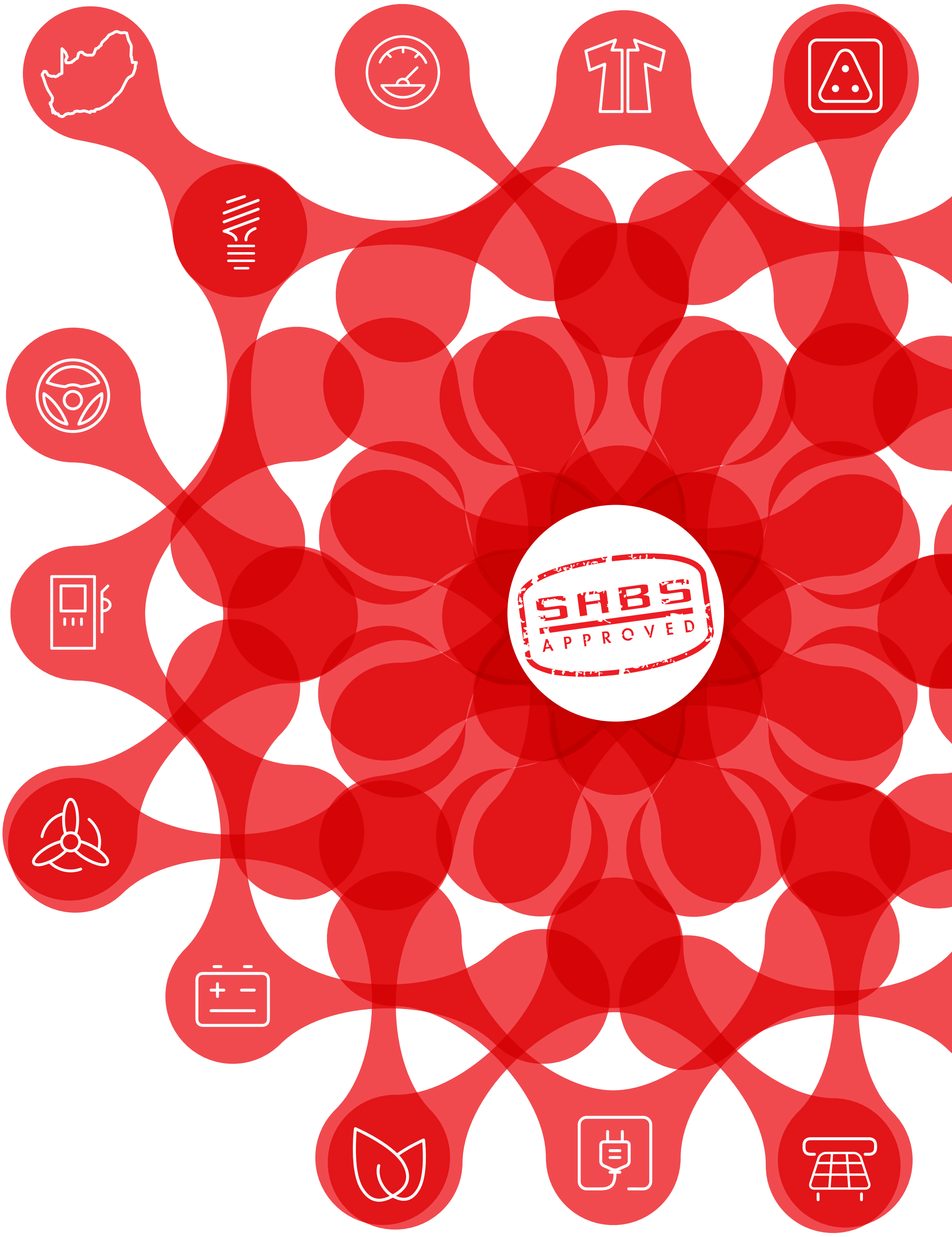
SABS

INTEGRATED ANNUAL REPORT 2013/14



giving you the quality **edge**

SABS

INTEGRATED ANNUAL REPORT 2013/14

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SABS

PART A
General information

SABS approach to integrated reporting

SCOPE

This Integrated Annual Report provides a strategic, operational and financial overview of the activities of the South African Bureau of Standards (SABS) Group for the period 1 April 2013 to 31 March 2014.

REPORTING FRAMEWORK

The report is compiled in compliance with:

- The Public Finance Management Act, No. 1 of 1999 (PFMA);
- The Companies Act, No. 71 of 2008; and
- South African Statements of Generally Accepted Accounting Practice (SA GAAP).

The content of the report also takes into consideration:

- The National Treasury Guide for the Preparation of Annual Reports for Public Entities 2014;
- The King Report on Governance for South Africa and the King Code of Governance Principles (King III); and
- Elements of the Global Reporting Initiative's G4 (GRI G4) guidelines.

MATERIALITY

Relevant (or 'material') issues are defined as topics that have a direct or indirect impact on an organisation's ability to create economic, environmental and social value for itself, its stakeholders, the environment as well as society at large over time.

While the SABS is progressing towards adopting a broader materiality framework in line with the above-mentioned guidelines, the following elements were considered in determining the relevant topics included in this Integrated Annual Report:

- Stakeholder requirements and issues identified through stakeholder engagements during the year under review;
- Strategic objectives and key performance indicators in the 2013/14–2015/16 Corporate Plan and the 2013/14 Business Plan;
- Strategic Risk Register; and
- Reports considered at Executive, Board and Sub-committee level.

ASSURANCE

The Audit Committee has evaluated the Annual Financial Statements for the year ended 31 March 2014 and concluded that these comply in all material respects with the requirements of SA GAAP. They are further consistent in all material respects with IFRS. The Committee has reviewed the Auditor-General's Management Letter and management's response thereto, and has recommended the approval of the Annual Financial Statements to the Board.

DIRECTOR'S RESPONSIBILITY

The directors acknowledge their responsibility to ensure the integrity of the Integrated Annual Report and believe that the report addresses all material issues and fairly presents the performance and impact of the SABS.

ENQUIRIES

Enquiries regarding this report may be directed to the office of the Executive, Corporate Services, Mr S Maluleke, Tel: +27 (0) 12 428 6764.

Highlights

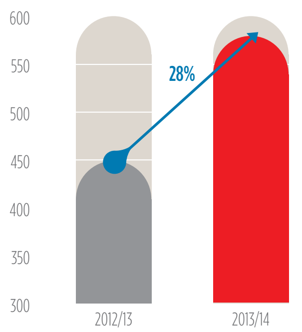
The SABS is one of the two entities of **the dti** to be presented with a **Clean Audit Award** (out of 14 entities) for the 2012/13 financial audit

97% IPAP projects delivered that include Standards development and conformity assessment prioritised by **the dti** in line with their industrial policy

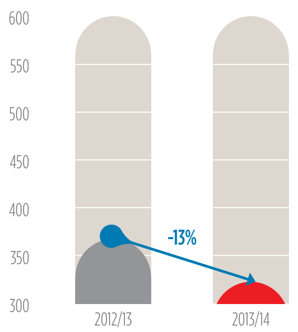
45 SMMEs were supported using proven design value chain processes in the Design Institute

Developed capability and set up Local Content Verification Office following appointment by **the dti** as the **authority for conducting local content verification** audits in public sector procurement

Standards published



Average number of days to publish standards



About the SABS

Established in terms of the South African Standards Act, No. 24 of 1945, the SABS has a long history in standards development and maintenance on the African continent. This rich legacy has supported and enabled South African products and services to enter global markets and to maintain a competitive advantage. Today the SABS is governed by the new Standards Act, No. 8 of 2008, which formally distinguishes it as the leading national standards body, with no regulatory functions.

SABS Commercial SOC Ltd is a wholly owned subsidiary of the SABS funded by commercial activity. It is committed to supporting industry by providing conformity assessment services that enhance the competitiveness of its valued clients.

Name	South African Bureau of Standards
Physical address	1 Dr Lategan Road, Groenkloof, Pretoria 0001
Postal address	Private Bag X191, Pretoria 0001
Telephone number	+27 (0) 12 428 7911
Fax number	+27 (0) 12 344 1568
E-mail address	info@sabs.co.za
Website	www.sabs.co.za
External auditors	Auditor-General of South Africa
Bankers	Absa
Company Secretary	W de Witt

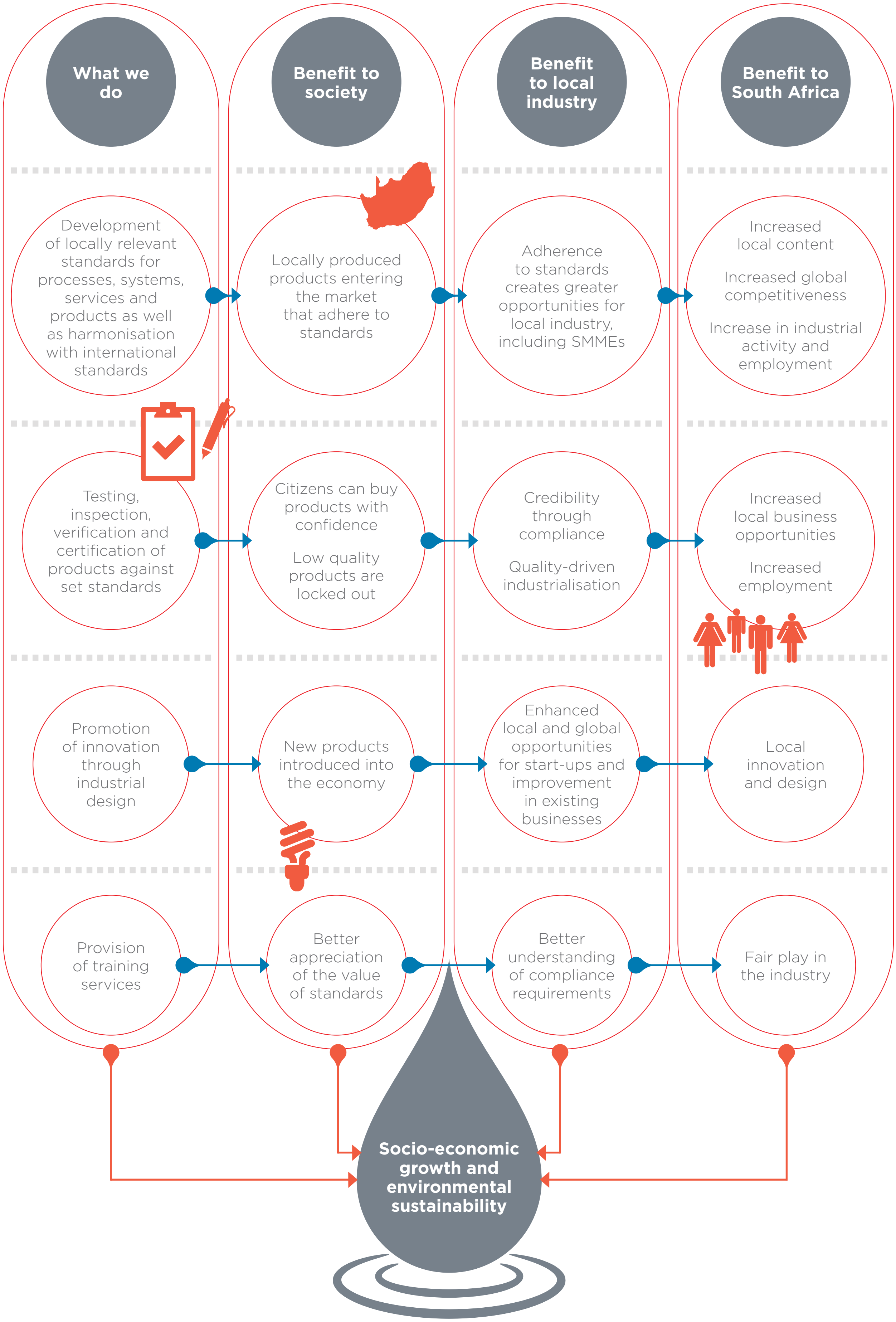
PRINCIPAL ACTIVITIES

The SABS is mandated to develop, maintain and promote the use of **South African National Standards**, which contribute to public welfare by improving economic efficiency, improving health and safety aspects of products and services, addressing market failures and promoting trade.

The SABS engages in other key activities that include the following:

- **Management System Certification Schemes** provide assurance on the effectiveness and validity of a client's management system(s) in terms of quality, safety and good governance.
- **Product Certification Schemes (SABS Mark)** provide a third party guarantee of quality, safety and reliability of products to the consumer. Products that have met quality standards are awarded the SABS Mark to provide assurance of conformity to specifications.
- **Testing and Verification** services are conducted for the full spectrum of industry sectors and technologies at the SABS' dedicated test laboratories, situated in Pretoria and various strategic locations throughout South Africa. These services remain the most comprehensive offered by any single organisation in the southern African region.
- The purpose of **Local Content Verification Services** is to ensure growth in the manufacturing sector by encouraging procurement of local goods and services, for the purposes of job creation, economic growth and development.
- Third party **Consignment Inspection Services** are provided to external purchasing bodies to assist in their purchasing operations, including the production of item descriptions, the preparation of tender documents, the adjudication of contracts and the inspection of deliverables.
- The SABS **Training Academy** provides a diverse range of structured courses on standards, some of which include ISO 9001 Quality Management Systems, ISO 14001 Environmental Management Systems and OHSAS 18001 Occupational Health and Safety Systems.
- **The Design Institute** promotes the value of design to growing competitiveness in the economy through the dissemination of design knowledge and practice and the demonstration of success from the use of design-based methods and intervention. The institute particularly focuses on applying design tools to support the growth of the SMME sector and youth entrepreneurship to create jobs.

The value of these activities in the greater South African context is captured as follows:


What we do
Benefit to society
Benefit to local industry
Benefit to South Africa
Development of locally relevant standards for processes, systems, services and products as well as harmonisation with international standards
Locally produced products entering the market that adhere to standards
Adherence to standards creates greater opportunities for local industry, including SMMEs
Increased local content
Increased global competitiveness
Increase in industrial activity and employment
Testing, inspection, verification and certification of products against set standards
Citizens can buy products with confidence
Low quality products are locked out
Credibility through compliance
Quality-driven industrialisation
Increased local business opportunities
Increased employment
Promotion of innovation through industrial design
New products introduced into the economy
Enhanced local and global opportunities for start-ups and improvement in existing businesses
Local innovation and design
Provision of training services
Better appreciation of the value of standards
Better understanding of compliance requirements
Fair play in the industry
Socio-economic growth and environmental sustainability

STAKEHOLDERS

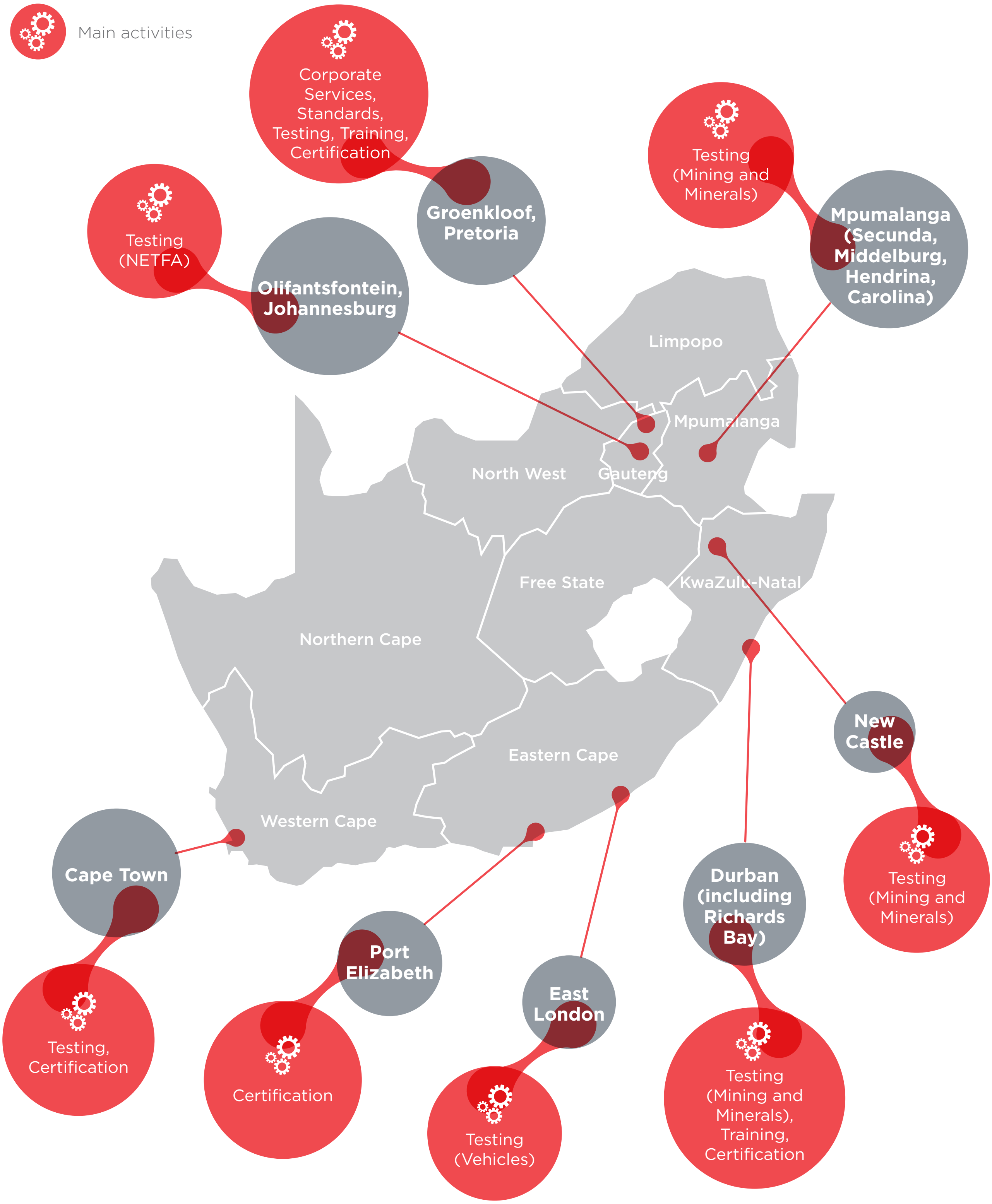
Quality and safety of products and services affect the lives of almost every South African. Implementation of and compliance with internationally recognised standards and management systems (quality, environment, and occupational health and safety among others) are key components in determining the competitiveness of South African industry, along with facilitating access to global markets. A successful and sustainable SABS therefore depends on clear and effective communication with all its key stakeholder groups identified in the illustration below.

Customer centricity is one of our values and forms a large component of stakeholder management. Focus is on transforming the SABS into a truly customer-centric organisation that responds to customer needs.

Stakeholder group	What matters to them	Engagement methods	How we respond to their need
Government departments – national, provincial and local	Effective implementation of government's objectives	Structured meetings and presentations, Government Consultative Forum	Quality assurance services for effective service delivery
Portfolio Committee on Trade and Industry	Effective implementation of government's objectives	Portfolio Committee meetings and presentations	Contribute to economic growth
the dti	That the SABS fulfils its mandate, achieves its objectives and complies with laws and regulations	Regular meetings and submission of our Strategic Plan, Annual Business Plan, Annual Performance Plan, Quarterly Reports, and Annual Report	By fully complying with the Shareholder's Compact and aligning programmes with policy reviews
Customers	Meeting their needs	Call Centre and face-to-face engagements	Implementation of various customer service initiatives and improvement in operational efficiency
Industry associations	Sector needs on testing, certification, standards, safety and quality-related issues	Conferences, structured meetings and presentations	The SABS has established Advisory Forums for Construction, Energy and Food, to solicit industry advice in terms of standardisation needs for their sectors
Academic, research and scientific institutions	Relevance of standardisation in their work	Participation with these stakeholders in SABS Technical Committees and Advisory Forums	Through strategic partnerships with academic institutions and the inclusion of standardisation training in the curricula of academic institutions
Accreditation bodies (SANAS, RvA, FSSC, IATF, IEC)	Sound accreditation management systems	Meetings	Implement sound SABS management systems that maintain accreditation
International, national and African standards regulatory bodies	Effective participation by the SABS in policy and technical committees. Support for capacity building in African NSBs	Annual General Meetings (ISO, IEC, ARSO, SADCSTAN), International Technical Committee meetings, MoUs and bilateral meetings	The SABS is currently represented on the policy/strategic committees of most of these bodies and participates in most of their technical committees
Regulatory bodies	That the SABS develops and maintains the capacity and capability in the laboratories to offer full testing for products that are subject to compulsory specifications	Monthly meetings	Aligning capacity in focus areas that are important to various regulators
The media	Various industry challenges/successes as they relate to the SABS' work	Press releases, interviews, meetings	Media engagement activities conducted
Employees	The organisational culture and employer of choice	Management Imbizos, staff meetings, CEO's Brown Bag Sessions, social platforms, internal communications	Keep employees engaged

NATIONAL FOOTPRINT

In addition to its Pretoria Head Office premises, offices and laboratories are situated in Gauteng, Mpumalanga, KwaZulu-Natal, Eastern Cape and Western Cape.



