# 2009
# 2010

ANNUAL REPORT

SABS

*Your business. Your partner*

## OUR MANDATE

*In terms of the new Act, the objects of the SABS are to:*

- *develop, promote and maintain South African National Standards;*
- *promote quality in connection with commodities, products and services; and*
- *render conformity assessment services and matters connected therewith.*

## VISION

*The vision of the South African Bureau of Standards (SABS) is to be the trusted third party that offers uncompromised value-added standardization services.*

## MISSION

*We will be proactive in providing trusted and independent standardization services that will result in:*

- *Protection of the integrity of the South African market;*
- *Protection of the South African consumer;*
- *Creation of a competitive advantage for the South African industry; and*
- *Access by South Africans to markets locally and internationally.*

# CONTENTS

# HIGHLIGHTS

- *SABS successfully hosted the 32nd International Organization for Standardization (ISO) General Assembly in Cape Town. This was the first time that the ISO General Assembly was held in Africa.*
- *An energy efficient custom designed laboratory complex is being erected at the SABS Groenkloof campus and should be completed in April 2011.*
- *The Design Institute celebrated 40 years of existence during 2009, culminating in an exhibition that offered one of the most extensive overviews of South African designed products to date.*
- *A major contract was awarded to the SABS for the certification of the Environmental Management System to the requirements of ISO 14001:2004 at all the national sites of Transnet Rail Engineering.*
- *SABS National Electrical Test Facility (NETFA) recorded several firsts in growing the business, including the performance of a 3-Phase Corona Test in its High Voltage Laboratory for the first time in South Africa.*
- *Eskom commissioned the SABS NETFA facility to carry out testing of the 765kV Double Tower Design in preparation for its new transmission technology rollout. The new transmission line will be commissioned between the Cape, KwaZulu-Natal (KZN) and Gauteng and will operate at considerably higher alternating current (AC) voltages than in the past.*
- *Chromatographic Services became a contract laboratory for a multi-national agrochemical company based in the United Kingdom for Organization for Economic Cooperation and Development Good Laboratory Practice (OECD GLP) compliant residue decline studies. As a result, three studies to the value of approximately R1,000,000 were initiated. The data generated will form part of pesticide registration applications to the European Union Regulatory Authorities.*
- *The Building, Construction and Packaging Laboratory won the internationally advertised tender to perform third party quality and testing services on behalf of the Malawian government.*
- *SANS 10366, Health and safety at events – contains valuable forms and checklists to assist users in complying with the rules and regulations governing the events industry in time for the Fédération Internationale de Football Association (FIFA) 2010 Word Cup tournament.*
- *Transportation Certification is in the final stages of creating a certification scheme for Bus Operators. This scheme will verify that the approximately 400 bus operators' activities conform to SANS 10399:2003. The certification will form part of the campaign to reduce road deaths on South African roads.*
- *The number of SABS approved Solar Water Heating systems is steadily rising, as is the number of products tested for acceptance onto the Eskom Demand Side Management (DSM) programme, representing a significant replacement for electrically powered water heating systems.*
- *The Food and Water Chemistry department achieved excellent external income growth of 28%, with a productivity rating of 84%. This was mostly attributable to 19% growth in the Proficiency Testing programme (The South African National Accreditation System (SANAS) accredited PTS0003) and 17% growth in Water Testing (SANAS accredited T0319).*
- *SABS Standards met its target of producing standards at a total cost of R1,500 per page, exceeded all other quantitative Key Performance Indicators as set by **the dti** and continued to produce standards more quickly than the internationally accepted benchmark.*
- *Revenue increased in real terms with an increase of 9% being achieved.*
- *Efforts to curb increases in expenditure above inflation were successful with total expenditure only increasing by 5% to R516.6 million.*

**Figure 1: Graphical representation of standards completed**

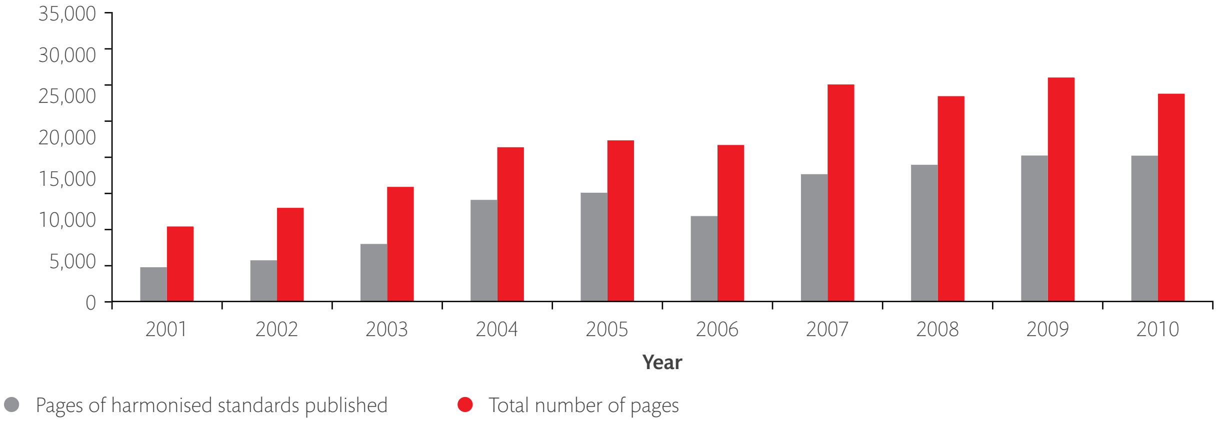
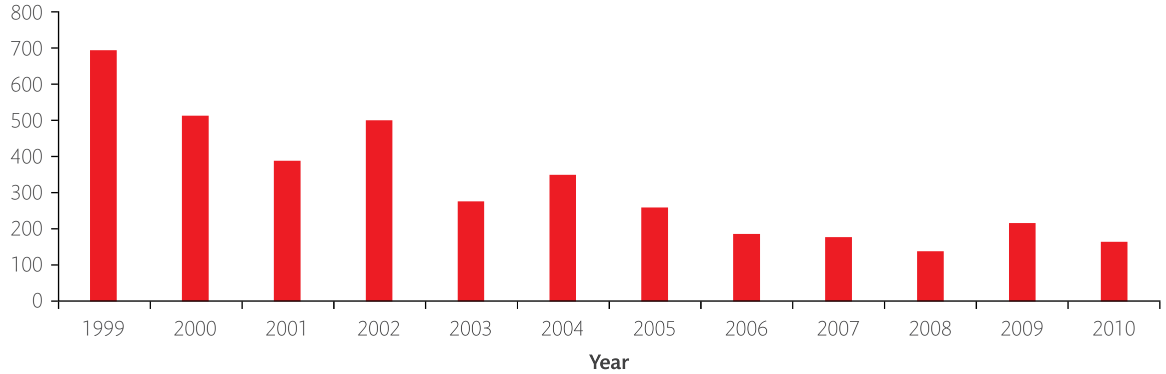



**Figure 2: Total number of standards published**


**Figure 3: Days to produce a standard**



*It is my pleasure to present this message on behalf of the Board of the South African Bureau of Standards (the SABS). At the outset, I would like to extend my sincere gratitude to those members of the Board who retired during the reporting period. Your contribution to the organization was invaluable. My thanks also go to Mr Martin Kuscus whose term as Chief Executive Officer came to an end during the period. During September 2009, Dr Bonakele Mehlomakulu took up the position of Chief Executive Officer (CEO). She brings with her a wealth of experience and a sense of dynamism that, together with the new Board, places the SABS in a stronger position than ever to build a vibrant and sustainable business.*

# MESSAGE FROM THE CHAIRPERSON



The overall financial performance of the SABS during the 2009/2010 financial year was a modest one. The SABS was also affected by the global recession and, whilst the group failed to achieve revenue targets, the impact on profitability was minimised due to cost containment.

The separation of SABS Regulatory from the SABS Group was finally completed during the year. This achievement has provided a sense of satisfaction in delivering on the expectations of our Shareholder, the Department of Trade and Industry (**the dti**). It has also, very importantly, facilitated a firm foundation and a clear mandate for SABS' future strategic direction.

During the year under review, there were also changes in the Governance structure of SABS. Although the changes to the Board's composition were incremental rather than radical, the newly appointed members bring with them key skills which have strengthened the Board's capabilities in its oversight and guidance duties.

The SABS, like other entities in **the dti** infrastructure, developed capacity to service new emerging markets for conformity assessment services. Building such capacity would not be possible without due investment in the SABS' technical infrastructure. To this end, government funding allocated for the building of the new SABS laboratories has provided a welcome boost for our scientific capabilities, one for which we are most grateful.

Externally, the SABS continued to support Small, Medium and Micro Enterprises (SMMEs) through training in Occupational Health and Safety systems. During the reporting period, the Construction and Building industry was targeted, since research findings revealed inadequate supervision and lack of health and safety (H&S) training in the sector, resulting in poor H&S performance, both at organizational and site level.

Sixty-nine (69) SMMEs in the sector were trained in the OHSAS 18001: Occupational Health and Safety system, to the value of R525,000. The course provided owners, managers and employees with the essential knowledge to actively manage H&S in the workplace, integrate risk management into daily operations and monitor H&S effectively.

South Africa's drive towards energy saving and energy efficiency is one of the key areas in which SABS standards development has added and will continue to add considerable value. During the review period a standard was compiled for Measuring and Verification Agencies, which will ultimately certify the energy savings realised by large energy users, enabling them to claim tax rebates through government's Energy Efficiency Programme. Further standards are envisaged to promote energy efficiency in buildings, electrical appliances, solar water heaters and electric motors.

The SABS' interest in, and contribution to, standardization activities extends far beyond our borders. Our commitment to the development of standards and maximising the benefits of the internationalisation of standards was duly recognised by ISO which awarded the hosting of the 32$^{nd}$ ISO General Assembly to the SABS. This was the first time that this prestigious event has been hosted on African soil, and provided a timely opportunity for South Africa to showcase its work in standardization to the 363 delegates from 108 ISO member countries.

As South Africa strives to build a knowledge economy and extend its economic potential beyond the "sunset industries" of mining and agriculture, the design sphere holds vitally important and lucrative benefits. Developed economies such as the United States and Canada initiated national design policies only two years ago, while the SABS Design Institute, which celebrated its 40$^{th}$ anniversary in 2009, already has vast experience in design innovation and promotion. The repositioning of the SABS Design Institute, to maximise its role and benefits, will be part of the new SABS business model.

The SABS continues to hold the Secretariat for the Southern African Development Community Cooperation in Standardization (SADCSTAN), the Southern African Development Community (SADC) regional body committed to harmonising standards to promote trade between member countries. At a continental level, the SABS continues to co-ordinate and engage intellectually with standardization stakeholders and organizations like the World Trade Organization (WTO). In this regard, the SABS temporarily withdrew from the African Organization for Standardization (ARSO) and will focus in the year ahead on finding a way to achieve the above objectives through this organization.

In closing, I would like to thank my fellow Board members, the SABS Executive Committee and our Shareholder, **the dti**, for their tireless efforts and support over the past year. The year 2010 marks the 65$^{th}$ anniversary of the SABS and I am confident that this special year will be remembered as the start of a new chapter of growth for the organization.

**Bahle Sibisi**
*Chairperson*

*It has been an honor to take up the reins as CEO mid way through the reporting period and I am pleased to report that at an operational level, the SABS is on a proactive and progressive path towards fulfilling its mandate. SABS is a brand I am proud of and it continues to carry great significance with the majority of South African and International players. I remain optimistic about the ability of the people of SABS to enhance the SABS brand through the delivery of quality standards and conformity services to the South African economy.*

# REPORT OF THE CEO

The year has been a challenging, yet exciting one for the SABS and, despite its budgeted shortfall, the operational efficiency drive produced positive results. Whilst revenue targets for the group were down by R50 million against a revenue budget of R449 million, a profit of R41 million was achieved. This was primarily due to the profit earned from the encashment of investments and the containment of costs.

The successes achieved by various divisions of the SABS during this financial year bear sound witness to the progress made and the invaluable contribution that the SABS makes to South Africa, our industry and our citizens.

## *Standards Generation*

At present, approximately 6,100 standards are maintained by the SABS and new standards are generated at the rate of approximately 500 per annum. Without in any way detracting from the importance of the collective body of standards and revised standards which were published during the review period, I would like to make mention of the following standards which are of special significance to visitors to our country for the hosting of the 2010 World Cup Soccer event:

- *SANS 10366, Health and safety at events* – contains valuable forms and checklists to assist users in complying with the rules and regulations governing the events industry;
- *SANS 570, Directional stability performance of vehicles in the event of tyre failure*, which is important to the taxi industry and recapitalisation programme; and
- *SANS 1657, Bottled water of subterranean origin*, which was revised to improve the description, treatment, bottling, packaging and labeling of natural spring and spring water.

## *Good of the Nation Laboratories*

One of SABS contributions to the economy is through our "Good of the Nation Laboratories" which support key government policies and objectives. The SABS does not recover the capitalisation or operating costs of these laboratories and, as such, they are loss making. We are eternally mindful of the critical role of these facilities to service the industries that drive economic activities in South Africa. Their continued operation helps to ensure that key sectors of the economy have access to world class testing facilities. We will, however, need to review the costing model for these laboratories in the new financial year in order to ensure their optimal use.

## *40 Years of Design Excellence*

In 2009, the SABS Design Institute celebrated its 40th anniversary, most visibly with its "40 Years of SA Design Excellence" exhibition held from 29 October to 30 November. The exhibition showcased more than 100 South African award-winning designs over the past 40 years.

## *Advanced Laboratory Infrastructure*

The relentless progress of science and technology over the past decade has placed enormous pressure on organizations, like the SABS, to maintain infrastructure investment in line with the needs of the scientific community and advanced technology industries. The allocation of budget by government for the building of new SABS laboratories was therefore extremely welcome. There is a buzz of excitement around the building of the custom designed and energy efficient laboratory complex, which commenced in February 2010. The complex is scheduled for completion in April 2011. This will leap the organization's conformity assessment infrastructure to the leading edge of technology.

## *Nurturing our Human Capital*

SABS, like all other science and technology based organizations, has over the years been adversely affected by the 'brain drain' and the skills shortage which have affected organizations throughout the world. In the year ahead, emphasis will be placed on the entrenchment of a culture of productivity and nurturing our key assets, our people, towards building a winning organization.

## *Empowering the Regions*

Historically, the SABS has operated from its head office in Pretoria with regional offices providing supplementary input. During the reporting period, a diagnostic exercise was completed to assess the potential regions and their ability to grow both the profile of the SABS and their own business turnover. The substantial potential for growth in the regions will be leveraged in the years ahead.

## *Supporting our Communities*

As a learning organization and scientific body, the SABS places great emphasis on the importance of education. During the 2009/2010 financial year a donation was made towards the building of a new school hall, which will be used by both the school and the community at Ithongasi Public Primary School in Munster, KwaZulu-Natal. A donation was also made to Madibatlou Primary School to buy chairs and stationery packs for learners. The provision of these facilities, and the enhanced learning environment that they will promote, have given a deep sense of satisfaction to all involved.

## *ISO General Assembly*

The hosting of the 32nd ISO General Assembly in Cape Town during September 2009 was undoubtedly one of the highlights of the year. Through the diligence and lobbying efforts of our previous CEO, Mr Martin Kuscus, this was the first ISO General Assembly ever to be held on African soil, and evinced tangible recognition and respect from the developed nations for the technical and standardization infrastructure of developing countries, especially South Africa.

We used the occasion to showcase the SABS' long and accomplished history of contributions to international standardization, as well as our role as a neutral body that can bring north and south together over potentially divisive issues around standardization. In this regard, we intend to increase our support to **the dti** on World Trade Organization (WTO) engagements and give some attention to the Africa agenda and the need for an African platform in the years ahead.

## *Moving into the Next Decade*

The calendar year 2010 marks the 65th year of existence of the SABS. Although the bulk of this milestone year will fall within the next reporting period, the first three months of 2010 have seen solid progress towards formulating a new vision and business model. This will be introduced to stakeholders during the anniversary celebrations in September 2010.

The drive of the new vision is to reconnect with industry and consumers, to reinforce, once again, the SABS Brand and SABS Mark as recognised, respected and valued icons in the quality of life of South Africans, and to recommit to adding greater value to the economy and industry.

## *Conclusion*

In the six months of my tenure, I have become acutely aware of some internal and external challenges facing the SABS Brand. It is encouraging to witness the passion and invaluable allegiance to SABS of the people of this organization. Their commitment to positive change has positioned the SABS well towards addressing the challenges and successful implementation of a sustainable growth strategy. Together we have committed to building a winning organization and becoming a knowledge repository for the South African economy in addressing issues of standardization and conformity assessment.

In closing, I thank our Board, the personnel of **the dti**, and our SABS staff members for your continued support and contribution. I have little doubt that this enthusiasm will take our organization to new heights in the years ahead.

**Dr Bonakele Mehlomakulu**
*Chief Executive Officer*

# SABS BOARD MEMBERS

*as at 31 March 2010*

**Mr CB Sibisi**
*Chairperson*
BSoc. Sc, MA (Development Economics)

**Dr B Mehlomakulu**
*CEO*
PhD Chemical Engineering

**Dr T Demana**
PhD Analytical Chemistry

**Ms W Poulton**
MSc

**Ms B Mosako**
CA (SA), B Comm (Acc), PGDA

**Ms I Sekonyela**
BCur. BA Hons, HR Diploma,
Adv. Labour Law

**Dr MJ Ellman**
PhD Chemical Engineering, MBA

**Mr WK Masvikwa**
CA (SA), MBL (SA), AMCT (UK)

**Mr ME Mkwanazi**
BSc (Mathematics and Applied Mathematics)
BSc (Electrical Engineering)

**Ms Wilma de Witt**
*Company Secretary*

# SABS EXECUTIVE COMMITTEE

*as at 31 March 2010*

**Dr B Mehlomakulu**
*Chief Executive Officer*
PhD Chemical Engineering

**Ms TA Cooper**
*Chief Financial Officer*
CA (SA), ACMA

**Dr GR Visser**
*MD: SABS Commercial (Pty) Ltd*
MBL, PhD Biochemistry

**Ms V Lennon**
*Executive: Standards*
BProc, Admitted Attorney,
Harvard SEP

**Ms G Monareng**
*Executive: Corporate Services*
BSc, MBA

# THE 32ND ISO GENERAL ASSEMBLY



The 32nd ISO General Assembly, hosted by SABS, was attended by 363 delegates and observers representing 108 of the 162 member countries. It was the first ever ISO General Assembly to be held on the African continent.


*The delegation representing South Africa: Dr Boni Mehlomakulu (CEO), Vanida Lennon (Standards Executive), Dr Geoff Visser (Commercial Executive) and Sazi Zangqa (Senior Manager, Standards Compliance)*

*President of ISO, Dr Alan Morrison and his wife (standing on the left) with our CEO, Dr Boni Mehlomakulu*


SABS

# OVERVIEW

*The SABS is anchored on two distinctive operating divisions, i.e. Standards Division and Commercial Division. Commercial Division is a SABS wholly owned subsidiary with a registered name of SABS Commercial (Pty) Ltd. The two divisions form the core of the SABS' operations for delivering SABS' mandate.*

## *Standards Division*

The SABS develops national standards and provides value added services that form the basis for voluntary economic transactions and for regulating market failures. SABS outputs are therefore used for settling disputes and setting the criteria for acceptable conduct. The Standards Division develops, promotes and maintains national standards through a consensus process that seeks to involve as many interested stakeholders as feasible, and is responsible for ensuring that South Africa influences the direction of regional and international standardization, especially in the changing global trade environment where non-tariff barriers to trade are pursued by an increasing number of countries and private industry consortia.

Therefore, the importance of the work done by the SABS to the South African economy is increasing. The national standards developed by the SABS form part of the technical infrastructure that oils the wheels of trade, and can provide a basis for excluding lower quality, and unsafe products from South African markets. The primary output of the SABS is the standard for a product, service or system. Standards provide a foundation for growth. The SABS endeavours to increase the relevance of its outputs by aligning them with government programmes such as the Industrial Policy Action Plan (IPAP). Standards require continuous assessment of the national, regional and international trade environment to ensure their relevance to programmes designed to support government policy, such as IPAP and meet industry requirements. It is also important that the SABS participates in important regional and international standardization processes, such as SADCSTAN, ISO and International Electrotechnical Commission (IEC).

The national standards development committees play a critical role in ensuring influential input into the ISO process. The SABS will give some focus on the Africa agenda in the next three years. This will enable the region to leverage the collective strength of the continent to amplify gains for the continent and South African interests in the international standardization forums.

## *Commercial Division*

SABS commercial offers a number of testing and certification services that service the Mining and Minerals, Mechanical and Materials, Food and Health, Electrotechnical, Chemical, Automotive and the Services sectors. Business unit heads are assigned to the operations grouped around the customers in these sectors.

SABS Commercial's objective will always be to offer services that achieve the goal of "Tested once and Accepted everywhere". This will make it easier for the SABS' clients to demonstrate conformity to set standards, hence make South African products have enhanced access to the global markets. This is in line with **the dti** objective of "raising the level of exports and promoting equitable global trade", and also contributes to the NIPF strategic programme of Trade Policy.

The Commercial Division administers the SABS Mark scheme along with systems certification, and testing services. The services are well known in the South African economy and the SABS Brand remains strongly associated with quality in South Africa. These services are offered commercially but have further benefits to South Africa by improving the levels of quality, efficiency and delivery in various sectors of the economy. The report covers the highlights of each sector but in some cases there are highlights that spanned several customer groupings or trends that bear mentioning.

The year under review saw a number of changes in the world and the South African economy. The problems experienced in the distribution of electricity heightened attention on the need to improve energy efficiency and to seek alternate energy sources. The increased demand for solar water heaters was matched by the need by the SABS to provide testing and certification services for these products. The SABS test facilities were stretched in order to satisfy the demand. The rapid growth in demand for testing highlighted the need to solve co-ordination problems between the parts of the testing that is conducted in the SABS electrical laboratories and the parts that are tested in the mechanical laboratories. Most of the problems were resolved during the year and turn around times were significantly reduced, however, the inclement weather in the Pretoria area during the year did play a role in delaying several test results.

The South African economy was affected by the world-wide economic downturn and the business of SABS Commercial was not spared the effects either. The business saw a number of cancellations of certification permits and where the SABS clients had reduced the staff components of their operations to meet the reduced demand, requests were made to the SABS to meet client expectations.

In response to the economic pressures, a number of SABS clients moved portions of their manufacturing processes to locations outside of South Africa. This coupled with the further opening of the South African borders to trade has meant that the SABS has been requested more frequently to conduct conformity assessment activities in foreign countries. Although in most cases products can be tested in the laboratories in South Africa, on site verification at the point of manufacture is required to assure that production controls are in place to ensure continued conformity. The construction of the new laboratories will go a long way in boosting the testing facilities of the organization.

The SABS has continued to grow the amount of business in foreign countries. The extent of growth in business attributable to Chinese manufacturers was such that the SABS took the decision in the year under review to explore the possibility of operating from a permanent base in the People's Republic of China. A representative office was opened in the bustling city of Shanghai in May 2009 in order to service the clients in the region.

## *Good of the Nation Laboratories*

Another SABS contribution to the national economy is through our "Good of the Nation Laboratories" which support key government policies and objectives. The SABS does not recover the capitalisation or operating costs of these laboratories and as such they are loss making. The organization is eternally mindful of the critical role of these facilities to service the industries that drive economic activities in South Africa. Their continued operation helps to ensure that key sectors of the economy have access to world class testing facilities. Keeping these laboratories operational is therefore important for the country. There is however, a need to review the costing model for these laboratories in the new financial year in order to ensure their sustainability.

## *Design Institute*

Through the Design Institute, the SABS promotes design in South African society, thereby beginning to raise awareness of the importance of industrial design in the future competitive advantage of the South African economy. Design promotion is an acknowledged instrument worldwide to assist industrial competitiveness in developing and developed nations. More recently it has also emerged as a significant tool to enhance social change. Because of the emergence of the creative industries as a prominent economic player on a global scale, the re-evaluation and positioning of design promotion in South Africa became necessary. Last year's activities culminated in the celebration of 40 years of excellence in design. The opening of the 40 Years retrospective SA Design Excellence exhibition lasted the whole month of October where the 2009 SABS Design Excellence Awards ceremony was held at the SABS on 29 October. A total of 18 products were awarded in 2009.

## *Finances*

The Group has delivered earnings growth during the year under review even with the economy just emerging from a devastating recession and the implementation of legislative reforms that led to the separation of the regulatory function from SABS. Revenue from commercial operations at R389,3 million increased by 8,6% on last year mainly as a result of good performance in the products and system certification domain. The base line parliamentary core funding allocation of R134,9 million increased by 9,8% from the previous year's allocation of R122,8 million. Operating profit before taxation, financing and discontinued operations increased by R33,2 million to R46,7 million. Total expenses for the year is R516,6 million which is a 5% increase compared to the R491,8 million incurred in the previous year.

The Group has recognised a loss of R22,2 million related to its discontinued operations. The majority of the loss represents the assets and use of assets at lower than market related rates by the National Regulator for Compulsory Specifications (NRCS) in terms of the revised agreement that has been reached with the entity on the assets, liabilities, rights and obligations that transfer to the NRCS as a result of the Regulatory activities transferring to this new entity.

## *Human Resources Development*

The SABS as a knowledge organization depends heavily on its human capital based capabilities and must continuously update its competencies in order to deliver its mandate into the future. The objective is to ensure that there is a pool of competent staff in the skills areas unique to the SABS. SABS operates in a unique environment where specialised technical competencies are necessary for the delivery of standardization services. The SABS human resource management plans are focussed on developing a cadre of young professionals that will take the organization forward, as the aging generations of traditional standard writers, test officers and auditors are retiring. The SABS will also participate in **the dti's** plans to explore the merits of a training academy for skills specific to the technical infrastructures.

The challenge for the SABS is to ensure that skills transfer takes place and that performing and competent staff are incentivised to stay with SABS. The standardization services delivered by the SABS are critical to the economy and the protection of Society. The services' most fundamental features are that they are knowledge intensive and have a continuously changing content. The workforce that must deliver these services consists of knowledge workers who must undergo lifelong learning. The Human Resources Department's prime objectives are to foster: an employee-oriented organization, a high performance culture that emphasises empowerment, quality, productivity, goal attainment and standards, and the recruitment and the ongoing development of a superior workforce.

The human resources strategy will be in support of the organization's goal to become a R1 billion turnover entity by the end of 2014. The goal will only be achieved if the skills base is optimised to deliver on the everyday business processes. The SABS has a competitive advantage in the areas of standards setting and conformity assessment. That competitive advantage is a result of a layer of seasoned technical professionals who have been loyal to the brand, but have been underutilised. The strategy to utilise this capacity to drive a more knowledge intensive service at the front end of the certification value chain could rejuvenate the SABS as a knowledge organization and result in a net flow of technical staff. SABS also has a graduate development programme in place across the whole organization.

During the period under review, the electrotechnical cluster was proud to produce the first black female auditor in the Electro-technical field. On a broader front, the cluster has built test capacity by employing graduates in a number of laboratories. These graduates have completed approximately 80% of their training and are scheduled to apply for SANAS technical signatory status in May/June 2010. With the new production line approach, existing staff have also been trained to be exposed in other test areas within the cluster, thereby promoting multi-skilling of staff and availability of expertise for clients. Applications to SANAS for the extension of technical signatory status have been made for a number of staff.

In both the Services and Transportation clusters, auditors have undergone multi-skilling training for optimum use by SABS Commercial. All auditors completed the ISO 9000 course and were registered as Registration Plate auditors during 2009. Planning has also been completed for auditors to undertake Registration Plate Mark scheme audits as well as Registration Plate fitment shops. This will prove efficient as there are many registration plate embossers that operate from Vehicle Test Stations. To maintain levels of service excellence, all Transportation auditors are now evaluated regularly by external and internal authorities.


SABS

# THE CHEMICALS CLUSTER

*The Chemicals cluster provides conformity assessment services to the petrochemical, industrial chemicals, rubber, plastics, paints, sealants, coatings and other niche sectors.*

## Standards

The main purpose of the Chemical and Mining Standards Department is to provide and maintain national standards in the areas of textiles, fuels and fuel products. Standards are also written covering the wide and diverse range of chemical topics, which include the classification, packaging, storage and transportation of dangerous goods; detergents, soaps and polishes; and product and performance standards for the paint industry. The portfolio also includes mining equipment; nanotechnology; laboratory equipment, including microbeam analysis; crockery; matches; and stationery.

### Standards Highlights

During the past year, 61 standards (comprising 1,519 pages) were published, and 22 New Work Item Proposals (NWIPs) were approved.

**Setting the standard for ethanol gel: SANS 448 published:** During 2009, an estimated 550 million litres of paraffin (worth around R3,5 billion at current retail prices) was sold in South Africa, much of it for domestic and household use. Domestic usage is regularly associated with thousands of annual domestic fires, injuries and deaths.

Ethanol gel, long used for camping, recreation and military applications, is now being considered by many as a possible alternative, especially for cooking. The recent publication of *SANS 448, Ethanol gel for cooking and other gel burning appliances*, is a major milestone in the development of ethanol gel for wider use in South Africa. SANS 448 was produced because there was considerable interest in a safe, clean renewable fuel, and ethanol gel seemed to offer this possibility.

**Setting the standard for gases: SANS 532:** Gases have a wide range of important applications in industry (particularly the food and beverage industries) and medicine. They are also used as propellants, refrigerants, and as breathing gases. The publication of *SANS 532, Standard and specifications for industrial, medical, propellant, food and beverage gases, refrigerant and breathing gases*, specifies the types and maximum limits of allowable impurities, and the analytical methods to be used in determining these, which can vary depending on the gas in question.

**Important news for those transporting dangerous goods: latest editions of SANS 10229-1 and SANS 10228 published:** *SANS 10228, The identification and classification of dangerous goods for transport*, forms the basis of all dangerous goods standards. Because this classification standard also determines how dangerous goods are to be packaged, *SANS 10229-1, Packaging and large packaging for road and rail transport*. *Part 1: Packaging* has also been revised. As both these standards are referred to in legislation, they are required reading for all involved in transporting dangerous goods and important news for all involved in this field.

**Transport of dangerous goods by rail:** *SANS 10405, Transport of dangerous goods by rail – Operational and design requirements and emergency preparedness*, an important standard for the transport of dangerous goods by rail, was published in May 2009. The standard specifies the requirements for the safe transport of dangerous goods by rail in terms of operational requirements, design requirements, and emergency preparedness, and is thus of considerable importance to all those involved in the transport of dangerous goods by rail.

## Commercial

### Growing the Business

Chemical Certification offers ISO 9001 and Product Certification to a wide variety of industries, including Chemicals, Plastics, Paints & Sealants, Latex Rubber, Explosives, Gas, Rubber, Abrasives, Adhesives, Insulation, and Petroleum. Customers from 20 countries are served by the cluster. With the exception of disinfectant and detergent-disinfectant clients, all the system and product certifications are voluntary.

During the reporting period, the market for product certification showed promising growth. As more overseas manufacturers export their products to South Africa, local suppliers are seeking SABS approval before purchasing and distributing their imported products. There has also been growth in the number of requests from overseas companies seeking to attain the SABS Mark directly. Condoms, conveyor belts and piping are the main growth areas in this market.

By contrast, the market for SABS ISO 9001 certification has stagnated as few new customers have sought this particular certification.

The Industrial and Petroleum Laboratory has grown the business by running a petroleum based products Proficiency Testing Scheme (PTS) called the Measurements Assurance Programme (MAP). A total of eight petroleum-based products are tested in this PTS, namely Unleaded Petrol (ULP), Automotive Diesel Fuel, Jet A1 Fuel, Heavy Fuel Oil, Engine Oil, Base Oil, Turbine Oil, and Bitumen. Thirty-one laboratories are members of MAP PTS, including all major refinery laboratories in South Africa, third party testing laboratories, and a few refinery laboratories from Sub-Saharan Africa such as Angola, DRC, Tanzania, and Kenya.

*New Opportunities*

The global response to climate change continues to provide opportunities for business growth. The Petroleum Laboratory has, over the past sixteen months, set up a facility for testing Automotive Biodiesel fuel according to SANS 1935:2004. The specification comprises 26 physical and chemical properties, all of which are tested using either ISO or BS EN test methods. With the exception of Cetane Number, the SABS Petroleum Laboratory is capable of carrying out full specification testing with reasonable turnaround time. As the world continues to explore technological solutions to the looming climate change crisis, the testing of biodiesel shows great potential as a growth area.

ISO is currently developing specifications for female and polyurethane condoms, and Chemical Certification has received numerous enquiries in this regard, especially for testing and certification of female condoms. Once the specification is finalised, certification of these products should provide a new source of income for the Chemicals cluster.


SABS

# THE ELECTROTECHNICAL CLUSTER

*The Electrotechnical cluster provides testing and certification services to industry in a number of electrotechnical fields, ranging from high voltage transmission towers through to the testing of household appliances such as kettles and lawn-mowers.*

## *Standards*

Electrotechnical Standards provides and maintains national standards in the areas of electricity generation, distribution and energy conversion. This department is also responsible for ensuring that National Rationalised Specifications (NRS) documents are finalised and published by the SABS. Electrotechnical Standards include wiring codes, appliances, physics and electricity distribution.

