 |
|---|---|---|
| **Assets** | | |
| Investments | 1 325 000 | 1 325 000 |
| Cash and cash equivalents | 926 352 | 926 352 |
| Trade receivables | 826 946 | 826 946 |
| **Total** | **3 078 298** | **3 078 298** |
| **Liabilities** | | |
| Interest bearing liabilities | 130 030 | 130 030 |
| Trade and other payables | 256 398 | 256 398 |
| Medical Aid Reimbursement Provision | 705 | 705 |
| **Total** | **387 133** | **387 133** |

## 23. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT POLICIES *(continued)*

| 2022 | R'000 |
|---|---|
| **Financial assets** | |
| Investments | 1 070 000 |
| Cash and cash equivalents | 821 567 |
| Trade receivables | 861 396 |
| **Total** | **2 752 963** |
| **Items included in trade and other receivables but not classified as financial instruments** | |
| Prepaid expenses | **88 569** |
| **Financial Liabilities** | |
| Interest bearing liabilities | 174 865 |
| Medical Aid Reimbursement Provisions | 1 340 |
| Trade and other payables | 248 154 |
| **Total** | **424 359** |
| **Items included in trade and other payables but not classified as financial instruments** | |
| Compensation for Occupational Injuries and Diseases provision | 5 840 |
| Provision for audit fees | 4 713 |
| Value Added Taxation | 1 694 |
| **Total** | **12 247** |
| **Items included in provisions but not classified as financial instruments** | |
| Bonus provision | 97 500 |
| Leave pay provision | 83 398 |
| | **180 898** |

**Classification of financial instruments**

| 2022 | Amortised cost R'000 | Total R'000 |
|---|---|---|
| **Assets** | | |
| Investments | 1 070 000 | 1 070 000 |
| Cash and cash equivalents | 821 567 | 821 567 |
| Trade receivables | 861 396 | 861 396 |
| **Total** | **2 752 963** | **2 752 963** |
| **Liabilities** | | |
| Interest-bearing liabilities | 174 864 | 174 864 |
| Trade and other payables | 248 154 | 248 154 |
| Medical Aid Reimbursement Provisions | 1 340 | 1 340 |
| **Total** | **424 358** | **424 358** |

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*

## 24. CAPITAL COMMITMENTS

| | 2023 R'000 | 2022 R'000 |
|---|---|---|
| Commitments in respect of capital expenditure: | | |
| Approved by directors – not contracted for | | |
| Building and leasehold improvements | **98 104** | 22 922 |
| Computer hardware and software | **53 981** | 34 089 |
| Furniture and fittings | **8 299** | 72 234 |
| IT Projects | **46 572** | 72 898 |
| Motor vehicles | **52 881** | 77 190 |
| Plant and equipment | **102 357** | 179 970 |
| | **362 194** | 459 303 |

## 25. GUARANTEES, CREDIT FACILITIES AND COLLATERALS

### 25.1 GUARANTEES

Financial Institutions have issued guarantees on behalf of SANBS to the value of R5 340 804 (2022: R5 466 269). Guarantees are issued for our bankers to our lessors for deposits due for rental premises used by the SANBS.

### 25.2 Credit facilities

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

| | | |
|---|---|---|
| Limits of credit facilities available to SANBS | **177 000** | 172 500 |
| Total undrawn credit facilities at year end | **177 000** | 172 500 |

### 25.3 Collateral

Cash and cash equivalents amounting to R177 million (2022: R173 million) have been ceded as security for credit facilities agreements.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*

## 26. DIRECTORS AND PRESCRIBED OFFICERS EMOLUMENTS

| 2023 | Basic Salary R'000 | Bonus R'000 | Other Benefits R'000 | Total R'000 |
|---|---|---|---|---|
| **Executive Directors** | | | | |
| K van den Berg | 2 399 | 262 | 749 | 3 410 |
| R Reddy | 3 885 | 414 | 1 088 | 5 387 |
| **Prescribed Officers** | | | | |
| A Mothokoa (Resigned 01.12.2022) | 1 446 | 246 | 925 | 2 617 |
| F Monkwe | 2 189 | 253 | 903 | 3 345 |
| M Vermeulen | 2 089 | 240 | 1 118 | 3 447 |
| S Prithvi Raj | 1 983 | 239 | 890 | 3 112 |
| T Kgage (Appointed 01.08.2022) | 1526 | – | 370 | 1896 |
| | 15 517 | 1 654 | 6 043 | 23 214 |

| 2023 | Remuneration R'000 | Other Benefits | Total R'000 |
|---|---|---|---|
| **Non-executive directors** | | | |
| A Ramalho | 695 | – | 695 |
| C Henry | 492 | 8 | 500 |
| F Burn | 492 | 1 | 493 |
| G Leong | 527 | 2 | 529 |
| J Black | 484 | – | 484 |
| L. Molefe (appointed 19.11.2022) | 120 | 1 | 121 |
| M Vaithilingum | 555 | – | 555 |
| P Mthethwa | 503 | 1 | 504 |
| S Fakie | 661 | – | 661 |
| T Mokgatlha | 596 | 20 | 616 |
| | 5 125 | 33 | 5 158 |

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*

## 26. DIRECTORS AND PRESCRIBED OFFICERS EMOLUMENTS *(continued)*

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

| 2022 | Remuneration R'000 | Other Benefits | Total R'000 |
|---|---|---|---|
| **Non-executive directors** | | | |
| A Ramalho | 693 | – | 693 |
| C Henry (Appointed 20.11.2021) | 98 | – | 98 |
| F Burn | 506 | – | 506 |
| G Leong | 456 | – | 456 |
| J Black (Appointed 20.11.2021) | 105 | – | 105 |
| M Vaithilingum | 492 | – | 492 |
| P Knox (Retired 20.11.2021) | 411 | – | 411 |
| P Mthethwa | 447 | – | 447 |
| R Theunissen (Retired 20.11.2021) | 415 | – | 415 |
| S Fakie | 551 | – | 551 |
| T Mokgatlha (Appointed 16.04.2021) | 429 | – | 429 |
| | 4 603 | – | 4 603 |

## 27. RELATED PARTIES

Directors above are key management therefore related parties.

## 28. SUBSEQUENT EVENTS

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

### 28.1 Appointments

Daniel Olifant was appointed as Chief Human Capital Officer of SANBS effective 1 May 2023.

Sibusisiwe Sibanda was appointed as Executive: Corporate Services of SANBS effective 1 June 2023.

## 29. GOING CONCERN

The directors believe that SANBS has adequate financial resources to continue in operation for the foreseeable future and accordingly the annual financial statements have been prepared based on a going concern basis. The directors have satisfied themselves that SANBS is in a sound financial position and that it has access to sufficient borrowing facilities to meet its foreseeable cash requirements. The directors are not aware of any new material changes, non-compliance with statutory or regulatory requirements or of any pending changes to legislation, which may affect SANBS.