Foreword by the Minister

The role of National Standards Bodies has evolved over the last 20 years. During this period we have witnessed improvements in economic and physical infrastructure, rapid advances in information technology, manufacturing processes, automation, transportation and many others that affect trade and industry, leading to significant increases in volumes of trade within and between countries. National and international standards are increasingly being used to support technical regulations, and are progressively addressing fast moving and converging technologies creating a more complex standardisation environment that has become more important to national and international development.

The South African Bureau of Standards (SABS) is one of four specialised entities of the Standardisation, Quality Assurance, Accreditation and Metrology (SQAM) institutions that provide the quality infrastructure which supports the collective efforts of the Department of Trade and Industry (**the dti**) in driving industrialisation and access of South African industries to regional and international markets.

As the national institution for the development, promotion and maintenance of standardisation and quality related to commodities and the rendering of related conformity assessment services, the SABS, contributes among others, to:

- Improving the competitiveness of South African industries;
- Expanding market access opportunities for the exportation of South African goods and services; and
- Supporting small, medium and micro enterprises (SMMEs) to establish and maintain quality principles for business sustainability.

These three objectives are critical to developing South Africa's economy to become one which is sustainable and resilient. From this stems employment and a better quality of life for our citizens.

For too long, our economy remained insufficiently diversified and too largely dependent on primary mineral exports. It is also more urgent than ever that we resolutely pursue beneficiation if we are to successfully diversify our economy and relinquish the hold of international commodity markets. The role of our SQAM institutions, and particularly the SABS, is crucial to this vision.

I am pleased to report that our Industrial Policy Action Plan (IPAP), designed to encourage diversification and to stem the tide of commodity imports into South Africa, has had a positive impact on a number of areas. For example, the decline in the clothing and textile sector was averted and we identified investment and growth in the automotive industry. Significant sector-specific progress and the creation of industrial policy platforms have created the basis for deepening and extending industrial policy support. In line with IPAP, the SABS has been actively facilitating the emergence of new industries through the creation of enabling standards, especially in the green and renewable energy industries.

Whilst remaining firmly committed to promoting export opportunities for South Africa, we remain convinced that efforts to grow manufacturing remain fundamental to placing our economy on a new path of sustainable growth. The multi-billion rand infrastructure build programme affords excellent opportunities for involvement by local experts and innovators in the engineering, manufacturing and fabrication sectors, with a focus on rail, electricity and construction. Localisation is therefore one of the major focus areas for the period ahead.

Local content is critical to unlocking the value of localisation for South Africa, and **the dti** is already paving the way, through a focus on compliance across all tiers of government, towards ensuring that government procures 75% of its goods and services from local companies. The SABS is fundamental to the furtherance of localisation through the development of relevant national standards in the next series of government-designated products, enhancing capacity of the conformity assessment services and rigorous monitoring and verification of local content. The services of the SABS form the basis of quality assurance for efficient trade in the domestic, regional and international platforms. We will continue to look towards the SABS for providing guidance on new areas of standardisation aligned to new and emerging technologies and contributing to the value chain of industrial development in the country.

I am proud of the achievements of the SABS over the past year and acknowledge the efforts and strategic intent in driving programmes aligned to the objectives of **the dti**. On behalf of **the dti**, I wish to express my thanks to the SABS, its leadership and its staff for their focused and dedicated work delivered during the past year.

Dr Rob Davies
Minister of Trade and Industry

"We have continuously honed the excellence we bring to industry and have been recognised at the highest level for the role that we play."

Foreword by the Chairperson

It gives me great pleasure in my last year as Chairperson of the South African Bureau of Standards to present my statement to the shareholder and many stakeholders. I would like to take liberty to reflect briefly on the last five years at SABS, and more specifically its role in government's efforts to transform and accelerate the growth of the South African economy.

As a country we have seen unity through sport, where against all odds we have stood together and produced the 2010 FIFA World Cup spectacle. It was a phenomenal achievement that united our entire continent in an unprecedented way. The successful hosting of the tournament also allowed us to showcase a South Africa at work, and demonstrated what could be achieved when government and the private sector work together.

South Africa joined and hosted one of the summits of the BRICS nations, which constitutes some of the most dynamic emerging economies across the globe, signalling the potential of the South African economy and its role in Africa in addressing development and growth opportunities. The SABS has worked with sister organisations in Brazil and India in identifying common challenges, developing programmes to strengthen our capacities and technical infrastructure and enhancing our collaboration in global standardisation bodies to ensure not only the voice of developing nations, but in ensuring that standardisation takes cognizance of these nations' needs and challenges. The SABS has accelerated programmes to improve its efficiency and efficacy as an independent service provider of conformity assessment, training and testing, putting the health and safety of the public as well as the primacy of its customers at the centre of these efforts.

Another significant development, particularly in the context of electricity challenges in the country, is the successful rollout of the Independent Power Producer's Programme. A number of projects are coming on line to meet the shortfall of electricity and take a great leap forward in terms of renewable energy sources for South Africa.

We have been operating in a particularly challenging environment since the start of the global financial crisis, with tempered recovery in many of our export markets, anaemic growth levels and persisting high unemployment rates.

As we continue as a nation to tackle the effects of the global recession, poor competitiveness, high levels of unemployment, and a fraught labour relations environment, the imperative and contribution of industrialisation as a driver of accelerated economic growth and transformation become central. The SABS has a modest role in these efforts by ensuring that standardisation, conformity assessment and training add value in competitiveness enhancement, as well as in good quality goods and services in the manufacturing sectors. A massive and persistent effort and focused interventions, both at public and private sector level, are required to revitalise, build and grow the South African economy. These interventions, as set out in the National Development Plan and specifically in the Industrial Policy Action Plan, are resolutely supported and underpinned by the work of the SABS.

Government has embarked on a massive infrastructure build programme to ensure an enabled environment for economic growth. As a third party conformity assessment service provider the SABS can help in ensuring that appropriate standards are set and met in the implementation processes.

The Minister of the Department of Trade and Industry, Dr Rob Davies, put it aptly when he said, "No single policy, instrument or initiative on its own will turn back the tide." Without a doubt, success can only be achieved when every stakeholder within industry plays their respective part to the full extent.

The SABS has constantly reviewed its programmes to ensure alignment with policy and regulatory actions in line with the overarching goal of improving the international competitiveness of South African products and services, while protecting the health and safety of South African citizens. We have aligned our service offerings in the sphere of national standards development, testing, certification, inspection and training with the NDP and IPAP industrial policy goals for green industries, agro-processing, metal fabrication and capital and transport equipment, amongst others. We have continuously honed the excellence we bring to industry and have been recognised for the role that we play through our appointment as **the dti**'s local content verification agency. In this role the SABS will ensure growth in the manufacturing sector by encouraging procurement of local goods and services, for the purpose of job creation, economic growth and development.

Given that the use of standards is reported to apply to eighty percent of the global trade in goods and services, the importance thereof cannot be underestimated. Standardisation has a key role to play in economic growth and it is for this reason that the SABS' work in influencing regional and international forums is crucial to ensure that our unique socio-economic challenges are taken into account when developing standards.

In this financial year there has been a concerted and on-going drive to modernise the SABS' laboratories, improve operational efficiency, as well as develop and enhance competencies and capabilities to improve customer service to meet the needs of industry. Our role in the performance of industry is to underpin a manufacturing sector that can effectively compete globally with a positive impact on the South African economy.

Our five-year Strategic Plan provides for the transition of the SABS from a regulatory organisation prior to 2009, to a customer-centric service provider of conformity assessments. This year momentum was gained with the adoption of a stakeholder engagement framework as well as targeted customer strategies. This does not distract us from our focus on protecting the consumer. As a country, we can be proud of the legislative framework which has been created in South Africa to ensure protection of consumers' rights. A foundation of consumer rights is the confidence that consumers experience knowing that they are purchasing SABS-approved products.

The steady progress that the SABS has made in the implementation of its strategy has allowed the organisation to serve as a strategic partner of **the dti** in the radical transformation of the South African economy. Corporate governance and accountability have been and must continue to be a feature of all our work. Labour, business and communities all have a role to play in high standards of governance, not just through compliance, but in pursuing the intrinsic value proposition of the King Report on Governance and the King Code of Governance Principles (King III).

Recognising that stakeholder engagement and on-going relationship growth are fundamental to enhancing South Africa's industrial competitiveness, the SABS has developed and nurtured important relationships with entities such as the International Electrotechnical Commission (IEC) and the International Organization for Standardisation (ISO). During the year under review, the SABS actively participated in these bodies and continues to play leadership roles in the Southern Africa Development Community Co-operation on Standardisation (SADCSTAN), African Regional Standards Organisation (ARSO) and the African Electrotechnical Standardisation Commission (AFSEC).

My time spent in service to the SABS, supported by committed Board members and a motivated management team, leaves me in no doubt that the organisation is on a sustainable and achievable growth path. This will be aided by its sustained focus on the development of standards as a pillar of sustainability; continuous improvement in terms of operational efficiencies, capabilities and strategic interventions in the SMME sector; the identification, promotion and development of innovation through industrial design; as well as the expansion of its services within the Local Content Verification Unit.

I conclude by expressing my gratitude and appreciation to the Board for its stewardship and guidance over the years. It has been a privilege for me to be part of a public institution dedicated to achieving its mandate and service to the nation. I take this opportunity to thank the CEO, Dr Boni Mehlomakulu, the SABS Executive Committee and the staff for the energy put into growing and bettering the SABS. I also thank our shareholder, **the dti**, for its tireless support. I congratulate and wish Mr Jeff Molobela, as the new Chairperson, and the incoming Board of the SABS all the success.

Bahle Sibisi
Chairperson


HPLC #8
SABS

"We continue to pursue a paradigm shift to transform the organisation to one that is driven by service delivery and customer satisfaction."

Chief Executive Officer's overview

The world is facing significant environmental- and sustainability-related challenges. Global trends, such as climate change, population growth, increasing demand for energy, food security, inequality, and unemployment, are real issues that are forcing society as a whole to think and act differently. The rapidly increasing economic interdependence of countries has characterised globalisation over the past decades, and countries' economic policies, companies and institutions continually adjust to better position themselves in the competitive global trade environment. The South African Bureau of Standards (SABS) will be 70 years old in 2015. The continued existence of this institution signifies not only the importance of the SABS to the South African economy, but its ability to realign and adapt to the ever-changing environment that affects its operations. The last five years have been significant to the sustainability of the SABS, as they represented a challenge for it to adjust and thrive under new legislation that eradicated decades of regulatory power and influence. Comprehending the full meaning of the legislative change and conceptualising strategies and plans to adapt to the change is often the easy part of transforming an organisation. Successful execution of those strategies and plans is how we at the SABS have chosen to assess our journey.

This Integrated Annual Report serves as a close out report of my first term in office as CEO of the SABS. I have had the privilege of navigating this important institution through the delicate and important legislative transition mentioned above. The five-year Strategic Plan (2011/12–2015/16) was developed to articulate a path which allows the SABS to break away from decades of being a regulatory-empowered organisation to become a services-oriented organisation. Revenue over the past decades has largely been linked to the regulatory influence over the organisation. Removing regulatory powers, however, meant that revenue growth had to be strategically targeted with specific, market-relevant interventions to secure financial sustainability. The revenue goal of R1 billion in five years was broadly aimed at driving the organisation from its regulatory comfort zone; and precipitating a sense of urgency in fast-tracking the necessary improvements in business operations, customer service, assets, talent and performance management.

In implementing this renewal strategy, I am pleased to report that the SABS has made significant tacit and measurable progress. The balanced scorecard tool was adopted to track a mixture of financial and non-financial indicators. Accordingly, performance in the organisation was measured in line with four principles:

- Growth;
- Customer centricity;
- Internal operational excellence; and
- Competent and empowered employees.

Internal and external expectations of the SABS are high. We remain a significant enabler in the South African economy whose actions can have a positive impact on the lives of many people. This responsibility is one we continue to embrace and each and every year we have had to reset our assumptions as we strive for sustainability under the new legislation.

GROWTH

During the year under review, revenue grew 6% year-on-year against a target of 16%. Delays in the contracting processes on key strategic projects, continued decline in testing samples from the regulator, and cancellation of the Mark Scheme in favour of a Letter of Authority continued to put pressure on revenue. Efforts to establish business development capacity in the organisation to break free from its regulatory dependency were intensified and should bear fruit in the coming year.

International standards for quality and dependability have become increasingly important in national and international trade because of efforts to harmonise standards in many parts of the world. Tactical application of standards has had a positive effect on businesses and economies around the world. In line with our focus on ensuring that standards provide tangible benefits to the South African economy, every proposed standard is evaluated for its net benefit to the economy before it is developed. A total of 574 standards had been published by the end of the financial year, representing a 28% year-on-year growth. The 574 standards published include 219 home-grown standards which exceeded the target of 170 by 29%.

The 40 year old SABS Design Institute was repositioned to contribute to embedding design principles in enterprise development for economic growth. The new value proposition proved to be a success, with a number of new contracts for design interventions signed with public and private companies. The Training Academy achieved 19% growth year-on-year and remains an area of significant revenue growth potential.

CUSTOMER CENTRICITY

The legacy of the SABS and the equity of the brand continue to give the organisation an inherent edge in the market. However, we continue to pursue a paradigm shift to transform the organisation to one that is driven by service delivery and customer satisfaction. In pursuit of improved customer experience, a number of initiatives were undertaken in the last year:

- A detailed study by Interbrand-Sampson-DeVilliers to assist us in understanding our customers' expectations; and
- Developing a customer engagement model to improve customer relationship management.

To improve understanding of the role of standards in our stakeholder community, the SABS Standards Journal was introduced. We have received positive feedback from our stakeholders, and many requested more frequent SABS publications. As directed in the Standards Act, a government consultative forum and sector-based industry advisory forums were instituted in 2013/14, as follows:

- Government Consultative Forum;
- Construction Advisory Forum;
- Food Industry Advisory Forum; and
- Strategic Advisory Group on Energy and Environment.

These forums provide the SABS with insight into the structure and dynamics of how standards can be of greater value to our stakeholders.

We continue to deepen our representation in a number of international organisations and platforms of standardisation to favourably position South African trade.

PRODUCTIVITY

The critical role that internal business processes play in pursuit of achieving our strategic objectives cannot be overemphasised. Continuous improvements in finance and procurement processes and general governance saw the SABS receiving a Clean Audit Award from the Auditor-General, one of only two entities under the Department of Trade and Industry to receive such an award.

However, our aim is to impact our customers and stakeholders, and a number of transformational internal process improvement programmes are being implemented, namely:

- The laboratory information management system (LIMS) was implemented in about 80% of the laboratories. Full utilisation of the system is critical to improve testing services turnaround times, customer engagement, tracking of samples and business intelligence;
- Our standards development processes were moved to a new e-Committees platform, rolled out to about 81% of technical committees. This intervention is set to transform the administration of our standards development processes, improving development timelines and quality of standards; and
- An organisation-wide ICT infrastructure renewal project was designed for phased implementation. The implementation of phase one was completed as planned, while phase two, which focuses on modernising business applications, has commenced.

The ongoing enhancement of our business operations is resulting in improved turnaround times in areas such as standards publication where we have seen the 368 days it took to publish standards in the prior financial year reduce to 322 days in 2013/14.

COMPETENT AND EMPOWERED EMPLOYEES

The SABS continues to implement programmes to improve the capacity and skills of its workforce to ensure that it is able to meet current and future demand for standardisation services in South Africa.

Our Strategic Plan attempts to strike a fine balance between sourcing new skills and improving internal skills. Our expertise development programmes with Harvard online and the

Da Vinci Institute to equip managers to meet the challenges of leading the SABS to higher levels of performance and growth, have been successful. We will continue to manage the culture change required for the SABS to transform into a services organisation and align our employees to:

- Support the direction of the organisation;
- Develop people within the organisation to meet ongoing and future needs;
- Attract and retain skills needed for the future direction of the organisation; and
- Achieve higher performance goals.

SABS INTO THE FUTURE

Every period of significant change brings winners and losers. The formula for business success during our era of great change will place a premium on innovation, collaboration and smart investments in our productive assets. Since 2010, the foundations have been put in place. The need for change is well understood and progress has been made in addressing this need. We have shown that we are prepared to take responsibility and to lead. The next phase will focus on both execution of our objectives and measuring the real impact. Our strategic objectives are geared towards building a more focused, more productive and ultimately more successful organisation for the benefit of the people of South Africa. The operational improvements we have pursued will ensure that the SABS is able to support the country as it transforms into a more competitive economy. In the next period we will continue to build on the foundation laid in the past five years by focusing on:

- Embedding local content verification in our service delivery programmes;
- Embedding design solutions in support of SMMEs to grow this sector;
- Strengthening partnerships with industry bodies;
- Transforming internal support processes through modernisation and technology innovation;
- Strengthening the SABS Mark as a mark of quality; and
- Driving systematic organisational culture change to embed services orientation at all levels.

Next year, as the SABS approaches 70 years of service to this great nation, we will continue to remind the country that we were 'always there'. The SABS Mark, as a mark of quality, has, and continues to offer them protection and assurance.

I would like to take a moment to thank the Executive Committee and each dedicated SABS employee for sharing my commitment to the SABS. Your hard work has set us on the path to sustainable growth and I am excited about what the future holds. I would like to express my appreciation to the SABS Board, as well as our supportive and active parent, **the dti**, for their constructive engagement and guidance.

Boni Mehlomakulu
Chief Executive Officer

Statement of responsibility and confirmation of accuracy for the Annual Report

To the best of our knowledge and belief, we confirm the following:

All information and amounts disclosed in this Integrated Annual Report are consistent with the Annual Financial Statements audited by the Auditor-General. The report is complete, accurate and free of omissions.

The Integrated Annual Report has been prepared in accordance with the guidelines as issued by National Treasury and the Annual Financial Statements (Part F) were prepared in accordance with the PFMA, Companies Act, and SA GAAP.

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

The Chief Executive Officer, as the accounting authority, is responsible for the preparation of the Annual Financial Statements and for the judgements made in this information. The Board is responsible and accountable for the integrity of the Financial Statements of the organisation and the objectivity of other information presented in the Integrated Annual Report.

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 accounting authority is responsible for establishing and implementing a system of internal control which has been designed to provide reasonable assurance as to the integrity and reliability of the performance information, the human capital information and the Annual Financial Statements and has unrestricted access to all financial records and related data, including minutes of all meetings of the Board.

The Auditor-General is engaged to express an independent opinion on the Annual Financial Statements.

In our opinion, the Integrated Annual Report fairly reflects the operations, performance information, human capital information and financial affairs of the SABS for the financial year ended 31 March 2014.

Boni Mehlomakulu
Chief Executive Officer
27 July 2014

Bahle Sibisi
Chairperson of the Board
27 July 2014

Strategic overview

VISION

To be the trusted standardisation and quality assurance service provider of choice.

MISSION

The SABS provides standards and conformity assessment services to enable the efficient functioning of the economy.

VALUES

As the SABS transforms and moves towards a culture of high performance and quality service provision, it is guided by the following values:

IMPARTIALITY

- Not showing favouritism towards a person or business for personal gain.
- Basing decisions on objective criteria rather than bias, prejudice, or putting one person before another for improper reasons.

INNOVATION

- Enhancing, supporting and maintaining positive change.
- Continuously finding innovative ways to execute our responsibilities for sustainable increased productivity to benefit the SABS and the South African economy.

ACCOUNTABILITY

- Acknowledging and assuming responsibility for actions and decisions and committing to report, explain and be answerable for resulting consequences.

INTEGRITY

- Being respectful.
- Being honest and trustworthy.
- Being professional at all times.
- Being loyal to the SABS, our country and its people.
- Performing our duties with care and dedication – paying attention to detail.
- Being fair and transparent.

QUALITY

- Ensuring that all activities and behaviours enforce the SABS as a brand of quality.
- Having pride in the quality of the outputs.
- Giving due attention to internal quality systems and being proud of practising what is preached.

CUSTOMER CENTRICITY

- Providing proactive, responsive feedback to employees and customers, ensuring that the value of the SABS to customers is articulated.
- Acknowledging the needs of customers and putting the customer first.
- Having the ability to meet and exceed customers' expectations constantly and consistently.

Legislative and other mandates

LEGISLATIVE MANDATE

The SABS is a Schedule 3B Government Business Enterprise in terms of the Public Finance Management Act, No. 1 of 1999 (as amended) (PFMA).

The Bureau was originally established in terms of the South African Standards Act, No. 24 of 1945, and has a long history in standards development and maintenance on the African continent. This rich legacy has enabled South African products and services to enter global markets and to maintain a competitive advantage.

In 2008, the regulatory function of the SABS was separated, and placed within the impartial ambit of the National Regulator for Compulsory Specifications (NRCS). The SABS is now mandated by the Standards Act, No. 8 of 2008, which formally distinguishes it as the leading national standards body, with no regulatory functions. In terms of this Act, the SABS is mandated to:

- Develop, promote and maintain South African National Standards (SANS);
- Promote quality in connection with commodities, products and services; and
- Render conformity assessment services and assist in matters connected therewith.

The SABS Group comprises the SABS and SABS Commercial SOC Limited, which is a wholly-owned subsidiary of the SABS and is classified as a State-Owned Company (SOC) in terms of the Companies Act, No. 71 of 2008.