To ensure the relevance of standards in the electrical industry the SABS engages with role players and stakeholders to determine their needs, and to analyse the gaps where standards should be aligned with new developments. As electrotechnical standards are global, the SABS is currently playing a role in the development of international standards, especially through the IEC.

### *Standards Highlights*

In the reporting period, 175 standards (of 7,090 pages) were published and 90 NWIPs were generated.

**Amendment 7 of Wiring Code (SANS 10142-1) published:** One of the most important standards published was the Wiring Code (SANS 10142-1), used by all electricians for electrical installations. Each year, an amendment to this standard is published, summarising the technical changes, refinements and improvements that *SABS SC 67F, Electricity distribution systems and components: Electrical installations* have decided need to be made.

The latest Amendment *(Amendment 7) of the Wiring Code (SANS 10142-1)* was published in the reporting period.

**Arc flash protection:** One of the most dangerous accidents in the electrical power industry is that of an arc flash incident, also known as an arc blast. Caused by either the failure of electrical insulation or electrical equipment, the result is a massive electrical flashover (at 16,000 to 50,000 A at 600 Volts, for example), similar to lightning, that can generate a temperature exceeding 20,000°C and a shockwave that can throw a nearby worker several metres through the air.

A major hazard from arc flashes is the terrible burns and serious injuries at close ranges (fatal burns at around 1,6 metres away and severe burns at 3,2 metres away). Currently, South Africa averages at least one arc flash incident per month, with at least one fatality every two months. Workers can survive these terrible incidents practically unscathed if they are wearing the right types of protective equipment. SANS 724, *Personal protective equipment: Protective clothing against the thermal hazards of an electric arc*, is currently in the process of being written, to help reduce the number of arc flash injuries and fatalities per month.

A step toward better arc flash protection was taken with the publication of *SANS 984, IEEE Guide for performing arc-flash hazard calculations*. This standard provides a guide for performing the calculations to determine the hazard involved.

**Photovoltaic installations for clinics and schools:** A decision was taken for NRS 052, covering this topic, to be published with a dual SANS number as SANS 959. This standard/NRS specification, which consists of seven parts, will be especially useful in areas where connections to the national electrical grid are not readily available.

**High-voltage switchgear:** The revised *NRS 012/SANS 876* (Full title: *Cable terminations and live conductors within air-filled enclosures (insulation co-ordination) for rated AC voltages for 7,2 kV up to and including 36 kV)*) was published. This is a very important standard for high-voltage switchgear in particular and the cable industry in general.

**Stainless steel in geyser containers:** A revision of *SANS 151, Fixed electric storage water heaters*, was published. The revised standard was amended to include water heaters where the container includes some grades of stainless steel. The publication of this standard is welcome news to local manufacturers of geysers, as it will assist them in meeting international manufacturing requirements when using stainless steel in geyser containers.

## *Commercial*

### *Growing the Business*

The market for certification services has suffered from recessionary pressures over the past year. In the past, the primary target for certification services was the local manufacturing industry. With the increase in imports to South Africa from Asian countries, the Electrotechnical cluster has experienced increases in travel costs to service foreign markets. Nevertheless, the Certification department improved its financial performance despite expectations that the market would shrink. This was partly due to new Eskom contracts for Systems certification which were awarded to the SABS.

During the reporting period, the Explosion Prevention Technology Laboratory was used by the Australian testing organization, International Testing and Certification Services (ITACS), to conduct test work on its behalf. The department was the only South African laboratory for explosion protection that was assessed by an international technical assessor during the SANAS audit in August 2009. The department also provided training to the industry in area classification, intrinsic safety, flame proofing, and non-sparking.

The Electronic and Appliance Testing Laboratories continued their vital work in protecting the consumer by testing appliances imported by both local and foreign companies. In the laboratory for testing pre-paid electricity meters, impulse test equipment was set up to allow the department to undertake in-house testing. Evidence of this has been supplied to SANAS to apply for extension of scope for impulse testing. The department also expanded the testing capabilities of geysers used in solar water heating systems to reduce the backlog and turnaround time from nine months to an average of four weeks. The department underwent an IEC CB and SANAS audit in September 2009 and has been recommended for the three-yearly renewal of its accreditation.

SABS NETFA recorded several firsts in growing the business. The High Voltage Laboratory performed a 3-Phase Corona Test for the first time in South Africa. The Short-Circuit Laboratory tested a Prefabricated Substation containing a Ring Main Unit as a first in South Africa. This test was a major test of the technical skills of the staff who prepared for the test. In addition, Eskom commissioned SABS NETFA to carry out testing of its 765 kV Double Tower Design in preparation for its new transmission technology rollout. This new transmission line will be commissioned between the Cape, KZN and Gauteng and will operate at considerably higher AC voltages than in the past.

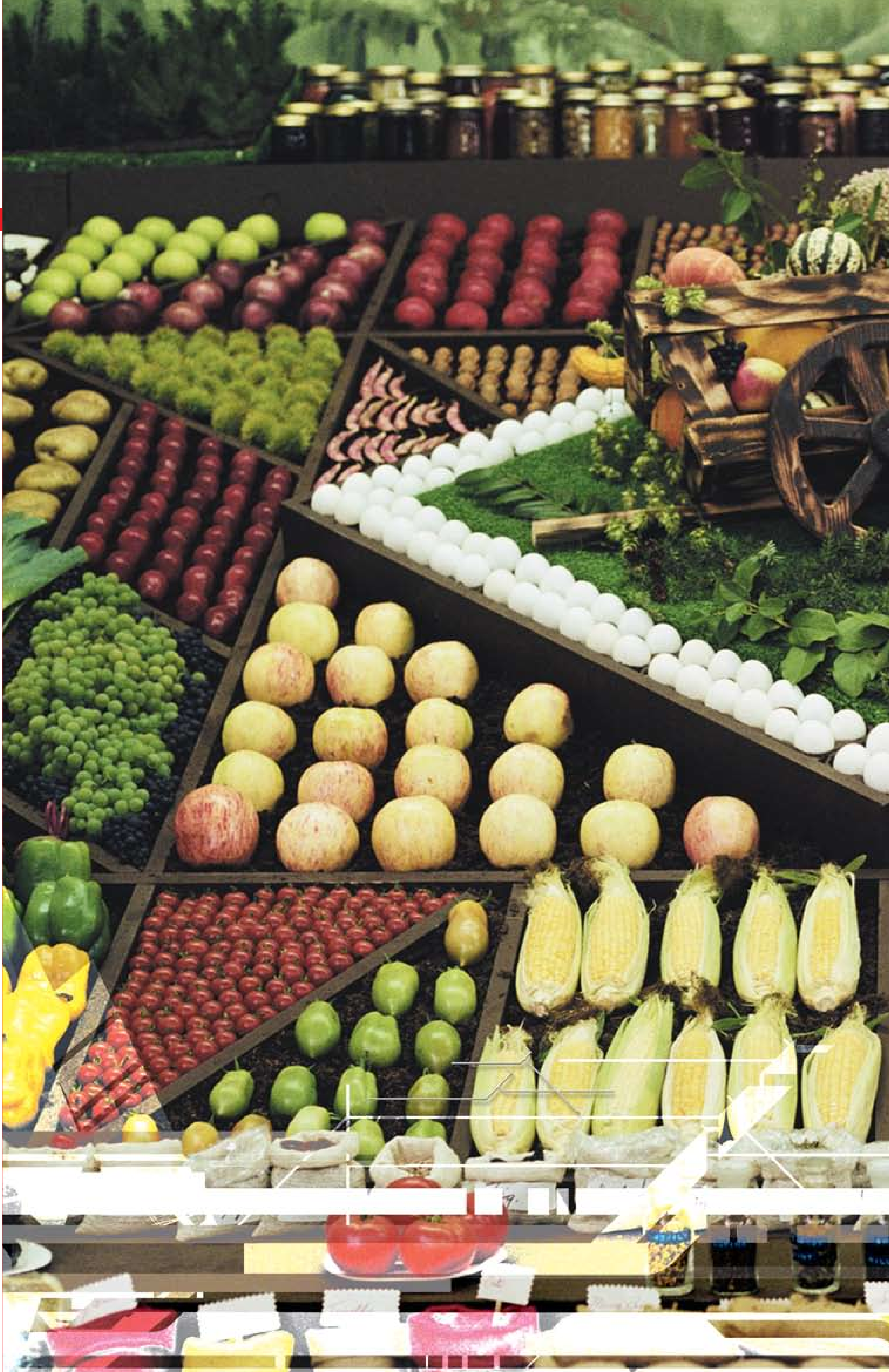
The Lighting Technology laboratory had a difficult year, with the loss of key staff and the downgrading of the technical testing status of the laboratory. In response, the Laboratory hired new staff and replaced older testing equipment. As the new staff completed training, testing turnaround times reduced. The laboratory has shown considerable improvement and has successfully regained the SANAS accreditation within a few months.

*New Opportunities*

The Explosion Prevention Technology Laboratory was audited with successful results by Sira, a UK contemporary, in November 2009 for the purposes of re-establishing the mutual agreement of acceptance of test results between SABS and Sira. Testing services offered by Rotating Machines in the field of petrol-driven garden and agricultural equipment were upgraded and the section was audited to SANS requirements.

Electronics and Appliance testing has been actively involved in the drafting of proposals for changes to household geysers for use in low-cost solar systems. Acceptance of proposals on the use of stainless steel geysers has opened the opportunity for significant savings in electricity usage through the use of solar energy.

The Eskom/Electric Power Research Institute (EPRI) Red Book and Insulator Seminar was held from 20 to 24 July 2009 and ended with a field day at SABS NETFA. This provided an opportunity to showcase the NETFA capabilities and highlight the opportunities of continued training and development of young engineers through the transfer of skills. Delegates attended from a number of countries and there was agreement that the NETFA High Voltage Laboratory's capabilities are in line with the most reputable High Voltage Laboratories in the world.



# THE FOOD AND HEALTH CLUSTER



*The Food and Health cluster provides conformity assessment services to the food, agrochemical, pharmaceutical and medical devices sectors.*



## *Standards*

The primary objective of the Food and Health Standards Department is to develop, promote and maintain South African National Standards, which include test methods and management system documents.

The department is divided into four main standard development groupings, namely, food standards, environmental standards, healthcare standards and miscellaneous standards e.g. wildlife farming, cosmetics, disinfectants, contraceptives and medical waste disposal standards.

### *Standards Highlights*

During the reporting period, 102 standards (representing 1,407 pages) were published and 28 NWIPs registered.

**Towards improved management of healthcare waste in rural and remote settings: SANS 10248-2 published:** One of the major problems associated with providing healthcare is the management of healthcare waste. It is essential to follow the correct techniques to store and dispose of healthcare waste if medical health professionals are to avoid being exposed to deadly diseases. The publication of *SANS 10248-2: Management of healthcare waste Part 2: Management of healthcare risk waste for healthcare facilities and healthcare providers in rural and remote settings* is therefore important news for all rural healthcare professionals.

**Important news for producers of frozen fish and other frozen marine products: SANS 585 updated:** Frozen fish, marine mollusks and other frozen marine products must be prepared according to very strict procedures, to prevent spoilage and food poisoning which can easily result. These can have catastrophic consequences for the local food industry, particularly export contracts to the European Union. The recent publication of the latest edition of *SANS 585* is therefore important news for the local food and fishing industries, and regulators using this standard to ensure the continued safe preparation of these items.

**New standard for frozen shrimps (prawns), langoustines, and crabs published:** A new standard covering strict requirements for frozen shrimps (prawns), langoustines and crabs was published. This standard, *SANS 788*, will form the basis of a compulsory specification and will help ensure that all locally purchased products maintain acceptable quality for consumers.

**Setting the standard for reprocessing of endoscopes: SANS 373-1, 2 published:** Users of medical flexible and rigid endoscopes benefited from new standards for reprocessing which were published in the review period: *SANS 373-1, Reprocessing of endoscopes – Part 1: Flexible endoscopes and accessories*, and *SANS 373-2, Reprocessing of endoscopes – Part 2: Rigid endoscopes, associated components and accessories.* Together, these provide a code of practice for the preparation of flexible fibre-optic endoscopes, video endoscopes, rigid endoscopes and associated components, and the reusable endoscopic accessories used with the endoscopes, for reuse, either manually or using automatic endoscope reprocessors or washer disinfectors, as relevant.

**Food for thought: revised standard for bottled water published:** The latest edition of *SANS 1657, Bottled water of subterranean origin*, was published. As its name suggests, the standard specifies the description, treatment, bottling, packaging and labeling of two types of water, namely bottled natural spring water (or bottled natural mineral water), and bottled spring water (or bottled mineral water) that are of subterranean origin and bottled at source. The standard was revised so as to align with Department of Health legislation for bottled water, R718, Regulations relating to all bottled waters of 28 July 2006, which came into effect on 28 July 2007.

**Revised milk standards published:** Revised editions of *SANS 1678, Sterilized milk and SANS 1679, Pasteurized milk* were published. These standards were revised to update references as set out in recent international standards.

**Animal feeds:** *SANS 489, Good Manufacturing Practice in the animal feed industry* was published during the reporting period. This standard covers the trade and production of compound feed, simple and moisture-rich animal feed, animal feed ingredients, and premixes for the animal feed industry.

**Updated requirements for quality and competence of medical laboratories: SANS 15189:** Medical laboratories are essential to patient care and therefore must provide for the needs of all patients and ensure the competence of clinical personnel responsible for the care of those patients. The publication of the latest edition of *SANS 15189, Medical requirements – Particular requirements for quality and competence*, which specifies requirements for quality and competence particular to medical laboratories, is therefore required reading for all medical laboratories, particularly those accredited by SANAS.

As SANAS has more than 200 medical laboratories accredited in South Africa, this new standard is of considerable importance in facilitating accreditation, and the training necessary to achieve this. SANAS prefers to refer to a SANS, as this means that the standard has been endorsed by a representative structure as being suitable for South African needs.

**New standard test method (SANS 18415) for detecting micro-organisms in cosmetics published:** Cosmetics must be free of microbial contamination, especially from four common sources of dangerous and disfiguring infections, the infectious organisms *Pseudomonas aeruginosa, Escherichia coli, Staphylococcus aureus and Candida albicans. ISO 18415, Cosmetics – Microbiology – Detection of specified and non-specified micro-organisms* was written to give general guidelines for the detection and identification of specified micro-organisms, as well as for the detection and identification of other kinds of aerobic mesophilic non-specified micro-organisms in cosmetic products.

## *Commercial*

### *Growing the Business*

Despite the continuing tough economic climate, the Food and Health cluster has managed to contribute to SABS business growth during the 2009/2010 financial year.

The Food and Water Chemistry Department achieved excellent external income growth of 28%, with a productivity rating of 84%. This was mostly attributable to a 19% growth in the Proficiency Testing programme (SANAS accredited PTS0003) and a 17% growth in Water Testing (SANAS accredited T0319).

Chromatographic Services became a contract laboratory for a multi-national agrochemical company based in the United Kingdom for OECD GLP compliant residue decline studies. As a result, three studies to the value of approximately R1 million were initiated. The data generated by these studies will form part of pesticide registration applications to the European Union Regulatory Authorities.

The Pharmaceutical Chemistry Department experienced satisfactory growth in the areas of food products testing (vitamins, sugars, preservatives and fatty acid profiles) for new labeling regulation, as well as medical device testing for Department of Health tenders, as more SMME companies are tendering. This department remains a preferred service provider for the Department of Agriculture in the monitoring and testing of registered pesticide formulations.

Radiation Protection Services recorded a satisfying increase of 1,000 new personnel to be monitored, growing the total number of Radiation Protection Services monitored personnel from 20,000 to approximately 21,000 during 2009/2010. The department was also pleased to note that more than 95% of the personnel monitored registered zero readings (0 mSv), which indicates good working practice or equipment and thus an effective radiation protection programme.

The Food Microbiology department retained its key clients and will be looking to consolidate with a heightened focus on changing customer needs.

*New Opportunities*

Food Microbiology attained accreditation in five new methods, some of which are critical to the fishing industry and will enhance the relationship of the SABS with the NRCS and will contribute positively to European Union (EU) inspections conducted in this arena. Advances in the Consumer Protection Act will enable Microbiology to pioneer new projects and strengthen relations with government departments. Consultations with stakeholders progressed well and the Microbiology Department should soon be realising the benefits of this development.

Food and Water Chemistry obtained new "Aquachem" water analysis equipment, which facilitates testing using ten different methods with an hourly turnaround time. Increasing public health consciousness has resulted in increased demand for fatty acid profiling of food products, and there was also a high demand for toxic metal analysis (Cadmium, Lead, Mercury and Arsenic) in food products.

Pharmaceutical Chemistry retained its ISO 17025 accreditation status T0320 for the reporting period, and also obtained the Medicines Control Council (MCC) licence which is a requirement for a pharmaceutical laboratory to test pharmaceutical products.

Both Radiation Protection Services and Chromatographic Services continue to provide services to customers beyond South Africa, including Botswana, Zimbabwe, Swaziland, Mauritius, Tanzania, Lesotho, Malawi and Namibia. This extends the SABS customer service ethos of "Your Business. Your Partner" to key customers in Africa, expanding the SABS footprint.

Chromatographic Services responded effectively to the 2009 world-wide scare regarding melamine in food products. A testing method was validated and the department analysed various products for the presence of melamine.

# THE MECHANICAL AND MATERIALS CLUSTER

*The Mechanical and Materials cluster serves a broad spectrum of industries which include Civil, Building & Construction, Fibre & Polymers, Fluid Technology, Forestry & Timber, Consignment Inspections, as well as the general Mechanical, Metallurgy and Packaging & Paper industries.*

## Mechanical and Materials Standards Department

The Mechanical and Materials Standards Department develops standards in the field of general mechanical engineering (e.g. pumps, bearings, fencing, conveyor belts, precious metals and the vast field of iron ore), and also serves South African industry and consumers by setting standards in the materials field, which comprises footwear, clothing, glass-reinforced plastics (GRP), and lifejackets, to name but a few.

Another important component of this standards department is that of private specifications. This makes a considerable contribution to industry and government departments, as well as SMMEs, by producing private specifications that promote fair and quality trade within South Africa.

### Standards Highlights

During the report period, a total of 130 private specifications were written for the following organizations:

- Armscor;
- South African Airways (SAA);
- South African Police Service (SAPS);
- Namibian Police Force; and
- Namibian Prison Services.

These specifications added value to the tender process of each organization, ensuring that products manufactured were fit for purpose.

During the reporting period 131 standards (comprising 3,029 pages) were published and 100 NWIPs registered.

**Towards better non-metallic piping; SANS 14692:** With the publication of *Part 3: System design* and *Part 4: Fabrication, installation and operation of SANS 14692, Petroleum and natural gas industries – GRP piping*, all parts of the standard have now been published. This means that all four parts of ISO 14692 have been adopted as national standards for use by the local natural gas and petroleum industries.

The recommendations of SANS 14692 apply to layout dimensions, hydraulic design, structural design, detailing, fire endurance, spread of fire and emissions and control of electrostatic discharge. The use of this standard in the industry will improve the quality of non-metallic piping and products that are locally manufactured in accordance with this standard.

## Construction Standards Department

Construction Standards, cover a very broad and diverse range of activities that mirror the work done in the building and construction industries. These include standards for building design, building materials and construction, fire safety, timber preservation, road construction material testing, solar water heating, plumbing components, and water supply and drainage installation.

The main purpose of this department is to provide and maintain national standards that support the business environment of the building industry. Strategic partnerships with the agencies of state have been established, including but not limited to:

- Council for the Built Environment (CBE);
- Construction Industry Development Board (CIDB);
- National Home Builders Registration Council (NHBRC); and
- South African National Roads Agency Limited (SANRAL).

### Standards Highlights

During the reporting period 143 standards (comprising 3,830 pages) were published and 93 NWIPs registered.

SANS 10400-N, the first standard of the SANS 10400 series to be published, is now available for sale, and some of the other standards in this series have been sent out for public comment.

The business was able to successfully deliver a groundbreaking National Standard on lightweight steel structures, and was also responsible for producing a revised standard for Solar Water Heaters which is the compulsory standard for manufacturers to achieve before they are accepted on the list of recognised suppliers in the Eskom subsidy scheme. This standard has also been critical for the Central Energy Fund (CEF's) solar 500 project.

**SANS 517 for light steel frame building published:** Light steel frame building is a well known building method and has been in use for more than 50 years in Australia, the US and Europe. This method is an alternative to traditional masonry building and can be used for a wide range of low and medium rise residential and office buildings. It has only recently been introduced in Southern Africa.

Because light steel frame building is not yet included in the National Building Regulations as a conventional building method, plans have to be submitted for approval together with a rational design by a competent person, normally an engineer. *SANS 517, Light steel frame building*, can be used as the basis for the design and is therefore important for architects, engineers, developers and all others planning to use light steel frame building methods.

**Important thermal insulation standard SANS 1381-4 published:** An important new edition of *SANS 1381-4, Materials for thermal insulation of buildings Part 4: Reflective foil laminates (rolls, sheets and sections)*, was published. With the introduction of energy efficiency standards imminent through legislation to intervene and reduce peak electricity demand usage, thermal insulation and standards for thermal insulation, like this one, play an integral part in the future design of buildings.

**Adhesives for wood:** The new *SANS 10183:2009, Adhesives for wood* standard was developed to combine the old South African adhesive standards and methods into one standard with four parts. This allows for advances in wood adhesive technology and keeps abreast of international standards and methodology. The product certification bodies (SABS and South African Timber Auditing Services (SATAS)) together with the adhesive manufacturers, will collaborate and communicate to all relevant stakeholders.

## *Commercial*

### *Growing the Business*

The Certification, Mechanical, Metallurgy & Safety Industries business unit is a major national certification body operating both nationally and internationally and offering certification of management systems and products in the broad mechanical technical area. In the context of the global drive towards alternative energy supplies, this department has grown its business in the testing and approval of water heating systems based on solar energy. Solar Water Heating systems based on the requirements specified in the National Standard are approved to carry the SABS Standardization Mark as well as product tested for acceptance onto the Eskom DSM programme. The number of approved products is steadily rising and represents a significant replacement for electrically powered water heating systems.

During the period under review, this department was awarded a contract for the certification of the Environmental Management System to the requirements of ISO 14001:2004 at all the national sites of Transnet Rail Engineering. The three-year contract represents the single largest contract for an environmental certification scheme awarded in South Africa.

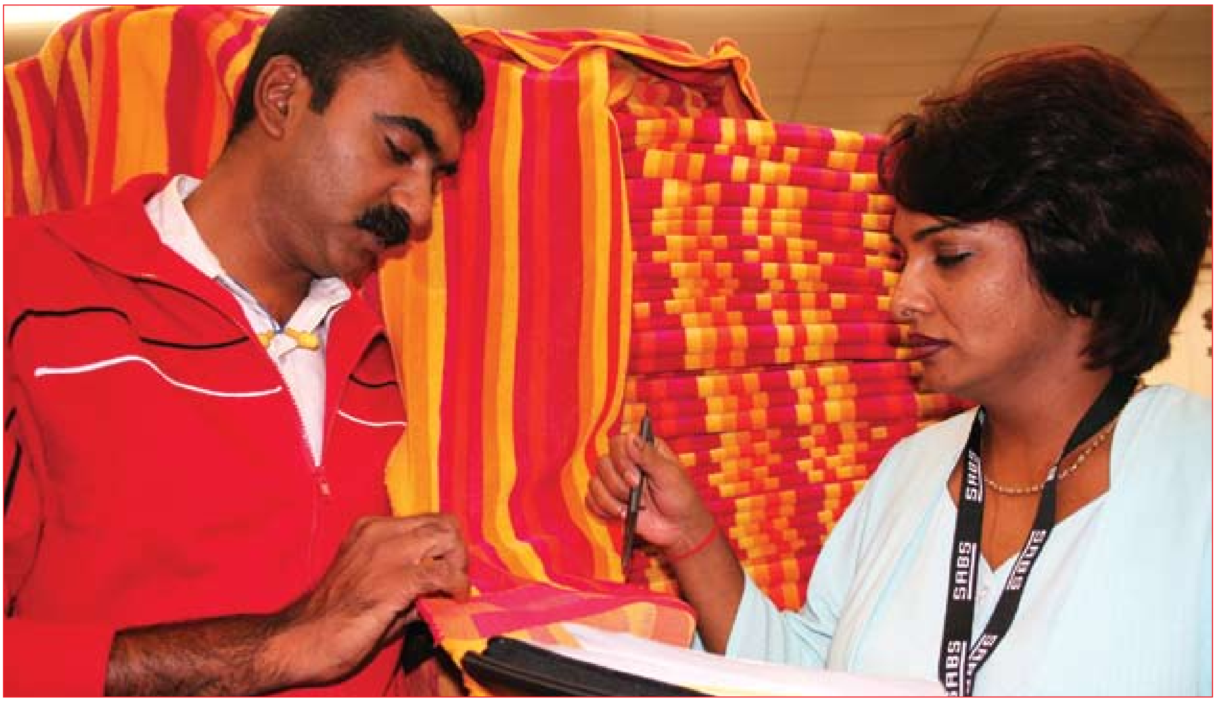
The Civil, Building and Mining Industries business unit offers both systems and product certification for compulsory specifications as well as voluntary standards. The department serves large customers such as Murray & Roberts, Pretoria Portland Cement (PPC), WBHO Construction, LaFarge and AfriSam. These clients provided solid support despite recessionary pressures, and the department was able to fill all vacancies and grow its staff complement during the past year.

The Building, Construction and Packaging Laboratory engaged in two major income-generating projects during the reporting period. The first was the testing of a low cost house for habitability, energy use, effectiveness and sustainability. An engineering company designed a utility pack that can be added to any existing low cost house. The utility pack consists of a water purifier, gel stove, built-in fridge, deep cycle battery and solar geyser. A utility pack like this was constructed on the SABS campus for testing purposes. The aim was to determine sustainability of the unit without formal infrastructure such as clean water and electricity.

The second major project undertaken by the laboratory was a testing and inspection service for the Malawian Education Ministry. The Canadian Government is funding certain projects in Malawi, including the procurement of school text books and other stationery. The Building, Construction and Packaging Laboratory won the internationally advertised tender to perform third party quality and testing services on behalf of the Malawian government.

The project was completed in three phases. The first inspection was performed in Dubai and samples were shipped to the laboratory for testing purposes. The second inspection was done in Blantyre, Malawi where slates, pencils and sharpeners were inspected and samples taken for testing purposes. The third and final phase involved an eight day trip to India for inspection and sampling of school text books. Apart from the significant income, this project also provided a sense of satisfaction in helping our Southern African neighbours to uplift standards of education.

The Consignment Inspection business unit offers inspections of



products on a batch-to-batch or lot-for-lot basis to ensure that they comply with predetermined specifications, which could either be South African National Standards or private specifications. A certificate of compliance or rejection is issued with each batch. A three-way relationship exists between the purchasing department, the manufacturer and the SABS as the third party inspection body.

Consignment Inspection enjoyed a productive year, exceeding its targeted budget by almost R500,000 despite the global recession. In addition, the garment workers strike from July to September 2009 caused delays and losses in manufacturing. Excellent support from another key customer, the South African National Defence Force, compensated for the reduction in business from the Department of Correctional Services.

SANAS accreditation remains a key advantage for this department. Consignment Inspection's third major customer, the South African Police Service, is due to award a new three-year tender shortly. As SANAS accreditation is stipulated in the tender conditions, and as Consignment Inspection is the only SANAS accredited Inspection Body for textiles, clothing and footwear, maintaining this accreditation is essential to our business. The department's two candidate auditors were assessed by SANAS and deemed signatories during October 2009.

Consignment Inspection lived up to the "Your Business. Your Partner" motto by assisting the clothing, footwear and textiles industries in achieving their goals of successfully completing the orders as per the contracts awarded to them.

### *New Opportunities*

During the year under review, the Civil, Building & Mining Industries Department experienced an increase in enquiries from overseas clients interested in attaining SABS product certification.

Consignment Inspection has leveraged a new opportunity in inspecting uniforms for airlines. Both Namibian Airways and SAA have approached the department to conduct consignment inspections on their behalf.

Overall, however, Consignment Inspection's revenue potential has been severely undermined by cheap Chinese imports which are making their way into the country. This has resulted in the closure of many local textile companies such as Frame Textiles, SBH Textiles and SA Fine Worsteds. Consignment Inspection is therefore urgently investigating opportunities to conduct inspections on fabrics entering South Africa.

# THE MINING AND MINERALS CLUSTER

*The Mining and Minerals cluster provides sampling and analytical services to the mining industry in South Africa. The cluster offers a holistic array of services ranging from sampling to testing at sites located at major mining areas, export ports and areas of utilisation of the mineral ores.*

The cluster has the ability to service the broader mining market but the greater part of its business lies with the coal industry where it specialises in sampling and analysing bulk products. The SABS services several mines with on-site testing and sampling facilities; it also provides an independent assaying and sampling service in support of large users of coal, from its SABS Middelburg Laboratory for Eskom, and from its Secunda facility for Sasol Synthetic fuels. Finally, the Cluster provides support to the export market through its presence at the major bulk export ports such as Richards Bay in KwaZulu-Natal and Saldanha Bay in the Western Cape. The Western Cape laboratory provides an around the clock service and has a proud track record over many years.

In these markets, products are traded based on the levels of certain indicators in the ores and these levels are determined through analysis at the test laboratories. The magnitude of the trade is significant and, as a consequence, the quality and reliability of test reports is sacrosanct. The SABS therefore places a premium on the quality systems underpinning the laboratory and sampling operations in the Mining and Minerals cluster and to demonstrate this quality and competence, commits to being accredited for all of these activities.

The SABS operates the coal sampling and testing laboratory at the Richards Bay Coal Terminal (RBCT) and this laboratory remains one of its largest test laboratories. The laboratory runs an around the clock service, sampling and testing all coal brought into the terminal by rail from the inland coal fields of the RBCT partners and again during loading of vessels destined for export. The RBCT is the single biggest coal export terminal in the world and SABS is proud to be associated with this key export facility for South Africa.

## *Standards*

Maintaining and publishing national standards in the areas of textiles, fuels and fuel products is the main purpose of the Mining Standards Department. The portfolio also includes mining and mining equipment.

### *Standards Highlight*

The year's highlights include the publication of SANS 551, a new standard that will help ensure the safe use of new types of detonators, relays and explosives initiating devices.

**Towards better safety for detonators, relays and explosives initiating devices: SANS 551 published:** A new standard that will help ensure the safe use of new types of detonators, relays and explosives initiating devices – especially electronic detonators – was published. *SANS 551, Detonators, relays and explosives initiating devices for commercial applications*, will be of importance to the mining industry, where large quantities of commercial explosives are used on a regular basis.

Applications from suppliers to export their products into the South African marketplace created the need for the South African Chief Inspector of Explosives (CIE) to have a formal technical platform – including SANS 551 – that can be referenced to make informed decisions regarding the approval of these products for use in South Africa.

The publication of *SANS 486, Conveyor belting – Finger splicing of solid woven construction conveyor belting* (and related standards SANS 484-1, 484-2, and SANS 485) was therefore a welcome addition for the mining industry, and may be called up in legislation.

## *Commercial*

### *Growing the Business*

During the financial year, the commodities market was affected negatively by the turmoil in international markets. The international price of coal dropped significantly and negatively impacted on client margins. Prospecting work was one of the first casualties in this depressed market and, as a result, many of the geological samples that were anticipated in the year were not realised. This had a marked impact on the operations of the cluster. The planned expansion to service the new coal fields in the Limpopo province did not materialise and several operations in the Mpumalanga area were reduced or shut down with their staff declared redundant. Two SABS laboratories were closed and the operations at a further two were reduced significantly to align with operational needs.

Despite these reductions, the cluster remains a significant part of the SABS operations, employing some 350 staff and responsible for approximately R82 million of the company revenue in the period under review. Some of the highlights for the reporting period include awards for service excellence as a supplier to Exxaro Coal for the on-site laboratory operations at their Leeuwpan Laboratory and being nominated for a "NOSCAR" – the highest accolade for application of health and safety management at the RBCTLaboratory.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# THE SERVICES CLUSTER

*The Services cluster provides third party, independent certification services to the Service sector of the economy that includes, amongst others, the Financial, Medical Aid Administration, Car Rental, Security, Cleaning, Warehousing and Logistics, Education, Government, IT, and Business Consulting sectors, to enable them to meet customer requirements and achieve business objectives by implementing Quality Management Systems such as ISO 9001, ISO 20000 and ISO 27001. The need for services has increased and services have become a trading commodity. Therefore, there is a constant need for the creation of new standards for services by this department.*

## ICT Standards Department

The ICT Standards Department provides and maintains national standards in the field of Information and Communication Technology.

### Standards Highlights

In the reporting period, 122 standards (of 5,971 pages) were published and 88 NWIPs were generated.

**Standards for digital television:** Two standards are essential for the government's plans to introduce digital television, namely SANS 862 and SANS 894. The recent publication of *SANS 862, Set-top box decoder for free-to-air digital terrestrial television* is an important step in this direction. *SANS 894, Test Specifications for SD and HD Level Integrated Receiver Decoders* had been published earlier.

**Towards less electromagnetic interference at home:** To reduce the radio frequency interference, standards have been introduced for electromagnetic compatibility. Household appliances and lighting should comply with these standards. These are *SANS 214-1, Electromagnetic compatibility – Requirements for household appliances, electric tools and similar apparatus* and *SANS 215, Limits and methods of measurement of radio disturbance characteristics of electrical lighting and similar equipment.*

**Addressing problems in South African addresses:** An important new South African address standard, *SANS 1883, Geographic information – Addresses*, was published in three parts, namely:

- *SANS 1883-1, Data format of addresses*;
- *SANS 1883-2, Guidelines for addresses in databases, data transfer, exchange and interoperability*; and
- *SANS 1883-3, Guidelines for address allocation and updates.*

SANS 1883 was initiated by the members of SC71E, Geographic Information in support of allocating and managing addresses, recording and interchanging of addresses, geo-coding and spatial representation of addresses, and service delivery throughout South Africa and attaining national developmental objectives.

The aim of the standard is not to devise a new system of addressing nor to build a national address database, but rather to enable interoperability in address data sets and Geographic Information Systems (GISs), which will facilitate the development of a national address database. These standards have also been proposed as NWIP to ISO.

## Systems and Services Standards Department

The Systems and Service Standards Department has a diverse portfolio including management systems standards, and services (tourism, security, marketing, legal metrology, conformity assessment, toy safety, consumers, etc.) and co-ordination of energy efficiency, and of the energy portfolio of SABS Standards Division through a number of initiatives such as the establishment and maintenance of the SABS Strategic Advisory Group (SABS SAGE) on Energy Efficiency and Renewable Energy sources.

### Standards Highlights

During the year under review, 66 new standards (representing 3,428 pages) were published and 82 NWIPs were generated.

**Standards for health and safety at live events:** A very successful launch of *SANS 10366, Health and safety at live events – Requirements*, was held at the Development Bank of Southern Africa in Midrand. The standard was launched in time to ensure that its provisions were made known before the 2010 World Cup, and the launch was followed by a series of countrywide workshops held from 25 February to 16 March 2010. In view of South Africa winning the bid to host the Soccer World Cup in 2010, the committee decided to publish the revised standard, Edition 2 ahead of the event. This was published in the second half of 2009 under the new title *SANS 10366, Health and safety at events – Requirements*, and was reorganised to be more user friendly.

Edition 2 of SANS 10366 augments the new Safety at Sport and Recreational Events Bill (to be published in April 2011) and is referred to in the Health and Safety Regulations of the National Department of Health.

**Towards better service delivery: important quality management guidelines for local government (ARP 063) published:** Given developments regarding service delivery in South Africa, the relevance and importance of quality management systems in developing and maintaining confidence is of paramount importance. The publication of *ARP 063, Quality Management Systems – Guidelines for the application of ISO 9001:2008 in local government*, was good news for all municipalities and local government structures focusing on improving levels of service delivery by implementing quality management systems.

**Towards better risk management: SANS 31000, SANS 31010 and ARP 070 published:** Increasingly, many different types of organizations need to use risk management to manage their objectives. Three recently published standards help organizations to do this. As their names suggest, *ARP 070, Risk management – Vocabulary; SANS 31000, Risk management – Principles and guidelines, and SANS 31010, Risk management – Risk assessment techniques* help organizations to understand the terminology, the principles and guidelines, and the techniques involved in risk management. Clause 5.4 of SANS 31010, a supporting standard, is especially useful.

## Commercial

### *Growing the Business*

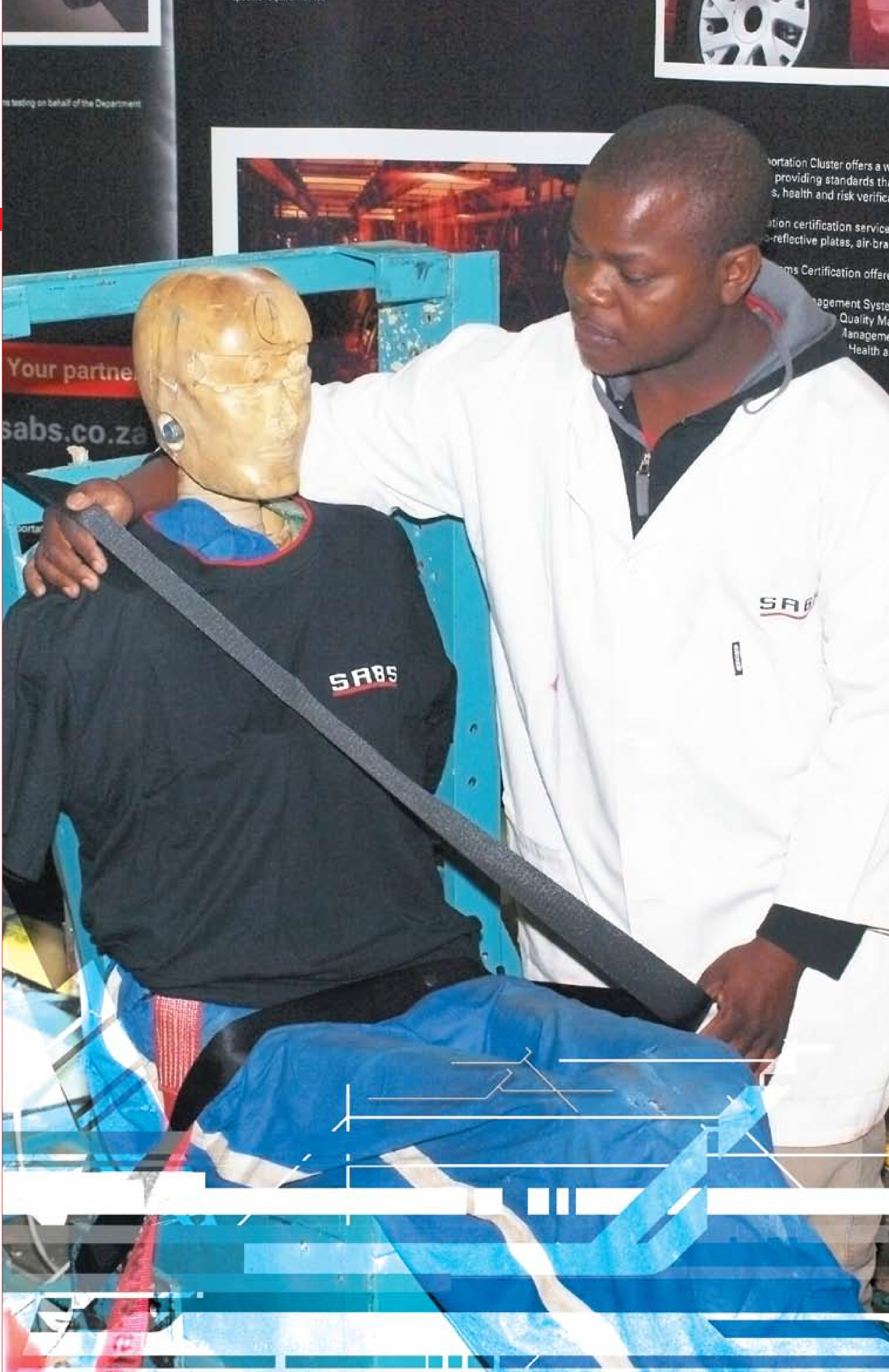
During the year under review, the Services cluster recorded several notable first-time certifications by customers. The first was certification to ISO 20252:2006, the Market, opinion and social research management system standard for Synovate South Africa, which was the first client certified to this standard. This followed their achievement of becoming the first marketing research business in South Africa to achieve ISO 9001 certification during the 1990s.

Synovate cited key advantages and benefits flowing from the ISO 20252 certification, including continuously improved service due to the streamlining of processes and a more efficient focused approach, a reduction in the risk of error, more time available to add value to the results in terms of insight, market knowledge, and consistency and alignment, not only of processes but the interpretation of ISO 20252 requirements globally, which ensures efficient delivery of multi-country projects.

Another important first was certification to ISO/IEC 27001:2005, the Information Security management system standard for Bizworks, which became the first call centre operation certified to this standard in South Africa.

Bizworks cited alignment with globally accepted best practice, as well as the value and peace of mind provided to clients, as the main motivators for attaining certification to this standard. With the rapid advancement of sophisticated technological resources, there is an increase in security risks, which requires a specialised focus on information security. According to Bizworks, the Plan-Do-Check-Act cycle employed by the standard also promotes awareness of information security to all staff in the company and encourages ideas for improvements on all levels, stimulating the company's ambition to provide high quality service to clients.

The third certification achievement during 2009/2010 was in SANS 20000-1:2006, which is an IT Service Management standard that defines requirements for the delivery of a managed IT service to customers. Although only one client was certified during the reporting period, the Services cluster has been involved in discussions with other potential clients. Due to the increasing importance of IT services throughout industry, it is envisaged that this will be a significant growth area in future.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# THE TRANSPORTATION CLUSTER

*The Transportation cluster offers a wide range of services to the transportation industries which include, but are not limited to, systems certification, product certification, Vehicle Test Station Inspectorate services and associated laboratory tests.*

## Standards

The main purpose of the Transportation Standards Department is to provide and maintain national standards in the fields of automotive, road, rail, water and automotive components for vehicles, buses, lifting equipment and other aspects of transportation. Further to the above, the department published national standards for the roadworthiness of vehicles, vehicle test stations, road signs and number-plates.

On the lifting side, standards were published for different types of cranes, attachments used in lifting operations, safety requirements for safety critical components used during lifting operations, industrial lift trucks and lifts, elevators and passenger carrying conveyers.

### Standards Highlights

During the reporting period, 57 standards (representing 2,789 pages) were published and 116 NWIPs registered.

**Revised standards that ensure that vehicle testing stations remain technically competent and help keep unsafe vehicles off our roads:** *SANS 10047, The testing of motor vehicles for roadworthiness*, and *SANS 10216, Evaluation of vehicle test stations*, are both used in certification schemes to evaluate vehicle test stations. The publication of the latest editions of these standards (Edition 6 for SANS 10047 and Edition 7 for SANS 100216), is therefore important in helping to keep unsafe vehicles off our roads.

**Update to automotive quality management standard: SANS 16949:** The latest edition of SANS 16949:2009, a standard important to automotive quality management systems, was published. *SANS 16949, Quality management systems – Particular requirements for the application of ISO 9001:2008 for the automotive production and relevant service part organizations*, is the national adoption of *International Organization for Standardization Technical Specification (ISO/TS) 16949:2009*, and specifies requirements for a quality management system specifically aligned to the needs of the automotive industry.

**SANS 570, Directional stability performance of vehicles in the event of tyre failure**, was published and is an important document for the taxi recapitalisation programme and also referenced in the regulations to the National Road Traffic Act (NRTA).

**SANS 10269, Hand signals used with cranes and with lifting and suspended equipment** was accepted for submission as an international standard by *ISO/TC 96, Crane*.

## Commercial

### Growing the Business

The ongoing effects of the economic recession severely impacted on the automotive sector. Despite the downturn, the Transportation cluster was able to grow the business in some areas, while consolidating and providing a more effective service in others.

Transportation Certification reconfirmed the fitment of windscreens as a critical process with safety implications, which must be controlled. The first company to achieve *SANS 10240:2005: The Installation of Replacement Autoglass in Motor Vehicles* renewed its certification during the reporting period, and others are expected to follow suit.

Under the terms of the NRTA No. 29 of 1989 Section 41 read with Reg 265H(1), Vehicle Test Stations (VTS) are required to pay a 3% annual levy to the SABS National VTS Inspectorate for annual inspections. The Inspectorate has provided proof to the National Department of Transport that it has fulfilled its mandate of inspecting all VTS at least once a year.

In terms of consolidating and improving service, both SABS Transport Certification and the SABS National VTS Inspectorate depend upon close cooperation with and service excellence to the National and Provincial Departments of Transport and other government authorities. As a result of closer cooperation achieved during the year, an observer from the National Department of Transport now accompanies each audit by the SABS National VTS Inspectorate. This has served to quell industry rumours and enhance the credibility of the auditing undertaken by the Inspectorate.

Excellent working relationships have been developed with the SAPS, as well as national and provincial law enforcement units. This has resulted in a number of successful convictions for fraud and corruption by vehicle examiners, and several test stations being closed down. The SABS National VTS Inspectorate has received letters of commendation from the office of the Member of the Executive Council (MEC) Gauteng.

The bulk of the business undertaken by the East London Laboratory continues to be Conformity of Production, based on exhaust emission testing, although the division has conducted a number of tests on models new to South Africa which thus need homologation testing. The volume of testing is slightly lower than in the previous financial year, due to the recession and its effects on the East London Laboratory's sole contractual client, BMW.

However, a number of development projects have been undertaken, including fuels development for the local market on behalf of Sasol, and projects for Volkswagen and General Motors as part of the their localisation drive.

*New Opportunities*

Transportation Certification is in the final stages of creating a certification scheme for Bus Operators. This scheme will verify that the approximately 400 bus operators' activities conform to SANS 10399:2003 and will form part of the campaign to reduce road deaths on South African roads.

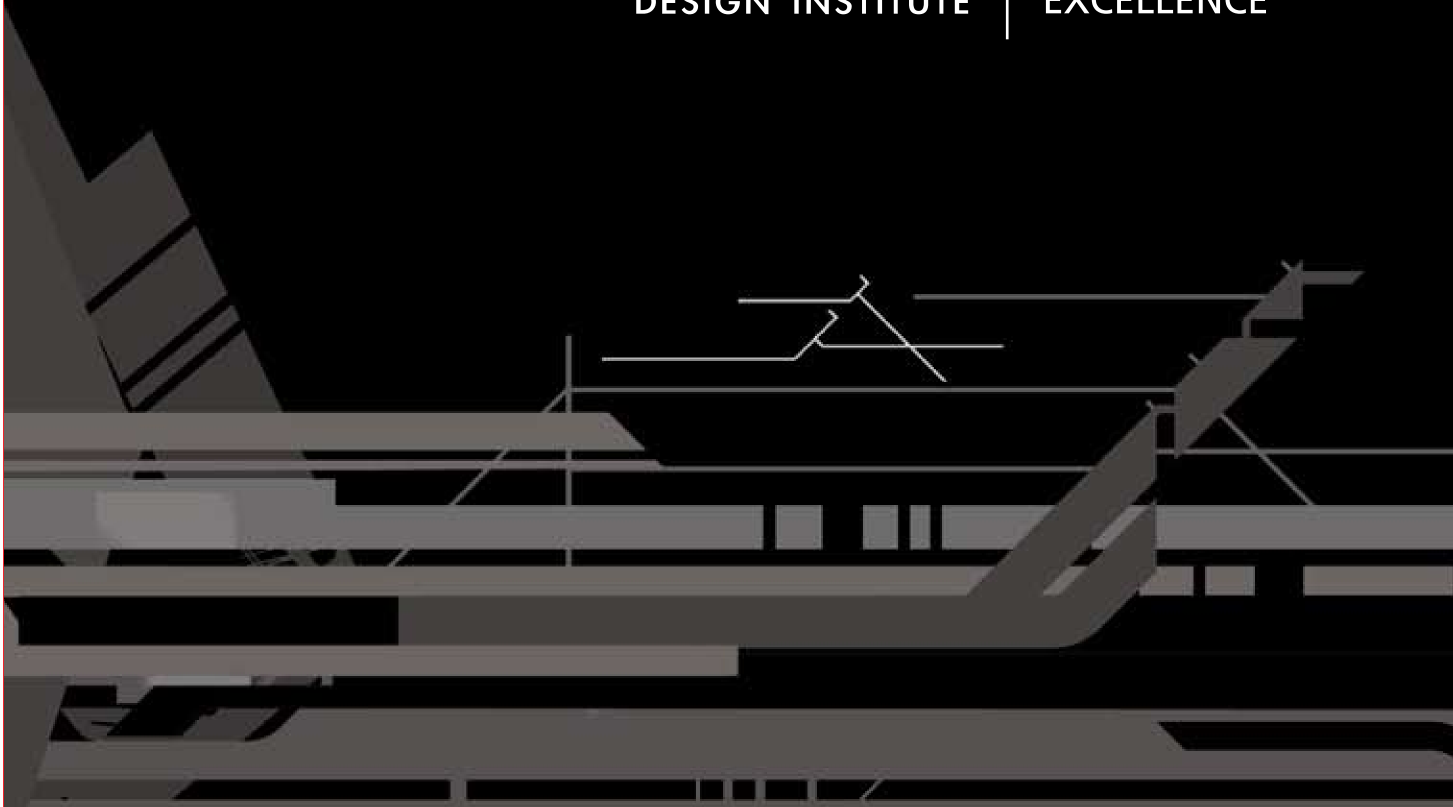
The Automotive Components and Systems Laboratory is being upgraded to ensure that it remains among the world's leading test facilities. The cluster is also discussing technical agreements with international facilities to enhance its abilities and build an international presence. During the past year, the laboratory was visited by manufacturers of alternative energy cars – an indication of the global strength of the SABS brand.

The East London Industrial Development Zone has informed the East London Transportation Laboratory that it wishes to proceed with the development of a training programme for Air Quality Monitoring, which should generate substantial revenue for the laboratory.


SABS

SABS DESIGN INSTITUTE

40 YEARS OF DESIGN EXCELLENCE



# THE DESIGN INSTITUTE

*The 2009 Design Institute activities were dominated by the celebration and commemoration of its 40 years of existence since 1969.*

The highlights of 2009/2010 include the following:

## *40 Years SA Design Excellence Exhibition*

A retrospective exhibition, showcasing more than 100 South African Award winning products of the past forty years, was held at the SABS headquarters in Groenkloof from 29 October until the end of November 2009. The exhibition was the culmination of the 40 Years South African design celebrations and offered one of the most extensive overviews of South African products to date, including the 18 products which received 2009 SABS Design Excellence Awards. Copies of the most prominent publications of the Design Institute were also displayed. A special exhibition catalogue was printed with details of the exhibited products.

The exhibition attracted more than 2,000 visitors from the general public. Special interest groups from government, the media, the innovation and design community as well as from design schools were taken on guided walks through the exhibition.

## *2009 SABS Design Excellence Awards Event*

The 2009 SABS Design Excellence awards ceremony was held at the SABS on 29 October. It coincided with the opening of the 40 Years retrospective SA Design Excellence exhibition. A total of 18 products were awarded.

## *Repositioning Design Promotion in South Africa*

The work that started with the Design Summit in 2008 and the research completed for the World Design Survey was continued. A task team consisting of stakeholders held a workshop and, through a design thinking methodology, developed the basic analysis for a new design promotion plan for South Africa. A Design Institute Advisory Committee under the chairmanship of Prof Roy Marcus was appointed by the SABS Executive Committee (EXCO), contributing valuable guidance in the further development of a new strategy.

*Linda Mvusi (Chairperson of the 2009 judging panel), Geraldine Monareng (Corporate Services), Herman Singh (guest speaker) and Dr Boni Mehlomakulu (CEO) at the design exhibition*

## *New Product Development Support*

The Design Institute expanded the new product development support programme considerably by rolling it out to two more provinces. The programme was held in Cape Town, Bloemfontein and Gauteng during August and September. This programme is addressing a real need for design assistance and is growing in popularity.

### *Seminars*

The three design Idea-to-Product Seminars were hosted with great success with a total of more than 200 delegates attending.

### *Consultation Sessions*

The Confidential Prototype Consultation sessions were expanded by including not only two industrial design consultants at each session but also a patent attorney and a Support Programme for Industrial Innovation (SPII) representative. A total of 44 consultation sessions took place (six in Cape Town, six in Bloemfontein and 32 in Gauteng). Ten expert consultants were involved in the process.

### *Partnership with Support Programme for Industrial Innovation (SPII)*

A further development is that the SPII approached the Design Institute to become a partner in the programme. It was agreed to carry their logo, and to have representation in all the events. SPII contributed significantly to the 2009 programme and the SABS is grateful to this agency.

## *Design Education*

### *Career Exhibition at Sci-Bono*

The Design Institute participated successfully in a major career exhibition at the Sci-Bono Discovery Centre, Johannesburg. More than 4,000 scholars from different schools, both township and model C schools, visited the exhibition. A considerable amount of information and many brochures were distributed on Design and Engineering as career paths.

### *Design Achievers*

The annual Design Youth Leadership development programme culminated on Youth Day on 16 June. Participants included 27 South African students and 8 students from other African countries. The overall winner was Ntibile Zonke, a communication design student from Stellenbosch. He represented South Africa at an international youth design workshop in Hungary.

### *Design for Development: Rural Transport*

The handover ceremony of the final documentation and prototypes was held on 21 August 2009 at the University of Johannesburg, along with a display of a selection of the prototypes that were developed. The documentation was presented to the acting Director-General of the Department of Transport. This project, that spanned six years, attracted considerable local and international media interest and carried the message of the important role of focused design intervention to improve living conditions of developing communities.

## *International Participations*

### *Kenya*

The SABS representative participated in a seminar and chaired a meeting of the Network of Africa Designers in Nairobi during July 2009.

### *Korea*

The SABS representative was invited to serve on an international advisory committee for the 2010 Seoul World Design Capital and also served on a jury of the 2009 Seoul Design Olympiad Design competition.

### *Icsid World Design Congress and General Assembly*

Two staff members represented the SABS Design Institute in the two-day General Assembly of the International Council of Societies World Design Congress in November in Singapore. Also SABS attended a meeting as Icsid Africa Regional Adviser.

# SUSTAINABILITY REPORT

*Apart from its core business functions, the SABS strives to be a corporate model citizen with the well-being of all South Africans – as well as citizens of neighbouring countries – at heart. This report outlines the key initiatives undertaken by the SABS during 2009/2010 to achieve the National Government vision of "A better life for all".*

## *Procurement*

It is the policy of the SABS to procure technically and operationally suitable quality products and services at optimum total cost of ownership. As an organ of state the SABS will promote preferential procurement to Broad-based Black Economic Empowerment (BBBEE) and SMME companies without compromising competitive cost. The organization has done very well with its procurement of services and in applying the scorecard. The SABS group has achieved 100% and the SABS Commercial 70% in line with the scorecard.

## *Building the New Laboratories – Energy Saving and Branding*

The construction of the new laboratories has commenced on the Groenkloof campus. The instruction to the design team was that the approach was to **'go green'**. Currently there are no regulations or standards by which new laboratories can be measured. The new laboratories will reduce energy consumption by 15-20% as a result of a more energy efficient plant. Though no international Green Building Councils have a laboratory specific rating tool, the team is using the guidelines as set out in the green star office pilot as a guide for decision making in the new facility. The project team is also complying with SANS 204 for the building and refurbishment.

The costing done by the appointed project team was based on the design of the building to achieve the highest green star rating possible. The desire to achieve the highest Green Building rating has also motivated the SABS to drive the team to deliver the most energy efficient building. All the systems that will be installed have been ably researched and tested, their abilities have also been evaluated for efficiency, and their capability to operate to the levels required for the highest rating possible. The new laboratories will support the SABS in ensuring that the power associated with SABS and its logo will be renewed within South Africa and also the world.

The accreditation of the new laboratories will also demonstrate the commitment of the SABS to the improvement of standards within South Africa. This will also invite potential clients to once again invest in the SABS and so in South Africa and its capabilities to lead the world in standards and certification.

The modular grid of the new laboratories allows for future adaptability. Further expansion could happen to the south and west of the proposed laboratories. The use of space is also designed around lighting, flow of the process of each laboratory, building placement and optimising use of maximum natural resources, ergonomics of each person in the laboratory, special conditions and layout. With all of this taken into consideration the laboratories have been designed to the optimal space used and location for each laboratory.

## *Products and Services*

The SABS offers SANS, conformity assessment services, i.e. testing and certification against SANS or other requirements, and training services to stakeholders in the South African economy and to clients from all over the world. SANS are used as a basis for purchase contracts or as minimum requirements for satisfying objectives of the state and of individuals that are party to or are affected by transactions in the economy. This makes standards critical to workings of the economy and more particularly the evolution and competitive structure of a given industry. Standards are therefore often used as tools to engineer economic development to achieve goals such as the development of new industries, to improve the competitiveness of existing industries and to correct cases of market failures. To maximise the role of standards in the national economy, **the dti** provides guidance on the national priorities through policy implementation plans like IPAP, which details expectations from institutions falling under its ambit.

The conformity assessment services give the parties to a sale and regulatory requirements an assurance that the product or activity meets stipulated specifications. This calls for the provider of such services to be independent and trusted by all parties. Therefore, conformity assessment services provide value to clients and regulators alike, as they can now share the burden of assurance with third party providers of these services. The SABS has been in the forefront of providing these services to the South African economy for well over 60 years, thereby reducing search costs in transactions and cost of regulation, and improving the competitiveness of South African products against imports and for export.


The SABS provides training in standardization to practitioners from large and small enterprises and from the state. The training equips the country to develop company and industry based capabilities to improve on the competitive priorities of quality and cost. In supporting the national government of South Africa's encouragement of SMMEs entry into mainstream economy, particularly those owned by individuals from previously disadvantaged communities, the SABS provides competency in the use of standards and certification for products which provide easier access to markets.

## *SMME Funding*

The goal of the SABS SMME funding programme is to uplift the economic development of South Africa through support for the development of SMMEs, especially those owned by previously disadvantaged individuals. In the period under review, the SABS provided funding for the training of 69 SMMEs in the Construction and Building Industry. These were offered training in *OHSAS 18001: Occupational Health and Safety System.*

Research findings indicated that, at both the organizational and site level, poor construction H&S performance is attributable to a number of factors, including:

- Lack of management commitment;
- Inadequate supervision; and
- Inadequate H&S training, or a complete lack thereof.

The training course provided owners, managers and employees of participating construction businesses with the essential knowledge required to enable them to take an active role in the management of health and safety in their workplace. This included best practice in integrating risk management into their daily operations, as well as effective monitoring of H&S indicators. The course also covered key construction issues in more technical detail.

## *Stakeholder Engagement*

### *Road Show*

A joint road show with the Electrical Contractors Association (ECA) was organised to promote and introduce Electrical Installation Regulations (EIR 2009) to over 5,000 contractors, engineers, Government Departments, municipal engineers, property developers and owners, attorneys, estate agents, consumers etc. as well as the public at large *(SANS 10142 parts 1 and 2 and Occupational Health and Safety Standards)*. The road show covered 18 cities, and provided an ideal promotional opportunity.

The global economic crisis and the role of standards in contributing solutions was one of the agenda items in the busy General Assembly programme, which also included a presentation on a project to develop a methodology for assessing and communicating the economic benefits of consensus-based International Standards. On 17 September, the programme was taken up by an open session on "Energy – why International Standards are vital". The agenda items also included:

- ISO actions in support of developing countries;
- Implementation of the ISO Strategic Plan 2005-2010;
- ISO development and promotion projects;
- Mechanisms to facilitate experts' participation in standards work; and
- International standardization in support of education.

### *Technical Committees*

In October 2009 a very successful workshop for Chairpersons of Technical Committees was held as part of the annual Standards Convention. One of the outcomes of the workshop was the identification of a need for more training of external committee chairpersons in particular, to better equip them for their role and task in the development of South African national standards.

To address this need, an Induction for Committee Chairpersons was held on 16 March 2010 and attended by both internal and external Committee Chairpersons. Presentations were given on a variety of topics, which included an overview of the SABS, introductions to the Standards Act and the World Trade Organization/Technical Barriers to Trade (WTO/TBT) Agreement, the implications of the standard for standards (i.e. SANS 1-1), participation in international standardization, and the roles, responsibilities and effectiveness of Technical Committees and their functionaries.

## *Corporate Social Investment*

The SABS contributes to societal development through its Corporate Social Investment funding which supports projects that deliver benefits to communities in distress. There is a special focus on providing for improved education, as this investment continues to reap benefits for the community long after the initial funding has been allocated. The initiatives and programmes that are sponsored are within the communities in which the SABS operates. This is another way in which the organization remains relevant to the community and the public. In the period under review, the SABS supported the following schools:

- Madibatlou Primary School at Olifantsfontein in Gauteng; and
- Ithongasi Public Primary School at Munster in KwaZulu-Natal.

Both schools serve underdeveloped communities. Ithongasi in KwaZulu-Natal was given a donation towards the building of a School Hall. The community raised 10% of the funds towards the construction of the hall and the SABS funded the balance of the project.

Madibatlou School was provided with furniture and stationery packs for each pupil. The chairs ensure that no child will sit on the floor while in a learning environment. Madibatlou is the school next to the electrotechnical high voltage laboratory in Olifantsfontein.

## *Contribution to the Industrial Policy Action Plan*

The standards division of the SABS has committed to the development of standards in the key areas of the IPAP, i.e. energy and water efficient building standards, energy efficient electrical appliances, plumbing components, solar water heaters, agro-processing products, wind energy turbines, automotive diesel fuel, alternative fuel vehicles, biofuels, biological measurement standards, dimension measurement for automotives, co-generation, transport of dangerous goods and globally harmonised systems for the classification of chemicals and measurement and verification of energy efficiency. Thus far, the SABS standards division has published a total of 102 standards across these sectors.

In addition, where industries were mentioned in the IPAP2 and standards were not stipulated, the SABS took proactive measures to fill industry gaps. These include industries such as metal fabrication; capital equipment and transport equipment; green and energy-saving industries; agro-processing, automotive, components and medium and heavy commercial vehicles; downstream mineral beneficiation;


*Donation of chairs to the Madibatlou Primary School*

plastics; pharmaceuticals and chemicals; clothing textiles; leather and footwear; forestry, paper and pulp, and furniture; cultural industries including crafts and film; tourism; Business Process Services; and Advanced Manufacturing. The SABS Standards Division has published a total of 1,706 standards.

## *Promoting Trade Throughout the Southern African Development Community*

Recognised standards are vital to trade, and harmonising standards between different countries removes technical barriers to trade. This is the goal of SADCSTAN, the SADC regional standardization body. The SABS currently holds the Secretariat for SADCSTAN and, during the period under review, the following progress was noted:

The 12th SADCSTAN Executive Committee Meeting was held in Gaborone, Botswana on 24 April 2009. Zimbabwe chaired the meeting, which was attended by delegations from 13 SADC member states, as well as observers from ARSO, **the dti**, the EU Maximum Residue Limit (EU MRL) Project, IEC, ISO, the Power Institute for East and Southern Africa (PIESA), and Physikalisch Technische Bundesanstalt (PTB).

The programme of work for 2009/2010 was outlined, which included:

- continuing progress in the technical programme;
- pursuing the implementation of harmonised standards through the TBT Annex to the SADC Trade Protocol;
- follow-up workshop for operational officers and TC secretariats to share experiences in handling regional harmonisation work;
- follow-up workshop on WTO/TBT Enquiry Points and software training;
- SADCSTAN promotional strategy and website redesign;
- collaboration with other technical cooperations; and
- exploring cooperation with other sub regional bodies.

## *Social Sustainability and Employment Equity*

The SABS strives to be a model corporate citizen with the well-being of its staff, the citizens of South Africa, as well as the citizens of neighbouring countries at heart. SABS maintained its healthy employment equity (EE) status in the 2009/10 reporting period. Senior Management EE remained stable at 80%, whilst professionally qualified experienced specialists retained an EE score of 64%. The EE score for skilled technicians also remained at 86%. The overall EE ratio remains at 89% for the 2009/10 reporting period.

*Employment Equity per Occupational Level*

| Occupational Levels | Male | | | | Female | | | | Foreign Nationals | | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | African | Coloured | Indian | White | African | Coloured | Indian | White | Male | Female | |
| Top management | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | **0** |
| Senior management | 1 | 1 | 0 | 1 | 1 | 0 | 0 | 1 | 0 | 0 | **5** |
| Professionally qualified and experienced specialists and mid-management | 10 | 0 | 5 | 13 | 4 | 1 | 1 | 8 | 5 | 0 | **47** |
| Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents | 235 | 23 | 33 | 114 | 231 | 26 | 22 | 145 | 9 | 5 | **843** |
| Semi-skilled and discretionary decision making | 277 | 6 | 6 | 7 | 61 | 3 | 3 | 7 | 0 | 0 | **370** |
| Unskilled and defined decision making | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | **0** |
| **Total** | **523** | **30** | **44** | **135** | **297** | **30** | **26** | **161** | **14** | **5** | **1,265** |

*Employment Equity per Occupational Categories*

| Occupational Categories | Male | | | | Female | | | | Male Total | Female Total | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | African | Coloured | Indian | White | African | Coloured | Indian | White | | | |
| Legislators, senior officials and managers | 27 | 4 | 8 | 29 | 12 | 3 | 2 | 18 | 68 | 35 | **103** |
| Professionals | 14 | 2 | 10 | 31 | 9 | 0 | 1 | 24 | 57 | 34 | **91** |
| Technicians and associate professionals | 155 | 17 | 17 | 64 | 141 | 16 | 14 | 71 | 253 | 242 | **495** |
| Clerks | 30 | 0 | 2 | 6 | 75 | 7 | 6 | 47 | 38 | 135 | **173** |
| Service and sales workers | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | **1** |
| Skilled agricultural and fishery workers | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | **0** |
| Craft and related trades workers | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** |
| Plant and machine operators and assemblers | **283** | **7** | **7** | **12** | **57** | **3** | **3** | **5** | **309** | **68** | **377** |
| Elementary occupations | **20** | **0** | **0** | **0** | **4** | **1** | **0** | **0** | **20** | **5** | **25** |
| **Total** | **530** | **30** | **44** | **142** | **298** | **30** | **26** | **165** | **746** | **519** | **1,265** |

## *Skills Development*

### *Graduate Recruitment*

The recruitment of graduates as from 1 April 2009 underpins the SABS commitment to create sustainable employment whilst simultaneously ensuring that knowledge and skills are transferred in a learning environment. During the first year of their 18 month contract, graduates gained exposure and training in all the key areas of SABS, i.e. Standards development, testing and certification.