ACTS, CODES AND DEVELOPMENT PLANS

The Group is managed within the framework of South Africa's Acts and Codes and within the ambit of the national development plans that guide government policy, including the following:

- **New Growth Path Framework (NGP)**

  The NGP aims to co-ordinate government action to leverage impact on developmental indicators. It also aims to reindustrialise the economy, although the emphasis is on improved manufacturing performance, increased mineral extraction and beneficiation, better access to export markets, the involvement of small businesses and the resolution of land disputes. Its success hinges on significant improvement in the performance of the state, including the SABS, and on the private sector growing high labour absorbing economic activities.

- **Industrial Policy Action Plan (IPAP)**

  IPAP is the three-year rolling implementation plan for the National Industrial Policy Framework (NIPF), and co-ordinates government actions for achieving developmental goals through industrial policy. In line with the NDP and NGP, IPAP identifies priority sectors to ensure sustained economic progress for South Africa in the medium term. The following strategies are employed:

  - Create, resuscitate and capacitate industries with high labour absorption potential;
  - Use state procurement spend to facilitate localised production of targeted products and services; and
  - Protect local production from poor quality imports, while providing support for exports into markets where trade terms are favourable.

  The role of technical infrastructure bodies such as the SABS in the achievement of the trade and industrial policy objectives outlined above is evolving from passive to proactive. As a leading national standards body, the SABS has a mandate to ensure that the standards that are necessary to implement these policies and regulations are in place. For the SABS this implies a focus on IPAP commitments that primarily support economic sectors that include green industries, agro-processing, metal fabrication as well as capital and transport equipment.

- **The National Development Plan (NDP), also referred to as Vision 2030**

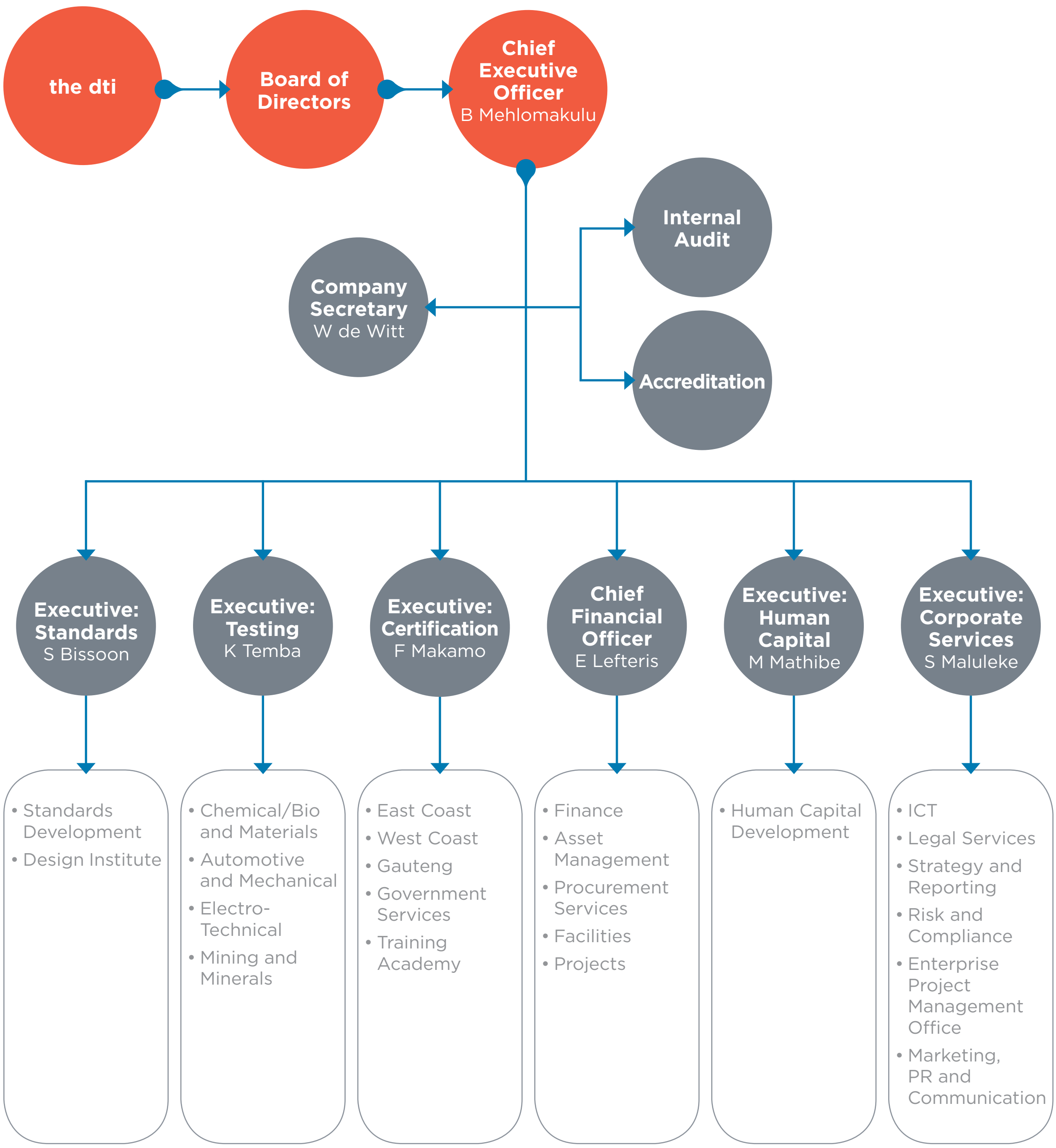
  Among its nine (9) key priorities, the NDP, implemented in 2013, identifies reduction of unemployment and improved quality of education as key priorities that will contribute most towards realising the developmental goals of the country. The NDP advocates a shift away from an over-dependence on the mineral resources sectors which lack the potential for higher growth. This plan will guide the work of the SABS going forward.

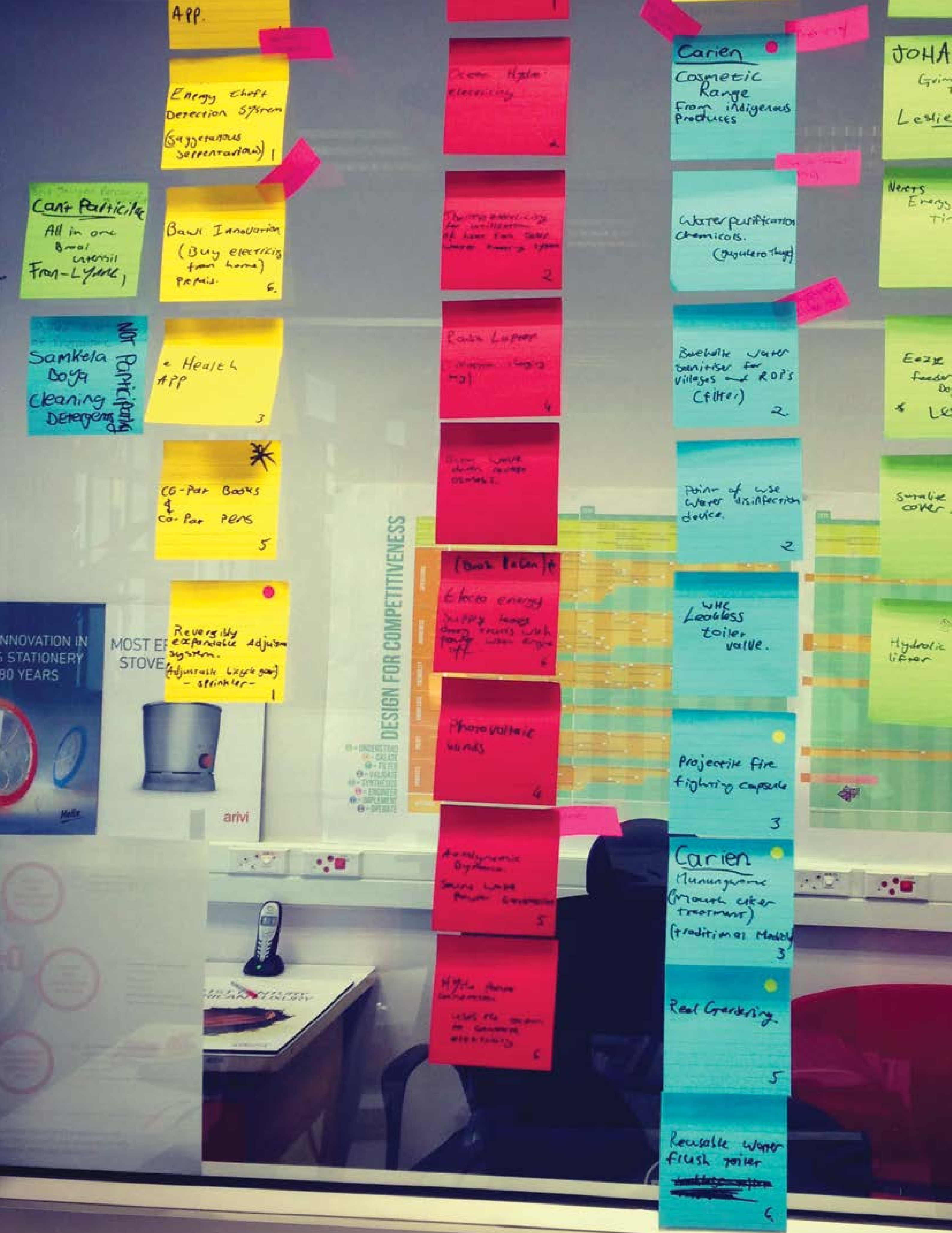
ACCREDITATION

SABS Commercial SOC Ltd is accredited by both local and international accreditation agencies including:

- The Dutch Raad Voor Accreditatie (RVA) for the provision of management system certification to standards ISO 9001, ISO 14001, OHSAS 18001 and FSSC 22000;
- The South African National Accreditation System (SANAS) for:
  - The provision of management system certification to standards ISO 9001, ISO 14001, SANS 10330 (HACCP) and ISO 22000;
  - Provision of product (SABS Mark Scheme);
  - The provision of testing and calibration laboratory services that comply with standard ISO/IEC 17025;
  - Consignment Inspection to standard ISO/IEC 17020; and
- Verband der Automobilindustrie – Qualitäts Management Center (VDA-QMC) for:
  - Provision of automotive management system certification to standard ISO/TS 16949.

Organisational structure




APP.
Energy theft Detection System
Can't Participate
All in one Bowl utensil
Bowl Innovation
Samkela Boya Cleaning Detergents
NOT Participating
Health APP
CO-Pat Books & Co-Pat Pens
Reversibly expandable adjustable system.
Carien
Cosmetic Range From indigenous Produces
Water purification chemicals.
Point of use water disinfection device.
Leakless toilet valve.
Projectile fire fighting capsule
Carien
Real Gardening
Reusable water flush toilet
Electro energy
Photovoltaic winds
JOHA
Leslie
Hydrolic lifter
DESIGN FOR COMPETITIVENESS
INNOVATION IN
STATIONERY
80 YEARS
MOST EF
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PART B
Performance information

Auditor-General's report on predetermined objectives

The Auditor-General performs procedures to obtain evidence of usefulness and reliability of performance information presented in this Integrated Annual Report. The outcome of this assessment is reflected on pages 80 and 81.

Situational analysis

SERVICE DELIVERY ENVIRONMENT

Conformity assessment and certification services operate in a highly competitive market. While the SABS brand remains well recognised in the South Africa market, competition is increasing due to the entry of international players. Despite this, opportunities exist for the SABS to serve the public and parastatal sectors, and in the 2013/14 financial year, the SABS delivered various projects at national, provincial and local government level and contributed positively to their service delivery improvement.

Changes in the domestic and global economy have a bearing on the SABS as it provides services to enterprises that import and export manufactured goods. Economic conditions continued to be adverse for businesses in 2013/14, as reflected in declines in revenue due to Mark Scheme cancellations, business liquidations as well as the postponement of certain assessments.

A number of strategies will be implemented in the new reporting period in an effort to address the above.

ORGANISATIONAL ENVIRONMENT

In the last three years the SABS has articulated and implemented its five-year Strategic Plan that focuses on customer service, market penetration, productivity improvement, revenue growth, and developing the skills and competencies of its staff.

In the first year of implementation (2011/12), the SABS only achieved a modest income growth, but by 2012/13 a 15% growth in revenue was realised. However, to sustain growth in excess of 15% per annum requires a culture of high performance across all levels of the organisation. Significant effort and resources have been invested in people, systems and processes to prepare the organisation to respond appropriately to customer expectations. The impact of these interventions has yet to be fully realised.

The 2013/14 financial year was concluded with a satisfactory performance, with 85% of the key performance indicators in the Business Plan being achieved.

STRATEGIC OUTCOME-ORIENTED GOALS

The SABS provides services that directly impact on the performance of companies, individual industries and the economy by lowering the risk of product and service failures while breaking the information asymmetry on market requirements. The SABS is a catalyst for economic growth through quality assurance. The goals of the SABS are therefore aligned with those of **the dti** and the broader government effort to grow the South African economy. As per its five-year Strategic Plan, 2010/11–2014/15, the SABS is committed to working towards the following goals:

- **Provide standardisation and conformity assessment services that support the National Industry Policy Framework (NIPF) and facilitate development and regional economic activity**

  The SABS will increase the output of relevant standards and conformity assessment services to meet the needs of the South African economy and to earn revenue to finance its expansion. In this regard, the Bureau will develop plans to meet each agreed mandate from regulators, policy makers and industry stakeholders.

  It will therefore continue to support the development of key economic sectors by developing standards for easy administration of regulations by the NRCS and other regulators; as well as standards in line with the requirements of IPAP, the Consumer Protection Act, No. 68 of 2008 (CPA), and various other policies. The SABS will continue to work with stakeholders to ensure the relevance of its outputs.

- **Allow broader participation and access to the national standardisation process and services**

  SANS are developed in co-operation with other role players in the development process. The quality of a national standard is determined by the extent to which it reflects the true interests of society.

  In order to increase its geographic footprint and accessibility, the SABS will continue to combine the use of innovative technology with the implementation of additional regional centres to sustain and grow its customer-oriented operating model and to contribute to the country's economy.

- **Develop standards and provide conformity assessment services that protect the integrity of the South African market**

  Standards specify requirements for entry into a market and are often used to make purchasing decisions. The SABS will endeavour to ensure that appropriate standards are developed taking into account the development, technological and geographical peculiarities of South Africa. In this regard, the Bureau established the Economic Impact Unit to evaluate the impact of standards and conformity assessment services on the South African economy.

- **Provide conformity assessment services to support growth of nascent industries**

  In order to deepen and expand its services, the SABS must continue to grow its external commercial revenue base. This growth will fund the resuscitation of the organisation to meet its mandate in the face of rapid technological advancement. The SABS will pursue a relentless growth strategy over the next three years to guarantee a sustainable flow of commercial services in the long term. The Bureau's services cannot simply be substituted by competitors, as they often pursue narrow profit objectives while the SABS is part of the state's economic development infrastructure and carries a broader South African brand integrity mandate.

Performance against predetermined objectives

The approved Business Plan for 2013/14 articulates the SABS objectives and key performance indicators for the period under review, which are designed to support its strategic outcomes as formulated in the five-year Strategic Plan. The specific targets and the performance measured against these targets are presented below.

GROWTH

Increase the use of standardisation services by broadening the geographic footprint as well as the scope of services offered

Output	Performance indicator/measure	2012/13			2013/14			Comment on variation
		Target	Achievement	Variance	Target	Achievement	Variance	
Increased revenue	Revenue generated from sales (R million)	480.3[2]	484.1[2]	1%	569.7	516.8	-9%	Partially met. The adverse macro-economic conditions experienced during the year, coupled with a delayed uptake of SABS service offerings by key clients, contributed towards lengthy contracting processes. As a result, the majority of planned Certification and new Testing projects did not materialise.
	External revenue (R million)	486.5	488.8	0.5%	-	-	-	-
	Core funding (R million)	163.1	163.1	0%	-	-	-	-
Profitability	% of laboratories that are profitable[1]	-	-	-	65%	51%	-22%	Partially met. The SABS was able to acquire additional equipment and restore some equipment to function optimally. However, the decline in demand for testing services resulted in some of the laboratories recording losses, which ultimately added to the overall revenue pressure.
Training courses developed	Number of new training courses developed[1]	-	-	-	2	2	0%	Achieved. Two (2) training courses were developed and implemented, namely Local Content and Prerequisite Programme (PRP) in Food Management Systems.
Home-grown standards published	Number of published home-grown standards	160	225	41%	170	219	29%	Exceeded. Improved productivity and operational efficiencies enabled the SABS to put more effort into developing home-grown standards.
Conformity tests, reports and certificates (including consignment and installation inspections and verifications) completed	Number of certificates awarded[1]	12 000	13 625	14%	-	-	-	-
	Number of test reports issued[1]	365 000	390 624	7%	-	-	-	-

1 Indicators for SABS Commercial SOC (Pty) Ltd.

2 The figures have been adjusted to exclude core funding and rental income in order to enable accurate comparison with the 2013/14 figures.

CUSTOMER CENTRICITY

Put the customer at the forefront of everything we do

Output	Performance indicator/measure	2012/13			2013/14			Comment on variation
		Target	Achievement	Variance	Target	Achievement	Variance	
Development of new schemes	Number of new schemes developed[1]	-	-	-	2	2	0%	Achieved. Two (2) new schemes were developed: 1. ISO 50001 with emphasis on energy management; and 2. Local Gap with focus on empowering local, small-scale farmers in meeting standards required by retailers.
Development of SMMEs	Number of SMMEs for whom improvement projects were developed and implemented[1]	-	-	-	20	45	125%	Exceeded. Through effective partnerships (with Seda, TIA, etc.), the SABS embarked on more design clinics than initially planned, to give SMMEs access to design consultations with expert panels in the Design Institute.
Advisory forums conducted	Number of advisory forums (government and industry) held with SABS stakeholders	-	-	-	4	4	0%	Achieved. The Government Consultative Forum, as well as Food Industry, Construction Industry, Energy and Environment Industry forums were established and each held a meeting during 2013/14.
Committees that fully use the installed modules of the e-Committee portal	% of the committees that fully use the installed modules of the e-Committee portal	-	-	-	50%	67%	34%	Exceeded. Resources were prioritised to enable the team to focus on the execution of the project. The progress affords the capacity to take on more committees and to provide further improvement in the efficiency of committee processes.
Standards and conformity assessments to meet IPAP requirements	Number of standard development projects completed as per the SABS IPAP Plan	9	9	0%	-	-	-	-
	Number of projects to introduce and expand conformity assessment services[1]	6	5	-17%	-	-	-	-
Increase SABS membership in international committees and management structures of multilateral standardisation organisations	Number of international committees for which South Africa serves as chairperson or secretariat	19	21	11%	-	-	-	-

[1] Indicators for SABS Commercial SOC (Pty) Ltd.

PRODUCTIVITY

Improve the operational performance of the SABS to enable delivery of quality outputs for customers and the South African economy

Output	Performance indicator/ measure	2012/13			2013/14			Comment on variation
		Target	Achievement	Variance	Target	Achievement	Variance	
Increase in compulsory specifications that can be tested at the SABS	% of compulsory specifications that can be conducted at the SABS in full[1]	-	-	-	70%	70%	0%	Achieved. The SABS focused on prioritising the approval of capital expenditure set aside to acquire equipment that would increase the number of compulsory specifications that can be tested in full.
Implementation of LIMS	% of laboratories that are on LIMS (36 laboratories)[1]	-	-	-	80%	80%	0%	Achieved. Utilisation of this capability will be prioritised and monitored in the new year.
Implementation of Mission Directed Work Teams (MDWTs)	% of laboratories have MDWTs[1]	-	-	-	80%	100%	25%	Exceeded. Effective project execution saw the implementation of the Value-driven Service Module across all laboratories. This provided the tools to implement operational improvements that are service- and customer-driven.
Reduced time for publication of standards	Number of days to publish standards	507	368	-	-	-	-	-

[1] Indicators for SABS Commercial SOC (Pty) Ltd.

COMPETENT AND EMPOWERED EMPLOYEES

Develop and retain a competent workforce that is aligned with the organisation's mandate

Output	Performance indicator/ measure	2012/13			2013/14			Comment on variation
		Target	Achievement	Variance	Target	Achievement	Variance	
Increase in business development capacity	Number of laboratories in which business development capacity is established (officer appointed)	-	-	-	6	6	0%	Achieved. Business development and thought leadership capacity was established by assigning the capabilities to existing employees at senior level in the interest of managing the growth in employee benefit cost. This approach started bearing fruit after the second half of the year and the impact will be seen in the new year.
Introduction of technical and thought leadership capability in laboratories	Number of laboratories where technical thought leadership is introduced (scientific officer appointed)	-	-	-	4	4	0%	
Three (3) Leadership Development Programmes (SABS-specific classroom programme, as well as mentorship and coaching)	Number of managers that have successfully completed a leadership development programme	10	12	20%	-	-	-	-
Succession management	Percentage of approved scarce and critical skills in the Products and Service and Standards divisions that have development programmes in place	20%	49%	145%	-	-	-	

Divisional overview

STANDARDS

The SABS is responsible for the development, maintenance and promotion of the use of standards to increase societal welfare and improve industry competitiveness. In order to carry out these functions, the Standards Act requires that two national norms be developed and maintained, one for the process of developing national standards (SANS 1-1) and the other for the recognition of other organisations as standards development organisations (SANS 1-2).