### *Internships*

The Department of Science & Technology (DST), the National Research Foundation (NRF) and **the dti**, have sponsored interns who wish to further their careers in the science and innovation sector by placing them at various institutions throughout the country to participate in a structured work programme under the guidance of an experienced mentor. Partnership with the above institutions has allowed the SABS to take on one intern in the Chemical and Mining Standards Department. The intern will have to show definitive competence in the area in which training is received by the end of this programme. During the period under review, 30 interns were deployed by the SABS.

### *Competence Development Programme*

The SABS has in place a formal training programme to support and facilitate the SABS Competence Development Programme (CDP). The training programme currently offers 11 structured courses on all aspects of standards and standards development, auditor and test officer functionality, as well as training on an individual basis in three areas together with one online self-directed course.

Between March 2009 and March 2010 a total of 177 staff members attended formal training courses. This figure excludes delegates who attended courses presented on request to National Standards Bodies in African countries and to SADC delegates. A further 31 staff members completed the self-directed online training.

### *SADC Training*

The SADC/EU Supplier and Quality Assurance Management (SQAM) Project, which offers support to Member States in Standardization, Quality Assurance, Accreditation and Metrology, provided funds for delegates from SADC countries to be trained with the SABS. The SABS was contracted by the SADC/EU Project to present three courses to SADC countries. A group of 15 delegates from seven SADC countries attended the three different courses at the SABS.


*Delegates from developing countries at a societal security meeting hosted by the SABS*


*Health and Wellness*

The health and wellness activities for the year under review commenced with the hosting of the annual Health and Wellness day early in April. Some of the health care services provided to staff included testing for glucose and cholesterol levels, pathology tests for prostate cancer for men older than 45, blood pressure measurements and eye tests. Voluntary testing for HIV/Aids is a continuous process and apart from the actual testing, counselling is provided to all affected staff by private nurses. A total number of 132 staff members had voluntary tests. December 2009 saw a number of activities arranged to celebrate our participation in embracing World Aids Day that was held in December.

Other health and wellness activities conducted during the year include our participation in the World Blood Donor Day and a campaign to raise breast cancer awareness.

# SABS COMMERCIAL (PTY) LTD
# PUBLIC STATEMENT ON IMPARTIALITY

Being impartial, and being perceived to be impartial, is necessary for a conformity assessment body to deliver certification that provides confidence.

## *SABS Commercial:*

- provides its services in an open, independent and impartial manner to all clients and potential clients. All clients are treated equitably and are expected to achieve the same level of performance and conformance to the appropriate standard;
- makes its certification decisions based on objective evidence of conformity obtained through a competent audit process in which decisions are not influenced by other interests or by other parties; and
- understands the importance of impartiality in carrying out its certification activities, manages any conflict of interest and ensures the objectivity of its certification activities.

Independent oversight of SABS Commercial's certification activities is provided by an Impartiality Committee consisting of representatives of a number of external organizations who have an interest in the certification activities of SABS Commercial.

# ANNUAL FINANCIAL STATEMENTS

*for the year ended 31 March 2010*

# SEVEN YEAR GROUP REVIEW

*for the years ended 31 March*

| | **2010** | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 |
|---|---|---|---|---|---|---|---|
| | **R'000** | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 |
| **Income statement** | | | | | | | |
| Commercial revenue | **390,743** | 358,509 | 318,350 | 304,134 | 279,425 | 266,522 | 253,845 |
| Levy revenue | **-** | 45,245 | 104,013 | 102,439 | 81,169 | 63,705 | 59,020 |
| Parliamentary grant recognised as income | **134,852** | 128,785 | 125,273 | 110,695 | 96,754 | 97,075 | 90,410 |
| Expenditure | **516,577** | 491,831 | 437,251 | 407,861 | 456,525 | 414,029 | 399,107 |
| Net (loss)/profit on discontinued operations | **(22,244)** | 2,061 | 11,323 | 44,772 | - | - | - |
| Net investment income/(cost) | **3,223** | (596) | 530 | 2,925 | 3,408 | 3,772 | 5,119 |
| Profit for the year | **46,818** | 30,749 | 35,043 | 66,636 | 20,257 | 12,268 | 29,990 |
| Operating profit | **51,753** | 44,601 | 46,552 | 72,493 | 34,524 | 23,814 | 26,885 |
| **Balance sheet** | | | | | | | |
| Property, plant and equipment | **169,901** | 170,936 | 169,511 | 154,239 | 131,570 | 142,361 | 145,120 |
| Investment properties | **11,337** | 11,761 | 2,547 | 2,681 | - | - | - |
| Intangibles | **17,542** | 17,982 | 6,244 | 374 | - | - | 212 |
| Other assets | **225,370** | 273,820 | 311,229 | 226,568 | 168,514 | 144,582 | 92,411 |
| Non-current assets/disposal group held for sale | **1,894** | 2,342 | 15,673 | 13,410 | 17,000 | - | - |
| Current assets excluding cash | **52,968** | 67,459 | 64,209 | 85,414 | 69,008 | 50,719 | 57,444 |
| Net cash and cash equivalents | **122,162** | 7,565 | (3,065) | 27,010 | 25,875 | 34,081 | 47,242 |
| **Total assets** | **601,174** | 551,865 | 566,348 | 509,696 | 411,967 | 371,743 | 342,429 |
| Capital and reserves | **384,679** | 347,320 | 339,854 | 292,348 | 194,965 | 175,704 | 150,891 |
| Interest bearing borrowings | **15,703** | 18,441 | 22,726 | 23,509 | 23,675 | 15,000 | 15,000 |
| Other liabilities | **100,204** | 102,191 | 117,049 | 101,616 | 103,829 | 87,176 | 88,738 |
| Current liabilities | **100,588** | 83,913 | 86,719 | 92,223 | 89,498 | 93,863 | 87,800 |
| **Total equity and liabilities** | **601,174** | 551,865 | 566,348 | 509,696 | 411,967 | 371,743 | 342,429 |
| **Cash flows** | | | | | | | |
| Net cash flow from operating activities | **90,618** | 26,192 | 40,640 | 80,517 | 37,217 | 48,172 | 55,685 |
| Net cash flow from investing activities | **26,717** | (11,277) | (70,483) | (79,216) | (54,098) | (61,333) | (58,433) |
| Net cash flow from financing activities | **(2,738)** | (4,285) | (232) | (166) | 8,675 | - | - |
| Cash and cash equivalents at beginning of year | **7,565** | (3,065) | 27,010 | 25,875 | 34,081 | 47,242 | 49,990 |
| Cash and cash equivalents at end of year | **122,162** | 7,565 | (3,065) | 27,010 | 25,875 | 34,081 | 47,242 |

| | 2010 R'000 | 2009 R'000 | 2008 R'000 | 2007 R'000 | 2006 R'000 | 2005 R'000 | 2004 R'000 |
|---|---|---|---|---|---|---|---|
| **Ratio analysis** | | | | | | | |
| **Profitability and asset management** | | | | | | | |
| Asset turnover | **0.8** | 0.9 | 0.9 | 1.0 | 1.1 | 1.2 | 1.2 |
| Return on net assets | **13.7%** | 9.7% | 9.6% | 18.6% | 11.6% | 9.8% | 13.0% |
| Return on equity | **13.5%** | 12.8% | 13.7% | 24.8% | 17.7% | 13.6% | 17.8% |
| Current ratio | **0.5** | 0.8 | 0.7 | 0.9 | 0.8 | 0.5 | 0.7 |
| Operating margin % | **13.2%** | 11.0% | 11.0% | 17.8% | 9.6% | 7.2% | 8.6% |
| Revenue % to total income | **67.1%** | 70.9% | 74.1% | 76.1% | 76.3% | 76.1% | 73.9% |
| **Performance** | | | | | | | |
| Revenue per employee (Rands) | **288,691** | 262,008 | 287,322 | 298,074 | 295,811 | 284,678 | 276,383 |
| Operating profit per employee (Rands) | **38,236** | 28,943 | 31,668 | 53,147 | 23,104 | 20,529 | 23,750 |
| Remuneration as a % of total expenditure | **57.9%** | 64.1% | 62.1% | 61.3% | 59.1% | 57.1% | 53.7% |
| **Average number of employees** | **1,354** | 1,541 | 1,470 | 1,364 | 1,219 | 1,160 | 1,132 |

**Ratio definitions**

| | |
|---|---|
| Asset turnover | Revenue divided by net assets |
| Return on net assets | Operating profit as a percentage of net assets excluding cash resources |
| Current ratio | Current assets (excluding cash resources) to current liabilities |
| Operating margin % | Operating profit as a percentage of revenue |

Operating profit/(loss) refers to profit before interest and tax (PBIT) (including discontinued operations) and is stated before the effect of adopting International Accounting Standard (IAS) 19; post retirement medical aid benefits and long service leave awards and the impairment of assets.

# FINANCIAL REVIEW

*for the year ended 31 March 2010*

The 2010 financial year was characterised by negative sentiment as a result of the global recession. The full annualised operational and financial impact of the separation of the Regulatory Division into the NRCS on 1 September 2008 was realised. The year ended on a positive note as the economic outlook improved and several economic indicators pointed to recovery in economic fortunes.

The need was identified to grow the business, not only to improve the financial performance but also to better realise the objectives of the Standards Act (Act 8 of 2008). Opportunities were identified to serve customers beyond our borders and the SABS established a fully-fledged representative office in Shanghai, China, to increase the client base in the automotive and electro-technical sectors.

## *Performance*

The SABS has used the period following the Regulatory split to align its strategy with the National Industrial Policy Framework (NIPF). The strategic objectives are incorporated in the Corporate and Business Plans and support IPAP.

Revenue from commercial operations at R390,7 million increased by 9.0% on 2009 mainly as a result of good performance in the products and system certification domain. The certification domain realised a growth of 12.5% representing an increase in revenue of R17,9 million. The sales of publications increased by 10% (2009: 10.5%). These are real increases in revenue. Investigations, test and services income increased by 6% compared to an increase of 9.6% in the previous year.

The base line parliamentary core funding allocation of R134,9 million increased by 9.8% (2009: R122,8 million).

Significant emphasis has been placed on the development of a performance based culture. Service delivery has been identified as one of the key strategic objectives to assist the organization in sustaining growth. This has been built into the performance management system. The elimination of unnecessary processes will greatly improve delivery time to customers.

SABS achieved a level 3 BBBEE rating and SABS Commercial a level 4 rating. These ratings are the same as the previous financial year.

## *Operating Results*

Operating profit before taxation, financing and discontinued operations increased by R38,0 million to R65,7 million compared to an increase of R7,2 million in the previous year. Total expenses for the year were R516,6 million which is a 5% increase over the R491,8 million incurred in the previous year. The large increase in operating profit can be partly attributed to the R12,2 million increase in core funding (9,8%) and the profit on the revaluation of the immovable property in Port Elizabeth that will be transferred to the NRCS.

The Group recognised a loss of R22,2 million related to its discontinued operations. The majority of the loss represents the assets and use of assets at lower than market related rates by the NRCS in terms of the revised agreement that was reached with the entity on the assets, liabilities, rights and obligations that transferred to the NRCS as a result of the Regulatory split.

## *World Cup Expenditure*

SABS incurred no expenditure on World Cup tickets and apparel during the period under review.

## *Capital Expenditure*

Group capital expenditure totalled R30,2 million (2009: R41,2 million). No new leased assets were acquired during the year under review (2009: R0,5 million) as the SABS took a decision to purchase assets outright. The major expenditure was for the building and replacement of laboratory equipment. In the next three years the SABS plans to spend approximately R276,6 million on infrastructure, including a new laboratory complex and the upgrading of C Block on the Groenkloof Campus.

## *Post-employment Healthcare Benefits*

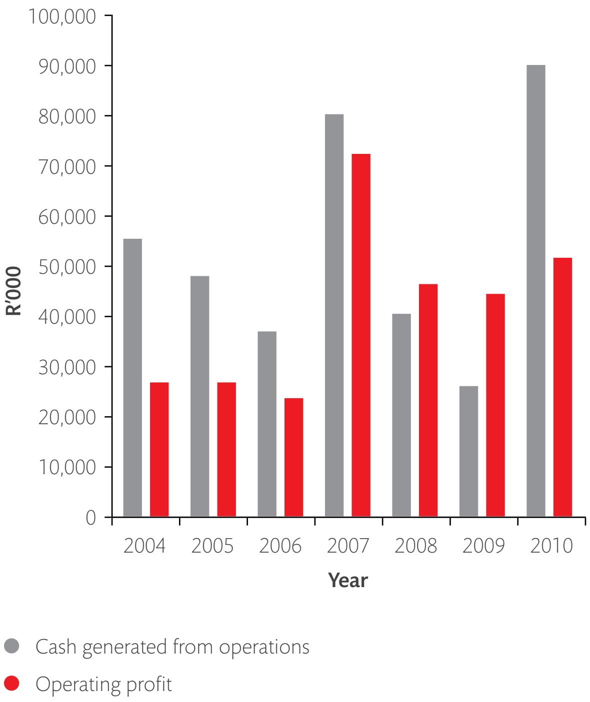
The Group provides post-employment medical aid contribution subsidies to qualifying retirees. Employees who meet set criteria are also entitled to this benefit when they retire. The expected liability has been determined by an actuary. The post-employment healthcare benefit obligation amounted to R72,8 million (2009: R73,5 million) as at 31 March 2010.

## *Cash Reserves*

The Group improved its cash management during the year through improved collections from customers and by delaying payments to suppliers until due. This, together with strict control over expenditure, resulted in cash generated from operating activities more than tripling from R26,2 million in the previous year to R90,6 million.

The Group's cash position increased by R114,6 million (2009: R10,6 million) during the year ended 31 March 2010. The Group had cash and cash equivalents of R122,2 million (2009: R7,6 million) at 31 March 2010. This can mainly be attributed to three investment policies to the value of R78,5 million that matured during the year. The proceeds were invested in short-term money market instruments in the interim and will be reinvested as part of the long term investment portfolio during the 2010/2011 year.

**Cash generated from operations and operating profit (R'000)**




## *Future Outlook*

The SABS and its subsidiaries have a business priority to maintain their status as a world class supplier of services in order to provide a reliable standardization framework while contributing meaningfully to South Africa's industry and the national imperatives.

SABS will continue to be the leading standards body on the continent providing world class standardization services in order to improve the competitiveness of South African products and services.

With the economy showing an upturn, SABS sees opportunities to grow its annual turnover beyond our borders and to better penetrate the South African market. New products are being explored and the expertise and experience of staff are being used to better serve customer requirements.

The capital injection received from **the dti** to upgrade the laboratory infrastructure will allow SABS to become more competitive and will improve efficiencies and allow the organization to derive value for the economy.

# CORPORATE GOVERNANCE REPORT

*for the year ended 31 March 2010*

## Governance Framework

### Introduction

Corporate Governance is formally concerned with the organizational arrangements that have been put in place to provide an appropriate set of checks and balances within the sphere in which the organization operates. The objective is to ensure that those to whom the stakeholders entrust the direction and success of the organization act in the best interest of these stakeholders.

The SABS is committed to the highest standards of integrity and ethical conduct and to open and transparent governance that gives its Shareholder and other stakeholders the assurance that it is being managed ethically and in line with best practice, applicable legislation and predetermined risk parameters. The SABS has established a management model that governs and provides guidance for the way in which all employees interact with the various stakeholder groups.

The underpinning principles of the organization's corporate governance rest on the three cornerstones of an effective and efficient organization, namely the day-to-day management processes, a long term strategic planning process and effective change processes. These processes are supported by systems that are used to plan, execute, monitor and control the strategic and operational domains of the organization.

The Board provides strategic direction and leadership, determines the goals and objectives of the SABS and approves key policies, including investment and risk management. It also approves the financial objectives, plans, goals and strategies. The Board has adopted formal terms of reference that are in line with the Standards Act (Act 8 of 2008) and the Public Finance Management Act (PFMA) (Act 1 of 1999). Although the Board delegates authority to management, it retains the responsibility concerning the exercise of such delegated authority.

The SABS reports to its Shareholder through the Annual Report and, as a further measure to encourage open communication between the Shareholder and the Board, the latter holds discussions with the Shareholder on matters of common interest in order to align, as far as possible, its strategies with those of the Shareholder. The South African Government, through the Minister of Trade and Industry, is the sole Shareholder of the SABS.

### Shareholder's Compact

In terms of the Treasury Regulations issued in accordance with the PFMA, the SABS must, in consultation with the Executive Authority, annually agree on its key performance objectives, measures and indicators. These are captured in the Shareholder's Compact concluded between the SABS and the Executive Authority.

The Compact promotes good governance practices in the SABS by clarifying the roles and responsibilities of the Board and the Executive Authority and ensuring agreement on the organization's mandate and key objectives.

### Financial Statements

The SABS Board and the Executive Management Committee confirm that they are responsible for preparing financial statements that fairly present the state of affairs of the Group as at the end of the financial year.

The annual financial statements contained on pages 79 to 131 have been prepared in accordance with the Statements of South African Generally Accepted Accounting Practice, the Companies Act (as amended) and the PFMA. They are based on appropriate accounting policies and are supported by reasonable and prudent judgments and estimates.

The external auditor is the Auditor-General who is responsible for carrying out an independent examination of the financial statements in accordance with the International Standards of Auditing and reporting their findings thereon. The Auditor-General's report is set out on pages 72 to 73.

### Going Concern

The SABS Board reviewed and approved the Group's financial budgets for the period 1 April 2009 to 31 March 2010 and is satisfied that adequate resources exist to continue business for the foreseeable future. The SABS Board confirms that there is no reason to believe that the Group's operations will not continue as a going concerns in the year ahead.

### Significance and Materiality Framework

The significance and materiality framework for reporting losses through criminal conduct and irregular, fruitless and wasteful expenditure, as well as significant transactions envisaged as per section 54(2) of the PFMA has been confirmed by the Board. Losses through criminal conduct and irregular, fruitless and wasteful expenditure which were identified are disclosed as prescribed in terms of relevant legislation.

### *Internal Control*

The SABS Board is ultimately accountable for the Group's systems of internal control. The Group maintains a system of internal control designed to provide reasonable assurance that the Group's objectives regarding the effectiveness and efficiency of operations, reliability of financial reporting and compliance with applicable laws and regulations have been acheived.

The internal audit function operates under the direction of the Board Audit and Finance Committee which approves the Internal Audit Plan. The Internal Audit Plan is informed by the strategy of the SABS and key risks that may impair the realisation of strategic objectives and goals. The Internal Audit Plans are updated to ensure they are responsive to changes in the business. Significant findings on audits are reported to the Audit and Finance Committee at each of their scheduled meetings. Follow-up audits are conducted in areas where significant control weaknesses are found, to ensure that mitigating strategies are adequate and effectively implemented.

### *Risk Management*

The SABS Board acknowledges that it is responsible for the total process of risk management as well as forming its own opinion on the effectiveness of the process. The process incorporates formalised systems of risk identification, control and monitoring. Management is accountable for designing, implementing and monitoring the process of risk management and integrating it into the day-to-day activities of the Group. The organization will implement a holistic risk management strategy in 2010. The Business Risk Committee assesses the effectiveness of the organization's risk management process.

### *Sustainability Reporting*

Management reports to the Board and its stakeholders on all aspects of its social; transformation; ethical and safety; health; and environmental practices. (See pages 49 to 55 of this report for comprehensive reporting on the SABS' sustainability)

### *Worker Participation and Employment Equity*

The Group continues to have participative structures in place on issues that affect employees and is committed to providing equal opportunities for its employees. Several programmes have been implemented to ensure practical application of the Group's commitment to modern workplace practices to foster employee participation and work process involvement as a key practice at all levels of the organization. The Group continues to provide a climate that encourages its employees to reach their maximum potential.

### *Ethics*

The Ethics Policy commits Board members, executive management, staff and service providers to high standards of ethical conduct in their dealings with clients and all other stakeholders.

The principles in the policy have been communicated throughout the Group and SABS employees are encouraged to report any suspected fraudulent, unethical or corrupt practices. These are reported to the Fraud and Corruption Hotline which is managed by an independent service provider. The source of information remains anonymous. This complies with the requirements of the Protected Disclosures Act (Act 26 of 2000) by creating an environment in which it is safe for employees to report impropriety.

## *Governance Structure*

### *Board Composition*

The SABS Board obtains the desired level of objectivity and independence in deliberations and decision-making. The Board is assisted by Board Committees, duly formed according to the guidelines of the King II Report on Corporate Governance and the PFMA.

The size of the Board is prescribed by section 6 (2) of the Standards Act which requires a minimum of seven (7) and a maximum of nine (9) members appointed by the Shareholder. As at 31 March 2010 there were nine (9) members of which eight (8) were non-executive. The Board members are individuals of a high calibre with diverse backgrounds and expertise, facilitating independent judgement and effective deliberations in the decision making process.

**Detail of Board Members as at 31 March 2010**

| Executive Member | | | | | |
|---|---|---|---|---|---|
| **Name** | **Gender** | **Date of Appointment** | **Term** | **Expiry of Term** | **Qualifications** |
| Dr Bonakele Mehlomakulu | F | 7 September 2009 | 1 | 6 September 2014 | PhD Chemical Engineering |

| Non-executive Independent Members | | | | | |
|---|---|---|---|---|---|
| **Name** | **Gender** | **Date of Appointment** | **Term** | **Expiry of Term** | **Qualifications** |
| Mr Bahle Sibisi | M | 15 August 2006 | 2 | 24 August 2014 | BSoc. Sc<br>MA (Development Economics) |
| Dr Tshenge Demana | M | 15 August 2006 | 2 | 24 August 2014 | PhD Analytical Chemistry |
| Dr Michael Ellman | M | 26 August 2009 | 1 | 24 August 2014 | PhD Chemical Engineering<br>MBA |
| Mr Webster Masvikwa | M | 26 August 2009 | 1 | 24 August 2014 | CA (SA), MBL (SA), AMCT (UK) |
| Mr Mafika Mkwanazi | M | 26 August 2009 | 1 | 24 August 2014 | BSc (Mathematics and Applied Mathematics)<br>BSc (Electrical Engineering) |
| Ms Boitumelo Mosako | F | 15 August 2006 | 2 | 24 August 2014 | CA (SA), B Comm (Acc)<br>PGDA |
| Ms Wendy Poulton | F | 15 August 2006 | 2 | 24 August 2014 | MSc |
| Ms Ignatia Sekonyela | F | 15 August 2006 | 2 | * | BCur. BA Hons, HR Diploma, Adv. Labour Law |

* Ms I Sekonyela resigned as a member of the SABS Board on 9 April 2010

### *Executive Management Committee*

The Board has delegated a wide range of matters to the Executive Committee, including financial, strategic, operational, governance, risk and functional issues. The SABS Management is responsible for the day-to-day affairs of the SABS and ensures that the relevant legislation and regulations are adhered to and that adequate internal financial control systems are in place to provide reasonable certainty in respect of the completeness and accuracy of the accounting records, integrity and the reliability of financial statements and the safeguarding of assets.

At the time of the report, the Executive Committee comprised the following members:

- Chief Executive Officer: Dr Bonakele Mehlomakulu;
- Chief Financial Officer: Tracey Cooper;
- SABS Commercial Executive: Dr Geoff Visser;
- Standards Executive: Vanida Lennon;
- Corporate Services Executive: Geraldine Monareng; and
- Human Capital Development Executive (Acting): Vanida Lennon.

### *Board and Executive Management Remuneration*

Non-executive Board members receive an amount per meeting attended in accordance with Treasury Regulations. The remuneration to Board members and the Executive Management is set out in Note 29.5 to the Annual Financial Statements.

### *Induction and Training*

On appointment, new members have the benefit of an induction programme, aimed at deepening their understanding of the business environment and markets in which the SABS operates. This includes background material, meetings with senior management and visits to facilities. As part of the induction programme, newly appointed non-executive members receive induction material which contains essential Board and organizational information.

### *Board Charter*

The purpose of the Board Charter is to regulate how business is to be conducted by the Board in accordance with the principles of good corporate governance. The Board Charter sets out specific responsibilities to be discharged by the Board members collectively and the individual roles expected from them.

Amongst others, the Board has the following roles and responsibilities: to exercise leadership, integrity and judgement, based on fairness, accountability and responsibility; review and approve the financial objectives, plans and actions, including significant capital allocations and expenditure; and identify key risk areas and key performance indicators, which should be regularly monitored.

### *Board Meetings*

The Board meets at least four (4) times per annum or as circumstances necessitate. During the period under review the Board met six (6) times: a Board Lekgotla took place to discuss strategic issues. Meetings of the Board are scheduled annually in advance and members are required to sign a conflict of interest declaration which is updated annually. A detailed evaluation of the performance of the Board was performed by the Institute of Directors in 2009. In 2010, the Board will consider and implement the best practice recommendations in the King III Report insofar as they relate to the operations of the organization. The record of attendance of directors for the year under review was as follows:

**Board attendance record for the period under review:**

| Meetings of the Board | | | | | | |
|---|---|---|---|---|---|---|
| Name | Meeting Dates | | | | | |
| | 7 May 2009 | 28 May 2009 | 23 July 2009 | 5 November 2009 | 3 December 2009 | 18 February 2010 |
| Mr Bahle Sibisi (Chairman) | ✓ | ✓ | A | ✓ | ✓ | ✓ |
| Dr Tshenge Demana | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Dr Michael Ellman | | ** | | ✓ | A | ✓ |
| Mr Andile Mabizela | A | ✓ | A | | * | |
| Mr Webster Masvikwa | | ** | | ✓ | ✓ | ✓ |
| Mr Mafika Mkwanazi | | ** | | ✓ | A | A |
| Ms Boitumelo Mosako | ✓ | A | A | A | ✓ | ✓ |
| Mr Roger Pitot | ✓ | ✓ | ✓ | | * | |
| Ms Wendy Poulton | ✓ | A | ✓ | A | ✓ | ✓ |
| Ms Ignatia Sekonyela | ✓ | ✓ | ✓ | ✓ | A | ✓ |

✓ Present A Apologies * Term ended on 14 August 2009 ** Appointed on 25 August 2009

*Board Committees*

The Board established four (4) committees to assist in discharging its responsibilities, namely the Audit and Finance Committee, Investment Committee, Business Risk Committee and HR and Remuneration Committee.

Delegating authority to Board Committees or management does not in any way release the Board of its duties and responsibilities. There is always transparency and full disclosure from the Board Committees to the Board. Specific responsibilities have been delegated to these Committees. Terms of reference for the Committees will be approved by the Board in 2010.

*Audit and Finance Committee*

The Committee comprises four (4) non-executive members as appointed by the Board. The majority of members are financially literate. The Chief Executive Officer, Chief Financial Officer and the Head of Internal Audit are invited to attend all meetings of this Committee.

The overall objectives of the Audit and Finance Committee are to assist the Board in discharging its duties relating to the safeguarding of assets, the operation of adequate systems, control procedures and ensuring accurate reporting, preparation of accurate financial statements and compliance with all legal requirements and accounting standards.

**Audit and Finance Committee attendance record for the period under review:**

| Meetings of the Audit and Finance Committee | | | | | | |
|---|---|---|---|---|---|---|
| **Name** | **Meeting Dates** | | | | | |
| | **7 May 2009** | **25 May 2009** | **16 July 2009** | **17 November 2009** | **23 November 2009** | **4 February 2010** |
| Ms Boitumelo Mosako (Chairperson) | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Dr Tshenge Demana | ✓ | ✓ | ✓ | *** | | |
| Dr Michael Ellman | ** | | | ✓ | ✓ | ✓ |
| Mr Andile Mabizela | A | ✓ | ✓ | * | | |
| Mr Webster Masvikwa | ** | | | ✓ | ✓ | ✓ |
| Mr Roger Pitot | ✓ | ✓ | ✓ | * | | |
| Ms Wendy Poulton | ** | | | A | A | ✓ |

✓ Present A Apologies * Term ended on 14 August 2009 ** Appointed on 5 November 2009

*** Membership terminated on 4 November 2009

*Investment Committee*

The Committee comprises four (4) non-executive members and one independent external member. The Chief Executive Officer and the Chief Financial Officer are invited to attend all meetings of this Committee.

The Committee ensures that the objectives of the Investment Policy, as approved by the Board, are implemented and monitored. These include, amongst others, the provision of funding for long-term liabilities, returns that match the growth in liabilities, funding for the capital requirements of the Group and liquidity requirements.

**Investment Committee attendance record for the period under review:**

| Meetings of the Investment Committee | | | |
|---|---|---|---|
| **Name** | **Meeting Dates** | | |
| | **16 July 2009** | **17 November 2009** | **4 February 2010** |
| Ms Boitumelo Mosako (Chairperson) | ✓ | ✓ | ✓ |
| Dr Tshenge Demana | ✓ | ✓ | ✓ |
| Mr Webster Masvikwa | ** | ✓ | ✓ |
| Mr Mafika Mkwanazi | ** | ✓ | ✓ |
| Mr John Oliphant | *** | | ✓ |
| Mr Roger Pitot | ✓ | * | |

✓ Present A Apologies * Term ended on 14 August 2009 ** Appointed on 5 November 2009

*** Appointed on 3 December 2009

*Business Risk Committee*

The Committee currently comprises three (3) non-executive members. The Chief Executive Officer, the Chief Financial Officer, the Head of Internal Audit and the Executives of Standards, SABS Commercial and Corporate Services are invited to attend all meetings of this Committee.

The duties of this Committee include: setting out the nature, role, responsibility and authority of the risk management function within the SABS, outlining the scope of risk management, reviewing and assessing the integrity of the risk control systems, ensuring that risk policies and strategies are effectively managed, providing independent and objective oversight, reviewing the information presented by management, and taking into account reports by management and the Audit and Finance Committee to the Board on financial, business and strategic risk issues.

**Business Risk Committee attendance record for the period under review:**

| Meetings of the Business Risk Committee | | | | |
|---|---|---|---|---|
| **Name** | **Meeting Dates** | | | |
| | **7 May 2009** | **23 July 2009** | **17 November 2009** | **4 February 2010** |
| Ms Wendy Poulton (Chairperson) | ✓ | ✓ | ✓ | ✓ |
| Mr Andile Mabizela | A | A | * | |
| Mr Webster Masvikwa | ** | | ✓ | ✓ |
| Mr Mafika Mkwanazi | ** | | ✓ | ✓ |
| Ms Boitumelo Mosako | A | A | *** | |
| Mr Roger Pitot | ✓ | ✓ | * | |
| Ms Ignatia Sekonyela | ** | | ✓ | ✓ |

✓ Present A Apologies * Term ended on 14 August 2009 ** Appointed on 5 November 2009

*** Membership terminated on 4 November 2009

*HR and Remuneration Committee*

The Committee currently comprises four (4) non-executive members as appointed by the Board. The Chief Executive Officer and the Executive: Human Capital Development attend meetings as invitees and recuse themselves when their remuneration and performance are discussed.

The main objective of this Committee is to assist the Board in the development of compensation policies, plans and performance goals, as well as specific compensation levels for the SABS. The Committee annually manages the Boards evaluation of the performance of the Chief Executive Officer and also assists the Board in fulfilling its oversight responsibilities relating to succession planning as well as overall compensation and human resource policies for all SABS employees. Four (4) meetings took place during the period under review.

**HR and Remuneration Committee attendance record for the period under review:**

| Meetings of the HR and Remuneration Committee | | | | |
|---|---|---|---|---|
| **Name** | **Meeting Dates** | | | |
| | **7 May 2009** | **23 July 2009** | **17 November 2009** | **4 February 2010** |
| Dr Tsenge Demana (Chairman) | ✓ | ✓ | A | ✓ |
| Dr Michael Ellman | ** | | ✓ | ✓ |
| Mr Webster Masvikwa | ** | | ✓ | ✓ |
| Mr Mafika Mkwanazi | ** | | ✓ | ✓ |
| Mr Roger Pitot | ✓ | ✓ | * | |
| Ms Wendy Poulton | ✓ | ✓ | *** | |
| Ms Ignatia Sekonyela | ✓ | ✓ | ✓ | ✓ |

✓ Present A Apologies * Term ended on 14 August 2009 ** Appointed on 5 November 2009

*** Membership terminated on 4 November 2009

*Company Secretary*

All directors have access to the advice and services of the Company Secretary. The Company Secretary is responsible for ensuring that the Board's procedures and applicable rules are fully observed and comply with legislation and corporate governance tenets. New directors are informed of their fiduciary duties during the induction process organised by the Company Secretary. Executive Management provides guidance on matters of strategy and their respective functional operational areas.

# REPORT OF THE AUDIT COMMITTEE OF THE BOARD

*for the year ended 31 March 2010*

We are pleased to present our report for the financial year ended 31 March 2010.

## *Audit Committee Members and Attendance*

The Audit Committee consisted of five (5) members until November 2009 when it changed to four (4) members when membership of Board Committees was revised. Continuity was maintained through the Chairperson continuing in this role. The Audit Committee should meet four (4) times per annum in accordance with its approved terms of reference. During the year under review six (6) meetings were held and were attended as follows:

| Name of member | Number of meetings attended | Number of meetings during tenure |
|---|---|---|
| Ms B Mosako (Chairperson) | 6 | 6 |
| Dr M J Ellman (Appointed 5 November 2009) | 3 | 3 |
| Mr W K Masvikwa (Appointed 5 November 2009) | 3 | 3 |
| Ms W Poulton (Appointed 5 November 2009) | 2 | 3 |
| Dr T Demana (Membership ended 4 November 2009) | 3 | 3 |
| Mr L R Pitot (Term ended 14 August 2009) | 3 | 3 |
| Mr A Mabizela (Term ended 14 August 2009) | 1 | 3 |

## *Audit Committee Responsibility*

The Audit Committee reports that it has complied with its responsibilities arising from section 51(1)(a) of the PFMA and Treasury Regulation 27.1.

The Audit Committee also reports that it has adopted appropriate formal terms of reference as its Audit Committee Charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

## *The Effectiveness of Internal Control*

The system of controls is designed to provide cost effective assurance that assets are safeguarded and that liabilities and working capital are efficiently managed. In line with the PFMA and the King II Report on Corporate Governance requirements. Internal Audit provides the Audit Committee and management with assurance that the internal controls are appropriate and effective. This is achieved by means of the risk management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes. From the various reports of the Internal Auditors, the audit report on the annual financial statements and the management letter of the Auditor-General, it was noted that no significant or material non-compliance with prescribed policies and procedures have been reported. Accordingly, we can report that the system of internal control for the period under review was efficient and effective.

## *The Quality of Management Reports Submitted in Terms of the PFMA*

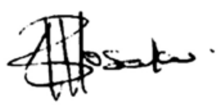
The Audit Committee is satisfied with the content and quality of quarterly reports prepared and issued by the Accounting Authority during the year under review.

## *Evaluation of Financial Statements*

The Audit Committee has:

- reviewed and discussed the audited annual financial statements to be included in the annual report, with the Auditor-General and the Accounting Authority;
- reviewed the Auditor-General's management letter and management's response thereto; and
- reviewed significant adjustments resulting from the audit.

The Audit Committee concurs and accepts the Auditor-General's conclusions on the annual financial statements, and is of the opinion that the audited annual financial statements be accepted and read together with the report of the Auditor-General.



**B Mosako**
*Audit Committee Chairperson*

# STATEMENT OF RESPONSIBILITY OF THE BOARD

*for the year ended 31 March 2010*

The Board is responsible and accountable for the integrity of the financial statements of the organization and the objectivity of other information presented in the annual report.

The fulfilment of this responsibility is discharged through the establishment and maintenance of sound management and accounting systems, the maintenance of an organizational structure which provides for delegation of authority and establishes clear responsibility, together with the constant communication and review of operational performance measured against approved plans and budgets.

Management and employees operate within a framework requiring compliance with all applicable laws and maintenance of the highest integrity in the conduct of all aspects of the business.

The financial statements presented on pages 79 to 131, have been prepared in terms of South African Statements of Generally Accepted Accounting Practice and supported by reasonable and prudent judgments and estimates.

The going concern basis has been adopted in preparing the financial statements. The Board has a reasonable expectation that the organization will have adequate resources to continue its operations as a going concern for the foreseeable future.

The financial statements have been audited by independent auditors in conformity with International Standards on Auditing.

The Audit Committee meets periodically with the internal and external auditors and management to discuss internal accounting controls, auditing and financial reporting matters.

The auditors have unrestricted access to all financial records and related data, including minutes of all meetings of the Board.

The Board report and financial statements for the year ended 31 March 2010, which appear on pages 74 to 131 were approved by the Board on 29 July 2010 and signed on its behalf by:

**CB Sibisi**
*Chairperson*

**B Mehlomakulu**
*Chief Executive Officer*

# REPORT OF THE AUDITOR-GENERAL

*to parliament on the financial statements of the South African Bureau of Standards for the year ended 31 March 2010*

## *Report on the Consolidated Financial Statements*

### *Introduction*

I have audited the accompanying consolidated financial statements and financial statements of the South African Bureau of Standards, which comprise the consolidated and separate statement of financial position as at 31 March 2010, and the consolidated and separate income statement and statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 79 to 131.

### *Accounting Authority's responsibility for the consolidated financial statements*

The accounting authority is responsible for the preparation and fair presentation of these financial statements in accordance with South African Statements of Generally Accepted Accounting Practice (SA Statements of GAAP) and in the manner required by the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### *Auditor-General's responsibility*

As required by section 188 of the Constitution of South Africa and section 4 of the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), my responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with International Standards on Auditing and *General Notice 1570 of 2009* issued in *Government Gazette 32758 of 27 November 2009*. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### *Opinion*

In my opinion, these financial statements present fairly, in all material respects, the consolidated and separate financial position of the South African Bureau of Standards (SABS) as at 31 March 2010, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended, in accordance with South African Statements of Generally Accepted Accounting Practice (SA Statements of GAAP) and in the manner required by the PFMA.

## *Report on other Legal and Regulatory Requirements*

In terms of the PAA and *General Notice 1570 of 2009*, issued in *Government Gazette 32758 of 27 November 2009* I include below my findings on the report on predetermined objectives, compliance with the PFMA and financial management (internal control).

### *Findings*

**Predetermined objectives**
No matters to report.

**Compliance with laws and regulations**
No matters to report.

*Internal Control*

I considered internal control relevant to my audit of the financial statements and the report on predetermined objectives and compliance with the PFMA, but not for the purposes of expressing an opinion on the effectiveness of internal control. The matters reported are limited to the deficiencies identified during the audit.

No matters to report.

Auditor-General

Pretoria
31 July 2010

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

# BOARD REPORT

*for the year ended 31 March 2010*

## *Introduction*

In terms of the Standards Act (Act 8 of 2008) and the Public Finance Management Act (Act 1 of 1999) this report addresses the performance of the SABS and relevant compliance with statutory requirements.

In the opinion of the SABS Board, which fulfils the role of a board of directors as envisaged by the Companies Act, the financial statements fairly reflect the financial position of the SABS Group as at 31 March 2010 and the results of its operations and cash flows for the year then ended.

We have pleasure in submitting to Parliament, through the Minister of Trade and Industry, this report and the audited financial statements of the SABS Group for the year ended 31 March 2010.

## *Our Statutory Basis*

The SABS was established as a statutory body in terms of Act 24 of 1945, which was superseded by the Standards Act (Act 29 of 1993) and subsequently superseded by the Standards Act (Act 8 of 2008). The organization is listed as a Schedule 3B public entity, in terms of the Public Finance Management Act.

## *Our Mandate*

In terms of the new Act, the objects of the SABS are to:

- develop, promote and maintain South African National Standards;
- promote quality in connection with commodities, products and services; and
- render conformity assessment services and matters connected therewith.

## *Our Vision and Mission*

The vision of the SABS is to be the trusted third party that offers quality and reliable value-added standardization services.

The mission is for SABS to be proactive in providing trusted and independent Standardization services that will result in

- promotion of the integrity of the South African market;
- protection of the South African consumer;
- creation of a competitive advantage for South African industry; and
- access by South Africans to markets locally and internationally.

## *Finances and Control*

The Standards Division of the SABS is financed by funds allocated for that purpose via **the dti**. Inspections and tests, which are carried out for the private sector, industry, national government, provincial and local authorities as well as the certification of products and systems, are funded on a commercial basis by fees charged for services rendered.

The Group made a net profit of R46,8 million (2009: R30,7 million). This was achieved after taking a loss of R22,2 million (2009: profit of R2,1 million) in respect of the Regulatory split and the discontinued operations in Namibia into consideration. The profit for the year after taxation from continuing operations is R69,1 million, which is a significant improvement compared to the profit of R28,7 million for the 2009 financial year.

## *Government Grants Relating to Income*

Core funding allocated to the SABS for the financial year under review amounted to R134,9 million (2009: R122,8 million) which represents an increase of 9.9% (2009: 6.1%). The funding for the South African Quality Institute is still routed via SABS and the allocation amounted to R2,2 million (2009: R2,1 million).

During the year a special grant for the SABS Infrastructure project was approved by the Shareholder and National Treasury. The SABS will receive R276,6 million (excluding VAT) over the next three years for the building of new laboratories and upgrading the C Block on the Groenkloof campus.

## *Planning Policy*

A three year business plan setting out SABS's strategic direction is developed annually with key stakeholders using information from all divisions and business units. The Board approves the business plans which contain predetermined strategic and operational objectives. The annual budget is approved a month before the start of the new financial year under review in compliance with provisions of the Public Finance Management Act.

In order to achieve its vision and contribute to the achievement of the goals of national government and all its spheres, SABS has decided to pursue the following strategic objectives:

- to get our value added standardization and conformity assessment services trusted by equivalent peer organizations,

and both domestic and foreign markets;
- to allow broader participation in the national standardization process;
- to provide standardization and conformity assessment services that facilitate development and regulation of national and regional economic activity, and support the NIPF and IPAP;
- to ensure sustainability of SABS Commercial services through revenue growth and operational efficiency;
- to ensure that there is a pool of competent staff in skills areas unique to the SABS; and
- to promote broader participation in the economy.

In this report, included in the Performance Against Objectives, the achievements of the SABS are highlighted against its predetermined objectives for the year. The SABS managed to achieve the majority of its objectives for the year.

### *Regulatory Split*

The Shareholder benchmarked the regulatory system with others in the world and it was evident that the practice of having a standards body as a regulatory body is not optimal or advantageous. After careful consideration of the practice, the benchmarking results and public input the Shareholder decided that the regulatory division should be a separate agency reporting to **the dti**. The legislative process for the creation of the NRCS. The National Regulator for Compulsory Specifications Act and the new Standards Act (Act 5 of 2009) were signed by the President in July 2008. The effective date was 1 September 2008.

In terms of the legislation the assets, liabilities, rights and obligation of the Regulatory Division and its employees transfer to the NRCS. A trilateral agreement was reached between the NRCS, SABS and **the dti** with respect to the assets, liabilities, rights and obligations transferring to the NRCS. The NRCS has approached the SABS to renegotiate the terms of the agreement at the close of the 2009 financial year. Subsequently, the parties have reached consensus on the assets to be transferred to the NRCS. In addition to the assets previously transferred, the SABS would transfer R10 million cash to the NRCS over two years, the land and buildings in Port Elizabeth and provide the NRCS with accommodation at its Groenkloof campus at reduced prices for a five year period. The value of cash, property and rental for the year ended 31 March 2010 amounts to R20,4 million have been accounted for as part of the cost of discontinued operation. The value of the accomodation at reduced prices that will be provided to the NRCS in the following four years amounts to R9,6 million.

### *GCS Namibia*

Previously the Regulatory Division was the responsible inspection body for the European Union in Namibia. The proposed split of the SABS into two entities was discussed with the Namibian authorities and the Namibian Government decided to take over the operations of the GCS Namibia (Pty) Ltd. From 1 July 2008 the Namibian Standards Institute (NSI) placed their employees at the disposal of the NRCS to do the inspections and all revenue accrued to the NSI for levies period covering this period. The activities of GCS Namibia (Pty) Ltd have been accounted for as a discontinued operation. Ministerial approval was received to transfer the Walvis Bay immovable property and the movable assets in Namibia to the NSI. An agreement was entered into between SABS, SABS Commercial (Pty) Ltd, GCS Namibia (Pty) Ltd and the NSI in accordance with which the movables assets in Namibia were transferred to the NSI on 31 March 2010. The SABS has a property in Luderitz and permission is being sought for the disposal of this property.

### *Employees*

The SABS had 312 (2009: 320) permanent employees and 8 (2009: 9) contract workers as at 31 March 2010. The Group had 1,197 (2009: 1,448) permanent employees and 24 (2009: 38) contract workers as at 31 March 2010. The staff complement reduced as only critical vacant positions were filled as management implemented measures to minimise the impact of the economic slowdown and in SABS Commercial (Pty) Ltd 64 employees were retrenched in the Mining and Minerals Cluster as a result of downscaling of operations in the Mpumalanga area which included closing two laboratories.

### *Subsidiaries*

The activities of the SABS subsidiaries, as set out in notes 13 and 29 to the financial statements, are the provision of conformity assessment services which includes testing, certification and training.

### *Events Subsequent to Reporting Date*

The Board members are not aware of any matters or circumstances that have arisen since the end of the financial year, not otherwise dealt with in the financial statements, that will have a significant impact on the operations of the Group, the results of the operations or the financial position of the Group.

# PERFORMANCE AGAINST PRE-DETERMINED OBJECTIVES

*for the year ended 31 March 2010*

In alignment with **the dti** goals, SABS reports on its performance based on the following objectives:

| **the dti** Goals | SABS Objectives |
|---|---|
| Promoting broader participation, equity and redress in the economy. | To allow a broad participation in the national standardization process.<br>To promote broader participation in the economy. |
| Raising the level of exports and promoting equitable global trade. | To get our value-added standardization services trusted by equivalent peer organizations, and both domestic and foreign markets.<br>To ensure sustainability of SABS Commercial services through revenue growth and operational efficiency. |
| Contributing to Africa's development and regional integration with NEPAD. | To ensure there is a pool of competent staff in the skills areas unique to the SABS. |
| Promoting direct investment and growth in the industrial and service economy, with particular focus on employment creation. | To provide standardization services that facilitate development and regulation national and regional economic activity, and support the NIPF. |

The specific targets and the performance measured against these targets for the year ended 31 March 2010 are as follows:

| SABS Objectives | Performance Indicator | Targets/Outputs to be Delivered by March 2010 | Performance Results |
|---|---|---|---|
| To get our value-added standardization and conformity assessment services trusted by equivalent peer organizations, and both domestic and foreign markets. | Proportion of new and revised national standards harmonised with international and regional standards. | 75% of standards published during year to be made of text of international or regional standards. | 63% of published standards were internationally aligned. |
| | Taking the SABS services into identified high growth regions of the world. | Establish Representative office in China. | The China Representative Office was opened and officially launched in May 2009. |
| | Occupy a position of influence in the evolving standardization framework in the SADC region, Africa and internationally. | Retain SADCSTAN Secretariat. | Retained the role of SADCSTAN Secretariat. |
| | | Maintain membership of International Organization for Standardization Technical Management Board (ISO TMB) and host international meetings. | Retained membership of ISO and successfully hosted the General Assembly in Cape Town during September 2009. |
| | | Play the role of Regional Coordinator for SADCSTAN. | Retained the Regional Coordinator role. |
| | Accreditation of laboratories. | Increase the number of accredited laboratories to 72. | Accredited laboratories reduced to 66 due to closure of some laboratories. |
| | Accreditation of certification schemes. | Increase the number certification schemes accredited by SANAS to 19. | There were 25 certification schemes as at 31 March 2010 of which 6 were accredited by SANAS. |
| | Provide information on standardization and World Trade Organization Technical Barrier to Trade Agreement through the enquiry points. | Handle 40 000 standardization and WTO Technical Barriers to Trade requirements enquiries. | 42,163 enquiries were handled during the year. |
| To allow a broader participation in the national standardization process. | Number of established stakeholder advisory forums to provide advice on standardization priorities. | Establish 2 stakeholder advisory forums to provide advice on standardization priorities. | Established the Chairpersons Forum and the Strategic Advisory Group – Energy. |

| SABS Objectives | Performance Indicator | Targets/Outputs to be Delivered by March 2010 | Performance Results |
|---|---|---|---|
| To provide standardization and conformity assessment services that facilitate development and regulation national and regional economic activity, and support the NIPF. | Number of new and revised national standards published per annum. | 700 national standards published. | 857 national standards were published. |
| | Number of test reports produced per annum. | 541,935 test reports produced. | 516,117 test reports were produced during the year. |
| | Number of certification audit and consignment reports produced per annum. | 7,000 certification and consignment audit/inspection reports produced. | The number of reports issued during the year was 17,113. This was a recertification year. |
| | Number of private specifications published per annum. | 160 private specifications published. | 130 private specifications were published. |
| To ensure sustainability of SABS Commercial services through revenue growth and operational efficiency. | Percentage real growth in revenue on the actual revenue for 2008/09. | 6% real growth in revenue as a percentage of 2008/09 actual revenue. | 7.6% nominal growth and 0.8% real growth achieved. |
| | Operating profit after depreciation and before interest income, corporate costs and income tax. | SABS Commercial make an operating profit of R102,4 million after accounting for depreciation. | An operating profit of R75,7 million was achieved. This was lower than target as a result of the economic downturn. |
| | Reduction in administrative overhead cost as a percentage of total revenue. | Reduce corporate overhead costs as a percentage of revenue from 27% to 24%. | The percentage remained at 27% due to lower than budgeted revenue while corporate overheads are almost fixed. |
| | Construction of a new building for the laboratories. | Tender documentation completed and the tender process commenced. | Contract was awarded and construction has started. Phase one is expected to be completed by February 2011. |
| To ensure there is a pool of competent staff in the skills areas unique to the SABS. | Offer appointment to recruitment candidates within 30 business days for internal candidates and 60 business days when external candidates are involved. | 90% success rate for both internal and external appointments. | 90% success rate for internal appointments but only 33% success rate on external appointments due to shortage of skilled candidates. |
| | Design and implement SABS training programme for all (100%) job profiles for key positions. | All job profiles for key positions have completed documented competencies and training material. | 65% of key positions had training programmes due to reprioritisation. |
| | Implement graduate programmes through a three year period. | Percentage of graduates that are retained. | 93% of the graduates were retained. |
| | Achieve staff attrition rate of less than 10% of "key" staff for the three year period. | Achieve staff attrition rate of less than 10% of "key" staff. | The staff attrition rate was 7% which is below the 10% target. |
| | Implement revised staff performance management process (PMP) which is a catalyst to staff productivity by differentiated rewards systems. | Fully integrated PMP ready for implementation. | The PMP principles have been developed and approved. This will be rolled out in the new financial year including differentiated reward system. |

| SABS Objectives | Performance Indicator | Targets/Outputs to be Delivered by March 2010 | Performance Results |
|---|---|---|---|
| Promote broader participation in the economy. | Increase support for intellectual property, new products and technical guidance. | Host three professional consultation sessions for prospective designers in different cities. | Three sessions completed during the year. |
| | | Host three idea to product seminars in different cities within South Africa. | Three seminars hosted during the year. |
| | Increase awareness of Design in South Africa. | Host SABS Design Excellence Awards and exhibition. | Design Excellence awards and exhibition successfully held. |
| | | Implement Design Achievers' Awards programme. | The Design Achievers Awards programme was implemented. |
| | | Develop national design strategy according to Design Summit of October 2008. | Basic work with task teams have been completed. The process was deliberately slowed down to coincide with other major planning events within SABS. |
| | Celebrate 40 years of design excellence. | 40 Year publication and national exhibition. | The exhibition was held and research on the publication was completed. |
| | Achieve BBBEE level 3 status for each company. | Level 3 BBBEE certificates to be issued by accredited company for each company/entity. | SABS achieved Level 3 and SABS Commercial Level 4. |
| | | Achieve preferential procurement score of 14/20. | SABS achieved 20/20 (100%) and SABS Commercial 14.23/100. |
| | | Achieve enterprise development score of 15/15. | Enterprise development score of 15/15 achieved for both entities. |
| | | Achieve socio-economic development (Corporate Social Investment) score of 15/15. | Socio-economic development score of 15/15 achieved for both entities. |
| | In the technical and professional category of the EE plan target black women. | Number black women appointed to positions in technical and professional categories as a percentage of the total appointments in each category should be 50%. | 33% of the appointees were black women. The reduction in the number of external appointments affected the performance against this target. |
| | Maintain overall percentage of EE employees. | Overall percentage of EE employees to be over 80% of total workforce. | The target was exceeded with the actual score being 88%. |
| | Achieve 1.8% employment of people with disabilities. | A percentage of current employees that are confirmed and registered as being disabled should be 1.8% of workforce. | The score of 1.6% was slightly below target. The reduction in the number of external appointments affected performance against this target. |

# INCOME STATEMENTS

*for the year ended 31 March 2010*

| | Notes | GROUP 2010 R'000 | GROUP 2009 R'000 | SABS 2010 R'000 | SABS 2009 R'000 |
|---|---|---|---|---|---|
| **Continuing operations** | | | | | |
| Revenue | 2 | **390,743** | 358,509 | **58,912** | 67,452 |
| Other income | 3 | **56,648** | 38,129 | **124,411** | 89,490 |
| Government grants and core funding | | **134,852** | 122,830 | **120,596** | 113,485 |
| | | **582,243** | 519,468 | **303,919** | 270,427 |
| Employee benefit expenditure | 4 | **(299,001)** | (279,548) | **(96,185)** | (88,643) |
| Depreciation | 10 | **(27,374)** | (21,605) | **(16,576)** | (12,402) |
| Contract services | | **(18,938)** | (22,010) | **(12,230)** | (15,941) |
| Travel expenditure | | **(23,720)** | (23,628) | **(4,754)** | (7,207) |
| Advertising expenditure | | **(13,103)** | (15,871) | **(12,919)** | (15,812) |
| Repairs and maintenance expenditure | | **(26,006)** | (24,520) | **(20,350)** | (18,217) |
| Consulting and technical fees | | **(14,930)** | (15,840) | **(4,166)** | (4,133) |
| Other expenditure | 5 | **(93,505)** | (88,809) | **(72,275)** | (78,304) |
| **Operating profit** | | **65,666** | 27,637 | **64,464** | 29,768 |
| Finance revenue | 6 | **4,730** | 2,080 | **4,728** | 2,075 |
| Finance cost | 7 | **(1,507)** | (2,676) | **(246)** | (746) |
| **Net profit before taxation** | | **68,889** | 27,041 | **68,946** | 31,097 |
| Taxation | 8 | **173** | 1,647 | **-** | - |
| **Profit for the year from continuing operations** | | **69,062** | 28,688 | **68,946** | 31,097 |
| **Discontinued operations** | | | | | |
| (Loss)/profit for the year from discontinued operations | 9 | **(22,244)** | 2,061 | **(21,958)** | (591) |
| **Profit for the year** | | **46,818** | 30,749 | **46,988** | 30,506 |

# STATEMENTS OF COMPREHENSIVE INCOME

*for the year ended 31 March 2010*

| | | GROUP | | SABS | |
|---|---|---|---|---|---|
| | | **2010** | 2009 | **2010** | 2009 |
| | Note | **R'000** | R'000 | **R'000** | R'000 |
| **Profit for the year** | | **46,818** | 30,749 | **46,988** | 30,506 |
| **Other comprehensive income** | | | | | |
| Net gains/(losses) on available-for-sale financial assets | 21 | **8,019** | (9,190) | **8,019** | (9,190) |
| **Total comprehensive income for the year, net of tax** | | **54,837** | 21,559 | **55,007** | 21,316 |

# STATEMENTS OF FINANCIAL POSITION

*as at 31 March 2010*

| | | GROUP | | SABS | |
|---|---|---|---|---|---|
| | | **2010** | 2009 | **2010** | 2009 |
| | Notes | **R'000** | R'000 | **R'000** | R'000 |
| **Assets** | | | | | |
| **Non-current assets** | | **424,150** | 474,499 | **324,614** | 375,138 |
| Property, plant and equipment | 10 | **169,901** | 170,936 | **94,270** | 95,307 |
| Investment properties | 11 | **11,337** | 11,761 | **11,337** | 11,761 |
| Intangible assets | 12 | **17,542** | 17,982 | **17,542** | 17,982 |
| Investment in subsidiaries | 13 | **-** | - | **-** | - |
| Available-for-sale investments | 14 | **201,465** | 250,088 | **201,465** | 250,088 |
| Deferred taxation | 15 | **23,905** | 23,732 | **-** | - |
| **Current assets** | | **175,130** | 75,024 | **164,830** | 75,095 |
| Inventory | 16 | **520** | 829 | **304** | 498 |
| Trade and other receivables | 17 | **52,448** | 66,630 | **7,444** | 6,687 |
| Loans to group companies | 18 | **-** | - | **35,012** | 60,424 |
| Cash and cash equivalents | 19 | **122,162** | 7,565 | **122,070** | 7,486 |
| **Assets of disposal group classified as held for sale** | 9 | **1,894** | 2,342 | **-** | - |
| **Total assets** | | **601,174** | 551,865 | **489,444** | 450,233 |
| **Equity and Liabilities** | | | | | |
| **Equity and reserves** | | **384,679** | 347,320 | **383,078** | 345,549 |
| General reserve | 20 | **54,282** | 54,282 | **54,282** | 54,282 |
| Other components of equity | 21 | **6,869** | 16,328 | **6,869** | 16,328 |
| Accumulated profit | | **321,930** | 274,827 | **321,927** | 274,939 |
| Reserves of disposal group classified as held for sale | 9 | **1,598** | 1,883 | **-** | - |
| **Non-current liabilities** | | **114,800** | 117,446 | **55,687** | 55,748 |
| Interest bearing borrowings | 22 | **14,892** | 15,714 | **1** | 829 |
| Employment benefit obligations | 23 | **87,452** | 85,912 | **50,197** | 48,980 |
| Deferred income | 24 | **12,456** | 15,820 | **5,489** | 5,939 |
| **Current liabilities** | | **101,399** | 86,640 | **50,679** | 48,936 |
| Deferred income | 24 | **3,461** | 9,521 | **548** | 6,608 |
| Trade and other payables | 25 | **90,193** | 66,872 | **43,689** | 34,011 |
| Interest bearing borrowings | 22 | **811** | 2,727 | **811** | 2,727 |
| Employment benefit obligations | 23 | **6,934** | 7,520 | **5,631** | 5,590 |
| **Liabilities of disposal group classified as held for sale** | 9 | **296** | 459 | **-** | - |
| **Total equity and liabilities** | | **601,174** | 551,865 | **489,444** | 450,233 |

# STATEMENTS OF CHANGES IN EQUITY

*for the year ended 31 March 2010*

| | Notes | General reserve R'000 | Available-for-sale reserve R'000 | Discontinued operations R'000 | Accumulated profit R'000 | Total equity and reserves R'000 |
|---|---|---|---|---|---|---|
| **GROUP** | | | | | | |
| **Balance at 31 March 2008** | | 54,282 | 39,611 | 1,527 | 244,434 | 339,854 |
| Other comprehensive income | | - | (9,190) | - | - | (9,190) |
| Discontinued operations | 9 | - | - | 356 | (356) | - |
| Net profit for the year | | - | (14,093) | - | 30,749 | 16,656 |
| **Balance at 31 March 2009** | | 54,282 | 16,328 | 1,883 | 274,827 | 347,320 |
| Other comprehensive income | | - | 8,019 | - | - | 8,019 |
| Discontinued operations | 9 | - | - | (285) | 285 | - |
| Net profit for the year | | - | (17,478) | - | 46,818 | 29,340 |
| **Balance at 31 March 2010** | | **54,282** | **6,869** | **1,598** | **321,930** | **384,679** |
| **SABS** | | | | | | |
| **Balance at 31 March 2008** | | 54,282 | 39,611 | - | 244,433 | 338,326 |
| Other comprehensive income | | - | (9,190) | - | - | (9,190) |
| Net profit for the year | | - | (14,093) | - | 30,506 | 16,413 |
| **Balance at 31 March 2009** | | 54,282 | 16,328 | - | 274,939 | 345,549 |
| Other comprehensive income | | - | 8,019 | - | - | 8,019 |
| Net profit for the year | | - | (17,478) | - | 46,988 | 29,510 |
| **Balance at 31 March 2010** | | **54,282** | **6,869** | **-** | **321,927** | **383,078** |

# STATEMENTS OF CASH FLOW

*for the year ended 31 March 2010*

| | | GROUP | | SABS | |
|---|---|---|---|---|---|
| | | 2010 | 2009 | 2010 | 2009 |
| | Notes | R'000 | R'000 | R'000 | R'000 |
| **Cash inflow from operating activities** | | **90,618** | 26,192 | **46,486** | 6,278 |
| Cash received from customers | | **597,048** | 571,359 | **303,397** | 320,230 |
| Cash paid to suppliers and employees | | **(509,653)** | (544,571) | **(261,393)** | (315,281) |
| Cash generated from operations | 26.1 | **87,395** | 26,788 | **42,004** | 4,949 |
| Finance revenue | 6 | **4,730** | 2,080 | **4,728** | 2,075 |
| Finance cost | 7 | **(1,507)** | (2,676) | **(246)** | (746) |
| **Cash inflow/(outflow) from investing activities** | | **26,717** | (11,277) | **38,051** | 1,138 |
| Purchase of property, plant and equipment | 10 | **(30,185)** | (26,048) | **(22,756)** | (13,633) |
| Transfer of property, plant and equipment to subsidiary | 10 | **-** | - | **4,005** | - |
| Purchase of intangible assets | 12 | **-** | (15,122) | **-** | (15,122) |
| Proceeds on disposal of property, plant and equipment | 26.2 | **260** | 27 | **160** | 27 |
| Purchase of available-for-sale investments | 14 | **(35,274)** | (32,719) | **(35,274)** | (32,719) |
| Disposal of available-for-sale investments | 14 | **91,916** | 62,585 | **91,916** | 62,585 |
| **Cash (outflow)/inflow from financing activities** | | **(2,738)** | (4,285) | **30,047** | 3,912 |
| Repayment of interest bearing borrowings | | **(2,738)** | (4,285) | **(2,744)** | (4,170) |
| Net decrease in loans to group companies | | **-** | - | **32,791** | 8,082 |
| **Increase in cash and cash equivalents** | | **114,597** | 10,630 | **114,584** | 11,328 |
| **Cash and cash equivalents at beginning of year** | | **7,565** | (3,065) | **7,486** | (3,842) |
| **Cash and cash equivalents at end of year** | 19 | **122,162** | 7,565 | **122,070** | 7,486 |

# NOTES TO THE FINANCIAL STATEMENTS

*for the year ended 31 March 2010*

## 1. *Significant Accounting Policies*

The principal accounting policies adopted in the preparation of these annual financial statements are set out below. The accounting policies have been applied consistently in dealing with items that are considered material to the consolidated and stand-alone entity financial statements.

### 1.1 *Basis of Preparation*

The consolidated and stand-alone entity annual financial statements have been prepared in accordance with South African Statements of Generally Accepted Accounting Practice, using the historical cost convention except for available-for-sale investment securities and financial assets and liabilities held for trading, which have been measured at fair value.

The preparation of annual financial statements in conformity with South African Statements of Generally Accepted Accounting Practice requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

### 1.2 *Basis of Consolidation*

**Subsidiaries**

Subsidiaries are those entities in which the Group, directly or indirectly, has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest.

The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the Group's share of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Where the business of a wholly owned subsidiary is purchased by a fellow wholly owned subsidiary, the purchase is undertaken at the net book value of the related assets and liabilities.

Subsidiaries are consolidated from the date on which effective control is transferred to the Group and consolidation ceases from the date of disposal or the date on which control ceases. All inter-company transactions, balances resulting in unrealised gains and losses on transactions between Group entities have been eliminated. Accounting policies have been applied consistently by Group entities.

### 1.3 *Foreign Currency Transaction*

**Functional and presentation currency**

Items included in the financial statements are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to the entity ('the measurement currency'). The financial statements are presented in Rands, which is the functional currency of the Group.

The following are approximate values at reporting date for selected currencies:

| | **2010** | 2009 |
|---|---|---|
| Euro | 9.94 | 12.81 |
| Pound Sterling | 11.14 | 13.74 |
| US Dollar | 7.39 | 9.67 |

**Transactions and balances**

Foreign currency transactions are translated into the measurement currency using the exchange rate prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation of monetary assets and liabilities denominated in foreign currencies, are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Changes in the fair value of monetary securities denominated in foreign currencies classified as available-for-sale are analysed between transaction differences resulting from changes in the fair value cost of the security, and other changes in the carrying amount of the security. Translation differences on non-monetary items, such as equities classified as available-for-sale financial assets, are included in other comprehensive income in equity.

Translation differences on debt securities and other monetary financial assets measured at fair value are included in foreign exchange gains and losses. Translation differences on non-monetary items such as equities held for trading are reported as part of the fair value gain or loss. Translation differences on available-for-sale securities are included in the revaluation reserve in equity.

Exchange differences that result from a severe devaluation of a currency against which there is no practical means of hedging and which affects liabilities that cannot be settled, and that arise directly on the recent acquisition of an asset invoiced in a foreign currency, are included in the carrying amount of the related asset. The asset is impaired if the adjusted amounts exceeds the lower of replacement cost and the amount recoverable from the sale or use of the asset.

### 1.4 *Property, Plant and Equipment*

Property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of property, plant and equipment includes all directly attributable costs that are incurred in order to bring the asset into a location and condition necessary to enable it to operate as intended by management and includes the cost of materials and direct labour. Subsequent expenditure relating to an item of property, plant and equipment is capitalised if the cost can be measured reliably and it is probable that future economic benefits associated with the item will flow to the Group. If a replacement part is recognised in the carrying amount of an item of plant and equipment, the carrying amount of the replaced part is derecognised. Repair and maintenance expenditure is recognised as an expense in the year it is incurred.

*1. Significant Accounting Policies (Continued)*

*1.6 Property, Plant and Equipment (Continued)*

Land is not depreciated as it is deemed to have an indefinite life. Depreciation on other assets is calculated using the straight-line basis over the estimated useful life of each part of property, plant and equipment from when it is available to operate as intended by management. The estimated useful lives are:

| | Years |
|---|---|
| Buildings | 50 |
| Laboratory equipment | 3-10 |
| Furniture and office equipment | 3-10 |
| Vehicles | 3 |

The assets' residual values and useful lives are reviewed, and adjusted (where required) annually. Where significant parts (components) of an item of property, plant and equipment have different useful lives or depreciation methods to the item itself, these parts are accounted for as separate items of property, plant and equipment.