The SABS develops voluntary/market standards, which become mandatory when referenced in legislation, regulations and contracts. National standards form the expected minimum requirement for participation in the South African market, and as a result they set the benchmark for acceptable practice and quality.

The SABS, in conjunction with other Standards, Quality, Accreditation and Metrology (SQAM) institutions at both international and national level, continuously reviews its standards programme work to align it with industrial policy objectives. As the custodian of standards development, the SABS leads and facilitates the development of a supporting standards framework that contributes to public welfare by improving economic efficiency, improving health and safety aspects of products and services, addressing market failures and promoting trade. The SABS currently maintains a suite of over 7 000 standards and develops more than 500 new standards per annum to ensure economies of scale in South Africa's composite economy.

The SABS published 574 new, revised and amended standards compared to 450 standards published in the previous financial year. This 28% growth in output is in line with the increased number of Technical Committee meetings from 211 to 240 and a continuing improvement in the average number of days it takes to publish standards (368 to 322 days). These achievements were recorded against the background of the implementation of an additional evaluation process to establish the societal benefit of each new standard. Improvements can be ascribed to better oversight of management through the implementation of productivity management tools.

Performance highlights

28%

Total standards published

574

67%

Revised and new standards approved

417

13%

Average number of days to publish a standard improved from

368 to 322

14%

Technical Committee meetings hosted

240

Performance lowlights

Budgeted revenue for 2013/14 was not achieved, with a negative variance of 9% even though this represents a 5% year-on-year increase. Performance in the year ahead is expected to improve appreciably due to capacity building and modernisation projects in the final stages of implementation

The Webstore provides inadequate intellectual property right protection for standards – ISO has agreed to support the development of a solution

There remains a development gap among standards development professionals, resulting in standards being largely reactively rather than proactively driven – a focused approach to sector and system leads has been incorporated in the business strategy for the year ahead

PROJECTS AND KEY ACHIEVEMENTS

A number of projects were undertaken or initiated to develop the internal capacity for high value standards products, improve management oversight and enable remote participation in standards preparation. The majority of these are IT and system-based projects and have already made a substantial contribution to the outputs of the Standards Division.

Four consultative and sector-based industry advisory forums were established in 2013/14, namely the Government Consultative Forum, Construction Advisory Forum, Food Industry Advisory Forum and Strategic Advisory Group on Energy and Environment. Meetings with these forums and various other key stakeholders were hosted in order to obtain advice and guidance to meet the needs of industry and government as mandated by the Standards Act.

While the standards development process has traditionally been dominated by industry interests, standards setting bodies have recognised the need to widen participation and to encourage and assist other stakeholder groups, such as consumers, SMMEs and government, to realise the benefits of standards through participation in the adoption of standards. The SMME Strategy was developed to co-ordinate tailor-made products and services and provide SMMEs with a one-stop service interface within the SABS.

SABS DESIGN INSTITUTE

Drawing reference from many developed economies, it is apparent that economic drivers have shifted towards design infrastructure, thereby strategically positioning design as an enabler for addressing challenges and opportunities in a dynamic business environment. Unlocking a creative economy is therefore the foundation of the renewed SABS Design Institute. By directly propagating the fusion between design and invention to bring about innovative entrepreneurship, the Institute focuses on design support and design capacity building to generate socio-economic impact.

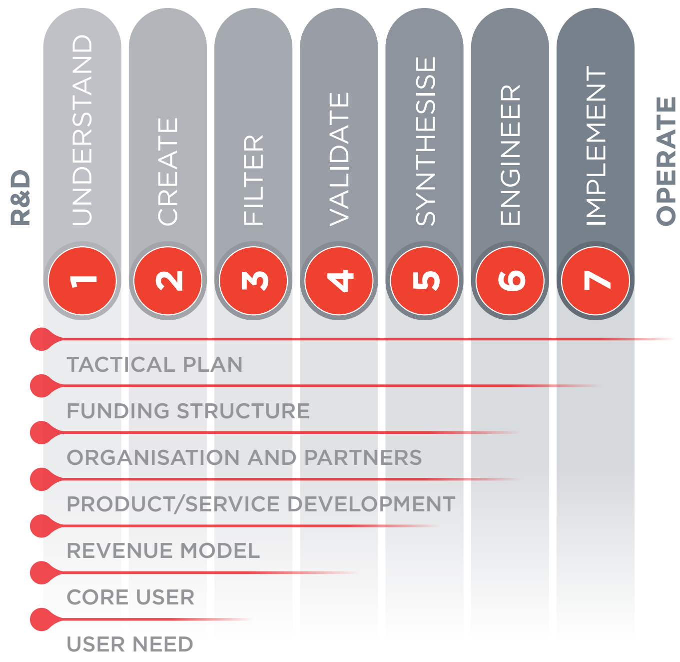
The design process functions through the entire innovation value chain – from understanding the user need, creating, filtering and validating possible embodiments, synthesising, engineering and implementing solutions, to becoming successfully operational within the market. These actions are underpinned by the development of a revenue model, funding structure and tactical plan.

Design Institute process

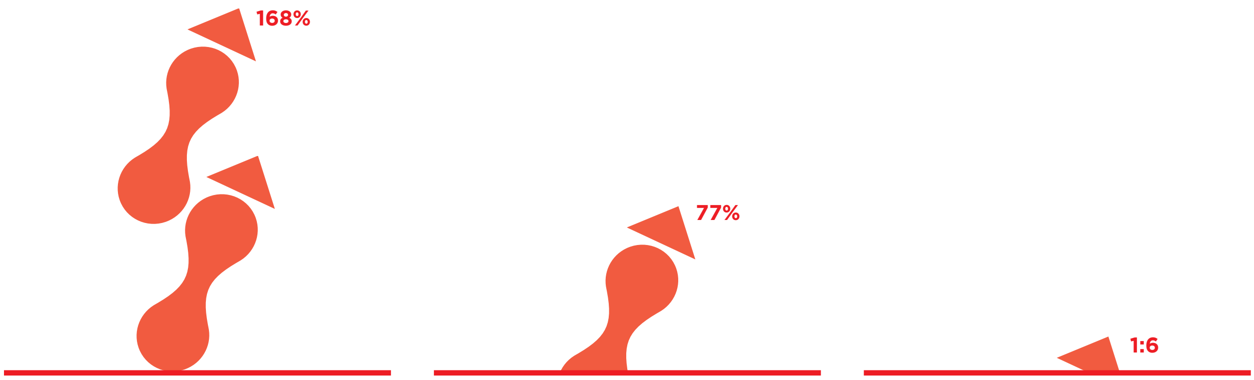
THE PROCESS

A proven process for better products and better entrepreneurs

The Design Institute uses a hands-on process developed over 20 years for organisational growth. This not only helps staff to create better products and services, but it also focuses on fundamental business skills and market understanding so that staff can align with business goals more effectively.



Performance highlights



Number of SMMEs for whom brand and product development blueprints were developed

Increase in subscription rates to industry newsletter

Return on investment in communication through Bizcommunity.com press office: investment capital

R104 000

public relations value

R680 000

PROJECTS AND KEY ACHIEVEMENTS

The implementation of the Design Institute's plan has attracted opportunities to apply design tools to develop SMMEs. Through effective partnerships forged with entities such as the Small Enterprise Development Agency (Seda) and the Technology Innovation Agency (TIA), the Institute was able to contribute R15 million in revenue in 2013/14.

The Institute launched its Design and Innovation Entrepreneurship Centre in January 2013. The Centre offers facilities to provide innovators, particularly young entrepreneurs, with the skills necessary to commercialise their ideas so as to eventually create successful businesses. The Centre draws on the expertise of more than 30 multi-disciplinary design entrepreneurship experts, ranging from industrial designers, architects and communication designers to business process designers. This will hopefully re-energise the role of design in the manufacturing sector of South Africa.

The Design and Innovation Entrepreneurship Centre successfully launched the '43 Challenge', a targeted intervention amongst the youth that works towards unlocking new entrepreneurship channels and evaluating new technologies for further development. A total of 43 product or service ideas have been put on the table for further development. The candidates in the programme come from all walks of life and bring to the Centre a range of ideas, from cellular phone applications and household appliances to public services and more. The 43 Challenge is the result of the Design Institute's drive to create value-driven partnerships with agencies like TIA.

During the year under review, the Design Institute has shown significant growth and its credibility has been validated, with Transnet pledging to invest R85 million over the next five years, utilising the Design Institute's value chain as a means to significantly contribute to supplier development. The Institute is developing capacity to build on the successes achieved 2013/14 as it continues to engage with strategic partners in unlocking South Africa's design potential.

R15 million in revenue was contributed through partnerships with Seda and TIA

Design and Innovation Entrepreneur Centre launched the **'43 Challenge'** to support youth entrepreneurship

TESTING

The SABS undertakes testing at its dedicated Automotive and Mechanical; Chemicals, Bio and Materials; Electro-technical; and Mining and Minerals laboratories. These are strategically situated in Gauteng, the Western Cape, KwaZulu-Natal, Mpumalanga and the Eastern Cape, in close proximity to the markets they serve. The testing process varies considerably according to the nature of the test and the product/material being tested.

A total of R202.9 million in revenue (including consignment inspection and training) was generated for the year resulting in a 7% decline year-on-year.

A total of **R202.9 million** in revenue was generated

Protracted domestic labour disputes impeded output in the manufacturing and mining sectors, which in turn contributed to the lacklustre performance of the laboratories. These industries remain major contributors to the economy and their volatility has far reaching consequences not only for the South African economy, but ultimately the SABS' Testing business. In addition to market-related challenges, internal capacity to not just deliver on the newly received business, but also to provide for further growth remained a challenge. However, the division continues to strive towards addressing these challenges and aims to match new business opportunities with consummate internal capacity.

Performance highlights

100%

All local accreditation of laboratories was maintained

Performance lowlights

Year-on-year revenue decline

2%

Performance highlights

10%

Year-on-year revenue growth

R20 million

Profit from operations (2012/13: R6.8 million)

Support was provided to various strategic national initiatives such as the IPAP, local content verification, alternative energy and the development of the Automotive Production Development Programme while ensuring continued support for the testing of regulated products. Noteworthy developments during the course of the year included the commissioning of Euro 6 equipment in the Automotive Laboratories.

AUTOMOTIVE AND MECHANICAL LABORATORIES

These laboratories primarily serve sectors such as civil; cement and construction; metallurgy; alternative energy; plumbing; calibration of test equipment; and the automotive sector. Such testing enables original equipment manufacturers (OEMs) to comply with statutory and regulatory requirements and also supports the National Regulator for Compulsory Specifications (NRCS).

The rest of the laboratories are dependent on ad hoc testing for manufacturers that are contractually required to prove that their products comply with the relevant SANS specifications.

Projects and key achievements

Euro 6 emission capacity was commissioned enabling further support for the Automotive Production Development Programme and providing for the export testing needs of motor manufacturers.

The future for the cluster lies in energy, specifically with regard to turbines, heat pumps and the ability to test energy efficiency claims from manufacturers. Building and Construction will focus on fire prevention, alternative building and innovated materials. Automotive will focus on cleaner fuels and the impact of these on emissions. In Gauteng the Automotive Laboratories will concentrate on Homologation and testing of components and systems.

CHEMICALS, BIO AND MATERIALS LABORATORIES

The Chemicals, Bio and Materials Laboratories offer services to a mix of customers. These include those importing products to South Africa, such as medicines from global pharmaceutical companies, and those that export products to economic centres, such as the European Union, for example commercial farmers who export fresh produce.

Projects and key achievements

The cluster introduced food safety services to serve the food industry and food sample collection was implemented in Gauteng. Food and water chemistry testing is now virtually fully automated.

Future focus will be on a drastic reduction in turnaround times across a range of products within the cluster and on increasing the scope of testing and the testing services offered.

ELECTRO-TECHNICAL LABORATORIES

Electro-technical testing is conducted where there is a need for statutory and regulatory compliance; in support of SABS Commercial, in relation to Product Certification Schemes; and for individual/company conformance to a standard.

The electro-technical engineering field tends to be a complex one, due to various regulatory requirements, as well as the technical nature of test equipment products. For this reason, these laboratories require highly skilled engineers to operate highly capital-intensive test equipment.

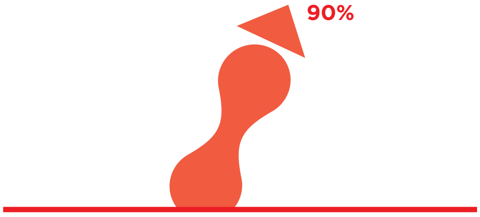
Projects and key achievements

The cluster successfully retained competent critical technical skills during the review period, but commenced with a capacity building project in its Appliances Laboratory, resulting in two (2) new test benches, as well as employee development, with operators advancing to Candidate Test Officers and obtaining their SANAS Technical Signatory status.

A Set Top Box Laboratory was established, assessed by SANAS and recommended for accreditation. This will enable the SABS to test set top boxes, which are necessary to convert the new digital television signal for analogue TV sets.

The number of technical officers registered with the Engineering Council of Southern Africa (ECSA) as Professional Technicians/Candidate Technologists increased, providing confirmation of the calibre of engineering expertise at the SABS.

Performance highlights



Increasing laboratory test capabilities on compulsory specifications from 66%

MINING AND MINERALS LABORATORIES

Mining and Minerals manages several on-site laboratories on behalf of its customers in the coal and mineral industries, assuming responsibility for the management of the sampling and analytical processes and for the laboratory equipment and staff. This effectively allows customers to focus on their core business.

Future outlook

Despite its long history, but probably because of its initial and almost exclusive presence at the Richards Bay Coal Terminal, this cluster remains relatively unknown in the market. A concerted effort will be made to change this, which includes looking at testing other minerals such as Chrome.

Performance highlights

7%

Year-on-year growth

Performance lowlights

A dispute between one of the Bureau's largest mining customers and farmers and government regarding licences resulted in a loss in revenue. It is expected, however, that drilling will recommence in August 2014

Heavy rainfall during December/January prevented companies from exploration drilling. However, it is anticipated that drilling will commence in the new financial year

CERTIFICATION

The core business of Certification is the provision of an independent, third party conformity assessment service for systems and products, according to predefined quality standards. Staffed by 214 qualified, highly competent and experienced auditors, the division provides product certification (the SABS Mark) and system certification services to both local and international customers. Certification from the SABS provides organisations with the assurance that their products and services consistently comply with certain predefined standards and customer requirements.

Certification is undertaken in the food and health; chemical; environmental, health and safety; timber and fibre; electrical; mechanical; civil; transportation; services; and automotive sectors and in related industries.

PROJECTS AND KEY ACHIEVEMENTS

Revenue from Certification reached R275.7 million translating into a 12% year-on-year revenue growth.

A Local Content Verification Office was established which will assist in confirming the local content claims made by suppliers and contractors, particularly to government.

The new ISO 50001 (Energy Efficiency Management Systems) scheme was introduced, which will open new business avenues in the energy efficiency management sector.

Performance highlights

12%

Year-on-year revenue growth

PART C
Sustainability

Economic impact

ADDING VALUE FOR STAKEHOLDERS

VALUE-ADDED STATEMENT

	GROUP			
	2014 R'000	%	2013 R'000	%
Revenue	**516 766**	**113**	485 824	116
Other income	**37 011**	**8**	26 969	6
Government grants	**179 795**	**40**	163 096	39
	733 572	**161**	675 889	161
Less: Cost of generating revenue	**306 685**	**67**	286 172	68
Value added	**426 887**	**94**	389 717	93
Finance income	**23 215**	**5**	25 370	6
Dividend income	**5 776**	**1**	4 375	1
Wealth created	**455 878**	**100**	419 462	100
Wealth distributed				
Employees – Salaries, wages and other benefits	**434 522**	**95**	389 647	93
Finance cost	**32**	**-**	846	-
	434 554	**95**	390 493	93
Wealth reinvested				
Reinvested in the Group	**21 324**	**5**	28 969	7
	21 324	**5**	28 969	7
Total wealth distributed and invested	**455 878**	**100**	419 462	100

EMPLOYEE STATISTICS

	2014	2013
Number of employees at year end*	**1 050**	1 108
Revenue per employee (R'000)	**492**	438
Value added per employee (R'000)	**407**	352
Wealth created per employee (R'000)	**434**	379
Average cost per employee (R'000)	**414**	352

* Excludes 43 employees on a time sheet based payroll

BROAD-BASED BLACK ECONOMIC EMPOWERMENT

The SABS is committed to the Codes of Good Practice for Broad-Based Black Economic Empowerment (BBBEE), gazetted on 9 February 2009. To this end a BBBEE verification process is undertaken annually by an independent agency, accredited by SANAS. Excellent progress has been made over the years in improving the rating of the SABS, as illustrated below:

THREE-YEAR COMPARATIVE BBBEE RATING

		SABS	SABS Commercial	SABS	SABS Commercial	SABS Consolidated
Description	Weighting	2010/11		2011/12		2012/13
Overall BEE score	**100.00**	**70.11**	**70.02**	**70.59**	**75.05**	**77.77**
Direct empowerment	**15.00**	**16.00**	**15.14**	**16.00**	**14.50**	**16.00**
Equity ownership	-	-	-	-	-	-
Management control	15.00	16.00	15.14	16.00	14.50	16.00
Human capital	**35.00**	**12.49**	**10.17**	**16.17**	**15.55**	**23.35**
Employment equity	15.00	10.67	9.00	13.04	8.77	12.58
Skills development	20.00	1.82	1.17	3.13	6.78	10.77
Indirect empowerment	**35.00**	**26.62**	**29.71**	**23.42**	**30.00**	**23.42**
Preferential procurement	20.00	18.35	14.71	18.42	15.00	20.00
Enterprise development	15.00	8.27	15.00	5.00	15.00	3.42
Residual	**15.00**	**15.00**	**15.00**	**15.00**	**15.00**	**15.00**
Socio-economic development	15.00	15.00	15.00	15.00	15.00	15.00
		Level 4	Level 4	Level 4	Level 3	Level 3

The measurement period used for all financial information relating to the verification for the reporting period was 1 April 2012 to 31 March 2013.

The SABS is categorised as a Generic Enterprise and therefore measured in accordance with the Generic Scorecard, which contains the seven BBBEE indicators. Because the SABS is government owned, it is not measured on the ownership indicator. The organisation made remarkable progress in terms of management control and employment equity. The contribution of the various race groups to total employment is 67% African, 5% Coloured, 5% Indian and 22% White. The effective average representation of black people in the senior, middle and junior management levels of the company is 75%.

Quantifiable skills development for black employees was identified as an area for improvement. The total investment in skills development for black people (R8 517 638), adjusted using gender recognition, represents 2.59% of the total leviable amount against a target of 3%. Concerted efforts are being made to invest in various learning programmes and in developing unemployed black people.

The weighted BBBEE procurement spend constituted 72.8% of total measured procurement. BBBEE spend in 2012/13 was as follows:

- Weighted BBBEE spend on qualifying small enterprises (QSE) and exempted micro-enterprises (EME) – R50 million
- Procurement spend on black-owned suppliers – R40 million
- Procurement spend on black women-owned enterprises – R27 million

In terms of enterprise development, the SABS offers discounts to SMMEs on products and services provided. It is expected that more focus will be placed on SMME development in the new financial year.

The effective average representation of black people in the senior, middle and junior management levels of the company is **75%**

Socio-economic development initiatives were identified for improvement during the period under review and a percentage of profit was spent on these initiatives.

2012/13 SCORECARD SUMMARY

Description	Weighting	% score for indicator	Points
Overall BEE score	**100.00**	**77.76%**	**77.76**
Direct empowerment	**15.00**	**106.67%**	**16.00**
Equity ownership	-	N/A	-
Management control	15.00	106.67%	16.00
Human capital	**35.00**	**66.70%**	**23.35**
Employment equity	15.00	83.87%	12.58
Skills development	20.00	53.83%	10.77
Indirect empowerment	**35.00**	**66.90%**	**23.42**
Preferential procurement	20.00	100.00%	20.00
Enterprise development	15.00	22.77%	3.42
Residual	**15.00**	**100.00%**	**15.00**
Socio-economic development	15.00	100.00%	15.00

The SABS maintained its BBBEE level 3 rating, with a BBBEE procurement recognition level of 138%.

INDIRECT ECONOMIC IMPACT

CONTRIBUTING TO SUSTAINABLE BUSINESS PRACTICES

Over the past several years, in response to the growing awareness amongst South African companies of sustainability imperatives, as well as the changing face of (particularly non-financial) corporate reporting, the SABS has developed a number of standards relevant to various aspects of sustainability. In most instances, these standards involve significant localisation of existing international standards to improve their relevance and applicability in the South African context.

Energy Efficiency

Relevant standards that have been developed in the field of energy efficiency include SANS 941:2012 on energy efficiency of electrical and electronic apparatus. This standard relates to energy efficiency requirements and energy efficiency labelling of designated electrical and electronic items, in order to provide consumers with relevant energy efficiency information regarding these items.

SANS 50001 regulates the measurement and verification of energy efficiency and energy savings, particularly with relation to Regulation 12 of the Tax Laws Amendment Bill of 2009. This standard describes how energy savings should be calculated and reported, and provides a vital supporting element for a range of voluntary and regulatory measures aimed at improving energy efficiency.