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

The gain or loss arising from the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is included in operating profit.

Items or part of an item of property, plant and equipment are derecognised at the earlier of; the date of disposal or the date when no future economic benefits are expected from its use or disposal. Gains or losses on derecognition of items of property, plant and equipment are included in the income statement. The gain or loss is the difference between the net disposal proceeds and the carrying amount of the asset.

### *1.5 Borrowing Costs*

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets during the period of time that is required to complete and prepare the asset for its intended use. All other borrowing costs are expensed in the period in which they are incurred.

### *1.6 Investment Properties*

Investment properties comprise real estate held for earning rental income or for capital appreciation or both. This does not include real estate held for the supply of services or for administrative purposed. Investment properties are initially recorded at cost or deemed cost. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and accumulated impairment losses, and are accounted for in line with the policy on property, plant and equipment (refer accounting policy note 1.4).

Depreciation is charged to the income statement on a straight-line basis over the estimated useful life of each part of an item of investment property from when it is available to operate as intended by management. The estimated useful life of investment properties is 30 years.

### *1.7 Intangible Assets (Excluding Goodwill)*

Intangible assets (excluding goodwill) are initially measured at cost and subsequently carried at cost less accumulated amortisation and accumulated impairment losses. Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other subsequent expenditure is expensed as incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite. Amortisation is charged to the income statement on a straight-line basis over the estimated useful life of the asset. The estimated useful life of computer software is between three and five years.

Amortisation periods are assessed annually. Intangible assets with an indefinite useful life are tested for impairment at each reporting date. Such intangible assets are not amortised.

### *1.8 Non-current Assets Held for Sale and Discontinued Operations*

Non-current assets or disposal groups are classified as held for sale if their carrying value will be recovered principally through a sale transaction rather than through continuing use. The asset or disposal group must be available for immediate sale in its present condition and the sale should be highly probable, with an active programme to find a buyer. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets and disposal groups classified as held for sale are measured at the lower of the assets' previous carrying value and fair value less costs to sell.

Property, plant and equipment and intangible assets that are classified as held for sale are not depreciated or amortised.

### *1.9 Financial Instruments*

Financial assets and liabilities are recognised on the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument. Financial instruments are initially measured at fair value plus directly attributable transaction costs, except for financial assets or financial liabilities carried at fair value through profit or loss, which do not include directly attributable transaction costs. All other financial instruments are initially measured at fair value. "Regular way" purchases and sales are accounted for at trade date. Subsequent to initial recognition financial instruments are measured as set out below.

**Trade and other receivables**

Trade and other receivables are subsequently measured at amortised cost using the effective interest rate method less provision for impairment. At each reporting date, the Group assesses whether there is any objective evidence that trade and other receivables are impaired. A provision for impairment of trade and other receivables is raised in the income statement, when there is objective evidence that the Group will not be able to collect all amounts due in accordance with the original terms agreed upon. The amount of the provision is the difference between the assets carrying value and the present value of estimated future cash flows, discounted at the effective interest rate. The Group takes the impairment of trade receivables directly to the carrying value of the asset.

**Investments**

For the purpose of measuring investments subsequent to initial recognition, the Group classifies them as either held to maturity, available-for-sale or those that are measured at fair value through profit or loss.

- Investments classified as held to maturity represent those that the Group has the express intention and ability to hold to maturity and are measured at amortised cost using the effective interest rate method less impairment losses;
- Investments classified as available-for-sale are measured at subsequent reporting dates at fair value. Fair value gains and losses on available-for-sale investments are recognised directly in other comprehensive income with the associated deferred taxation, until the investment is disposed of or impaired, at which time the cumulative gain or loss previously recognised in other comprehensive income is included in the income statement for the period; and
- Investments that are designated at fair value through profit or loss are measured at subsequent reporting dates at fair value. Gains and losses arising from changes in fair value of investments designated as measured at fair value through profit or loss are recognised in the income statement in the period in which they arise.

Where applicable fair value is calculated by referring to Stock Exchange quoted selling prices at the close of business on the reporting date. Equity securities for which fair values can not be measured reliably are recognised at cost less impairment.

*1. Significant Accounting Policies (Continued)*

*1.9 Financial Instruments (Continued)*

**Cash and cash equivalents**

Cash and cash equivalents comprise cash at banks and on hand and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the cash flow statement.

Cash on hand is initially recognised at fair value and subsequently measured at fair value. Deposits are carried at amortised cost. Due to the short-term nature the amortised cost normally approximates its fair value.

**Interest bearing borrowings**

Borrowings are recognised initially at the fair value of proceeds received, net of transaction costs incurred, when they become party to the contractual provisions. Borrowings are subsequently stated at amortised cost using the effective interest rate method. Any difference between the cost and the redemption value is recognised in the income statement over the period of the borrowings as interest.

**Trade and other payables**

Trade and other payables are initially measured at fair value and are subsequently measured at amortised cost, using the effective interest rate method.

**Offset**

Financial assets and liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to set-off the recognised amounts, and the intention is to settle on a net basis or to realise the asset and settle the liability simultaneously.

**Derecognition**

A financial asset, or portion of a financial asset, is derecognised where:

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

**Financial liabilities**

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

**Impairment of financial assets**

Financial assets, other than those financial assets classified as fair value through the income statement, are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

If any such evidence exists for available-for-sale financial assets, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement) is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement for equity investments classified as available-for-sale are not subsequently reversed through the income statement. Impairment losses recognised in the income statement for debt instruments classified as available-for-sale are subsequently reversed through the income statement if the increase in fair value can objectively be related to an event occurring after recognition of the impairment loss.

### *1.10 Inventories*

Inventories are stated at the lower of cost or net realisable value. Cost is determined using the weighted-average method. The cost of inventory includes all expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. Net realisable value is the estimate of the selling price in the ordinary course of business, less the estimated selling expenses.

### *1.11 Impairment of Non-financial Assets*

At each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). An impairment loss is recognised whenever the carrying value of an asset exceeds its recoverable amount. Impairment losses are recognised in the income statement.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest company of cash-generating units for which a reasonable and consistent allocation basis can be identified.

A previously recognised impairment loss is reversed if the recoverable amount increases as a result of a change in the estimates used to determine the recoverable amount, if related objectively to an event occurring after the impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying value that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. The reversal is recognised in the income statement. After such a reversal the depreciation charge is adjusted in future years to allocate the asset's revised carrying value, less any residual value, on a systematic basis over its remaining useful life.

### *1.12 Employee Benefits*

**Pension obligations**

The Group contributes towards a group defined contribution plan. A defined contribution plan is a pension plan under which the entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior periods. Contributions are recognised as an expense as incurred.

**Post-employment healthcare benefit obligation**

The entitlement to post–employment healthcare benefits is based on employees appointed prior to September 1998, who have ten years membership to the medical aid at retirement, remaining in service up to retirement age and retired employees with the benefit.

The liability recognised in respect of post-employment healthcare benefit is the present value of the defined benefit obligation at the reporting date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs. An actuarial valuation is performed annually. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government securities that have terms of maturity approximating the terms of the related liability.

*1. Significant Accounting Policies (Continued)*

*1.12 Employee Benefits (Continued)*

Cumulative actuarial gains and losses at the end of the previous period arising from experience adjustments and changes in actuarial assumptions in excess of the greater of:

- 10% of the value of plan assets; or
- 10% of the defined benefit obligations

are spread to income over the lesser of 10 years or the employees' expected average remaining working lives.

Past service costs are recognised as an expense on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits are already vested, past service costs are recognised immediately.

**Long service leave obligation**

The entitlement to leave benefits is based on employees who will receive additional leave days based on their respective years of service with SABS. Specifically SABS employees with six to ten years service are awarded an additional three days leave for the rest of employment and SABS employees with ten completed years or more in service will receive another three days additional leave for the rest of their employment (i.e. six days additional leave). Employees will receive the long service award once they have reached the years of service. The obligation is valued annually by an independent qualified actuary. Any unrecognised actuarial gains and losses and past service costs are recognised immediately.

*1.13 Provisions*

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event and it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risk and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

*1.14 Leases*

**The Group as lessee**

Leases for which the Group bears substantially all the risks and rewards incidental to ownership are classified as finance leases. All other leases are classified as operating leases.

Assets acquired in terms of finance leases are capitalised at the lower of fair value and the present value of the minimum lease payments at inception of the lease, and depreciated over the estimated useful life of the asset on the same basis as owned assets. If the Group does not have reasonable certainty that it will obtain ownership of the leased asset at the end of the lease term, the asset is depreciated over the shorter of its lease term and its useful life. Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each year during the lease term so as to produce a constant periodic rate of return on the remaining balance of the liability. Finance charges are recognised in the income statement.

Combined leases with land and building components are considered separately for classification purposes. At inception of the lease, the minimum lease payments are allocated to the components in proportion to the relative fair values of the leasehold interests in the land and buildings element of the lease. If this can not be measured reliably, then the lease is classified as a finance lease, unless it is clear that both elements are operating leases, in which case the entire lease is classified as an operating lease.

Payments made under operating leases are recognised in the income statement on a straight-line basis over the period of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense.

**The Group as lessor**

Rental income from operating leases is recognised in the income statement on a straight-line basis over the lease term. Lease incentives granted are recognised as an integral part of the total rental income.

### *1.15 Revenue and Other Income Recognition*

Revenue is measured at the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is reduced for customer returns, rebates and other similar allowances.

Revenue from the sale of goods is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer.

Revenue from investigations, tests and services is recognised by reference to stage of completion. Revenue from levies is recognised upon completed production of compulsory specification items. Companies produce and complete a levy return of their production which is invoiced by SABS. Product and system certification revenue is recognised on a straight-line basis over the period of the contract.

Interest income is recognised on a time proportion basis, taking account of the principal outstanding and the effective rate over the period to maturity. When a receivable is recognised, the Group reduces the carrying amount to its present value for significant receivables or receivables with extended payment terms. The present value represents the estimated future cash flows discounted at original effective interest rates. The unwinding of the discount is recognised as interest income over the period.

Dividend income is recognised when the Shareholder's right to receive payment is established.

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms.

Royalties are recognised on an accrual basis in accordance with the substance of the relevant agreement.

### *1.16 Taxation*

The charge for current taxation is the amount of income tax payable in respect of the taxable income for the current period. It is calculated by using tax rates that have been enacted or substantially enacted at the reporting date. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in other comprehensive income, in which case it is recognised in other comprehensive income.

Deferred taxation is provided, using the balance sheet method, based on all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, and is measured at the taxation rates that have been enacted or substantially enacted at the reporting date.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefits will be realised.

Deferred income tax assets and deferred income tax liabilities are offset if a legally enforceable right exists to offset current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

*1. Significant Accounting Policies (Continued)*

### *1.17 Government Grants*

Government grants are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all covenants.

Government grants are recognised as income over the periods necessary to match them to the related costs on a systematic basis. Government grants relating to assets are recognised as a reduction of the cost of the asset acquired. Where the grant relates to an asset, it is recognised as deferred income and released to income on a systematic basis over the expected useful life of the related asset.

### *1.18 Comparative Figures*

Certain comparative figures have been reclassified, where required or necessary, in accordance with current period classifications and presentation.

### *1.19 New Accounting Standards and Interpretations*

The following amendments to existing standards have been published that are mandatory for accounting periods commencing after 1 April 2010, which the Group has elected not to early adopt.

- IFRS 3 - Business combinations (effective 1 July 2009)
  The revised standard continues to apply the acquisition method to business combinations, with some significant changes. The most significant change is a move from a purchase price allocation approach to a fair-value measurement principle. The revision applies to acquisitions for which the acquisition date is in the accounting period which begins after 1 July 2009. The effect on the financial statements will be a function of the number and value of new business combinations after the effective date.
- IAS 24 - Related parties (effective 1 January 2011)
  The revised statement contains an amended definition of related parties and includes disclosure requirements for commitments between related parties. The revised statement will be applied retrospectively and may result in additional disclosure.
- IFRS 9 - Financial instruments (effective 1 January 2013)
  The standard defines two measurement categories for financial assets: amortised cost and fair value. A financial asset may only be measured at amortised cost if it has basic loan features and is managed on a contractual yield basis. The revised statement will be applied retrospectively. The impact on the financial statements has not yet been determined.

The following interpretations and amendments are not effective for the year ended 31 March 2010 and have not been applied in preparing these financial statements. None of them are expected to have a significant impact on the financial statements when adopted:

- AC 504: IAS 19 - The limit on a defined benefit, minimum funding requirements and the interaction in a South African pension fund environment (effective 1 April 2009);
- IFRIC 9 - Reassessment of embedded derivatives (effective 1 July 2009);
- IFRIC 16 - Hedges of a net investment in a foreign operation (effective 1 July 2009);
- IFRIC 17 - Distribution of Non-cash Assets to Owners (effective 1 July 2009);
- IFRIC 18 - Transfer of assets from customers (effective 1 July 2009);
- IAS 27 - Consolidated and separate financial statements: Change of control of a subsidiary (effective 1 July 2009);
- IAS 38 - Intangible assets: Measuring fair value of intangible assets in a business combination (effective 1 July 2009);
- IAS 39 - Financial instruments: Eligible hedged items (effective 1 July 2009);
- IFRS 2 - Share-based payment: Group Cash settled Share-based Payment Transactions (effective 1 January 2010);
- IFRS 8 - Operating segments (effective 1 January 2010);

- IAS 1 - Presentation of financial statements: classification of liability that could be settled through equity instrument (effective 1 January 2010);
- IAS 7 - Statement of cash flows: classification of cash flow for investing activities (effective 1 January 2010);
- IAS 17 - Leases: General lease classification rules applied to leases of land (effective 1 January 2010);
- IAS 18 - Revenue: Recognition rules for principals and agents (effective 1 January 2010);
- IAS 36 - Impairment of assets: Clarification of operating segment level (effective 1 January 2010);
- IFRS 5 - Non-current assets held for sale and discontinued operations (effective 1 January 2010);
- IAS 32 - Classification of rights issues (effective 1 February 2010)
- IFRIC 19 - Extinguishing financial liabilities with equity instruments (effective 1 July 2010); and
- IFRIC 14 - Prepayments of a minimum funding requirement - Amendments to IFRIC 14 (effective 1 January 2011).

### *1.20 Changes in Accounting Policies and Disclosures*

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of the amended IAS 1 and IAS 23 standards.

The impact of adopting the standard or interpretation on the financial statements or performance of the Group is described below:

- IAS 1 - Presentation of financial statements
  The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes details of transactions with owners, with non-owner changes in equity presented in a reconciliation of each component of equity. In addition, the standard introduces the statement of comprehensive income: it presents all items of recognised income and expenses, either in one single statement, or in two linked statements. The Group has elected to present two statements.
- IAS 23 - Borrowing costs
  The revised statement requires that borrowing costs directly attributable to the acquisition, construction and production of qualifying assets are capitalised as part of the cost of these assets and require retrospective application. As the Group has not incurred borrowing costs for such activities there was no impact on its results or financial position.

| | GROUP | | SABS | |
|---|---|---|---|---|
| | **2010** | 2009 | **2010** | 2009 |
| | **R'000** | R'000 | **R'000** | R'000 |
| ***2. Revenue*** | | | | |
| Revenue comprises income from services provided for the certification, testing and inspection of products for compliance with safety standards, and levies from compulsory specifications. | | | | |
| Revenue comprises: | | | | |
| Investigations, tests and services | **212,407** | 199,593 | **-** | - |
| Product and system certification | **161,554** | 143,654 | **-** | - |
| Sale of publications | **16,782** | 15,262 | **14,567** | 13,090 |
| Services - Group | **-** | - | **44,345** | 54,362 |
| | **390,743** | 358,509 | **58,912** | 67,452 |

| | GROUP | | SABS | |
|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 |
| | R'000 | R'000 | R'000 | R'000 |
| ## 3. *Other Income* | | | | |
| Includes : | | | | |
| Deferred income in respect of government grants recognised during the year for plant and equipment | 3,238 | 3,318 | 325 | 405 |
| Dividends received | 556 | 265 | 556 | 265 |
| Foreign exchange gains | 666 | 903 | 49 | 44 |
| Profit on disposal of property transferred to the NRCS | 6,500 | - | 6,500 | - |
| Realised gains on available-for-sale investments | 17,478 | 14,093 | 17,478 | 14,093 |
| Rental income from investment property | 3,681 | 2,857 | 3,681 | 2,857 |
| Rentals in respect of operating leases (minimum lease payments) | - | - | 65,914 | 51,669 |
| Land and buildings | - | - | 33,232 | 23,475 |
| Equipment | - | - | 32,682 | 28,194 |
| Royalties received | - | - | 7,541 | 6,997 |
| ## 4. *Employee Benefit Expenditure* | | | | |
| Salaries and wages | 246,816 | 227,551 | 76,905 | 69,206 |
| Medical aid and other employment benefits | 21,396 | 19,820 | 4,542 | 4,337 |
| Pension contributions | 19,939 | 18,928 | 6,430 | 6,213 |
| Board emoluments (note 29.5) | 2,519 | 2,223 | 2,519 | 2,223 |
| | 290,670 | 268,522 | 90,396 | 81,979 |
| Post-employment healthcare benefits (note 23) | 7,089 | 7,186 | 5,439 | 5,291 |
| Long service leave benefits (note 23) | 1,242 | 3,840 | 350 | 1,373 |
| | 299,001 | 279,548 | 96,185 | 88,643 |

| | GROUP | | SABS | |
|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 |
| | R'000 | R'000 | R'000 | R'000 |
| ***5. Other Expenditure*** | | | | |
| Includes: | | | | |
| Amortisation of intangible assets (note 12) | **3,349** | 3,384 | **3,349** | 3,384 |
| Auditors' remuneration | | | | |
| - Audit fees - current year | **2,017** | 1,752 | **1,504** | 1,257 |
| Bad debts | **1,079** | 2,633 | **134** | 256 |
| - Bad debts written-off | **1,639** | 1,918 | **424** | 323 |
| - Bad debts recovered | **(55)** | (61) | **(55)** | (61) |
| - (Reversal of impairment)/impairment of debtors | **(505)** | 776 | **(235)** | (6) |
| Consumables | **18,371** | 17,134 | **1,881** | 1,389 |
| Depreciation on investment properties (note 11) | **424** | 352 | **424** | 352 |
| Direct operating expenses relating to investment properties that: | | | | |
| - Generated rental income | **2,072** | 405 | **2,072** | 405 |
| - Did not generate rental income | **313** | 52 | **313** | 52 |
| Impairment/(reversal of impairment) of loan in subsidiary | **-** | - | **(4,435)** | (1,908) |
| Loss on disposal of property, plant and equipment | **557** | 160 | **29** | 63 |
| Municipal services | **22,520** | 16,041 | **21,452** | 13,609 |
| Realised foreign exchange losses | **1,033** | 545 | **76** | 158 |
| Rentals in respect of operating leases (minimum lease payments) | **13,326** | 13,306 | **15,859** | 20,678 |
| - Land and buildings | **8,330** | 6,725 | **4,012** | 16,138 |
| - Equipment | **4,996** | 6,581 | **11,847** | 4,540 |
| ***6. Finance Revenue*** | | | | |
| Cash equivalents | **476** | 331 | **474** | 326 |
| Current investments | **4,254** | 1,749 | **4,254** | 1,749 |
| | **4,730** | 2,080 | **4,728** | 2,075 |
| ***7. Finance Cost*** | | | | |
| Overdraft and banking facilities | **1,261** | 2,042 | **-** | 112 |
| Finance lease charges | **246** | 634 | **246** | 634 |
| | **1,507** | 2,676 | **246** | 746 |

| | GROUP | | SABS | |
|---|---|---|---|---|
| | **2010** | 2009 | **2010** | 2009 |
| | **R'000** | R'000 | **R'000** | R'000 |
| *8. Taxation* | | | | |
| SA normal taxation | | | | |
| Deferred taxation - current year | **(173)** | (1,647) | **-** | - |
| The charge for the year can be reconciled to profit per the income statement as follows: | | | | |
| Profit before taxation | | | | |
| - Continuing operations | **68,889** | 27,041 | **68,946** | 31,097 |
| - Discontinuing operations | **(22,244)** | 2,061 | **(21,958)** | (591) |
| | **46,645** | 29,102 | **46,988** | 30,506 |
| Taxation at 28% | **13,061** | 8,149 | **13,157** | 8,542 |
| Non-taxable/non-deductible differences | | | | |
| Exempt income and expenses | **(13,210)** | (9,699) | **(13,157)** | (8,542) |
| Prior year tax adjustment | **(24)** | (97) | **-** | - |
| | **(173)** | (1,647) | **-** | - |

The SABS has been exempted from income tax in terms of the provisions of section 10(1)(cA)(I) of the Income Tax Act.

## *9. Discontinued Operations*

The Shareholder benchmarked the regulatory systems with others globally and it was evident that the practice of having a standards body as a regulatory body is not optimal or advantageous. After careful consideration of the practice, the benchmarking results and public input the Shareholder decided that the Regulatory Division should be a separate agency reporting to **the dti**. The legislative process for the creation of the NRCS commenced. The National Regulator for Compulsory Specifications Act and the new Standards Act (Act 8 of 2008) were signed by the President in July 2008. The effective date was 1 September 2008.

In terms of the legislation the assets, liabilities, rights and obligation of the Regulatory Division and its employees at the effective date transferred to the NRCS. A trilateral agreement was reached between the NRCS, SABS and **the dti** with respect to the assets, liabilities, rights and obligations transferring to the NRCS. The NRCS approached the SABS to renegotiate the terms of the agreement at the close of the 2009 financial year. Subsequently the parties have reached consensus on the assets to the transferred to the NRCS. In addition to the assets previously transferred to the NRCS, the SABS would transfer R10 million cash to the NRCS over two years, the land and buildings in Port Elizabeth and provide the NRCS with accommodation at its Groenkloof campus at reduced prices for a five year period. The value of the cash, Port Elizabeth land and buildings and the free rental for the year ended 31 March 2010 has been accounted for as the cost of discontinued operation in the current financial year.

The total present value of the additional assets or use of assets that was given to the NRCS as a result of the subsequent negotiations is R30,0 million which comprises:

| | R'000 |
|---|---|
| Cash to be transferred to NRCS over two years | 10,000 |
| Land and buildings in Port Elizabeth | 6,500 |
| Use of Groenkloof campus accommodation at no charge for 2009/10 year | 3,855 |
| Amount included in the expenses for the current year | 20,355 |
| Use of Groenkloof campus accommodation at no charge for 2010/11 year | 3,855 |
| Use of Groenkloof campus accommodation at 50% of rental charge 2011/12, 2012/13 and 2013/14 years | 5,784 |
| | 29,994 |

Previously the Regulatory Division was the responsible inspection body for the European Union in Namibia. The split of the SABS into two entities was discussed with the Namibian authorities and the Namibian Government decided to take over operation of the GCS Namibia (Pty) Ltd. From 1 July 2008 the NSI placed their employees at the disposal of the NRCS to do the inspections and all revenue accrued to the NSI for levies paid during this period. The activities of GCS Namibia (Pty) Ltd have been accounted for as a discontinued operation. Ministerial approval has been received to transfer the Walvis Bay immovable property and the movable assets in Namibia to the NSI. An agreement has been entered into between SABS, SABS Commercial (Pty) Ltd, GCS Namibia (Pty) Ltd and the NSI in accordance with which the movables assets in Namibia were transferred to the NSI on 31 March 2010. The SABS has a property in Luderitz and permission is being sought for the disposal of this property.

| | GROUP | | SABS | |
|---|---|---|---|---|
| | **2010** | 2009 | **2010** | 2009 |
| | **R'000** | R'000 | **R'000** | R'000 |
| The results of the discontinued operations are as follows: | | | | |
| Revenue | **118** | 55,462 | **-** | 53,079 |
| Expenses | **(22,362)** | (49,524) | **(21,958)** | (49,793) |
| Impairment loss recognised on the measurement to fair value less costs to sell | **-** | (3,877) | **-** | (3,877) |
| (Loss)/profit for the year from discontinued operations | **(22,244)** | 2,061 | **(21,958)** | (591) |
| The major classes of assets and liabilities classified as held for sale are as follows: | | | | |
| **Assets** | | | | |
| Trade receivables | **28** | 29 | **-** | - |
| Cash and cash equivalents | **1,863** | 2,291 | **-** | - |
| Non-current assets held for sale | **3** | 22 | **-** | - |
| Assets of disposal group classified as held for sale | **1,894** | 2,342 | **-** | - |
| **Liabilities** | | | | |
| Trade and other payables | **296** | 406 | **-** | - |
| Inter-company loans | **-** | 53 | **-** | - |
| Liabilities of disposal group classified as held for sale | **296** | 459 | **-** | - |
| Net assets directly associated with assets classified as held for sale | **1,598** | 1,883 | **-** | - |
| Reserves | **1,598** | 1,883 | **-** | - |
| Reserve of disposal group classified as held for sale | **1,598** | 1,883 | **-** | - |

*9. Discontinued Operations (Continued)*

| | GROUP | | SABS | |
|---|---|---|---|---|
| | **2010** | 2009 | **2010** | 2009 |
| | **R'000** | R'000 | **R'000** | R'000 |
| The net cash flows incurred are as follows: | | | | |
| Operating | **(22,353)** | (2,732) | **(21,958)** | (7,335) |
| **Net cash (outflow)/inflow** | **(20,096)** | 3,996 | **(21,958)** | (591) |
| Impairment of trade and other receivables: | | | | |
| Opening balance | **-** | 540 | **-** | 390 |
| Reversal of impairment provision | **-** | (540) | **-** | (390) |
| **Closing balance** | **-** | - | **-** | - |

As at 31 March the age analysis of trade receivables is as follows:

| | Total | Not past due nor impaired | Past due and impaired | | | |
|---|---|---|---|---|---|---|
| | | | > 30 days | > 60 days | > 90 days | > 120 days |
| | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 |
| **GROUP** | | | | | | |
| **2010** | **28** | **-** | **-** | **-** | **-** | **28** |
| **%** | **100%** | **-** | **-** | **-** | **-** | **100%** |
| 2009 | 29 | - | 16 | - | - | 13 |
| % | 100% | - | 55% | - | - | 45% |

*10. Property, Plant and Equipment*

| | Land | Buildings | Laboratory equipment | Furniture and office equipment | Vehicles | Work-in-progress | Total |
|---|---|---|---|---|---|---|---|
| | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 |
| **GROUP** | | | | | | | |
| **2010** | | | | | | | |
| Opening carrying value | 6,543 | 60,114 | 67,596 | 23,481 | 8 | 13,194 | 170,936 |
| Cost | 6,543 | 99,723 | 138,543 | 59,913 | 67 | 13,194 | 317,983 |
| Accumulated depreciation | - | (39,609) | (70,947) | (36,432) | (59) | - | (147,047) |
| Additions | - | 1,837 | 7,297 | 4,886 | 205 | 15,960 | 30,185 |
| Category transfers | - | 1,498 | 2,240 | 2,837 | - | (6,575) | - |
| Work-in-progress expensed | - | - | - | - | - | (120) | (120) |
| Work-in-progress transferred to intangible assets | - | - | - | - | - | (5,527) | (5,527) |
| Assets transferred from intangible assets | - | 4 | 4 | 2,605 | 5 | - | 2,618 |
| Disposals | - | (550) | (141) | (110) | (16) | - | (817) |
| Depreciation | - | (3,010) | (12,258) | (12,081) | (25) | - | (27,374) |
| **Closing carrying value** | **6,543** | **59,893** | **64,738** | **21,618** | **177** | **16,932** | **169,901** |
| Cost | 6,543 | 102,404 | 145,222 | 66,898 | 354 | 16,932 | 338,353 |
| Accumulated depreciation | - | (42,511) | (80,484) | (45,280) | (177) | - | (168,452) |
| **2009** | | | | | | | |
| Opening carrying value | 6,543 | 56,271 | 62,559 | 24,952 | 10 | 19,176 | 169,511 |
| Cost | 6,543 | 93,231 | 135,439 | 56,083 | 414 | 19,176 | 310,886 |
| Accumulated depreciation | - | (36,960) | (72,880) | (31,131) | (404) | - | (141,375) |
| Additions | - | 2,521 | 12,449 | 6,394 | 6 | 4,678 | 26,048 |
| Category transfers | - | 4,004 | 4,545 | 2,111 | - | (10,660) | - |
| Disposals | - | (61) | (122) | (4) | - | - | (187) |
| Discontinued operations | - | - | (2,020) | (811) | - | - | (2,831) |
| Depreciation | - | (2,621) | (9,815) | (9,161) | (8) | - | (21,605) |
| Closing carrying value | 6,543 | 60,114 | 67,596 | 23,481 | 8 | 13,194 | 170,936 |
| Cost | 6,543 | 99,723 | 138,543 | 59,913 | 67 | 13,194 | 317,983 |
| Accumulated depreciation | - | (39,609) | (70,947) | (36,432) | (59) | - | (147,047) |

*10. Property, Plant and Equipment (Continued)*

| | Land | Buildings | Laboratory equipment | Furniture and office equipment | Vehicles | Work-in-progress | Total |
|---|---|---|---|---|---|---|---|
| | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 |
| **SABS** | | | | | | | |
| **2010** | | | | | | | |
| Opening carrying value | 5,703 | 49,200 | 7,044 | 22,307 | 8 | 11,045 | 95,307 |
| Cost | 5,703 | 86,071 | 39,419 | 56,905 | 67 | 11,045 | 199,210 |
| Accumulated depreciation | - | (36,871) | (32,375) | (34,598) | (59) | - | (103,903) |
| Additions | - | 1,834 | 431 | 4,802 | - | 15,689 | 22,756 |
| Category transfers | - | 1,498 | 370 | 2,829 | - | (4,697) | - |
| Work-in-progress expensed | - | - | - | - | - | (114) | (114) |
| Work-in-progress transferred to intangible assets | - | - | - | - | - | (5,527) | (5,527) |
| Assets transferred from intangible assets | - | 4 | 4 | 2,605 | 5 | - | 2,618 |
| Assets transferred to subsidiary | - | (1,073) | (988) | (1,954) | 10 | - | (4,005) |
| Disposals | - | (14) | (57) | (102) | (16) | - | (189) |
| Depreciation | - | (2,562) | (2,500) | (11,512) | (2) | - | (16,576) |
| **Closing carrying value** | **5,703** | **48,887** | **4,304** | **18,975** | **5** | **16,396** | **94,270** |
| Cost | 5,703 | 87,693 | 20,961 | 60,769 | 51 | 16,396 | 191,573 |
| Accumulated depreciation | - | (38,806) | (16,657) | (41,794) | (46) | - | (97,303) |
| **2009** | | | | | | | |
| Opening carrying value | 5,703 | 44,933 | 8,355 | 23,675 | 10 | 14,321 | 96,997 |
| Cost | 5,703 | 79,588 | 49,830 | 51,478 | 414 | 14,321 | 201,334 |
| Accumulated depreciation | - | (34,655) | (41,475) | (27,803) | (404) | - | (104,337) |
| Additions | - | 2,510 | 1,536 | 6,328 | 6 | 3,253 | 13,633 |
| Category transfers | - | 4,004 | 414 | 2,111 | - | (6,529) | - |
| Disposals | - | (60) | (30) | - | - | - | (90) |
| Discontinued operations | - | - | (2,020) | (811) | - | - | (2,831) |
| Depreciation | - | (2,187) | (1,211) | (8,996) | (8) | - | (12,402) |
| Closing carrying value | 5,703 | 49,200 | 7,044 | 22,307 | 8 | 11,045 | 95,307 |
| Cost | 5,703 | 86,071 | 39,419 | 56,905 | 67 | 11,045 | 199,210 |
| Accumulated depreciation | - | (36,871) | (32,375) | (34,598) | (59) | - | (103,903) |

Freehold land and buildings as well as significant components to the buildings are stated at cost. The useful life of each building is deemed to equate to its economic useful life as management has taken a decision not to sell these buildings.

The category of furniture and office equipment includes computer equipment leased from third parties under finance leases with the following carrying values:

| | GROUP | | SABS | |
|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 |
| | R'000 | R'000 | R'000 | R'000 |
| Opening cost | 18,614 | 18,075 | 18,614 | 18,075 |
| Additions | - | 539 | - | 539 |
| Opening accumulated depreciation | (16,090) | (12,500) | (16,090) | (12,500) |
| Depreciation | (1,924) | (3,590) | (1,924) | (3,590) |
| **Closing carrying value** | 600 | 2,524 | 600 | 2,524 |

A register of land and buildings is available for inspection at the registered office of each entity in the Group. Details of the finance lease obligations is disclosed in note 22.

## *11. Investment Properties*

| | GROUP 2010 R'000 | GROUP 2009 R'000 | SABS 2010 R'000 | SABS 2009 R'000 |
|---|---|---|---|---|
| Opening carrying value | 11,761 | 2,547 | 11,761 | 2,547 |
| Cost | 13,727 | 4,161 | 13,727 | 4,161 |
| Accumulated depreciation | (1,966) | (1,614) | (1,966) | (1,614) |
| Improvements to leasehold building | - | 9,566 | - | 9,566 |
| Depreciation | (424) | (352) | (424) | (352) |
| **Closing carrying value** | 11,337 | 11,761 | 11,337 | 11,761 |
| Cost | 13,727 | 13,727 | 13,727 | 13,727 |
| Accumulated depreciation | (2,390) | (1,966) | (2,390) | (1,966) |

Investment properties and significant components thereof are stated at the deemed costs thereof. At the reporting date all the investment properties were valued by independent valuers with a current market value of R20,1 million (2009: Management estimate of fair value R40,1 million).