The SABS has also developed and implemented a number of energy efficiency standards in the built environment:

- SANS 204 on energy efficiency in new buildings;
- SANS 10400-XA on various aspects of the National Building Regulations; and
- SANS 1352 on industrial water heating.

Corporate Social Responsibility

Given the increasing emphasis placed by stakeholders on corporate social responsibility, SANS 26000:2010 has become increasingly valuable in assisting companies in their reporting in this field. In this regard, the SABS collaborated with the Human Sciences Research Council (HSRC) and Department of Science and Technology (DST) in promoting the uptake of systems that can guide the efforts of both public and private sector entities in operating in a socially responsible manner, and in effectively reporting their efforts and achievements in this field.

Social impact

CORPORATE SOCIAL RESPONSIBILITY

As befits a scientific organisation that is integral to the national scientific infrastructure, the SABS has chosen education – particularly in the fields of science and technology – as its focus area in helping to empower broader South African society. The emphasis is on providing infrastructure, facilities, resources and tuition to disadvantaged learners, to inculcate a desire for learning and create a conducive environment for education.

During the period under review, a number of schools were supported, including Nombuso High School, Ithongasi Public Primary School and TransOranje School for the Deaf, amongst others, with facilities and material worth about R500 000.

A number of schools were supported with facilities and material worth about **R500 000**

SAFETY, HEALTH AND THE ENVIRONMENT

The SABS is committed to a safe, secure, healthy and environmentally responsible workplace.

HEALTH, SAFETY AND ENVIRONMENT REPRESENTATIVE COMMITTEES

The SABS has formally appointed Health, Safety and Environment Representative Committees, comprising middle management, appointed health and safety representatives as well as co-opted members from the Facilities Department, tenants and long-term contractors.

The SABS currently exceeds the minimum legal requirement for appointment of health and safety representatives in terms of the requirements of the Occupational Health and Safety Act, No. 85 of 1993 section 17(5). At least 90% of employees are represented by existing Health, Safety and Environment Representative Committees; the balance are from regional offices which have teams of 40 or less.

Although formal agreements relating to health, safety and the environment have not yet been concluded with the union, formal engagement has already started and will be finalised in the new financial year.

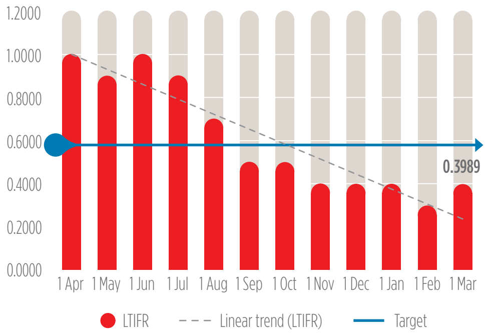
SAFETY IN THE WORKPLACE

Injuries

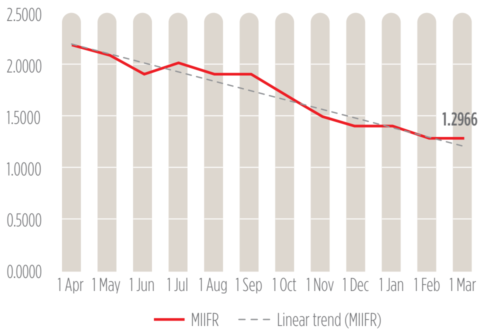
The incidence of minor and lost time injuries has reduced substantially year-on-year and is below set targets. A total of nine (9) lost time injuries was recorded, of which four (4) related to vehicle incidents and five (5) to slipping/falling. Twenty-five (25) minor injuries were recorded as illustrated.

The SABS has implemented and continuously improves its safety management systems, with specific focus on awareness through toolbox talks, its safety poster programme and detailed investigation of each incident. The outcomes of these investigations are communicated to safety representatives for proactive intervention in their respective work areas. Safety awareness is further promoted through a dedicated visitor safety induction pamphlet as well as an employee and contractor safety induction video.

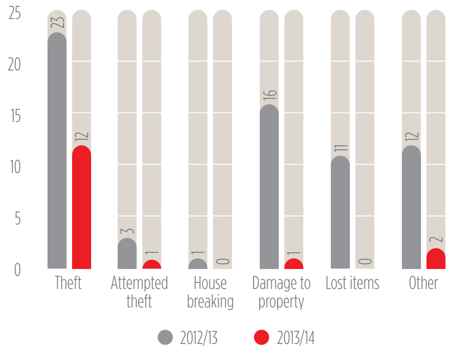
Lost Time Injury Incident Frequency Rate (LTIFR)



Minor Injury Incident Frequency Rate (MIIFR)



Security incident statistics



SECURITY IN THE WORKPLACE

The number of security incidents in all categories has decreased substantially year-on-year as illustrated in the graph to the left.

OCCUPATIONAL HEALTH IN THE WORKPLACE

Pre-employment, routine and exit medicals

Health risk assessments have been conducted for each laboratory to ensure that medical examinations will detect health conditions specific to the risk profile of each laboratory. A total of 114 pre-employment medicals, 484 routine medicals and six (6) exit medicals were conducted during the year from the SABS Occupational Health Centre at its Groenkloof Head Office and at regional offices.

Resident doctor and sister consultations

A total of 1 106 doctor and 454 occupational health clinic visitations were processed.

114 pre-employment medicals, **484** routine medicals and **6** exit medicals were conducted

Employee Wellness Programme

The Employee Wellness Programme (EWP) was transferred to Human Capital during the third quarter of 2013/14. A comprehensive Employee Wellness Strategy has been developed that will be reviewed in the first quarter of 2014/15.

Independent Counselling and Advisory Services (ICAS) manages the EWP on behalf of the SABS. Through the programme, SABS employees and their immediate families can access a range of health and wellness-related services. A total of 277 employee engagement cases were recorded for the financial year. The two dominant reasons or triggers for engagement were relationship issues (21%) and stress (18%).

A comparison between the year under review and the previous year reveals the following:

Points of care accessed (as % of total service)

		01/04/2013–31/03/2014		01/04/2012–31/03/2013		ICAS Ave.
Service category	Trend	No.	%	No.	%	%
Professional counselling	▼	129	63.9	144	67.3	61.7
Life management	▲	59	29.2	49	22.9	20.9
Referral services	▼	7	3.5	12	5.6	7.4
Managerial services	▼	5	2.5	6	2.8	5.5
Health@Hand	▲	2	1.0	2	0.9	1.1
Targeted outreach	▼	0	0.0	1	0.5	1.7

The above reflects an overall improvement year-on-year, however, the engagement rate (at 24.4%) remains higher than the public sector average of 10.0%. The reason for this is not definitive and it could just reflect that the Bureau's employees are better acquainted with the offerings of the ICAS system.

EMPLOYEE DEVELOPMENT

From a learning perspective, efforts to improve the SABS leadership capability progressed well. Two groups of managers were successfully enrolled for the Harvard Leadership Programme. The first group was made up of 20 employees, 19 of whom graduated in the third quarter of the financial year. The second group comprised 29 employees, 27 of whom are scheduled to graduate on 8 April 2014.

The Da Vinci programme proceeded as planned with two (2) Masters students having graduated in December 2013, both with 'Top Learner Awards'. The Certificate programme produced five (5) graduates during the reporting period.

Five (5) managers completed the Executive Coaching Programme through Change Partners and plans are underway to enrol a further five (5) managers for the 2014/15 year. In addition, the Testing Division's general and senior managers completed the Value-driven Service Module of Mission Directed Work Teams in February 2014.

An additional 799 employees received training in various related programmes and skills during the review period.

Further details surrounding employee development are discussed on pages 71 and 72 in Part E: Human Capital Management.

EMPLOYMENT EQUITY

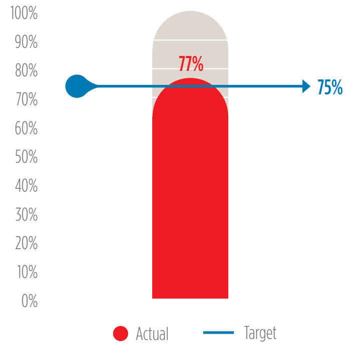
The three-year Employment Equity (EE) Plan for the period 1 April 2012 to 31 March 2014 will lapse at the end of the reporting period. Consultation sessions on the new plan were completed with key stakeholders (employees, EE Forum and National Education, Health and Allied Workers' Union (NEHAWU)) and the new EE Plan for the period 1 April 2014 to 31 March 2017 was presented to the Executive Committee for approval. The following targets were met or exceeded in 2013/14:

- Black (African, Coloured and Indian): 77% against a target of 75%;
- Women (of all races): 45% against a target of 45%; and
- Persons with disabilities: 2% against a target of 2%.

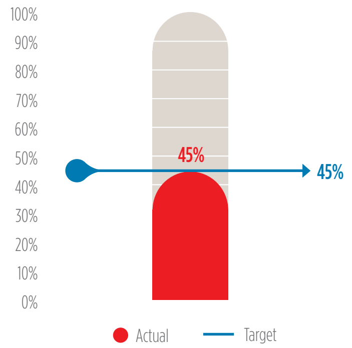
Further details surrounding employee development are discussed on pages 71 and 72 in Part E: Human Capital Management.

19 managers successfully completed the Harvard Leadership Programme

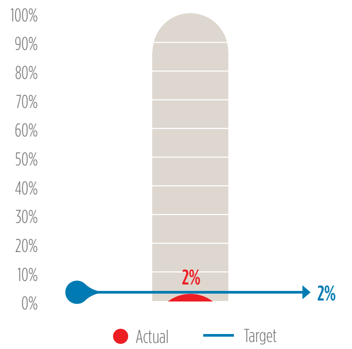
Actual against target for black (African, Coloured and Indian) people



Actual against target for woman (of all races)



Actual against target for persons with disabilities



Environmental impact

The SABS is aware that its business operations impact on the environment and continues to put in place programmes and metrics to assess and manage the extent thereof.

A holistic energy management strategy has been formally initiated and will be funded in the 2014/15 financial year. The strategy includes energy demand and consumption mapping, development of comprehensive energy baselines, development of an energy management master plan of interventions and the progressive implementation thereof.

ENERGY CONSUMPTION

For the 2013/14 period, the following consumption of non-renewable energy was recorded:

Energy source	Approx. consumption
Electricity (Groenkloof Campus only, representing 80% of built space)	31.4 Megawatt hours
Diesel (vehicles)	8 600 litres
Diesel (standby generators)	5 400 litres
Petrol (vehicles)	19 700 litres

It is important to note that the Groenkloof Campus represents at least 80% of the SABS built space and was built at a time when there was no consideration for energy management.

A measurement and verification process in compliance with ISO 50010 (measurement and verification) will be instituted to provide more accurate period comparisons as well as energy savings targets and trends.

WASTE RECYCLING

44.2 tons of non-hazardous waste was recycled

A Waste Management Programme was implemented for the Groenkloof Campus, where the majority of test laboratories and workshops are situated. The project commenced with the sourcing of a waste management service provider that was able to collect, separate, store, transport, recycle and dispose all general and hazardous waste generated, using environmentally responsible and legislatively compliant methods.

During the review period a total of 44.2 tons of non-hazardous waste was recycled in the various categories of waste, including paper, plastics, steel, tin, glass, oil and printer cartridges.

During the same period, the following quantities of hazardous wastes were disposed of:

- 342 kilograms of medical waste via incineration; and
- 20 841 kilograms of hazardous waste via landfill, following prescribed and legislated procedures and accompanied by disposal certificates.

Similar waste disposal methods are employed at regional sites, however a programme is in progress to improve and align the regions with the Groenkloof model.

WATER CONSUMPTION

In the new financial year, water usage as well as target-setting for all consumption and recycling initiatives will be initiated.


GC-MS


materiell
formale Ursache) ehm. cause f matérielle.
Technik; Bergbau; Militär;
SACHS-VILLATTE, DEUTSCH-
HAND- UND SCHUL-

PART D
Corporate governance

Introduction

In addition to the legislated governance prescripts included in the Public Finance Management Act, (No. 1 of 1999) (PFMA), the Companies Act (No. 71 of 2008) and the National Treasury Annual Report Guide for Public Entities 2014, the SABS endorses and supports the South African Code of Corporate Practices and Conduct, as recommended in King III.

The SABS views adherence to King III recommendations as good practice and recognises the benefits that can flow from responsible corporate citizenship. Accordingly the Group measures not only its financial performance, but also its non-financial performance, aiming to achieve a balance of integrated economic, social and environmental performance.

The Board believes the Group has achieved a suitable level of maturity in relation to governance, its processes, policies and structures. These are continually reviewed and modified to ensure ongoing alignment with legislation, regulation and best governance practices.

Portfolio committees

The SABS has attended one portfolio committee meeting during the year under review. The details are in the table below:

Date of Meeting	Portfolio Committee	Reason for engagement
3 October 2013	Portfolio Committee on Trade and Industry	Briefing on the 2012/13 Annual Report

Executive Authority

The Department of Trade and Industry (**the dti**) is the Executive Authority of the SABS. The SABS Board regularly meets with the Minister to discuss progress against the corporate plan as well as to ensure that the SABS' strategies remain in line with those of the Department and government as a whole.

Quarter	Date submitted	Commentary
1	31 July 2013	None
2	31 October 2012	None
3	31 January 2013	The Minister voiced his concern regarding the revenue target that was missed as well as the losses recorded in some laboratories.
4	Waived by the shareholder on the basis that fourth quarter performance information forms part of the Integrated Annual Report.	

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 which is annually concluded between the SABS and **the dti**. The Compact promotes good governance practices in the SABS by helping to clarify the roles and responsibilities of the Board and **the dti**, as well as ensuring agreement on the Bureau's mandate and key objectives.

Board of Directors

ROLE OF THE BOARD

In addition to its responsibilities as listed in the Board Charter, discussed below, the Board is responsible for the appointment of the Chief Executive Officer.

There is a clear division of roles between the Chairman and Chief Executive Officer. The Chairman oversees the effective functioning of the Board, while the Chief Executive Officer, together with her executive team, is answerable for the day-to-day affairs of the organisation, which include the implementation and monitoring of the strategy in a responsible manner.

Non-executive Board members provide the Board with advice and experience that is independent of the executive team and play a critical role in the various Board committees. Board members have unrestricted access to information and may seek independent professional advice on matters concerning the affairs of the organisation if or when required.

BOARD CHARTER

The primary objective of the Board Charter is to set out the role and responsibilities of the Board as well as the requirements for its composition and meetings. The approved Board Charter is subject to the provisions of the Standards Act, (No. 8 of 2008) and any other applicable law or regulatory provision. The role and responsibilities of the Board, as set out in the Board Charter, are to:

- Act as the focal point for, and custodian of, corporate governance by managing its relationship with management, the shareholder and other stakeholders along sound corporate governance principles;
- Appreciate that strategy, risk, performance and sustainability are inseparable;
- Provide effective leadership on an ethical foundation;
- Ensure that the organisation is, and is seen to be, a responsible corporate citizen by having regard not only for the financial aspects of the business, but also for the impact that business operations have on the environment and the society within which it operates;
- Ensure that the organisation's ethics are managed effectively;
- Ensure that the organisation has an effective and independent Audit and Finance Committee;
- Be responsible for the governance of risk;
- Be responsible for Information and Communication Technology (ICT) governance;
- Ensure that the organisation complies with applicable laws and considers adherence to non-binding rules and standards;
- Ensure that there is an effective risk-based Internal Audit function;
- Appreciate that stakeholders' perceptions affect the organisation's reputation;
- Ensure the integrity of the organisation's Integrated Annual Report;
- Act in the best interests of the organisation;
- Commence business rescue proceedings as soon as it becomes apparent that the organisation is financially distressed; and
- Evaluate the performance of the Chief Executive Officer.

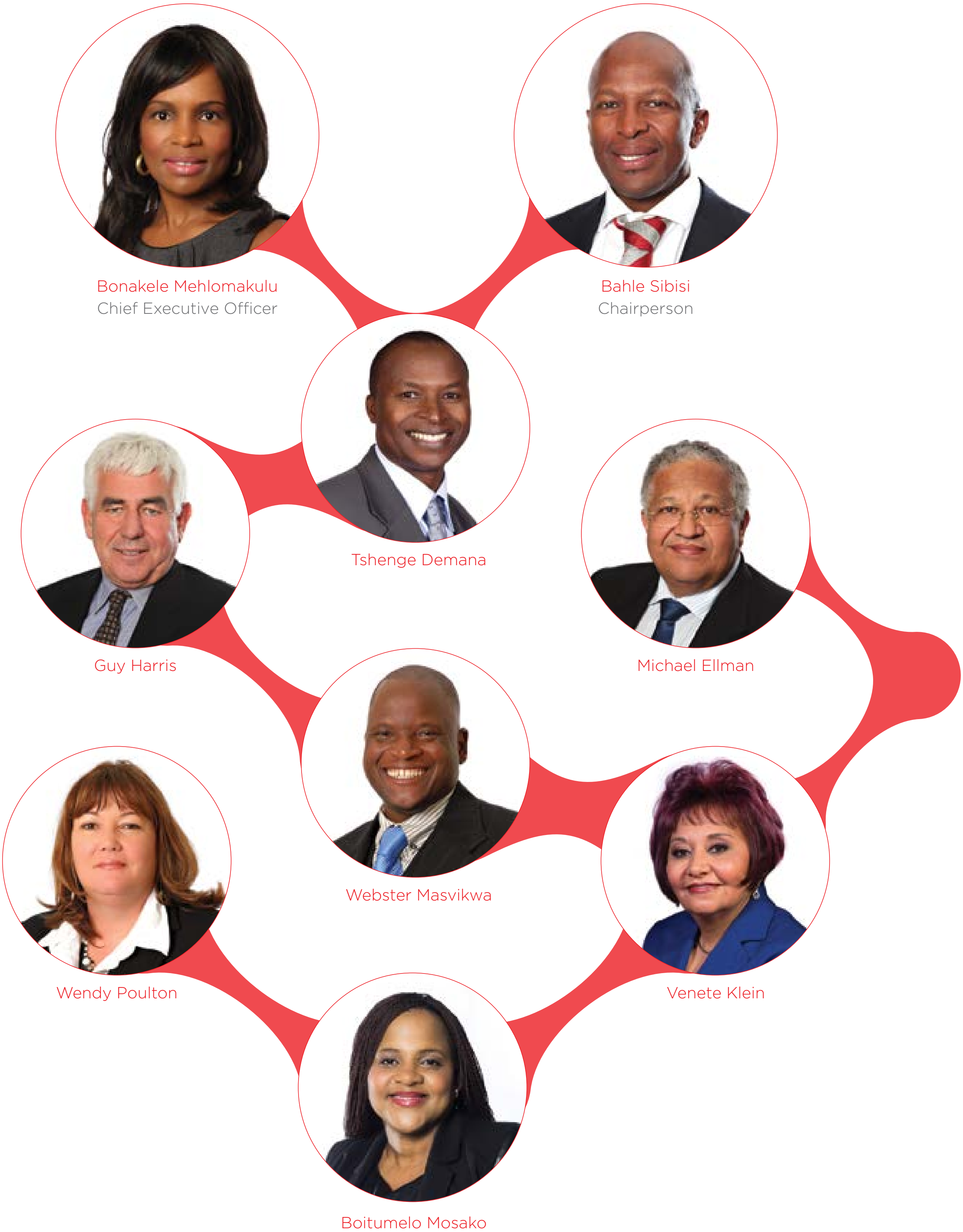
INDUCTION AND DEVELOPMENT

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. As part of this programme, newly appointed members meet with executive and senior management to familiarise themselves with products and services as well as the organisational structure. Following the performance evaluation of the Board and its members, any training needs are communicated to the Company Secretary who ensures these needs are addressed. The Company Secretary then sources relevant seminars and conferences which members may wish to attend, funded by the SABS. During the year under review, a number of workshops were arranged outside Board meetings.

BOARD COMPOSITION

The size of the Board is prescribed by section 6 (2) of the Standards Act, (No. 8 of 2008) which requires that a minimum of seven (7) and a maximum of nine (9) members be appointed by the shareholder. As at the date of this report, there were nine (9) Board members of whom eight (8) were non-executive members. In line with the recommendations of King III, the SABS has a unitary Board structure, comprising seven (7) independent non-executive members, one (1) non-executive member and one (1) executive member. In assessing the status of members, the principles contained in King III were applied.

SABS BOARD MEMBERS



Name	Gender	Date of appointment	Term	Expiry of term	Qualifications	Area of expertise
Mr Bahle Sibisi	M	26 August 2009	2	24 August 2014	BSoc Sc, MA (Development Economics)	Economics
Dr Tshenge Demana	M	26 August 2009	2	24 August 2014	PhD (Analytical Chemistry)	Science
Mr Guy Harris	M	1 May 2013	1	24 August 2014	CA (SA)	Manufacturing Finance
Dr Michael Ellman	M	26 August 2009	1	24 August 2014	PhD (Chemical Engineering), MBA	Mining Petroleum and gas Standards development Chemicals and polymer Research and development
Ms Venete Klein	F	1 May 2013	1	24 August 2014	Graduate in various senior executive programmes (Harvard, MIT, INSEAD, IMD and University of the Witwatersrand)	Finance Business management Corporate governance Banking (retail and business) Credit extension
Mr Webster Masvikwa	M	26 August 2009	1	24 August 2014	CA (SA) MBL (SA) AMCT (UK)	Finance
Ms Boitumelo Mosako	F	26 August 2009	2	24 August 2014	CA (SA)	Finance
Ms Wendy Poulton	F	26 August 2009	2	24 August 2014	MSc (Microbiology)	Sustainable Energy Development Strategy
Dr Bonakele Mehlomakulu	F	7 September 2009	1	6 September 2014	PhD (Chemical Engineering)	Chemical engineering

BOARD MEETINGS

The Board meets at least five (5) times per annum, or as circumstances necessitate. During the period under review, the Board met seven (7) times and a Board Lekgotla also took place to discuss strategic matters. Board meetings follow a formal agenda to ensure that all substantive matters are addressed and information relevant to the meetings is supplied to Board members in advance so that they can make informed and reasoned decisions.

All documents submitted to the Board are reviewed by the Executive Committee and approved by the Chief Executive Officer to ensure completeness and relevance. Non-executive members have unfettered access to members of the executive team and any other employee to seek explanations and clarification on any matter prior to or following meetings. Members of the Executive Committee are regular attendees at Board meetings and report to the Board on their respective operational areas.

	30 May 2013	1 Aug 2013	15 Aug 2013	24 Oct 2013	21 Nov 2013	23 Jan 2014	13 Mar 2014
Mr Bahle Sibisi (Chairperson)	✔	✔	N	✔	✔	✔	✔
Dr Tshenge Demana	✔	✔	✔	✔	✔	A	✔
Dr Michael Ellman	✔	✔	✔	✔	✔	✔	✔
Mr Guy Harris	✔	✔	✔	✔	✔	✔	✔
Ms Venete Klein	✔	✔	✔	✔	A	✔	✔
Mr Webster Masvikwa	✔	A	✔	✔	✔	✔	✔
Dr Boni Mehlomakulu	✔	✔	✔	✔	✔	✔	✔
Ms Boitumelo Mosako	✔	✔	✔	A	✔	✔	✔
Ms Wendy Poulton	✔	✔	A	✔	✔	✔	✔

✔ Present A Apologies N Not present

PERFORMANCE ASSESSMENT

During the period under review, an appraisal of the Board was undertaken by EY (previously known as Ernst & Young), in collaboration with the Company Secretary. The review took the form of a detailed questionnaire as well as a series of structured individual interviews with each of the members. All members were interviewed and completed the questionnaire.

Overall, the results showed that the Board was satisfied with various aspects of governance and functioning. Whilst the review concluded that the Board operated with high levels of trust and integrity and high standards of corporate governance, there were areas which the Board felt it could improve, such as strengthening its process on the disclosure of conflict of interest by individual Board members. It was also recommended that the Board pay attention to succession planning for the executive management team.

CONFLICT OF INTEREST

Board members are annually required to declare all direct and indirect material interest that may exist as a result of their association with any other company. As soon as a member becomes aware of any conflict of interest, he or she is required to disclose such conflict and to recuse himself/herself from discussions. Such member is precluded from voting on the matter.

FINANCIAL STATEMENTS

The SABS Board and the Executive 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 84 to 130 have been prepared in accordance with SA GAAP, 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 of South Africa who is responsible for carrying out an independent examination of the Financial Statements in accordance with International Standards of Auditing and for reporting any findings thereon. The Auditor-General's report is set out on pages 80 and 81.

GOING CONCERN

The SABS Board reviewed and approved the Group's financial budgets for the period 1 April 2013 to 31 March 2014 and is satisfied that adequate resources exist to continue business for the foreseeable future. The Board confirms that there is no reason to believe that the Group's operations will not continue as 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 per section 54(2) of the PFMA has been confirmed by the Board. Losses through criminal conduct and irregular, fruitless and wasteful expenditure which are identified are disclosed as prescribed in terms of relevant legislation.

DELEGATION OF AUTHORITY

The Board has delegated a range of matters to the SABS Executive Committee, and has established four (4) Board committees to assist in discharging its responsibilities. Delegating authority to 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.

COMMITTEES ASSISTING THE BOARD

EXECUTIVE COMMITTEE

Management is responsible for the day-to-day affairs of the organisation, including financial, strategic, operational, governance, risk and functional issues. The executive team ensures that relevant legislation and regulations are adhered to and that adequate internal financial control systems are in place. The Executive Committee further provides 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.

The performance of members of the Executive Committee is evaluated against their agreed performance contracts, which are aligned with the Organisational Scorecard. The Scorecard is annually recommended by the Human Resource (HR), Remuneration and Nomination Committee for approval by the Board. At the time of reporting, the Executive Committee comprised the following members:

SABS EXECUTIVE COMMITTEE

Bonakele Mehlomakulu
Chief Executive Officer
PhD, Chemical Engineering

Elis Lefteris
Chief Financial Officer
CA (SA)

Frank Makamo
Executive: Certification
National Higher Diploma: Production and Operations Management; BCom (current)

Katima Temba
Executive: Testing
B.Tech. Electrical Engineering; MBA (Dissertation stage)

Skheto Maluleke
Executive: Corporate Services
BSc; Post Graduate Diploma Business Management

Sadhvir Bissoon
Executive: Standards
D.Tech. Biotechnology

Mercy Mathibe
Executive: Human Capital Development
BA (Hons) Psychology and Education

AUDIT AND FINANCE COMMITTEE

In terms of the SABS Group structure, the Board has mandated the Audit and Finance Committee to serve both the SABS and SABS Commercial SOC Ltd, since each has its own regulatory requirements. The Audit and Finance Committee complies with all legal and regulatory requirements necessary under South African legislation, and applies the corporate governance principles for audit committees as required by King III. The Board has approved the terms of reference for the Audit and Finance Committee and all responsibilities are set out in detail therein.

The Board recognises the important role of the Audit and Finance Committee as part of the risk management and corporate governance processes and procedures of the SABS Group. In this regard the committee has oversight of:

- Financial reporting risks;
- Internal financial risks; and
- Fraud and IT risks as they relate to financial reporting.

The committee comprised five (5) independent non-executive directors. The majority have the requisite financial skills and experience to fulfil the committee's duties. In addition to the committee members, the Chief Executive Officer, Chief Financial Officer, Head: Internal Audit and the external auditors attended all committee meetings by invitation. During the period under review the committee revised its terms of reference in accordance with the recommendations contained in King III.

Although the Board has appointed a Business Risk, Social and Ethics Committee to assist with the discharge of its duties with regard to the integrated risk management process, the Audit and Finance Committee has an interest in risk management as a result of its responsibility for internal controls. In addition, the chairperson of the Business Risk Social and Ethics Committee is a member of the Audit and Finance Committee. Attendance of meetings held during the year under review is presented in the following table:

Audit and Finance Committee attendance record 2013/14

	16 May 2013	27 May 2013	18 Jul 2013	24 Jul 2013	16 Oct 2013	6 Nov 2013	20 Feb 2014
Boitumelo Mosako (Chairperson)	✔	✔	A	✔	✔	✔	✔
Michael Ellman	✔	✔	✔	✔	✔	A	A
Venete Klein	*	*	✔	✔	✔	✔	✔
Webster Masvikwa	✔	A	✔	✔	✔	✔	✔
Wendy Poulton	✔	✔	✔	✔	A	✔	✔

✔ Present A Apologies * Elected as committee member on 30 May 2013

INVESTMENT COMMITTEE

The committee comprises three (3) non-executive members. The Chief Executive Officer and the Chief Financial Officer attended all meetings. The committee's mandate, as set out in the Investment Policy, is to meet the daily operational cash flow needs of the SABS; to allow for any unforeseen expenses or other cash flow needs; and to provide for medium- and long-term capital expenditure, post-retirement medical liability and any other specific liabilities. During the period under review the committee revised its terms of reference in accordance with the recommendations contained in King III. The attendance record of members for the period under review is as follows:

Investment Committee attendance record 2013/14

	16 May 2013	18 Jul 2013	13 Nov 2013	20 Feb 2014
Boitumelo Mosako (Chairperson)	✔	A	✔	✔
Tshenge Demana	✔	✔	A	✔
Webster Masvikwa	✔	✔	✔	✔
John Oliphant	✔	A	A	*

✔ Present A Apologies * Resigned 28 January 2014

BUSINESS RISK, SOCIAL AND ETHICS COMMITTEE

The committee comprises three (3) non-executive members. The Chief Executive Officer, Chief Financial Officer, Head: Internal Audit and the Chief Risk Officer have a standing invitation to attend all meetings. The duties of this committee include setting out the nature, role, responsibility and authority of the risk management function within the Group; 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; and overseeing and monitoring compliance, safety, health and environmental matters. The committee also monitors the organisation's activities with regard to matters relating to social and economic development, good corporate citizenship and stakeholder and consumer relationships.

During the period under review the committee revised its terms of reference in accordance with the recommendations contained in King III. The attendance record of members for the period under review was as follows:

Business Risk, Social and Ethics Committee attendance record 2013/14

	16 May 2013	18 Jul 2013	6 Nov 2013	20 Feb 2014
Wendy Poulton (Chairperson)	✔	✔	✔	✔
Michael Ellman	✔	✔	A	A
Guy Harris	*	✔	✔	✔

✔ Present A Apologies * Elected as committee member on 30 May 2013

HR, REMUNERATION AND NOMINATION COMMITTEE

The committee comprises three (3) non-executive members appointed by the Board. The Chief Executive Officer and the Executive: Human Capital Development attend all meetings but recuse themselves when their remuneration and performance are discussed. The committee assists 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 Board's evaluation of the performance of the executive team.

During the period under review the committee revised its terms of reference in accordance with the recommendations contained in King III. The attendance record of members for meetings during the period under review was as follows:

HR, Remuneration and Nomination Committee attendance record 2013/14

	16 May 2013	18 Jul 2013	24 Jul 2013	1 Aug 2013	6 Nov 2013	19 Feb 2014
Tshenge Demana (Chairperson)	✔	✔	✔	✔	✔	✔
Michael Ellman	✔	✔	✔	✔	A	✔
Guy Harris	*	✔	A	✔	✔	✔
Venete Klein	*	✔	✔	✔	✔	✔

✔ Present A Apologies * Elected as committee member on 30 May 2013

REMUNERATION

The organisation has undergone a transitional period in terms of its people philosophy and strategy, brought about by the need to respond to significant changes in the global arena that influenced the direction which remuneration should be following in the 21st century. This necessitated a review of the people strategy, not only to ensure that competent and high calibre employees, who give the organisation its competitive edge, are attracted and retained, but also to ensure alignment with strategic objectives.

The remuneration philosophy seeks to establish and maintain reward and recognition principles, which contribute to the attraction, motivation and retention of high quality people, and to facilitate and build a high performance culture.

REMUNERATION PRINCIPLES

The remuneration philosophy is underpinned by the SABS' strategic goals and related principles, policies and practices must therefore:

- Offer a competitive Employee Value Proposition (EVP) in order to attract, motivate and retain high-quality people;
- Support the development of the competencies needed to achieve future organisational goals;
- Contribute to the motivation and reward of superior organisational, team, and individual performance;
- Provide for a dual career path to allow career progression in the professional/specialist or managerial ladders;
- Allow employees to share appropriately in the organisation's success;
- Reward high performing employees through a balanced set of financial and non-financial rewards; and
- Manage remuneration on a total cost-to-company basis for all employees.

In addition, the Human Capital Strategy must comply with applicable legislation such as the Basic Conditions of Employment Act; the Employment Equity Act; the Labour Relations Act; and the Income Tax Act, amongst others.

REMUNERATION MODEL

Remuneration benchmarks are performed on an annual basis to ensure that remuneration remains market-related. The SABS manages remuneration holistically within a framework that aligns remuneration with the market median and uses various rewards according to job levels. Different remuneration structures are applicable, taking cognizance of role, level, accountability, and the complexity and impact of judgment of employees. These remuneration structures are depicted below:

Non-executive directors

Non-executive directors receive remuneration based on Board meetings attended. The fees are annually set by National Treasury but payment thereof is subject to approval by the shareholder, based on the outcome of the Board's performance assessment. The remuneration of Board members is set out in Note 29.5 to the Annual Financial Statements.

Executive directors

Executive level refers to job levels Peromnes 1 to 3. All executives are employed on five-year, fixed-term contracts. Executive remuneration comprises guaranteed and variable remuneration components. Guaranteed remuneration encompasses the cash component and benefits such as medical aid, pension fund contributions, group life and disability. Variable remuneration (short-term incentives) is of a contractual nature. The payment of short-term incentives is dependent on the performance of both the organisation (60%) and the individual (40%). The prospect of introducing long-term incentives for executives is currently being explored. Executive remuneration is approved by the Board.

Management and specialists

Management and specialist levels refer to job Peromnes levels 4 to 7. These categories are also remunerated on a total cost-to-company package structure. Benefits include a short-term incentive that is based on performance of the organisation and the individual. Peromnes Level 4 employees are employed on five-year, fixed-term contracts and are therefore eligible for performance-based contractual bonuses. Other categories of management and specialists participate in the bonus pool.

Bargaining unit employees

Bargaining unit employees refers to Peromnes levels 8 to 18. Until the end of the financial year, employees in this category were remunerated in terms of guaranteed pay and short-term incentive schemes. In line with the three-year wage agreement signed in September 2013, the short-term incentive scheme will be replaced by a 13th cheque. This category of employees also receives medical aid and housing subsidies.

Risk management

Risk is proactively managed as an integrated aspect of business within the SABS. The SABS Board, through the Risk Committee, maintains overall accountability for ensuring effective risk management and assessing the effectiveness of the process, while the responsibility for risk management resides with executive and line management. The latter ensures that the necessary controls are in place and are effective.

A Strategic Risk Register is maintained and reviewed on a regular basis. This register lists each risk, the root causes, existing mitigating plans and additional action plans; and rates each risk according to inherent and residual risk. Of the seven risks identified, three are conceivably common to the majority of businesses and organisations in South Africa, namely:

- Loss of skilled and competent employees;
- Failure of ICT infrastructure to meet business needs and mitigate cyber threats; and
- Loss of growth opportunities and the ability to ensure long-term sustainability.

Risk assessments are performed at departmental, business unit, regional and project level and are reported to the relevant executive.

ICT governance

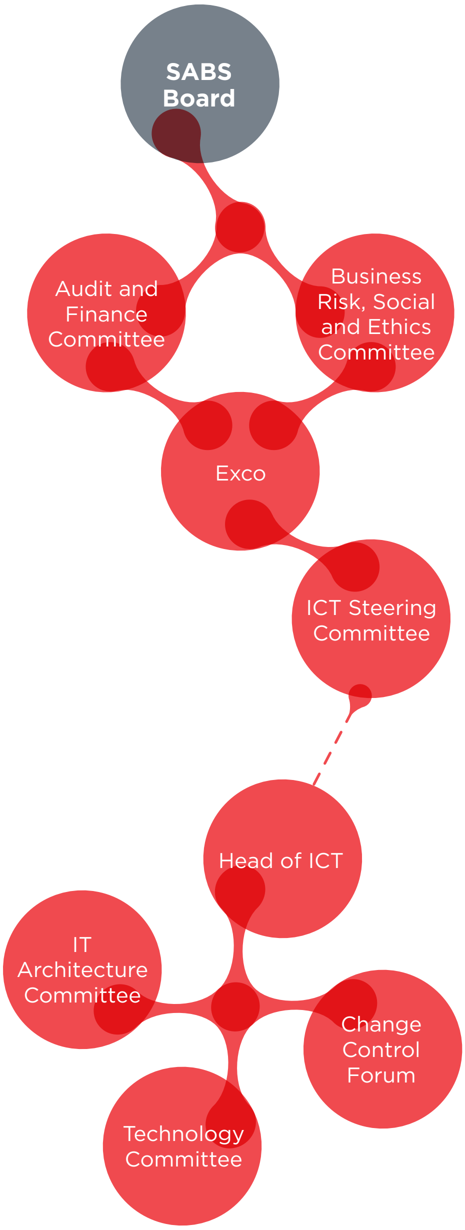
Because of the critical dependency of business on information and communication technology (ICT), King III stipulates that boards and executive management need to extend governance to ICT and provide the leadership, organisational structures and processes that ensure that the organisation's ICT infrastructure and policies sustain and extend its strategies and objectives.

ICT governance is concerned with the delivery of value to the business (driven by strategic alignment of ICT with business) and with ensuring that ICT risks are mitigated (driven by embedding accountability). ICT has therefore become an integral part of risk management as reflected in the accompanying accountability structure.

The Board is accountable for:

- Ensuring that management creates and implements an ICT Governance Framework for its approval;
- Ensuring that the ICT Strategy is defined and aligned with Business Strategy;
- Monitoring significant expenditure against the ICT Strategy to ensure value creation; and
- Monitoring ICT risks and business continuity.

The Risk and Audit committees assist the Board by ensuring that ICT risks are identified, reviewed, mitigated and managed. In order to safeguard the assets of the organisation, a Disaster Recovery Plan was rolled out and will be tested in response to the business continuity management mandate. Furthermore, a change management system was implemented, whereby changes to systems and applications are formally tested and approved prior to implementation in the live environment.



Internal Control Unit

The SABS Board is ultimately accountable for the Group's system of internal controls. These controls are designed to provide reasonable assurance that the Group's objectives have been achieved in terms of effectiveness and efficiency of operations, reliability of financial reporting and compliance with applicable laws and regulations. The Internal Audit function is responsible for evaluating adequacy and effectiveness of risk management, control and governance systems of the organisation. It assists the organisation in reaching its goals by determining that internal and operational controls exist and are functioning, to ensure as far as is practical, the orderly and efficient conduct of its business.

Internal Audit operates under the direction of the Audit and Finance Committee which approves the Internal Audit Plan. The Internal Audit Plan is informed by strategy and key risks that may impair the realisation of strategic objectives and goals. The Internal Audit Plan is updated annually to ensure that it is responsive to changes in the business. Significant findings on internal audits are reported to the Audit and Finance Committee at each scheduled meeting. Follow-up audits are conducted in areas where significant control weaknesses are found to ensure that mitigating strategies are adequate and effectively implemented by management. Internal Audit also provides assurance to the Board through the Business Risk, Social and Ethics Committee on the effectiveness of the risk management process.

Compliance with laws and regulations

Legal and regulatory compliance forms an important component of the SABS' corporate governance structure. The Chief Risk Officer advises and assists the Board and management in designing and implementing appropriate compliance management strategies, policies and procedures, which are regularly updated to include changes in business or regulatory requirements.

Compliance policies and procedures are founded in the context of the organisation's values and ethics in an effort to ensure consistent application and compliance with applicable laws, regulations, codes and standards. The Chief Risk Officer is responsible for awareness training, assessment, monitoring and reporting to the Board.

Fraud and corruption

During the year under review, risk assessment across all operations ascertained that approximately 32% of business units across the organisation are at risk of fraud. Some areas for potential risk of fraudulent behaviour include:

- Unauthorised sales or use of Standards;
- Certificate fraud including misuse of SABS Certificates; and
- Abuse of intellectual property.

The SABS is committed to 'Zero tolerance' of any fraudulent behaviour. A Fraud Policy and Fraud Prevention Plan are in place and effective. To promote a culture of whistle blowing, the SABS Fraud Hotline is independently managed by Internal Audit and guarantees the anonymity of whistle blowers. During the financial year, fraud awareness sessions were held with SABS employees to raise awareness about fraud and corruption and to advise them on how the hotline works.

All reasonable suspicions of fraud, corruption and maladministration are verified and investigated and legal recourse is taken against perpetrators to the full extent of the law, including, but not limited to:

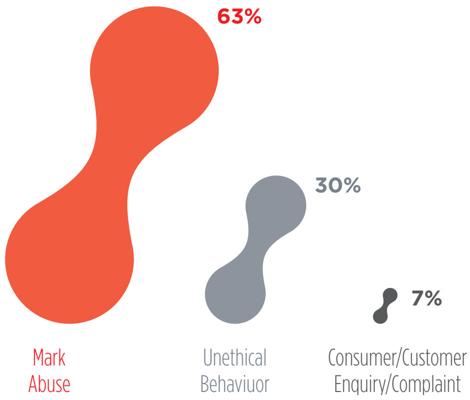
- Disciplinary action;
- The institution of criminal proceedings;
- Civil litigation; and
- The recovery of losses.

The hotline recorded a total of 46 calls during the year under review, the majority (63%) of which relate to 'Mark Abuse'. In the next financial year, focus will be on speeding up finalisation of all 'Mark Abuse' cases as well as developing measures to deter companies from this practice.

Cases classified under 'Unethical Behaviour' relate to complaints raised about the conduct of SABS employees and formed about 7% (or 3) of the total cases reported through the hotline.

The rest of the cases (30%) were largely complaints and enquiries on SABS services that were directed to the SABS call centre for resolution. The number also includes misdirected complaints and queries regarding companies and products that are completely outside the scope of SABS activities. These calls were directed to the correct entities before they were closed.