Investment properties consist of :

- A portion of the building in Durban;
- A property in East London; and
- Buildings N, R and Z including the parking located on the Groenkloof campus.

The buildings N,R and Z situated on the Groenkloof Campus were valued by Alliance Group (Pty) Ltd. The cost per square meter method, where the market related replacement cost of each component is multiplied by the building size, was used to obtain the value of the property.

*11. Investment Properties (Continued)*

The investment properties situated in Durban were valued by Associated Valuers. The capitalised method was used to value the Durban property, where the net income is capitalised at a rate deemed appropriate. A capitalised rate of 12% was used which was determined by referring to market transactions of comparable properties.

The remainder of the farm land situated in East London was valued using the depreciated replacement cost method of valuation to the fixed improvements.

## 12. Intangible Assets

| | GROUP | | SABS | |
|---|---|---|---|---|
| | **2010** | 2009 | **2010** | 2009 |
| | **R'000** | R'000 | **R'000** | R'000 |
| Computer software | | | | |
| Opening carrying value | **17,982** | 6,244 | **17,982** | 6,244 |
| Cost | **21,792** | 6,835 | **21,792** | 6,835 |
| Accumulated amortisation | **(3,810)** | (591) | **(3,810)** | (591) |
| Additions | **-** | 15,122 | **-** | 15,122 |
| Assets transferred to property, plant and equipment | **(2,618)** | - | **(2,618)** | - |
| Transfers from work-in-progress | **5,527** | - | **5,527** | - |
| Amortisation | **(3,349)** | (3,384) | **(3,349)** | (3,384) |
| **Closing carrying value** | **17,542** | 17,982 | **17,542** | 17,982 |
| Cost | **27,257** | 21,792 | **27,257** | 21,792 |
| Accumulated amortisation | **(9,715)** | (3,810) | **(9,715)** | (3,810) |

## 13. Investment in Subsidiaries

The entities principal subsidiaries are:

| | | SABS | |
|---|---|---|---|
| | Ownership | **2010** | 2009 |
| **Name** | % | **R'000** | R'000 |
| GCS Namibia (Pty) Ltd | 100% | **4** | 4 |
| SABS Commercial (Pty) Ltd | 100% | **22,575** | 29,954 |
| Less: Impairment of equity loan | | **(22,579)** | (29,958) |
| | | **-** | - |

The Group results and position which are comprised of SABS, SABS Commercial (Pty) Ltd and the GCS Namibia (Pty) Ltd. Separate financial statements are available for each subsidiary company.

The results of SABS Commercial (Pty) Ltd for the financial years can be summarised as follows:

| | 2010<br>R'000 | 2009<br>R'000 |
|---|---|---|
| Revenue | **376,899** | 350,158 |
| Other income | **19,948** | 16,656 |
| Expenditure | **(391,212)** | (364,740) |
| Operating profit | **5,635** | 2,074 |
| Net finance cost | **(1,260)** | (1,925) |
| Taxation | **173** | 1,646 |
| Profit for the year | **4,548** | 1,795 |

| | GROUP | | SABS | |
|---|---|---|---|---|
| | **2010**<br>**R'000** | 2009<br>R'000 | **2010**<br>**R'000** | 2009<br>R'000 |
| *14. Available-for-sale Investments* | | | | |
| Opening balance | **250,088** | 289,144 | **250,088** | 289,144 |
| Additions (net of costs) | **35,274** | 32,719 | **35,274** | 32,719 |
| Disposals | **(91,916)** | (62,585) | **(91,916)** | (62,585) |
| Fair value adjustment (Refer to note 21) | **989** | 179 | **989** | 179 |
| Gains/(losses) on investments transferred to equity (Refer to note 21) | **7,030** | (9,369) | **7,030** | (9,369) |
| **Closing balance** | **201,465** | 250,088 | **201,465** | 250,088 |
| Available-for-sale investments comprises:: | | | | |
| Money market | **38,400** | 38,667 | **38,400** | 38,667 |
| Equities | **163,065** | 211,421 | **163,065** | 211,421 |
| | **201,465** | 250,088 | **201,465** | 250,088 |

Financial assets are classified as available-for-sale when the intention with regard to the instrument and its origination and design does not fall within the ambit of the other financial asset classifications. Available-for-sale instruments are typically assets that are held for a longer period and in respect of which short-term fluctuations in value do not affect the Group's hold or sell decision.

Available-for-sale assets are measured at fair value, with fair value gains and losses recognised directly in equity. When available-for-sale assets are determined to be impaired to the extent that the fair value has declined below its original cost, the resultant losses are recognised in the income statement.

These investments are held in various diversified portfolios and are intended to create a base of plan assets to cover post-employment medical benefits and capital expansions.

*14. Available-for-sale Investments (Continued)*

During the year the Group realised gains of R17,4 million (2009: R10,2 million) on investments that matured and no gains (2009: R3,8 million) on the disposal of investments.

Ovation Global Investment Services (Pty) Ltd in which the Group has an investment of R21,6 million (2009: R19,0 million) was placed under curatorship on 2 March 2007. A fair value adjustment of R12 000 (2009: 5% of the value of the investment - R1,0 million) has been made for possible losses on the investment.

Investments amounting to R14,9 million (2009: R14,9 million), are pledged as security for a medium-term loan of R15,0 million with Standard Bank of SA Ltd (2009: R15,0 million) (Refer to note 22).

| | GROUP | | SABS | |
|---|---|---|---|---|
| | **2010** | 2009 | **2010** | 2009 |
| | **R'000** | R'000 | **R'000** | R'000 |
| *15. Deferred Taxation* | | | | |
| Accelerated wear and tear for tax purposes on property, plant and equipment | **(6,025)** | (4,514) | - | - |
| Assessed losses | **13,684** | 15,022 | - | - |
| Other deductible temporary differences | **16,246** | 13,224 | - | - |
| Employee related provisions | **13,271** | 11,771 | - | - |
| Doubtful debts allowance | **347** | 404 | - | - |
| Other | **2,628** | 1,049 | - | - |
| **Deferred tax asset** | **23,905** | 23,732 | - | - |
| The movement for the year in the Group's deferred tax positions was as follows: | | | | |
| Opening balance | **23,732** | 22,085 | - | - |
| Temporary differences on property, plant and equipment | **(1,511)** | (1,006) | - | - |
| Temporary differences on tax losses | **(310)** | 1,860 | - | - |
| Reversing temporary differences on other deductible temporary differences | **1,994** | 793 | - | - |
| **Closing balance** | **23,905** | 23,732 | - | - |

At the balance sheet date the Group has unutilised tax losses of R48,9 million (2009: R50,0 million) available for offset against future taxable profits. A deferred tax asset has been recognised in respect of all losses which the Group anticipates being able to utilise.

| | GROUP | | SABS | |
|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 |
| | R'000 | R'000 | R'000 | R'000 |

## 16. *Inventory*

| | GROUP 2010 R'000 | GROUP 2009 R'000 | SABS 2010 R'000 | SABS 2009 R'000 |
|---|---|---|---|---|
| Consumable stores | **554** | 843 | **338** | 512 |
| Provision for obsolete stock | **(34)** | (14) | **(34)** | (14) |
| | **520** | 829 | **304** | 498 |

## 17. *Trade and Other Receivables*

| | GROUP 2010 R'000 | GROUP 2009 R'000 | SABS 2010 R'000 | SABS 2009 R'000 |
|---|---|---|---|---|
| Trade receivables | **50,391** | 64,170 | **4,139** | 2,695 |
| Less: Impairment of trade and other receivables | **(1,753)** | (2,258) | **(101)** | (336) |
| | **48,638** | 61,912 | **4,038** | 2,359 |
| Other receivables | **3,810** | 4,718 | **3,406** | 4,328 |
| | **52,448** | 66,630 | **7,444** | 6,687 |

The impairment of debtors has been determined by reference to past default experience and the current economic environment. Affected trade receivables are discounted at an effective rate of 10% (2009: 12%). No interest is charged on overdue accounts. The credit period is 30 days from date of invoice. The carrying amounts approximate their fair value.

| | GROUP 2010 R'000 | GROUP 2009 R'000 | SABS 2010 R'000 | SABS 2009 R'000 |
|---|---|---|---|---|
| **Impairment of trade and other receivables:** | | | | |
| Opening balance | **(2,258)** | (1,482) | **(336)** | (341) |
| Decrease/(increase) in impairment provision | **505** | (776) | **235** | 5 |
| **Closing balance** | **(1,753)** | (2,258) | **(101)** | (336) |

The following is considered as objective evidence that trade receivables be impaired:

- All legal collections and avenues have been exhausted;
- Customer is in liquidation;
- Judgement awarded in favour of the Group;
- Uneconomical to initiate legal action or to continue legal pursuit;
- Prescribed invoices; and
- Unable to pursue foreign customer legally.

*17. Trade and Other Receivables (Continued)*

As at 31 March the age analysis of trade and other receivables is as follows:

| | Total | Not past due nor impaired | Past due and impaired | | | |
|---|---|---|---|---|---|---|
| | | | > 30 days | > 60 days | > 90 days | > 120 days |
| | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 |
| **GROUP** | | | | | | |
| **2010** | **52,448** | **31,238** | **9,978** | **4,797** | **2,377** | **4,058** |
| **%** | **100%** | **60%** | **19%** | **9%** | **5%** | **8%** |
| 2009 | 66,630 | 33,701 | 15,945 | 7,169 | 2,139 | 7,676 |
| % | 100% | 51% | 24% | 11% | 3% | 12% |
| **SABS** | | | | | | |
| **2010** | **7,444** | **4,421** | **370** | **222** | **1,709** | **722** |
| **%** | **100%** | **59%** | **5%** | **3%** | **23%** | **10%** |
| 2009 | 6,687 | 3,306 | 1,299 | - | - | 2,082 |
| % | 100% | 49% | 19% | - | - | 31% |

## 18. Loans to Group Companies

| | SABS | |
|---|---|---|
| | 2010 | 2009 |
| | R'000 | R'000 |
| GCS Namibia (Pty) Ltd | **(5)** | 48 |
| SABS Commercial (Pty) Ltd | **47,253** | 69,668 |
| Less: Impairment of loan | **(12,236)** | (9,292) |
| | **35,012** | 60,424 |
| Impairment of loan | | |
| Opening balance | **9,292** | 5,274 |
| Increase in impairment | **2,944** | 4,018 |
| Closing balance | **12,236** | 9,292 |

SABS Commercial was a subsidiary throughout the year and was directly held. GCS Namibia (Pty) Ltd is registered in Namibia.

The holding company's interest in profit after tax earned by subsidiary is:

| | SABS | |
|---|---|---|
| | Profit | Profit |
| | 2010 | 2009 |
| | R'000 | R'000 |
| SABS Commercial (Pty) Ltd | **4,548** | 1,795 |

All loans to subsidiaries are interest free with no fixed payment date. SABS has subordinated its right to claim payment of a debt of R12,2 million (2009: R9,3 million) owing by its subsidiaries, all wholly owned, until the assets of those companies exceed their liabilities. SABS waives its right to claim in favour of other creditors in the event of insolvency.

| | GROUP | | SABS | |
|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 |
| | R'000 | R'000 | R'000 | R'000 |

## *19. Cash and Cash Equivalents*

Cash and cash equivalents consist of cash on hand and actual bank balances and investments in money market instruments. Cash and cash equivalents comprises the following:

| | GROUP 2010 R'000 | GROUP 2009 R'000 | SABS 2010 R'000 | SABS 2009 R'000 |
|---|---|---|---|---|
| Bank balances | **12,157** | 7,460 | **12,142** | 7,460 |
| Money market investments | **109,962** | 50 | **109,912** | - |
| Cash on hand | **43** | 55 | **16** | 26 |
| **Net cash and cash equivalents used in cash flow statement** | **122,162** | 7,565 | **122,070** | 7,486 |

The Group has cash management facilities, resulting in all bank balances being swept daily into the account held by SABS.

The effective interest rate of money market instruments is 7,4% at 31 March 2010 (2009: 12,2%).

## *20. General Reserve*

Ministerial approval has been granted to build up a general reserve to a maximum of 50% of one year's operational expenses, to provide for aspects such as replacement of assets and other contingencies.

| | GROUP | | SABS | |
|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 |
| | R'000 | R'000 | R'000 | R'000 |
| ***21. Available-for-sale Reserve*** | | | | |
| Opening balance | 16,328 | 39,611 | 16,328 | 39,611 |
| Movements during the year | (9,459) | (23,283) | (9,459) | (23,283) |
| Gains on investments realised | (17,478) | (14,093) | (17,478) | (14,093) |
| Net gains/(losses) on available-for-sale investment | 8,019 | (9,190) | 8,019 | (9,190) |
| Gains/(losses) on revaluation of available-for-sale investments | 7,030 | (9,369) | 7,030 | (9,369) |
| Fair value adjustment | 989 | 179 | 989 | 179 |
| **Closing balance** | 6,869 | 16,328 | 6,869 | 16,328 |
| ***22. Interest Bearing Borrowings*** | | | | |
| Finance lease liabilities - office equipment | 812 | 3,556 | 812 | 3,556 |
| Secured loan | 14,891 | 14,885 | - | - |
| | 15,703 | 18,441 | 812 | 3,556 |
| Less: Current portion | | | | |
| Finance lease liabilities - office equipment | (811) | (2,727) | (811) | (2,727) |
| **Non-current portion** | 14,892 | 15,714 | 1 | 829 |

The finance lease liabilities for office equipment bear interest at a rate that approximates prime. The liability is repayable in quarterly installments of R0,8 million (2009: R1,3 million). Lease periods vary between 1 and 24 months (2009: 12 to 36 months).

The secured loan is secured by investments owned by the SABS with a market value of R14,9 million (2009: R14,9 million). The loan is repayable in 2011. Interest is charged at prime less 2.75% and payable monthly.

Permitted borrowings in terms of ministerial approval is R30,0 million for the Group at 31 March 2010.

| | GROUP | | SABS | |
|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 |
| | R'000 | R'000 | R'000 | R'000 |
| Finance leases comprise: | | | | |
| Total future minimum finance lease payments | | | | |
| Not later than 1 year | **837** | 2,989 | **837** | 2,989 |
| Later than 1 year and not later than 5 years | **12** | 848 | **12** | 848 |
| Less: Unpaid future finance charges | **(37)** | (281) | **(37)** | (281) |
| | **812** | 3,556 | **812** | 3,556 |
| Present value of future minimum finance lease payments | | | | |
| Not later than 1 year | **811** | 2,727 | **811** | 2,727 |
| Later than 1 year and not later than 5 years | **1** | 829 | **1** | 829 |
| | **812** | 3,556 | **812** | 3,556 |

The lease liabilities are effectively secured as the rights to the leased assets revert to the lessor in the event of default. The net book value of leased assets is R0,6 million (2009: R2,5 million) (Refer to note 10).

The fair values are based on discounted cash flows using a discount rate at date of transaction. The carrying amounts of the borrowings approximates their fair value.

## *23. Employment Benefit Obligations*

| | Opening balance | Discon-tinued operations | Provision made/ (released) | Benefits paid | Closing balance | Current portion | Total non-current |
|---|---|---|---|---|---|---|---|
| | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 |
| **GROUP** | | | | | | | |
| **2010** | | | | | | | |
| Post-employment healthcare benefit | 72,491 | - | 7,089 | (4,806) | 74,774 | 4,982 | 69,792 |
| Long service leave awards | 20,941 | - | 1,242 | (2,571) | 19,612 | 1,952 | 17,660 |
| | **93,432** | **-** | **8,331** | **(7,377)** | **94,386** | **6,934** | **87,452** |
| **2009** | | | | | | | |
| Post-employment healthcare benefit | 70,038 | (115) | 7,186 | (4,618) | 72,491 | 4,893 | 67,598 |
| Long service leave awards | 20,804 | (918) | 3,840 | (2,785) | 20,941 | 2,627 | 18,314 |
| | 90,842 | (1,033) | 11,026 | (7,403) | 93,432 | 7,520 | 85,912 |

*23. Employment Benefit Obligations (Continued)*

| | Opening balance | Discon-tinued operations | Provision made/ (released) | Benefits paid | Closing balance | Current portion | Total non-current |
|---|---|---|---|---|---|---|---|
| | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 |
| **SABS** | | | | | | | |
| **2010** | | | | | | | |
| Post-employment healthcare benefit | 48,310 | - | 5,439 | (3,725) | 50,024 | 4,842 | 45,182 |
| Long service leave awards | 6,260 | - | 350 | (806) | 5,804 | 789 | 5,015 |
| | **54,570** | **-** | **5,789** | **(4,531)** | **55,828** | **5,631** | **50,197** |
| **2009** | | | | | | | |
| Post-employment healthcare benefit | 47,629 | (115) | 5,291 | (4,495) | 48,310 | 4,762 | 43,548 |
| Long service leave awards | 6,931 | (918) | 1,373 | (1,126) | 6,260 | 828 | 5,432 |
| | 54,560 | (1,033) | 6,664 | (5,621) | 54,570 | 5,590 | 48,980 |

**Defined contribution plans**

Retirement benefits are provided for through the SABS Retirement Fund to which the organization and its employees contribute. This fund operates as a defined contribution fund and is administered in terms of the Pension Funds Act, 1956 (Act 24 of 1956), as amended.

**Post-employment healthcare benefit obligation**

This obligation arises because the SABS provides post-employment medical assistance for current employees and pensioners of the SABS who are members of Bestmed Medical Scheme and are entitled to receive a contribution subsidy from SABS. All employees employed by the SABS before 1 September 1998 who belong to Bestmed for at least ten years and retire after the age of 60 are entitled to a post-employment medical subsidy.

Valuations of these obligations are carried out annually by independent qualified actuaries. The most recent valuation was done as at 31 March 2010.

Key assumptions used (expressed as weighted averages):

| | **2010** | 2009 |
|---|---|---|
| | **R'000** | R'000 |
| Discount rate per annum | **9.25%** | 8.50% |
| General inflation | **5.75%** | 5.5% |
| Salary inflation | **7.5%** | 6.5% |
| Healthcare cost inflation | **5.75%** | 5.5% |

The government bond yields were used. The discount rate was set equal to the yield on a zero-coupon government bond with a term of 11 years. The best-estimate assumption of a CPI inflation rate (equal to healthcare cost inflation) was derived using the yields as at 31 March 2010 on the R186 and R197 bonds. Using the gross discount and healthcare cost inflation rate the net discount rate is 3,31%.

The total outstanding liability amounts to R72,8 million as per the valuation performed during March 2010 (2009: R73,5 million).

| | GROUP | | SABS | |
|---|---|---|---|---|
| | **2010** | 2009 | **2010** | 2009 |
| | **R'000** | R'000 | **R'000** | R'000 |
| Present value of funded obligations | **72,782** | 73,465 | **52,631** | 56,946 |
| Unrecognised actuarial gains/(losses) | **1,992** | (974) | **(2,607)** | (8,636) |
| Total liability | **74,774** | 72,491 | **50,024** | 48,310 |
| The amount recognised in the income statement is determined as follows: | | | | |
| Current service cost | **1,194** | 1,283 | **372** | 465 |
| Interest cost | **6,142** | 6,330 | **4,713** | 4,776 |
| Actuarial (gain)/loss recognised | **(247)** | (427) | **354** | 50 |
| | **7,089** | 7,186 | **5,439** | 5,291 |
| Present value of the obligation | | | | |
| Opening balance | **73,465** | 66,937 | **56,946** | 50,898 |
| Current service cost | **1,194** | 1,283 | **372** | 465 |
| Interest cost | **6,142** | 6,330 | **4,713** | 4,776 |
| Actuarial gains/(losses) | **(3,213)** | 2,275 | **(5,675)** | 4,044 |
| Benefits paid | **(4,806)** | (3,360) | **(3,725)** | (3,237) |
| **Closing balance** | **72,782** | 73,465 | **52,631** | 56,946 |

**Sensitivity analysis**

Below are the effects on the central basis liability results when the medical aid inflation rate is increased and decreased by 1%:

| | Liability | Change in liability |
|---|---|---|
| **Changes to medical inflation** | R'000 | % |
| +1% | 80,556 | 10.7% |
| Central | 72,782 | - |
| -1% | 66,145 | (9.1%) |

*23. Employment Benefit Obligations (Continued)*

**Long service leave award obligation**

The Group provides employees employed before 1 March 2008 with three additional leave days after five years of service and another three days after ten years of services. Employees annual leave entitlement is increased with these days. The Group's net obligation in this regards is the amount of future benefit that employees have earned in return for their services in current and prior periods. The obligation is valued annually by independent qualified actuaries. Any unrecognised actuarial gains/losses and past service costs are recognised immediately. There are no plan assets for this liability.

Key assumptions used (expressed as weighted averages):

| | 2010 R'000 | 2009 R'000 |
|---|---|---|
| Discount rate per annum | **9.25%** | 8.50% |
| Salary inflation | **7.5%** | 6.5% |

The government bond yields were used. The discount rate was set equal to the yield on a zero-coupon government bond with a term of 11 years.

The total outstanding liability amounts to R19,6 million as per the valuation performed during March 2010 (2009: R20,9 million).

| | GROUP | | SABS | |
|---|---|---|---|---|
| | 2010 R'000 | 2009 R'000 | 2010 R'000 | 2009 R'000 |
| Present value of funded obligations | **19,612** | 20,941 | **5,804** | 6,260 |
| Net liability in balance sheet | **19,612** | 20,941 | **5,804** | 6,260 |
| The amount recognised in the income statement is determined as follows: | | | | |
| Current service cost | **2,420** | 3,260 | **747** | 1,301 |
| Interest cost | **1,876** | 2,012 | **561** | 805 |
| Actuarial gain recognised | **(3,054)** | (1,432) | **(958)** | (733) |
| | **1,242** | 3,840 | **350** | 1,373 |
| Present value of the obligation | | | | |
| Opening balance | **20,941** | 20,804 | **6,260** | 6,931 |
| Current service cost | **2,420** | 3,260 | **747** | 1,301 |
| Interest cost | **1,876** | 2,012 | **561** | 805 |
| Actuarial gains | **(3,053)** | (1,432) | **(958)** | (733) |
| Benefits paid | **(2,572)** | (3,703) | **(806)** | (2,044) |
| **Closing balance** | **19,612** | 20,941 | **5,804** | 6,260 |

**Sensitivity analysis**

Below are the effects on the central basis liability results when the salary inflation rate is increased and decreased by 1%:

| Sensitivity to salary inflation | Liability R'000 | Change in liability % |
|---|---|---|
| +1% | 20,732 | 5.7% |
| Central | 19,612 | - |
| -1% | 18,589 | (5.2%) |

| | GROUP | | SABS | |
|---|---|---|---|---|
| | **2010 R'000** | 2009 R'000 | **2010 R'000** | 2009 R'000 |
| ***24. Deferred Income*** | | | | |
| Government grants received to be recognised in future accounting periods: | | | | |
| Plant and equipment | **15,694** | 18,933 | **5,814** | 6,139 |
| Income related grants | **223** | 6,408 | **223** | 6,408 |
| Less: Deferred grant income to be recognised in the following year: | **(3,461)** | (9,521) | **(548)** | (6,608) |
| Plant and equipment | **(3,238)** | (3,113) | **(325)** | (200) |
| Income related grants | **(223)** | (6,408) | **(223)** | (6,408) |
| | **12,456** | 15,820 | **5,489** | 5,939 |

Deferred income relating to government grants are recognised over the useful life of the assets.

The useful life of the relevant assets are:
- Horiba plant - building - 50 years;
- Horiba plant - equipment - 5 years;
- Bio fuel - 5 years;
- Acoustics - 5 years;
- NETFA encapsulated sphere - 5 years; and
- GCS rabit automation - 5 years.

| | GROUP | | SABS | |
|---|---|---|---|---|
| ***25. Trade and Other Payables*** | | | | |
| Trade payables | **76,765** | 64,818 | **33,822** | 33,668 |
| Other payables | **13,428** | 2,054 | **9,867** | 343 |
| | **90,193** | 66,872 | **43,689** | 34,011 |

The Board members consider that the carrying amount of trade and other payables approximates their fair value.

Trade payables are normally settled on average, 45 days from invoice date or statement date and bear no interest.

| | GROUP | | SABS | |
|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 |
| | R'000 | R'000 | R'000 | R'000 |
| ***26. Notes to Cash Flow Statements*** | | | | |
| ***26.1 Reconciliation of Profit Before Taxation and Interest to Cash Generated from Operations*** | | | | |
| Profit before interest and taxation from continuing operations | **65,666** | 27,637 | **64,464** | 29,768 |
| (Loss)/profit before taxation from discontinued operations | **(22,244)** | 2,061 | **(21,958)** | (591) |
| Profit before interest and taxation | **43,422** | 29,698 | **42,506** | 29,177 |
| Adjustments for: | **11,842** | 4,365 | **(3,667)** | (10,954) |
| Depreciation on property, plant and equipment | **27,374** | 21,605 | **16,576** | 12,402 |
| Depreciation on investment properties | **424** | 352 | **424** | 352 |
| Plant and equipment related government grants amortised | **(3,238)** | (3,318) | **(325)** | (405) |
| Improvements to investment properties | **-** | (9,566) | **-** | (9,566) |
| Amortisation of intangible assets | **3,349** | 3,384 | **3,349** | 3,384 |
| (Profit)/loss on disposal of property, plant and equipment | **(5,943)** | 160 | **(6,471)** | 63 |
| Profit on property transferred to NRCS per split agreement | **6,500** | - | **6,500** | - |
| Realised gain on available-for-sale investment | **(17,478)** | (14,093) | **(17,478)** | (14,093) |
| Discontinued operations | **285** | 1,442 | **-** | 1,798 |
| Provision for employment benefit obligations | **8,331** | 11,026 | **5,789** | 6,664 |
| Employment benefits paid from provision | **(7,377)** | (7,403) | **(4,531)** | (5,621) |
| Decrease in impairment of loan in subsidiary | **-** | - | **(7,379)** | (5,926) |
| (Decrease)/increase in impairment of trade receivables | **(505)** | 776 | **(235)** | (6) |
| Expense transferred out of work in progress | **120** | - | **114** | - |
| Operating cash flows before working capital changes | **55,264** | 34,063 | **38,839** | 18,223 |
| Changes in working capital | **32,131** | (7,275) | **3,165** | (13,274) |
| Decrease/(increase) in inventory | **309** | (455) | **194** | (327) |
| Decrease/(increase) in trade and other receivables | **14,687** | (3,571) | **(522)** | (3,276) |
| Decrease in asset related government grants | **(6,186)** | (469) | **(6,185)** | (469) |
| Increase/(decrease) in trade and other payables | **23,321** | (2,780) | **9,678** | (9,202) |
| **Cash generated from operations** | **87,395** | 26,788 | **42,004** | 4,949 |

| | GROUP | | SABS | |
|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 |
| | R'000 | R'000 | R'000 | R'000 |
| ***26.2 Proceeds on Disposal of Property, Plant and Equipment*** | | | | |
| Carrying value of disposals | 817 | 187 | 189 | 90 |
| Net loss on disposal | (557) | (160) | (29) | (63) |
| | 260 | 27 | 160 | 27 |

## *27. Commitments*

| | | | | |
|---|---|---|---|---|
| **Capital commitments** | | | | |
| Commitments for the acquisition of property, plant and equipment (contracted) | 173,211 | 30,225 | 168,504 | 16,849 |
| **Operating lease commitments - the Group as lessee** | | | | |
| The future minimum payments payable under non-cancellable operating leases are as follows: | | | | |
| **Buildings** | 6,569 | 13,404 | - | 9,765 |
| Up to 1 year | 1,507 | 2,701 | - | 918 |
| 1 to 5 years | 3,785 | 6,324 | - | 4,468 |
| More than 5 years | 1,277 | 4,379 | - | 4,379 |

None of the lease agreements contain any contingent rent clauses and it is assumed that there are no contingent rent payments. The Group does not have the option to purchase the property. Escalation clauses vary from contract to contract averaging 8% (2009: 8%).

| | | | | |
|---|---|---|---|---|
| **Vehicles and other equipment** | 3,457 | 3,274 | 53 | 325 |
| Up to 1 year | 1,882 | 2,017 | 53 | 185 |
| 1 to 5 years | 1,575 | 1,257 | - | 140 |
| **Total** | 10,026 | 16,678 | 53 | 10,090 |

## 28. *Financial Risk Management*

### *28.1 Foreign Currency Risk Management*

Foreign currency exposures arise from the sale and purchase of standards and purchase of capital equipment. The Group may not enter into forward exchange contracts. Where possible the supplier is requested to take this cover to fix the price for the Group.

**Forward exchange contracts - recognised transactions**

No forward exchange contracts were entered into during the financial year ended 31 March 2010 (2009: None).

**Uncovered foreign exchange exposure**

At year end the Group was exposed to the following foreign currency denominated assets and liabilities for which no forward cover had been taken out.

| | GROUP | |
|---|---|---|
| | **2010** | 2009 |
| | **Foreign amount** | Foreign amount |
| **Foreign currency** | **000** | 000 |
| Great Britain Pounds | **5** | 5 |
| United States Dollar | **12** | 25 |
| Euro | **2** | 13 |

### *28.2 Interest Rate Risk Management*

The Group is exposed to interest rate risk as it borrows and places funds in the money market at floating interest rates. Interest rate risk is managed through effective cash management. An overdraft is utilised to assist with cash management and the mismatching of revenue and expenditure. The net interest income at 31 March 2010 was R3,2 million (2009: R0,6 million).

The interest rate re-pricing profile at 31 March 2010 is summarised as follows:

| | Floating rate | 1-6 months | 7-12 months | Beyond 1 year | Total floating rate borrowings/ investments |
|---|---|---|---|---|---|
| **GROUP** | | | | | |
| Borrowings (R'000) | 15,703 | - | - | - | 15,703 |
| % of total borrowings | 100% | - | - | - | 100% |
| Cash and cash equivalents (R'000) | 122,162 | - | - | - | 122,162 |
| % of total bank balances | 100% | - | - | - | 100% |

| | Floating rate | 1-6 months | 7-12 months | Beyond 1 year | Total floating rate borrowings/ investments |
|---|---|---|---|---|---|
| **SABS** | | | | | |
| Borrowings (R'000) | 812 | - | - | - | 812 |
| % of total borrowings | 100% | - | - | - | 100% |
| Cash and cash equivalents (R'000) | 122,070 | - | - | - | 122,070 |
| % of total bank balances | 100% | - | - | - | 100% |

**Interest rate sensitivity**

An interest increase or decrease of 1% will have an approximate impact of R150,000 on the borrowings of the Group.

### *28.3 Liquidity Risk Management*

The Group manages liquidity risk through the compilation and monitoring of cash flow forecasts as well as ensuring that there are adequate banking facilities.

The maturity profiles of the financial instruments are summarised as follows:

| | Within 1 month | 1-3 months | 3-12 months | 1-5 years | Total |
|---|---|---|---|---|---|
| | R'000 | R'000 | R'000 | R'000 | R'000 |
| **GROUP** | | | | | |
| **2010** | | | | | |
| **Financial assets** | | | | | |
| Trade and other receivables | 52,448 | - | - | - | 52,448 |
| Cash and cash equivalents | 122,162 | - | - | - | 122,162 |
| Other financial assets | - | - | - | 201,465 | 201,465 |
| **Financial liabilities** | | | | | |
| Trade and other payables | 56,212 | 28,981 | 5,000 | - | 90,193 |
| Interest bearing borrowings | 392 | - | 418 | 14,893 | 15,703 |
| | | | | | |
| **2009** | | | | | |
| **Financial assets** | | | | | |
| Trade and other receivables | 66,630 | - | - | - | 66,630 |
| Cash and cash equivalents | 7,565 | - | - | - | 7,565 |
| Other financial assets | - | - | - | 250,088 | 250,088 |
| **Financial liabilities** | | | | | |
| Trade and other payables | 30,921 | 35,951 | - | - | 66,872 |
| Interest bearing borrowings | 18 | 1,354 | 1,355 | 15,714 | 18,441 |

*28. Financial Risk Management (Continued)*

*28.3 Liquidity Risk Management (Continued)*

| | Within 1 month | 1-3 months | 3-12 months | 1-5 years | Total |
|---|---|---|---|---|---|
| | R'000 | R'000 | R'000 | R'000 | R'000 |
| **SABS** | | | | | |
| **2010** | | | | | |
| **Financial assets** | | | | | |
| Trade and other receivables | 7,444 | - | - | - | 7,444 |
| Cash and cash equivalents | 122,070 | - | - | - | 122,070 |
| Other financial assets | - | - | - | 201,465 | 201,465 |
| **Financial liabilities** | | | | | |
| Trade and other payables | 11,651 | 27,038 | 5,000 | - | 43,689 |
| Interest bearing borrowings | 392 | - | 419 | 1 | 812 |
| **2009** | | | | | |
| **Financial assets** | | | | | |
| Trade and other receivables | 6,687 | - | - | - | 6,687 |
| Cash and cash equivalents | 7,486 | - | - | - | 7,486 |
| Other financial assets | - | - | - | 250,088 | 250,088 |
| **Financial liabilities** | | | | | |
| Trade and other payables | 14,819 | 19,192 | - | - | 34,011 |
| Interest bearing borrowings | 18 | 986 | 1,723 | 829 | 3,556 |

### *28.4 Credit Risk Management*

Potential concentrations of credit risk consist mainly of cash and cash equivalents and trade receivables.