Fraud Hotline calls



Minimising conflict of interest

The operations where the risk of conflict of interest are the highest are procurement-related. Any project exceeding R30 000 in value follows a formal procurement process. The SABS procurement process requires that bidders declare whether they have any interest in the SABS or its related companies. As part of the evaluation process, procurement specifically reviews all declaration forms submitted.

Where bidders indicate a possible conflict, this is checked against the employee list which is updated on a monthly basis. If the declared individual is indeed employed by the SABS, a further check is undertaken to establish whether that individual has formally declared their interest in the bidder. If the individual has not declared their interest in the bidder, appropriate disciplinary action is taken. Similarly, if it is found that a bidder has failed to declare a conflict of interest, the bidder is disqualified or the resulting contract is cancelled.

Procurement personnel renew their declaration of interest on an annual basis. No procurement employee is permitted to participate in a procurement activity where there is a conflict of interest. If any conflict exists, the affected employee is recused from the evaluation process. If a procurement employee neglects to declare a conflict of interest with a supplier/ bidder, appropriate disciplinary action is taken.

To minimise the risk of conflict of interest amongst all employees, the following rules apply:

- Employees may not act as directors, officers or partners to any organisation outside the group without authorisation.
- Employees are required to disclose any relationship with parties including relatives, or other organisations likely to benefit from an action or recommendation by the employee. Management then ensures that the individual is not involved in any activity in the area of conflict of interest.
- Employees complete disclosure forms on an annual basis to ensure that the information is kept current.

Employees may not accept gifts or entertainment from customers or suppliers. Corporate gifts of nominal value, bearing a company logo, may be accepted and disclosed in a gift register. Invitations to events must be directed to the CEO who is responsible for assigning the event to the most appropriate person.

Code of Conduct

The SABS has a sound Code of Ethics which commits Board members, executive management and employees to high standards of ethical conduct, both in their work and in their dealings with clients and stakeholders. New Board members and employees are committed to the code during their induction period and the principles of the code have been regularly communicated throughout the Group.

The Code is designed to ensure that the values of the SABS are deeply rooted and guide all actions and decisions so that the SABS adheres to best practice as a world-class organisation. Such commitment enhances the organisation's reputation of good governance and responsibility.

Company Secretary

The Board is responsible for the appointment (or removal) of the Company Secretary who plays a pivotal role in guiding and assisting the Board in the delivery of its mandate and is expected to be accessible to the Chairman and individual members to provide advice and services at all times. Ms Wilma de Witt is the Company Secretary of the SABS Group.

The Company Secretary is professionally qualified and has experience gained over a number of years. Her services are evaluated by Board members during the annual Board evaluation process. She is responsible for the flow of information to the Board and its committees and for ensuring compliance with Board procedures.

Report of the Audit and Finance Committee of the Board

INTRODUCTION

This report to the Board and shareholder, on how the Audit and Finance Committee has discharged its duties, has been prepared in accordance with good governance principles.

BACKGROUND

In terms of the SABS Group structure, the Board has mandated authority to the Audit and Finance Committee to be the Audit and Finance Committee for both SABS and SABS Commercial SOC Ltd with each having their own regulatory requirements The Audit and Finance Committee complies with all legal and regulatory requirements as necessary under South African legislation, and applies the corporate governance principles for audit committees as required by King III. The Board has approved the terms of reference for the Audit and Finance Committee and all responsibilities are set out in detail therein.

The Board recognises the important role of the Audit and Finance Committee as part of the risk management and corporate governance processes and procedures of the SABS Group. In this regard the committee has oversight of:

- Financial reporting risks
- Internal financial risks
- Fraud and IT risks as they relate to financial reporting.

Although the Board has appointed a Business Risk, Social and Ethics Committee to assist with the discharge of its duties with regard to the integrated risk management process, the Audit and Finance Committee has an interest in risk management as a result of its responsibility for internal controls. In addition, the chairperson of the Business Risk Social and Ethics Committee is a member of the Audit and Finance Committee.

Summary of conclusions reached by the Audit and Finance Committee for the year ended 31 March 2014:

Following a review and meeting the requirements of the terms of reference, the committee is satisfied that:

- The finance function of the SABS is adequately skilled, resourced and experienced;
- The Chief Financial Officer, E Lefteris, has the appropriate expertise and experience to meet the responsibilities of the position;
- The Group's internal financial controls are effective and no material weaknesses in financial control have been identified; and
- The external auditors of both the SABS and SABS Commercial SOC Ltd are independent.

In fulfilling its duties, the Audit and Finance Committee has:

- Reviewed and discussed the audited Annual Financial Statements with the external auditors, the Chief Executive Officer and the Chief Financial Officer;
- Reviewed the adjustments resulting from external audit queries and accepted the unadjusted audit differences as they were not material;
- Reviewed the quality of the financial reporting and disclosures;
- Received and considered reports from the internal auditor and approved the Internal Audit Coverage Plan;

- Reviewed and overseen the integrated reporting process; and
- Reviewed the committee's terms of reference.

The Audit and Finance Committee recommended the adoption of the Integrated Annual Report to the Board. In this regard the committee:

- Considered all facts and risks that may impact on the integrity of the Integrated Annual Report;
- Reviewed and commented on the Financial Statements included in the Integrated Annual Report;
- Reviewed the disclosure of sustainability issues in the Integrated Annual Report to ensure they are reliable and do not conflict with the financial information; and
- Engaged an external service provider to provide assurance on the tables in the Human Capital Management section of the Integrated Annual Report.

The Board subsequently approved the Integrated Annual Report, including the Financial Statements.

COMPOSITION

The Audit and Finance Committee comprised four (4) independent non-executive directors; the majority have the requisite financial skills and experience to fulfil the committee's duties.

FREQUENCY AND ATTENDANCE OF MEETINGS

In addition to the committee members, the Chief Executive Officer, the Chief Financial Officer, the head of internal audit and the external auditors attend all committee meetings by invitation. During the year under review, the committee met seven (7) times. Attendance of meetings held during the year under review is presented on page 58.

INTERNAL AUDIT

The Group's Internal Audit function provides the Board with assurance on the key areas of the Group's internal financial controls. The Internal Audit Plan and the Internal Audit Charter was reviewed and approved by the committee. Internal Audit provides assurance that the entity operates in a responsibly governed manner by performing the following functions:

- Objectively assuring effectiveness of risk management and the internal control framework;
- Analysing and assessing business processes and associated controls; and
- Reporting audit findings and recommendations to management and the Audit and Finance Committee.

The committee is of the opinion that the Group's system of internal financial controls is effective and provides reasonable assurance that the financial records may be relied on for the preparation of the Annual Financial Statements.

ANNUAL FINANCIAL STATEMENTS

The Audit and Finance Committee has evaluated the consolidated Annual Financial Statements for the year ended 31 March 2014 and concluded that it complies, in all material aspects, with the requirements of the International Financial Reporting Standards. The committee has reviewed the Auditor-General's Management Letter and management's response thereto as well as significant adjustments resulting from the audit, and recommended the approval of the Annual Financial Statements to the Board.

CONCLUSION

The committee is satisfied that it has considered and discharged its responsibilities in accordance with its mandate and terms of reference during the year under review.

Boitumelo Mosako
Audit and Finance Committee Chairperson

PART E
Human capital management

Introduction

The leadership of the SABS recognises the economic, social and political challenges in South Africa within which the organisation operates. Factors with significant implications for human capital management relate to the changing composition of the South African workforce, in terms of age, gender and racial distribution. The SABS seeks to ensure that its workforce, to the greatest extent possible, is a reflection of South Africa's population demographics. The SABS continues to analyse and remove the systemic organisational barriers to the advancement of designated groups and encourages diversity in all levels of the organisation.

There are significant challenges in maintaining high levels of productivity in a skills constrained economic climate where mobility of skilled professionals skews demand and inflates salaries at all professional levels. Recruiting and retaining high quality employees at a time of significant competition from similar institutions nationally, poses a further challenge. A comprehensive approach to personal and professional development is necessary so that the SABS can create the career opportunities and reward structures that contribute to ongoing job satisfaction and, therefore, retention.

The SABS leadership recognises the impact that organisational culture has on the successful execution of strategies and programmes. The current organisational culture has not evolved significantly since the trade isolation era when there was no competition for customers and human capital. This culture affects performance and impedes organisational success.

HC oversight statistics

EMPLOYMENT

At the end of the year under review, the organisation had a total of 1 093 employees, including payroll contractors, the majority of whom fall between the ages of 30 and 50 years. One of the organisation's imperatives is to ensure skills transfer in positions where retiring employees are vacating critical positions.

	2012/13	2013/14	
	No. of employees	Approved posts	No. of employees
Top Management			
Senior Management	5	7	7
Professional qualified	75	100	82
Skilled	802	1 019	883
Semi-skilled	150	97	78
Unskilled			
Other	57	43	43
Total*	**1 089**	**1 266**	**1 093**

* Includes 43 employees on a time sheet based payroll

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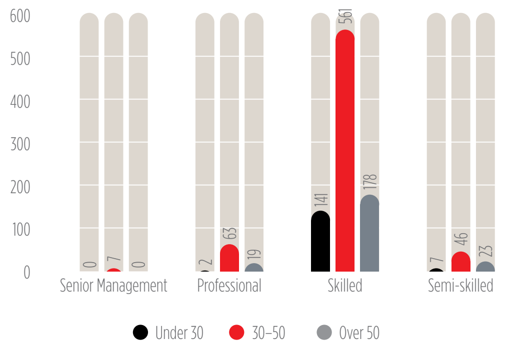

EMPLOYEE COSTS

The employee benefit costs to administrative and operating cost ratio is fairly high at 59%, exacerbated by increased costs as a result of the implementation of a three-year wage settlement in the last performance year. This has posed a great challenge in terms of the objective of bringing employee costs down. The increase in employee benefit costs will be exacerbated by inflationary increases to which they are subject.

	Total administrative and operating costs (R'000)	Employee costs (R'000)	Employee expenditure as a % of total expenditure	No. of employees	Average personnel cost per employee (R'000)
Corporate	265 925	116 805	44%	331	353
Commercial	398 831	262 645	66%	622	422
Standards	76 432	55 072	72%	140	393
Total	**741 188**	**434 522**	**59%**	**1 093**	**398**

EMPLOYMENT EQUITY

The majority of employment equity (EE) targets for the year under review were met, however, slow progress was made in meeting the targets for coloured people, both male and female. Efforts in the next financial year will be to increase representation in this group, as well to increase representation in the people with disabilities group.

Male

	African		Coloured		Indian		White	
Levels	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	0	0	0	0	0	0	0	0
Senior Management	3	2	0	0	1	1	0	0
Professional qualified	14	14	5	5	6	7	16	14
Skilled	253	251	19	27	26	25	101	95
Semi-skilled	105	96	1	1	1	1	2	1
Unskilled	0	0	0	0	0	0	0	0
Total	**375**	**363**	**25**	**33**	**34**	**34**	**119**	**110**

Female

	African		Coloured		Indian		White	
Levels	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	0	0	0	0	0	0	0	0
Senior Management	2	2	0	0	0	0	1	1
Professional qualified	21	22	2	2	2	2	10	7
Skilled	261	257	19	26	18	18	94	92
Semi-skilled	21	18	1	2	1	1	0	0
Unskilled	0	0	0	0	0	0	0	0
Total	**305**	**299**	**22**	**30**	**21**	**21**	**105**	**100**

Note: These Employment Equity figures exclude foreign nationals, contract employees employed at the SABS for less than three months as well as graduate students.

	Disabled staff			
	Male		Female	
Levels	Current	Target	Current	Target
Top Management	0	0	0	0
Senior Management	0	0	0	0
Professional qualified	1	1	1	1
Skilled	7	7	13	13
Semi-skilled	1	1	0	0
Unskilled	0		0	0
Total	**9**	**9**	**14**	**14**

The three-year Employment Equity Plan for the period 01 April 2012 to 31 March 2014 lapsed at the end of the year under review. Consultation sessions on the new plan were held with key stakeholders (employees, EE Forum and the organisation's recognised union, NEHAWU) in preparation for the new EE Plan for the period 1 April 2014 to 31 March 2017.

EMPLOYEE RELATIONS

A three-year Wage Negotiation Agreement was concluded with NEHAWU, the recognised union for employees in the bargaining category. The agreement seeks to improve employee benefits, especially medical aid and housing allowances. This resulted in the stabilisation of employment relations in the organisation. Over the next three years, the SABS aims to align employee benefits with those offered to government employees.

A Task Team was established as part of the 2012/13 wage agreement between management and NEHAWU to investigate and provide recommendations to resolve issues that could not be addressed during the wage negotiations process. These are the remuneration model (reconfiguration of a payslip), grading system, leave, salary disparities and fixed-term employees. The Task Team investigations were completed during the year under review but the challenge remains the affordability of implementing the recommendations made, taking into consideration the organisation's financial performance.

MISCONDUCT AND DISCIPLINARY ACTION

During the year under review a total of 21 disciplinary cases were handled, of which 6 cases (29%) resulted in dismissal. The majority of the cases were resolved through employee rehabilitation.

Nature of disciplinary action	Number
Verbal warning	0
Written warning	6
Final written warning	9
Dismissal	6
Total	**21**

APPOINTMENTS AND TERMINATIONS

The number of employees remained relatively stable during the year, starting with a total of 1 095 at 1 April 2013 and ending with 1 093 on 31 March 2014. This number includes full-term and fixed-term employees.

Salary band	Employment at beginning of period	Appointments	Terminations	Employment at end of the period
Top Management				
Senior Management	5	2	1	7
Professional qualified	72	5	8	82
Skilled	813	82	70	883
Semi-skilled	148	3	10	78
Unskilled				
Other	57			43
Total	**1 095**	**92**	**89**	**1 093**

The main reason for terminations was voluntary resignations, followed by contract terminations and retirement. The majority of the terminations (79%) were among the skilled workforce which forms the majority of the employee group (80%). Similarly, the professionally skilled workforce that forms 8% of the total workforce accounted for 9% of terminations.

Reason	Number	% of total no. of staff leaving
Death	2	2%
Resignation	51	57%
Dismissal	6	7%
Retirement	9	10%
Ill health	3	3%
Expiry of contract	18	20%
Total	**89**	

SKILLS AND LEADERSHIP DEVELOPMENT

Skills development, in particular leadership development, remains a key imperative for the organisation. Problems in strategy implementation relate to how leaders influence behaviour, change the course of events, and overcome resistance. Leadership is crucial in implementing decisions successfully. To increase leadership capability, the SABS invested in two leadership programmes: The Da Vinci and the Harvard Leadership Programmes that were launched in 2011 and 2012 respectively, as part of the Leadership Development Framework of the Human Capital strategy. During the review period, the programmes were intensified to train more managers to build a suitably qualified and competent workforce that will ensure effective execution of the SABS strategies.

A total of 49 managers were enrolled on the Harvard Leadership Programme and 46 successfully completed the course. The two (2) Masters students that were on the Da Vinci Programme graduated and received “Top Learner Awards”.

Significant improvements have been made in the in-house Competency Development Programme (CDP) that is focused on ensuring that core technical skills at the SABS i.e. standard writing, testing and auditing, remain relevant to industry and customer demands. The programmes have been revised twice in the past four (4) years to ensure they remain relevant.

A total of R7.4 million was spent on training, representing 2% of the total employee costs of R435 million. On average, approximately R9 200 was spent on each of the 799 employees who completed formal training during the year under review.

	Employee expenditure (R'000)	Training expenditure (R'000)	Training costs as a % of employee expenditure	No. of employees trained	Avg training cost per employee (R'000)
Corporate	116 805	3 288	3%	232	14.2
Commercial	262 645	3 093	1%	416	7.4
Standards	55 072	988	2%	151	6.5
Total	**434 522**	**7 369**	**2%**	**799**	**9.2**

PERFORMANCE REWARDS

Performance management is a strategic management tool and is holistic in nature as it pervades every activity of the organisation. A balanced scorecard performance management system was implemented in 2010/11 and the requisite training was given as part of the implementation process. The SABS has continued to train groups of employees in the area of performance and will persist on this path until a sufficient number of employees understands the concepts of performance contracting. One of the key focus areas in Performance Management for 2013/14 was the improvement of the quality of the contracting process so that there is alignment with organisational plans. This supports the fact that performance rewards are directly linked to the outcome of the contracting process.

As at publication date, provision for performance rewards was made, but payments to employees were not made.


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PART F
Financial information

Preparation of financial results

The preparation of the Annual Financial Statements for the year ended 31 March 2014 has been supervised by EE Lefteris, Chief Financial Officer of the SABS.

Seven-year group review

for the years ended 31 March

	2014 R'000	2013 R'000	2012 R'000	2011 R'000	2010 R'000	2009 R'000	2008 R'000
Income Statement							
Commercial revenue	**516 766**	485 824	401 482	394 553	390 743	358 509	318 350
Levy revenue	**-**	-	-	-	-	45 245	104 013
Government grant recognised as income	**179 795**	163 096	159 207	156 881	134 852	128 785	125 273
Expenditure	**741 188**	675 698	577 050	529 275	516 577	491 831	437 251
Net (loss)/profit on discontinued operations	**(19)**	(121)	(1 493)	(111)	(22 244)	2 061	11 323
Net investment income/(cost)	**23 183**	24 524	17 080	8 453	3 223	(596)	530
Profit for the year	**21 724**	27 043	34 139	54 518	46 818	30 749	35 043
Operating profit *	**8 525**	18 670	22 322	63 745	51 753	44 601	46 552
Statement of Financial Position							
Property, plant and equipment	**345 472**	331 927	305 154	253 825	169 901	170 936	169 511
Investment properties	**9 604**	10 035	10 466	10 896	11 337	11 761	2 547
Intangibles	**14 835**	14 652	3 292	9 845	17 542	17 982	6 244
Total available-for-sale investments	**305 054**	336 072	284 308	291 900	201 465	250 088	289 144
Deferred taxation	**20 860**	20 460	22 732	21 116	23 905	23 732	22 085
Non-current assets/disposal group held for sale	**-**	1 167	66	1 653	1 894	2 342	15 673
Current assets excluding cash	**119 646**	97 552	61 413	56 180	52 968	67 459	64 209
Net cash and cash equivalents	**283 458**	274 338	262 311	190 447	122 162	7 565	(3 065)
Total assets	**1 098 929**	1 086 203	949 742	835 862	601 174	551 865	566 348
Equity and reserves	**560 899**	519 997	479 478	445 246	384 679	347 320	339 854
Interest bearing borrowings	**-**	-	-	14 914	15 703	18 441	22 726
Other liabilities	**386 253**	406 100	333 162	253 437	100 204	102 191	117 049
Current liabilities	**151 777**	160 106	137 102	122 265	100 588	83 913	86 719
Total equity and liabilities	**1 098 929**	1 086 203	949 742	835 862	601 174	551 865	566 348
Cash Flows							
Net cash flow from operating activities	**21 426**	55 667	67 128	110 807	90 618	26 192	40 640
Net cash flow from investing activities	**(12 306)**	(109 139)	(62 087)	(194 575)	26 717	(11 277)	(70 483)
Net cash flow from financing activities	**-**	65 499	66 823	152 053	(2 738)	(4 285)	(232)
Cash and cash equivalents at end of year	**274 338**	262 311	190 447	122 162	7 565	(3 065)	27 010
Cash and cash equivalents at beginning of year	**283 458**	274 338	262 311	190 447	122 162	7 565	(3 065)

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

	2014 R'000	2013 R'000	2012 R'000	2011 R'000	2010 R'000	2009 R'000	2008 R'000
Ratio analysis							
Profitability and asset management							
Asset turnover	**0.5**	0.5	0.5	0.6	0.8	0.9	0.9
Return on net assets	**1.3%**	2.9%	4.1%	12.2%	13.7%	9.7%	9.6%
Return on equity	**1.5%**	3.6%	4.7%	14.3%	13.5%	12.8%	13.7%
Current ratio	**0.8**	0.6	0.4	0.5	0.5	0.8	0.7
Operating margin %	**1.6%**	3.8%	5.6%	16.2%	13.2%	11.0%	11.0%
Commercial revenue % to grant income	**74.2%**	74.9%	71.6%	71.6%	74.3%	73.6%	71.8%
Performance							
Revenue per employee	**478**	405	358	339	289	262	287
Operating profit per employee	**8**	16	20	55	38	29	32
Remuneration as a % of total expenditure	**58.6%**	57.7%	58.2%	62.2%	57.9%	64.1%	62.1%
Average number of employees	**1 081**	1 201	1 120	1 163	1 354	1 541[1]	1 470

Ratio definitions

Asset turnover	Revenue divided by assets less current liabilities
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

1. Average number of employees includes 285 NRCS employees who were transferred on 1 September 2008

Financial review

for the year ended 31 March 2014

Although the 2013/14 year has seen a subdued performance in the achievement of revenue targets, the SABS has made continued progress in delivering on its mandate to provide relevant standardisation solutions that increase market access to industries and enhance their competitiveness.

Congruent to its mandate, the SABS IPAP commitments to **the dti** remain one of the key focus areas in the development of South African National Standards as well as the provision of conformity assessment in support of the revitalisation of industrial sectors in South Africa. Some of the priority sectors of IPAP include the green economy, alternative energy, agro-processing and metals fabrication among others. The SABS has made a significant contribution in developing standardisation solutions in support of these sectors.