The Group limits its counterparty exposures from its money market investment operations by only dealing with well-established financial institutions of high quality credit standing. The credit exposure to any one counterparty is managed by monitoring transactions.

Trade receivables comprise a large number of customers, dispersed across different industries and geographical areas. Credit evaluations are performed on the financial condition of these debtors. Where appropriate, the necessary credit guarantees are arranged. Trade and other receivables are shown net of impairment.

The Group is exposed to credit-related losses in the event of non-performance by counterparties. The Group continually monitors its positions and the credit ratings of its counterparties and limits the extent to which it enters into transactions with any one party.

At 31 March 2010, the Group did not consider there to be any significant concentration of credit risk which had not been insured or adequately provided for. The amount in the balance sheet is the maximum exposure to credit risk.

The credit exposures by geographical region for trade debtors are summarised as follows:

| | GROUP | | SABS | |
|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 |
| | % | % | % | % |
| South Africa | 96.0 | 96.0 | 100.0 | 100.0 |
| Other | 4.0 | 4.0 | - | - |
| **Total** | 100.0 | 100.0 | 100.0 | 100.0 |

*28.5 Equity Price Risk*

The Investment Committee and the Board of SABS has made a decision to encash all investments and invest as per the new investment policy.

*28.6 Fair Value of Financial Instruments*

In the opinion of the Board the book value of the financial instruments approximates their fair value.

The following methods and assumptions were used by the Group in establishing fair values:

**Financial instruments not traded in an active market**

At 31 March 2010 the carrying amounts of cash and short-term deposits, accounts receivable, investments, accounts payable and short-term borrowings approximated their fair values due to the short-term maturities of these assets and liabilities.

**Financial instruments traded in an active market**

Financial instruments traded in an organised financial market are measured at the current quoted market price, adjusted for any transaction costs necessary to realise the assets or settle the liabilities.

**Interest bearing debt**

The carrying amounts of interest bearing debt approximates their fair values.

*28.7 Capital Management*

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising Shareholder value.

The capital structure of the Group consists of debt, cash and cash equivalents and adjusted equity.

The Group monitors capital on the basis of debt to equity. The ratio is calculated as net debt to adjusted equity.

*28. Financial Risk Management (Continued)*

*28.7 Capital Management (Continued)*

| | GROUP | | SABS | |
|---|---|---|---|---|
| | 2010 R'000 | 2009 R'000 | 2010 R'000 | 2009 R'000 |
| Interest bearing borrowings | **(15,703)** | (18,441) | **(812)** | (3,556) |
| Trade and other payables | **(90,193)** | (66,872) | **(43,689)** | (34,011) |
| Cash and cash equivalents | **122,162** | 7,565 | **122,070** | 7,486 |
| | **16,266** | (77,748) | **77,569** | (30,081) |
| Equity | **384,679** | 347,320 | **383,078** | 345,549 |
| Debt to equity ratio | **4%** | (22%) | **20%** | (9%) |

## *29. Related Party Disclosure*

The Group is controlled by the South African Bureau of Standards (incorporated in South Africa under section 2 of the Standards Act, 1945) (SABS) which reports to **the dti**.

**Principle related parties**

| Related party | Country of incorporation | Nature of relationship |
|---|---|---|
| GGS Gaming (SA) (Pty) Ltd | South Africa | Joint venture with GGS AU |
| SABS Commercial (Pty) Ltd | South Africa | Subsidiary |
| GCS Namibia (Pty) Ltd | Namibia | Subsidiary |

The SABS is a public entity and therefore is also a related party to other national state-controlled entities.

*29.1 Purchases from Related Parties*

| | 2010 | | | | 2009 | | | |
|---|---|---|---|---|---|---|---|---|
| | GROUP | | SABS | | GROUP | | SABS | |
| | Purchases | Balance out-standing | Purchases | Balance out-standing | Purchases | Balance out-standing | Purchases | Balance out-standing |
| | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 |
| **Group companies** | | | | | | | | |
| SABS Commercial (Pty) Ltd | - | - | 83,111 | - | - | - | 78,502 | - |
| **Major public entities** | | | | | | | | |
| Armscor Business (Pty) Ltd | 162 | - | - | - | 336 | - | 28 | - |
| Eskom Holdings Ltd | 1,082 | 68 | 736 | 15 | 731 | - | - | - |
| South African Airways (Pty) Ltd | 4,853 | - | 1,193 | - | 7,474 | - | 822 | - |
| South African Broadcasting Corporation Ltd | 1 | - | - | - | 1 | - | - | - |
| South African Nuclear Energy Corporation Ltd | 50 | - | - | - | - | - | - | - |
| Telkom SA Ltd | - | - | 1,563 | 25 | 2,264 | - | 1,757 | - |
| Vodacom Service Provider Company (Pty) Ltd | 2,625 | 103 | - | - | - | - | - | - |
| Transnet Ltd | 276 | | 68 | - | 256 | - | 91 | - |
| **National public entities** | | | | | | | | |
| Agricultural Research Council | 88 | 1 | - | - | 441 | 3 | 4 | - |
| Council for Geoscience | - | - | - | - | 24 | - | - | - |
| National Health Laboratory | - | - | - | - | 1 | - | - | - |
| National Regulator for Compulsory Specifications | 2,577 | 12 | 2,518 | 10 | - | - | - | - |
| Perishable Products Export Control Board | - | - | - | - | - | - | - | - |
| South African Medical Research Council | - | - | - | - | 10 | - | 10 | - |
| South African Quality Institute | 1 | 1 | 1 | 1 | 2 | - | 2 | - |
| **National government business enterprises** | | | | | | | | |
| Council for Scientific and Industrial Research | 703 | 114 | 130 | 19 | 781 | 9 | 129 | - |
| Mhlathuze Water | - | - | - | - | 7 | - | - | - |
| Rand Water | - | - | - | - | 5 | - | - | - |
| Umgeni Water | 256 | | - | - | 307 | - | - | - |
| **National departments** | | | | | | | | |
| Department of Agriculture | - | - | - | - | 6 | - | - | - |
| Department of Foreign Affairs | - | - | - | - | 20 | - | - | - |
| Department of Health | 3 | | 3 | - | - | - | - | - |
| | 12,677 | 299 | 89,323 | 70 | 12,665 | 12 | 81,345 | - |

*29. Related Party Disclosure (Continued)*

*29.2 Sales to Related Parties*

| | 2010 | | | | 2009 | | | |
|---|---|---|---|---|---|---|---|---|
| GROUP | Sales R'000 | Impairment of debt R'000 | Bad debt written-off R'000 | Balance outstanding R'000 | Sales R'000 | Impairment of debt R'000 | Bad debt written-off R'000 | Balance outstanding R'000 |
| **Major public entities** | | | | | | | | |
| Airports Company South Africa Ltd* | (1) | - | - | 1 | 3 | - | - | 3 |
| Alexkor Ltd | 16 | - | - | 5 | | | | |
| Armscor Business (Pty) Ltd | 668 | - | - | 47 | 46 | - | - | (2) |
| Armaments Corporation of South Africa | - | - | - | - | 353 | - | - | - |
| Central Energy Fund (Pty) Ltd | 281 | - | - | 20 | - | - | - | - |
| Denel Ltd | 522 | - | - | 65 | 213 | 1 | - | 11 |
| Bonaero Park (Pty) Ltd | - | - | - | - | 7 | - | - | (18) |
| Eskom Holdings Ltd | 8,281 | | 5 | 1,743 | 6,773 | - | - | 2,374 |
| Rotek Industries (Pty) Ltd | 1,532 | - | - | 227 | 1,456 | - | - | 243 |
| Arivia.kom (Pty) Ltd | 44 | - | - | - | 57 | - | - | - |
| Green Valley Nuts (Pty) Ltd | 5 | - | - | - | 5 | - | - | 1 |
| Foskor (Pty) Ltd | 81 | 1 | | 37 | 101 | - | - | 8 |
| MTO Forestry (Pty) Ltd | 142 | - | - | 9 | 40 | - | - | 4 |
| NTP Radioisotopes (Pty) Ltd | 25 | - | - | 2 | 23 | - | - | 4 |
| Petroleum Oil and Gas Corporation of South Africa | - | - | - | - | 270 | - | - | - |
| Prila 2000 (Pty) Ltd | 20 | - | - | - | 25 | - | - | - |
| South African Airways (Pty) Ltd | 4 | - | - | (13) | 39 | 3 | - | 13 |
| South African Nuclear Energy Corporation Ltd | 819 | - | - | 166 | - | - | - | - |
| Telkom SA Ltd | 62 | - | - | 11 | 53 | - | - | 12 |
| Transnet Ltd | 3,771 | 12 | 4 | 479 | 2,542 | 3 | - | 722 |
| Cape Town Bulk Storage (Pty) Ltd | - | - | 1 | - | - | - | - | - |
| Vodacom Service Provider Company (Pty) Ltd | 3 | 1 | - | 3 | 1,571 | - | - | 12 |
| **National public entities** | | | | | | | | |
| Agricultural Research Council | 199 | - | - | 39 | 245 | - | - | 39 |
| Council for Geoscience | 10 | - | - | - | 11 | - | - | - |
| Iziko Museums of Cape Town | 1 | - | - | - | 1 | - | - | - |
| Financial Services Board | 35 | - | - | 2 | - | - | - | - |
| Mining Qualifications Authority | 13 | - | - | - | 40 | - | - | - |
| National Health Laboratory Service | 74 | - | - | 1 | 76 | - | - | 17 |
| Balance carried forward | 16,607 | 14 | 10 | 2,844 | 13,949 | 7 | - | 3,443 |

| GROUP | 2010 Sales R'000 | 2010 Impairment of debt R'000 | 2010 Bad debt written-off R'000 | 2010 Balance outstanding R'000 | 2009 Sales R'000 | 2009 Impairment of debt R'000 | 2009 Bad debt written-off R'000 | 2009 Balance outstanding R'000 |
|---|---|---|---|---|---|---|---|---|
| Balance brought forward | **16,607** | **14** | **10** | **2,844** | 13,949 | 7 | - | 3,443 |
| **National public entities (Continued)** | | | | | | | | |
| National Intelligence Agency | **5** | **1** | **-** | **5** | - | - | - | - |
| National Library, Pretoria/ Cape Town | **3** | **-** | **-** | **-** | 1 | - | - | - |
| National Nuclear Regulator | **62** | **-** | **-** | **3** | 27 | - | - | - |
| National Regulator for Compulsory Specifications | **7,650** | **-** | **-** | **3,768** | 12,784 | - | - | 3,125 |
| National Zoological Gardens of South Africa | **5** | **-** | **-** | **-** | 6 | 1 | - | 2 |
| Northern Flagship Institution | **1** | **-** | **-** | **-** | - | - | - | - |
| Perishable Products Export Control Board | **244** | **-** | **-** | **22** | 117 | - | - | 8 |
| South African Institute for Drug Free Sport | **10** | **-** | **-** | **-** | 10 | - | - | - |
| South African National Accreditations System | **33** | **-** | **-** | **3** | 13 | - | - | - |
| South African National Parks Board | **-** | **-** | **-** | **-** | 2 | - | - | 2 |
| South African Qualifications Authority | **13** | **-** | **-** | **-** | 29 | - | - | - |
| **National government business enterprises** | | | | | | | | |
| Amatola Water | **79** | **-** | **-** | **74** | 15 | - | - | - |
| Bloem Water | **1** | **-** | **-** | **-** | - | - | - | - |
| Council for Scientific and Industrial Research | **585** | **2** | | **31** | 544 | - | - | 25 |
| Lepelle Northern Water | | **-** | **-** | **-** | 1 | - | - | - |
| Magalies Water | **207** | **-** | **-** | **49** | 48 | - | - | 1 |
| Mhlathuze Water | **61** | **-** | **-** | **2** | 56 | - | - | 52 |
| Onderstepoort Biological Products | **187** | **4** | | **18** | 31 | 1 | - | 10 |
| Overberg Water | **1** | **-** | **-** | **-** | 7 | - | - | 0 |
| Rand Water | **537** | **2** | | **78** | 936 | - | - | 150 |
| Sedibeng Water | **14** | **-** | **-** | **-** | 10 | - | - | 1 |
| Sentech | **-** | **-** | **-** | **-** | (7) | - | - | 2 |
| Umgeni Water | **205** | **1** | | **18** | 145 | 1 | - | 56 |
| **National departments** | | | | | | | | |
| Department of Agriculture | **408** | **-** | **-** | **1** | 203 | - | - | 83 |
| Balance carried forward | **26,918** | **24** | **10** | **6,916** | 28,927 | 10 | - | 6,962 |

*29. Related Party Disclosure (Continued)*

*29.2 Sales To Related Parties (Continued)*

| | 2010 | | | | 2009 | | | |
|---|---|---|---|---|---|---|---|---|
| | Sales | Impairment of debt | Bad debt written-off | Balance out-standing | Sales | Impairment of debt | Bad debt written-off | Balance out-standing |
| **GROUP** | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 |
| Balance brought forward | 26,918 | 24 | 10 | 6,916 | 28,927 | 10 | - | 6,962 |
| **National departments (Continued)** | | | | | | | | |
| Department of Correctional Services | 2,075 | - | - | 262 | 2,135 | - | - | (4) |
| Department of Defence | 5,942 | 8 | - | 706 | 3,512 | 3 | - | 718 |
| Department of Education* | (25) | - | - | - | 25 | - | - | 29 |
| Department of Environmental Affairs and Tourism | 28 | - | - | - | - | - | - | - |
| Department of Foreign Affairs | 101 | - | - | 113 | 26 | - | - | - |
| Department of Health | 7,724 | - | - | 117 | 3,335 | - | - | (241) |
| Department of Home Affairs | 13 | - | - | - | - | - | - | - |
| Department of Labour | 25 | - | - | 39 | 7 | - | - | 14 |
| Department of Land Affairs | - | - | - | - | - | - | - | - |
| Department of Minerals and Energy | 6 | 25 | - | - | 89 | 30 | - | 73 |
| Department of Public Works | 70 | 7 | 1 | 32 | 45 | - | - | 5 |
| Department of Trade and Industry* | (1) | | 15 | - | 38 | - | - | (11) |
| Department of Transport* | (5) | 7 | 11 | - | 112 | - | - | 43 |
| Department of Water Affairs and Forestry | 1,149 | 1 | - | 139 | 852 | - | - | 169 |
| SA Bank Note Company (Pty) Ltd | 16 | - | - | - | (6) | 1 | - | 7 |
| South African Police Services | 4,324 | - | - | 366 | 5,386 | - | - | 187 |
| South African Reserve Bank | 9 | - | - | - | 20 | - | - | - |
| SA Mint Company (Pty) Ltd | 87 | - | - | - | 92 | 1 | - | 4 |
| South African Revenue Service | 34 | - | - | 3 | 9 | - | - | - |
| The Presidency | - | - | - | - | 2 | 1 | - | 3 |
| | 48,490 | 72 | 37 | 8,693 | 44,606 | 46 | - | 7,955 |

* Credit amounts on sales is as a result of credit notes issued

| SABS | 2010 Sales R'000 | 2010 Impairment of debt R'000 | 2010 Bad debt written-off R'000 | 2010 Balance outstanding R'000 | 2009 Sales R'000 | 2009 Impairment of debt R'000 | 2009 Bad debt written-off R'000 | 2009 Balance outstanding R'000 |
|---|---|---|---|---|---|---|---|---|
| **Group companies** | | | | | | | | |
| SABS Commercial (Pty) Ltd | 83,443 | - | - | - | 82,659 | - | - | - |
| CGS Namibia (Pty) Ltd | - | - | - | - | 82 | - | - | - |
| **Major public entities** | | | | | | | | |
| Airports Company South Africa Ltd | 2 | - | - | 1 | - | - | - | - |
| Alexkor Ltd | 5 | - | - | 4 | - | - | - | - |
| Armaments Corporation of South Africa | - | - | - | - | 353 | - | - | - |
| Armscor Business (Pty) Ltd | 618 | - | - | 41 | - | - | - | - |
| Central Energy Fund (Pty) Ltd | 39 | - | - | - | - | - | - | - |
| Denel Ltd | 53 | - | - | 28 | 24 | 1 | - | 7 |
| Bonaero Park (Pty) Ltd | - | - | - | - | 7 | - | - | (18) |
| Eskom Holdings Ltd | 64 | - | - | 15 | 196 | - | - | (2) |
| Foskor (Pty) Ltd | - | - | - | - | 29 | - | - | - |
| South African Nuclear Energy Corporation Ltd | 45 | - | - | 1 | - | - | - | - |
| Telkom SA Ltd | 9 | - | - | 10 | 19 | - | - | 11 |
| Transnet Ltd | 100 | 1 | - | (11) | 243 | - | - | (78) |
| Vodacom Service Provider Company (Pty) Ltd | 3 | - | - | 3 | 1,561 | - | - | 1 |
| **National public entities** | | | | | | | | |
| Agricultural Research Council | - | - | - | - | 1 | - | - | - |
| Council for Geoscience | - | - | - | - | 2 | - | - | - |
| National Health Laboratory Service | 28 | - | - | (3) | 25 | - | - | (2) |
| National Intelligence Agency | 5 | 1 | - | 5 | - | - | - | - |
| National Library, Pretoria/ Cape Town | 2 | - | - | - | 1 | - | - | - |
| National Regulator for Compulsory Specifications | 3,564 | - | - | 3,029 | 9,694 | - | - | 2,137 |
| National Zoological Gardens | 2 | - | - | - | - | - | - | - |
| South African National Accreditations system | 33 | - | - | 3 | 13 | - | - | - |
| **National government business enterprises** | | | | | | | | |
| Amatola Water | - | - | - | (3) | 3 | - | - | - |
| Council for Scientific and Industrial Research | 29 | - | - | - | 19 | - | - | - |
| Balance carried forward | 88,044 | 2 | - | 3,123 | 94,931 | 1 | - | 2,056 |

*29. Related Party Disclosure (Continued)*

*29.2 Sales To Related Parties (Continued)*

| | 2010 | | | | 2009 | | | |
|---|---|---|---|---|---|---|---|---|
| | Sales | Impairment of debt | Bad debt written-off | Balance outstanding | Sales | Impairment of debt | Bad debt written-off | Balance outstanding |
| **SABS** | **R'000** | **R'000** | **R'000** | **R'000** | R'000 | R'000 | R'000 | R'000 |
| Balance brought forward | **88,044** | **2** | **-** | **3,123** | 94,931 | 1 | - | 2,056 |
| **National government business enterprises (Continued)** | | | | | | | | |
| Lepelle Northern Water | **-** | **-** | **-** | **-** | 1 | - | - | - |
| Magalies Water | **6** | **-** | **-** | **4** | 1 | - | - | 1 |
| Onderstepoort Biological Products | **3** | **-** | **-** | **-** | 1 | - | - | 1 |
| Rand Water | **31** | **-** | **-** | **-** | 1 | - | - | - |
| Sedibeng Water | **1** | **-** | **-** | **-** | 2 | - | - | - |
| Sentech | **1** | **-** | **-** | **-** | 3 | - | - | 2 |
| Umgeni Water | **39** | **-** | **-** | **-** | - | - | - | - |
| **National departments** | | | | | | | | |
| Department of Agriculture | **6** | **-** | **-** | **2** | 3 | - | - | - |
| Department of Correctional Services | **4** | **-** | **-** | **-** | - | - | - | (4) |
| Department of Defence | **-** | **-** | **-** | **-** | 11 | - | - | - |
| Department of Foreign Affairs | **2** | **-** | **-** | **-** | 21 | - | - | - |
| Department of Health | **3** | **-** | **-** | **2** | 35 | - | - | 2 |
| Department of Labour | **-** | **-** | **-** | **(4)** | (18) | - | - | - |
| Department of Minerals and Energy | **-** | **1** | **-** | **-** | 8 | 1 | - | 4 |
| Department of Public Works | **30** | **-** | **-** | **-** | 26 | - | - | - |
| Department of Trade and Industry | **-** | **-** | **-** | **-** | 4 | - | - | (2) |
| Department of Transport | **-** | **-** | **-** | **-** | 16 | - | - | - |
| Department of Water Affairs and Forestry | **56** | **1** | **-** | **44** | 48 | - | - | - |
| South African Police Services | **1** | **-** | **-** | **-** | 42 | - | - | 3 |
| South African Reserve Bank | **-** | **-** | **-** | **-** | 12 | - | - | - |
| SA Mint Company (Pty) Ltd | **-** | **-** | **-** | **-** | 1 | - | - | - |
| South African Revenue Services | **-** | **-** | **-** | **-** | 9 | - | - | - |
| The Presidency | **-** | **-** | **-** | **-** | 2 | 1 | - | 3 |
| | **88,227** | **4** | **-** | **3,171** | 95,160 | 3 | - | 2,066 |

| | SABS 2010 R'000 | SABS 2009 R'000 |
|---|---|---|
| *29.3 Loans Receivable From Related Parties - SABS* | | |
| SABS Commercial (Pty) Ltd | **47,253** | 69,668 |
| GCS Namibia (Pty) Ltd | **(5)** | 48 |
| Net loan receivable from Group companies | **47,248** | 69,716 |
| *29.4 Other Group Transactions - Income* | | |
| Royalties receivable | **7,541** | 6,997 |
| Rental of assets | **939** | 1,531 |

### *29.5 Key Management Personnel Compensation*

The following emoluments were paid to the Board members:

| | Committee fees R'000 | Salary/ directors' fees R'000 | Bonus/ performance payments R'000 | Retirement and medical fund R'000 | Other R'000 | Total R'000 |
|---|---|---|---|---|---|---|
| **2010** | | | | | | |
| **SABS Board** | | | | | | |
| **Executive** | | | | | | |
| B Mehlomakulu (CEO)[1] | - | 813 | - | 93 | 38 | 944 |
| MJ Kuscus (CEO)[2] | - | 470 | 447 | 54 | 323 | 1,294 |
| **Non-executive** | | | | | | |
| CB Sibisi | 55 | - | - | - | - | 55 |
| T Demana[3] | - | - | - | - | - | - |
| A Mabizela | 10 | - | - | - | - | 10 |
| W Poulton | 35 | - | - | - | - | 35 |
| B Mosako | 45 | - | - | - | - | 45 |
| LR Pitot | 31 | - | - | - | - | 31 |
| I Sekonyela[4] | 45 | - | - | - | - | 45 |
| MJ Ellman[5] | 19 | - | - | - | - | 19 |
| WK Masvikwa[5] | 28 | - | - | - | - | 28 |
| ME Mkwanazi[5] | 13 | - | - | - | - | 13 |
| | 281 | 1,283 | 447 | 147 | 361 | 2,519 |

1. Appointed 7 September 2009
2. Contract ended 31 July 2009
3. Requested no remuneration
4. Resigned 9 April 2010
5. Appointed 27 August 2009

*29. Related Party Disclosure (Continued)*

*29.5 Key management personnel compensation (continued)*

| | Committee fees | Salary/ directors' fees | Bonus/ performance payments | Retirement and medical fund | Other | Total |
|---|---|---|---|---|---|---|
| | | R'000 | R'000 | R'000 | R'000 | R'000 |
| **2009** | | | | | | |
| **SABS Board** | | | | | | |
| **Executive** | | | | | | |
| MJ Kuscus (CEO) | - | 1,346 | 428 | 138 | 120 | 2,032 |
| **Non-executive** | | | | | | |
| CB Sibisi | 44 | - | - | - | - | 44 |
| A Mabizela | 9 | - | - | - | - | 9 |
| W Poulton | 30 | - | - | - | - | 30 |
| B Mosako | 36 | - | - | - | - | 36 |
| LR Pitot | 45 | - | - | - | - | 45 |
| T Demana[1] | - | - | - | - | - | - |
| I Sekonyela | 27 | - | - | - | - | 27 |
| | 191 | 1,346 | 428 | 138 | 120 | 2,223 |

1. Requested no remuneration

The following emoluments were paid to executives who report directly to the Chief Executive Officer and other key management personnel:

| | Salary | Bonus/ performance payments | Retirement and medical fund | Other | Total |
|---|---|---|---|---|---|
| | R'000 | R'000 | R'000 | R'000 | R'000 |
| **2010** | | | | | |
| **Executive management** | | | | | |
| **SABS** | | | | | |
| TA Cooper (CFO) | 955 | 71 | 128 | 35 | 1,189 |
| V Lennon (Standards)[1] | 734 | - | 127 | - | 861 |
| GR Visser (Commercial) | 860 | 108 | 168 | 57 | 1,193 |
| G Monareng (Corporate Services) | 942 | 64 | 116 | - | 1,122 |
| S Kapito (Human Capital Development)[2] | 732 | 26 | 135 | 536 | 1,429 |
| | 4,223 | 269 | 674 | 628 | 5,794 |
| **Subsidiary** | | | | | |
| J Janjic | 823 | 162 | 88 | 2 | 1,075 |
| SSM Seane | 608 | 135 | 161 | 108 | 1,012 |
| F Makamo | 678 | 138 | 208 | 18 | 1,042 |
| G Kriek | 598 | 42 | 145 | 2 | 787 |
| SK Ntsie[3] | 242 | - | 26 | 343 | 611 |
| | 2,949 | 477 | 628 | 473 | 4,527 |
| | 7,172 | 746 | 1,302 | 1,101 | 10,321 |

1. Appointed 18 May 2009
2. Contract ended 15 January 2010
3. Contract terminated 30 June 2009

*29. Related Party Disclosure (Continued)*

*29.5 Key Management Personnel Compensation (Continued)*

| | Salary | Bonus/ performance payments | Retirement and medical fund | Other | Total |
|---|---|---|---|---|---|
| | R'000 | R'000 | R'000 | R'000 | R'000 |
| **2009** | | | | | |
| **Executive management** | | | | | |
| **SABS** | | | | | |
| TA Cooper (CFO) | 879 | 71 | 74 | 36 | 1,060 |
| J Stanbury (Commercial)[1] | 86 | - | - | - | 86 |
| GR Visser (Commercial)[2] | 641 | 68 | 101 | 88 | 898 |
| M McNerney (Corporate Services)[3] | 878 | 256 | 322 | 26 | 1,482 |
| M Moeletsi (Regulatory)[4] | 221 | 62 | 43 | 42 | 368 |
| DPS Monama (Human Resources)[5] | 254 | 55 | 66 | 36 | 411 |
| G Monareng (Corporate Strategy)[6] | 644 | - | 65 | 26 | 735 |
| S Kapito (Human Capital Development)[7] | 268 | - | 36 | 29 | 333 |
| P Semnarayan (Commercial)[8] | 627 | 149 | 195 | 6 | 977 |
| | 4,498 | 661 | 902 | 289 | 6,350 |
| **Subsidiary** | | | | | |
| J Janjic | 747 | - | 52 | 19 | 818 |
| SSM Seane | 547 | 171 | 113 | 116 | 947 |
| F Makamo | 631 | 165 | 196 | - | 992 |
| SK Ntsie | 701 | 167 | 100 | 61 | 1,029 |
| G Kriek[9] | 546 | 55 | 103 | 29 | 733 |
| | 3,172 | 558 | 564 | 225 | 4,519 |
| | 7,670 | 1,219 | 1,466 | 514 | 10,869 |

1. Contract ended 30 April 2008
2. Appointed as Commercial Executive on 1 January 2009
3. Resigned 28 February 2009
4. Transferred to NRCS 1 September 2008
5. Resigned 30 September 2008
6. Appointed 1 July 2008
7. Appointed 1 November 2008
8. Appointed as Commercial Executive on 1 May 2008 and resigned 12 December 2008
9. Appointed on 1 May 2008

| | GROUP | | SABS | |
|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 |
| | R'000 | R'000 | R'000 | R'000 |
| *29.6 Government Grants And Core Funding* | | | | |
| Received from Department of Trade and Industry | | | | |
| - SABS | 134,852 | 122,830 | 120,596 | 113,485 |
| - Discontinued operations | - | 5,955 | - | 5,955 |
| | 134,852 | 128,785 | 120,596 | 119,440 |

## *30. Contingent Liabilities*

| | | | | |
|---|---|---|---|---|
| Third parties in respect of services rendered[1] | 865 | 5,000 | 865 | 5,000 |
| Employees | 340 | - | 340 | - |
| Service providers | 884 | - | 884 | - |
| | 2,089 | 5,000 | 2,089 | 5,000 |

1 The SABS is a second respondent in a suit for loss of support by one of SABS' customers. The SABS has obtained legal advice and its potential liability may reduce or it may be entirely absolved.

## *31. Fruitless and Wasteful Expenditure*

During the year the SABS incurred the following fruitless and wasteful expenditure:

- an expense of R561,739 (2009: R301,949) for late return or loss of equipment leased;
- an expense of R2,330 for a function which was cancelled;
- an expense of R12,584 for the write-off of money that went missing at the cashiers office; and
- R570,000 for the cancellation of a lease agreement and R200,000 for monthly payments before the lease was cancelled.

The SABS is committed to using its funds in a responsible manner. Corrective action is taken where situations lead to fruitless and wasteful expenditure. The employee who signed the lease agreement outside of his delegation and the cashier and her supervisor were disciplined and consequently dismissed. The SABS was not able to recover any monies based on the outcome of these cases. The circumstances surrounding the late and non-return of rental equipment is being investigated and corrective action will be taken once all the facts are known.

The SABS has moved away from the rental of computer equipment to the outright purchase thereof and placing the equipment under the control of each business unit manager, which improves the control environment. The approval limits have been communicated to management and are being strictly enforced together with the related policies and procedures.

# ACRONYMS AND ABBREVIATIONS

| | |
|---|---|
| AC | Alternating current/XXX |
| ARP | Aanbevole/Recommended Practice |
| ARSO | African Organization for Standardization |
| BBBEE | Broad-based Black Economic Empowerment |
| CBE | Council for the Built Environment |
| CDP | Competence Development Programme |
| CEF | Central Energy Fund |
| CEO | Chief Executive Officer |
| CFO | Chief Financial Officer |
| CIDB | Construction Industry Development Board |
| CIE | Chief Inspector of Explosives |
| DSM | Demand Side Management |
| DST | Department of Science & Technology |
| ECA | Electrical Contractors Association |
| EE | Employment Equity |
| EIR | Electrical Installation Regulations |
| EPRI | Electric Power Research Institute |
| EU | European Union |
| EU MRL | European Union Maximum Residue Limit |
| EXCO | Executive Committee |
| FIFA | Fédération Internationale de Football Association |
| GIS | Geographic Information Systems |
| GRP | Glass-reinforced plastics |
| H&S | Health and Safety |
| IAS | International Accounting Standard |
| Icsid | International Council of Societies World Design |
| ICT | Information Communication Technology |
| IEC | International Electrotechnical Commission |
| IEEE | Institution of Electrical and Electronic Engineers |
| IFRIC | International Financial Reporting Interpretations Committee |
| IPAP | Industrial Policy Action Plan |
| ISO | International Organization for Standardization |
| ISO/TC | International Organization for Standardization Technical Committee |
| ISO/TS | International Organization for Standardization Technical Specification |
| ITACS | International Testing and Certification Services |
| IT | Information Technology |
| KZN | KwaZulu-Natal |
| MAP | Measurements Assurance Programme |
| MCC | Medicines Control Council |
| MEC | Member of the Executive Council |
| NETFA | National Electrical Test Facility |
| NHBRC | National Home Builders Registration Council |
| NIPF | National Industrial Policy Framework |
| NRCS | National Regulator for Compulsory Specifications |
| NRF | National Research Foundation |
| NRS | National Rationalised Specifications |
| NRTA | National Toad Traffic Act |
| NSI | Namibian Standards Institute |
| NWIP | New Work Item Proposals |
| OECD GLP | Organization for Economic Cooperation and Development Good Laboratory Practice |
| OHSAS | Occupational Health and Safety Advisory Services |
| PBIT | Profit before interest and tax |
| PFMA | Public Finance Management Act |
| PIESA | Power Institute for East and Southern Africa |
| PPC | Pretoria Portland Cement |
| PTB | Physikalisch Technische Bundesanstalt |
| PTS | Proficiency Testing Scheme |
| RBCT | Richards Bay Coal Terminal |
| SAA | South African Airways |
| SABS | South African Bureau of Standards |
| SABS-SAGE | SABS Strategic Advisory Group |
| SADC | Southern African Development Community |
| SADCSTAN | Southern African Development Community Cooperation in Standardization |
| SAESI | South African Emergency Services Institute |
| SANAS | South African National Accreditation System |
| SANRAL | South African National Roads Agency Limited |
| SANS | South African National Standard |
| SATAS | South African Timber Auditing Services |
| SMME | Small, Medium and Micro Enterprises |
| SPII | Support Programme for Industrial Innovation |
| SQAM | Supplier and Quality Assurance Management |
| TBT | Technical Barriers to Trade |
| **the dti** | The Department of Trade & Industry |
| UK | United Kingdom |
| ULP | Unleaded Petrol |
| VTS | Vehicle Test Stations |
| WTO | World Trade Organization |
| WTO/TBT | World Trade Organization/Technical Barriers to Trade |

BUILDING A WINNING ORGANIZATION


1 Dr Lategan Road
Groenkloof
Private Bag X191
Pretoria, 0001

Tel: +27 (0)12 428 7911
Fax: +27 (0)12 344 1568

www.sabs.co.za

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