The SABS has enjoyed continued support from its shareholder, **the dti**, evidenced by an increase of 10% in the government grant funding from last year. **The dti** further demonstrated its confidence in the services of the SABS by appointing the SABS as the designated service provider to government for local content verification on government tenders.

This review is intended to provide our stakeholders with further insight into the financial performance and position of the Group.

OPERATING RESULTS

Revenue from commercial operations at R516.8 million (2013: R485.8 million) increased by 6.4% on last year. Certification revenue increased by 12.6%. A big contributor to the growth was the Local Content Verification Services on Solar Water Heater service providers. Revenue from inspections, tests and services and training of R202.9 million was 7.3% lower than the prior year. The delay in planned key account projects due to lengthy contracting processes contributed to the shortfall.

The base-line parliamentary government grant funding allocation of R179.8 million increased by R16.7 million from the previous year allocation of R163.1 million.

Total expenses for the year were R741.2 million, a 9.7% increase compared to the R675.7 million incurred in the previous year. The major contributor to this increase is the increase in employee benefit costs. During the financial year, a three-year settlement agreement was negotiated with the SABS union, NEHAWU, including cost of living adjustments, as well as the implementation of the housing allowance and additional medical aid subsidy.

A further contributor to the increase in expenses was a substantial increase in bad debts written off and provisioned for the year of R11.0 million (2013: R2.1 million). This has resulted from the engagement of previously unserviced clients in certification both locally and internationally. The challenge of debt collection measures mainly internationally has resulted in increased provisioning. Management is revisiting the engagement parameters.

The Group incurred an operating loss before taxation, financing and discontinued operations of R1.8 million for the year (2013: profit of R4.6 million). The operating loss can mainly be attributed to low revenue growth as well as increased spend on implementation capacity.

CAPITAL EXPENDITURE

Group capital expenditure for the year amounted to R57.5 million (2013: R73.4 million). Investments were made into new laboratory equipment and ICT equipment in line with the renewal strategy of the Group.

POST-EMPLOYMENT HEALTHCARE BENEFITS

The Group provides post-employment medical aid contribution subsidies to qualifying retirees. Employees who meet set criteria (detailed in note 22 of the Financial Statements) are also entitled to this benefit when they retire. The expected liability has been determined by actuaries. The post-employment healthcare benefit obligation amounted to R85.5 million (2013: R88.8 million) at 31 March 2014. This is after the adoption of the new IAS 19 standard and includes the previously unrecognised actuarial gains or losses. (For full disclosure of the liability and change in accounting policy refer to notes 22 and 32 in the Financial Statements).

The Board approved that this liability will be funded through 75% of a specific long-term investment. The value of the investment notionally allocated to cover this liability was R106.5 million (2013: R96.7 million) (Refer to note 22 of the Financial Statements).

BORROWINGS

The Group has no outstanding borrowings and there are no immediate plans to borrow.

CASH AND CASH EQUIVALENTS

Cash resources were placed under pressure due to the utilisation of cash for increased operating expenditure. The positive inflow of cash from investment activities balanced this out resulting in a net cash in flow from operating activities of R21.4 million.

As at 31 March 2014 R146.4 million (2013: R140.0 million) was included in cash and cash equivalents in respect of the construction of the new laboratory complex and the upgrade of the C-Block on the Groenkloof campus. This project has progressed to detailed specification stage and will continue into the next financial year.

INVESTMENTS

There has been no change in the investments held with Old Mutual, Investment Solutions and FNB. The annualised long-term investment returns were 9.9%, 10.1% and 7.7% respectively. The targeted returns over a rolling period longer than three years are CPI plus 3% per annum after costs.

The short-term investments were cashed in during March 2014 and the proceeds have been placed in a money market account. The funds will be transferred to the long-term investment portfolio during the new financial year.

FINANCIAL MANAGEMENT IMPERATIVES

The SABS financial management practices remain sound. The priorities for the year ahead are informed by strategic imperatives and include:

- Increased focus on revenue generating capabilities and realisation of new business opportunities.
- Implementing and operating **the dti**'s 'Local Content Verification Services' on entities that are awarded government tenders subject to local content requirements. This is important for the SABS as a significant revenue stream for the future.
- Active management of operating costs in line with government's cost saving initiatives and to ensure the future financial sustainability of the Group.
- Embedding LIMS and completing the laboratory turnaround strategy focused on increasing the proportion of laboratories whose revenue is sufficient to meet all their overheads and are therefore able to reinvest in their own long-term growth.
- Targeted laboratory capital expansion program with increased focus on return on investment.
- Continued focus on cash generation and working capital management.

BBBEE

The SABS supports transformation and the policy objectives of broad-based black economic empowerment (BBBEE). The SABS achieved a level 3 (2013: level 4) BBBEE rating and SABS Commercial a level 3 (2013: level 3) rating. Action plans are being implemented to improve the ratings.

Report of the Auditor-General to parliament on the South African Bureau of Standards

REPORT ON THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

INTRODUCTION

1. I have audited the Consolidated and Separate Financial Statements of the South African Bureau of Standards and its subsidiaries set out on pages 84 to 130, which comprise the consolidated and separate Statement of Financial Position as at 31 March 2014, the Consolidated and Separate Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows and for the year then ended, as well as the notes, comprising a summary of significant accounting policies and other explanatory information.

ACCOUNTING AUTHORITY'S RESPONSIBILITY FOR THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

2. The accounting authority is responsible for the preparation and fair presentation of these Consolidated and Separate Financial Statements in accordance with South African Statements of Generally Accepted Accounting Practice (SA GAAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA), and for such internal control as the accounting authority determines is necessary to enable the preparation of Consolidated and Separate Financial Statements that are free from material misstatement, whether due to fraud or error.

AUDITOR-GENERAL'S RESPONSIBILITY

3. My responsibility is to express an opinion on these Consolidated and Separate Financial Statements based on my audit. I conducted my audit in accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), the general notice issued in terms thereof and International Standards on Auditing. Those standards require that I comply with ethical requirements, and plan and perform the audit to obtain reasonable assurance about whether the Consolidated and Separate Financial Statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Consolidated and Separate Financial Statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the Consolidated and Separate 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 Consolidated and Separate 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 Consolidated and Separate Financial Statements.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

OPINION

6. In my opinion, the Consolidated and Separate Financial Statements present fairly, in all material respects, the financial position of the South African Bureau of Standards and its subsidiaries as at 31 March 2014 and their financial performance and cash flows for the year then ended, in accordance with SA GAAP and the requirements of the PFMA.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

7. In accordance with the PAA and the general notice issued in terms thereof, I report the following findings on the reported performance information against predetermined objectives for selected objectives presented in the annual performance report, non-compliance with legislation as well as internal control. The objective of my tests was to identify reportable findings as described under each subheading but not to gather evidence to express assurance on these matters. Accordingly, I do not express an opinion or conclusion on these matters.

PREDETERMINED OBJECTIVES

8. I performed procedures to obtain evidence about the usefulness and reliability of the reported performance information for the following selected objectives presented in the annual performance report of the entity for the year ended 31 March 2014:
   - Strategic objective 1: Increase the use of standardisation services by broadening the geographic footprint as well as the scope of services offered on page 30
   - Strategic objective 2: Put the customer at the forefront of everything we do on page 31
9. I evaluated the reported performance information against the overall criteria of usefulness and reliability.

10. I evaluated the usefulness of the reported performance information to determine whether it was presented in accordance with the National Treasury's annual reporting principles and whether the reported performance was consistent with the planned objectives. I further performed tests to determine whether indicators and targets were well defined, verifiable, specific, measurable, time bound and relevant, as required by the National Treasury's *Framework for managing programme performance information*.
11. I assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
12. I did not raise any material findings on the usefulness and reliability of the reported performance information for the selected objectives.

Achievement of planned targets

13. Refer to the annual performance report on pages 29 to 39 for information on the achievement of the planned targets for the year.

COMPLIANCE WITH LEGISLATION

14. I performed procedures to obtain evidence that the SABS had complied with applicable legislation regarding financial matters, financial management and other related matters. I did not identify any instances of material non-compliance with specific matters in key legislation, as set out in the general notice issued in terms of the PAA.

INTERNAL CONTROL

15. I considered internal control relevant to my audit of the Financial Statements, annual performance report and compliance with legislation. I did not identify any significant deficiencies in internal control.

OTHER REPORTS

AUDIT-RELATED SERVICES AND SPECIAL AUDITS

16. As requested by the entity an engagement was conducted on royalty fees payable by the South African Bureau of Standards (SABS) and the Human Capital Management section of the Integrated Annual Report. The report on royalties covered the period 1 January 2013 to 31 December 2013 and was issued on 21 July 2014. The Human Capital Management report was issued on 24 July 2014.

Auditor-General

Pretoria
31 July 2014

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

Board report

for the year ended 31 March 2014

INTRODUCTION

In terms of the Standards Act, 2008 (Act No. 8 of 2008) and the Public Finance Management Act, 1999 (Act No. 1 of 1999) (PFMA) 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 2014 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 2014.

OUR STATUTORY BASIS

The SABS was established as a statutory body in terms of Act No. 24 of 1945, which was superseded by the Standards Act, 1993 (Act No. 29 of 1993) and subsequently superseded by the Standards Act, 2008 (Act No. 8 of 2008). The organisation is listed as a Schedule 3B entity in terms of the PFMA.

OUR MANDATE

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

- Develop, promote and maintain South African National Standards that support the competitiveness of the South African industry;
- Promote quality in connection with commodities, products and services; and
- Render conformity assessment services and matters connected therewith.

VISION

To be the trusted standardisation and quality assurance service provider of choice.

MISSION

The SABS provides standards and conformity assessment services to enable the efficient functioning of the economy.

VALUES

- Impartiality
- Innovation
- Accountability
- Integrity
- Quality
- Customer centricity

FINANCES

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 R21.7 million (2013: R27.0 million) for the year ended March 2014. The profit for the year from continuing operations after taxation is R21.7 million (2013: R27.1 million). The financial review provides further details regarding financial performance.

GOVERNMENT GRANTS RELATING TO INCOME

The government grant allocated to the SABS for the financial year under review amounted to R179.8 million (2013: R163.1 million) which represents an increase of 10.2%.

STRATEGIC PLANNING POLICY

The corporate and business plans are approved by the Board and the Executive Authority, and contain predetermined strategic and operational objectives. The plans, together with associated budgets, are approved before the start of the financial year in compliance with the provisions of the PFMA.

The SABS has analysed the environment within which it operates and identified the continuous upgrading of laboratory infrastructure, retention of core technical skills and the mounting competition from international conformity assessment bodies as some of its biggest challenges. Informed by this analysis, the SABS developed a five-year growth plan (to March 2016) focusing on growth, customer centricity, operational efficiency and competent human capital to effectively deliver on its mandate.

Over the medium term the SABS will reinforce delivery against its core functions:

- The promotion of design in South Africa;
- The development of and provision of National Standards;
- Certification of products and systems;
- Testing of products;
- Protection of the consumer from unsafe or poor quality goods in the South African market place; and
- Training related to standards, quality and design.

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

- Increase the use of standardisation services by broadening the geographic footprint as well as the scope of services offered.
- Put the customer at the forefront of everything we do.
- Improve the operational performance of the SABS to enable delivery of quality outputs for customers and the South African economy.
- Develop and retain a competent workforce that is aligned with the organisation's mandate.

In this report, included in Part B: Performance Information, the achievements of the SABS are highlighted against the predetermined objectives for the year. The SABS managed to achieve all of its objectives for the year except for one.

EMPLOYEES

The SABS had 415 (2013: 331) permanent employees and 15 (2013: 18) contract workers as at 31 March 2014. The Group had 1 001 (2013: 1 037) permanent employees and 49 (2013: 76) contract workers as at 31 March 2014.

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 include testing, certification and training.

EVENTS SUBSEQUENT TO REPORTING DATE

The Board members are not aware of any matters or circumstances arising 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.

Income Statements

for the year ended 31 March 2014

	Notes	GROUP 2014 R'000	GROUP (restated) 2013 R'000	SABS 2014 R'000	SABS (restated) 2013 R'000
Continuing operations					
External revenue	2	**516 766**	485 824	**91 379**	64 536
Other income	3	**42 787**	31 344	**112 150**	108 260
Government grants	29.6	**179 795**	163 096	**179 795**	163 096
		739 348	680 264	**383 324**	335 892
Other operating expenditure		**(741 188)**	(675 698)	**(675 698)**	(359 373)
Employee benefit expenditure	4	**(434 522)**	(389 647)	**(171 879)**	(147 064)
Depreciation	9 & 10	**(35 368)**	(32 668)	**(10 679)**	(8 505)
Contract services		**(39 523)**	(51 490)	**(27 424)**	(27 030)
Travel expenditure		**(43 379)**	(34 442)	**(11 611)**	(7 829)
Advertising expenditure		**(15 690)**	(16 721)	**(11 708)**	(7 740)
Repairs and maintenance expenditure		**(12 723)**	(11 005)	**(7 551)**	(6 406)
Consulting and technical fees		**(20 408)**	(19 642)	**(10 769)**	(8 194)
Other expenditure	5	**(139 575)**	(120 083)	**(151 813)**	(146 605)
Operating (loss)/profit		**(1 840)**	4 566	**(20 110)**	(23 481)
Finance revenue	6	**23 215**	25 370	**23 215**	25 369
Finance cost	7	**(32)**	(846)	**(30)**	(808)
Net profit before taxation		**21 343**	29 090	**3 075**	1 080
Taxation	8	**400**	(1 926)	**-**	-
Profit for the year from continuing operations		**21 743**	27 164	**3 075**	1 080
Discontinued operations					
Loss for the year from discontinued operations	9	**(19)**	(121)	**-**	-
Profit for the year		**21 724**	27 043	**3 075**	1 080

Statements of Comprehensive Income

for the year ended 31 March 2014

		GROUP		SABS	
			(restated)		(restated)
		2014	2013	2014	2013
	Notes	R'000	R'000	R'000	R'000
Profit for the year		**21 724**	27 043	**3 075**	1 080
Other comprehensive income					
Net gains on available-for-sale financial assets	21	**13 878**	15 721	**13 878**	15 721
Net gains/(losses) on post-retirement medical aid		**4 405**	(4 215)	**2 104**	(1 399)
Gains/(losses) on post-retirement medical aid	22	**5 300**	(5 310)	**2 104**	(1 399)
Income tax effect on gains/(losses) on post-retirement medical aid		**(895)**	1 095	**-**	-
Total comprehensive income for the year, net of tax		**40 007**	38 549	**19 057**	15 402

Statements of Financial Position

as at 31 March 2014

	Notes	GROUP 2014 R'000	GROUP (restated) 2013 R'000	SABS 2014 R'000	SABS (restated) 2013 R'000
ASSETS					
NON-CURRENT ASSETS		**695 825**	654 858	**586 546**	526 443
Property, plant and equipment	10	**345 472**	331 927	**63 027**	58 657
Investment properties	11	**9 604**	10 035	**182 335**	188 733
Intangible assets	12	**14 835**	14 652	**590**	1 206
Investment in subsidiaries	13	**-**	-	**1**	1
Available-for-sale investments	14	**305 054**	277 784	**305 054**	277 784
Deferred taxation	15	**20 860**	20 460	**-**	-
Loans to group companies	16	**-**	-	**35 539**	62
CURRENT ASSETS		**403 104**	430 178	**303 308**	343 523
Inventory	17	**1 939**	1 092	**1 939**	1 092
Trade and other receivables	18	**117 707**	96 460	**17 990**	9 887
Available-for-sale investments	14	**-**	58 288	**-**	58 288
Cash and cash equivalents	19	**283 458**	274 338	**283 379**	274 256
ASSETS OF DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE	9	**-**	1 167	**-**	-
TOTAL ASSETS		**1 098 929**	1 086 203	**889 854**	869 966
EQUITY AND LIABILITIES					
EQUITY AND RESERVES		**560 899**	519 997	**492 475**	473 418
General reserve	20	**54 282**	54 282	**54 282**	54 282
Other components of equity	21 & 22	**44 299**	25 121	**45 014**	29 032
Accumulated profit		**462 461**	439 574	**393 179**	390 104
Reserves of disposal group classified as held for sale	9	**(143)**	1 020	**-**	-
NON-CURRENT LIABILITIES		**386 110**	405 953	**323 965**	333 575
Employment benefit obligations	22	**102 530**	107 354	**61 609**	63 838
Deferred income	23	**283 580**	298 599	**262 356**	269 737
CURRENT LIABILITIES		**151 777**	160 106	**73 414**	62 973
Deferred income	23	**10 206**	7 595	**5 729**	5 649
Trade and other payables	24	**127 207**	141 760	**60 814**	50 360
Employment benefit obligations	22	**8 999**	7 612	**6 101**	6 078
VAT liability	25	**5 365**	3 139	**770**	886
LIABILITIES OF DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE	9	**143**	147	**-**	-
TOTAL EQUITY AND LIABILITIES		**1 098 929**	1 086 203	**889 854**	869 966

Statements of Changes in Equity

for the year ended 31 March 2014

GROUP	Notes	General reserve R'000	Employee benefits R'000	Available-for-sale reserve R'000	Discontinued operations R'000	Accumulated profit (restated) R'000	Total equity and reserves R'000
Balance at 31 March 2012 as restated		54 282	-	14 710	(3)	413 554	482 543
Other comprehensive income	21 & 22	-	(5 310)	15 721	-	-	10 411
Discontinued operations	9	-	-	-	1 023	(1 023)	-
Net profit for the year as restated		-	-	-	-	27 043	27 043
Balance at 31 March 2013 as restated		54 282	(5 310)	30 431	1 020	439 574	519 997
Other comprehensive income	21 & 22	-	5 300	13 878	-	-	19 178
Discontinued operations	9	-	-	-	(1 163)	1 163	-
Net profit for the year		-	-	-	-	21 724	21 724
Balance at 31 March 2014		**54 282**	**(10)**	**44 309**	**(143)**	**462 461**	**560 899**

SABS	Notes	General reserve R'000	Employee benefits R'000	Available-for-sale reserve R'000	Discontinued operations R'000	Accumulated profit (restated) R'000	Total equity and reserves R'000
Balance at 31 March 2012		54 282	-	14 710	-	389 024	458 016
Other comprehensive income	21 & 22	-	(1 399)	15 721	-	-	14 322
Net profit for the year as restated		-	-	-	-	1 080	1 080
Balance at 31 March 2013 as restated		54 282	(1 399)	30 431	-	390 104	473 418
Other comprehensive income		-	2 104	13 878	-	-	15 982
Net profit for the year	21 & 22	-	-	-	-	3 075	3 075
Balance at 31 March 2014		**54 282**	**705**	**44 309**	**-**	**393 179**	**492 475**

Statements of Cash Flows

for the year ended 31 March 2014

	Notes	GROUP 2014 R'000	GROUP 2013 R'000	SABS 2014 R'000	SABS 2013 R'000
Cash inflow from operating activities		**21 426**	55 667	**16 370**	47 990
Cash received from customers		**715 474**	643 046	**375 085**	331 648
Cash paid to suppliers and employees		**(717 231)**	(611 903)	**(381 900)**	(308 219)
Cash (utlised by)/generated from operations	26.1	**(1 757)**	31 143	**(6 815)**	23 429
Finance revenue	6	**23 215**	25 370	**23 215**	25 369
Finance cost	7	**(32)**	(846)	**(30)**	(808)
Cash (outflow)/inflow from investing activities		**(12 306)**	(109 139)	**28 230**	(62 975)
Purchase of property, plant and equipment	10	**(57 298)**	(63 999)	**(20 819)**	(28 196)
Transfer of property, plant and equipment to subsidiary	10	**-**	-	**3 861**	1 428
Purchase of intangible assets	12	**(204)**	(9 393)	**(5)**	(90)
Proceeds on disposal of property, plant and equipment	26.2	**300**	370	**297**	-
Purchase of available-for-sale investments	14	**(16 682)**	(36 117)	**(16 682)**	(36 117)
Disposal of available-for-sale investments	14	**61 578**	-	**61 578**	-
Cash inflow/(outflow) from financing activities		**-**	65 499	**(35 477)**	27 025
Government grant funding received for infrastructure project	29.6	**-**	42 106	**-**	42 106
Funding for government specific projects	29.6	**-**	23 393	**-**	-
Repayment of loans to group companies		**-**	-	**(35 477)**	(15 081)
Increase in cash and cash equivalents		**9 120**	12 027	**9 123**	12 040
Cash and cash equivalents at beginning of year		**274 338**	262 311	**274 256**	262 216
Cash and cash equivalents at end of year		**283 458**	274 338	**283 379**	274 256

Notes to the Financial Statements

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 separate SABS Financial Statements.

1.1 BASIS OF PREPARATION

The consolidated and separate SABS Annual Financial Statements have been prepared in accordance with the PFMA and the South African Statements of Generally Accepted Accounting Practice (SA GAAP), 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 Annual Financial Statements are prepared on the going concern basis.

The preparation of Annual Financial Statements in conformity with SA GAAP 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 ongoing 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.

Significant areas of estimation uncertainty include:

- Useful economic lives of assets

  Property, plant and equipment is depreciated on a straight-line basis over its useful economic life. Intangible assets are amortised on a straight-line basis over the estimated useful life of the asset. Management reviews the appropriateness of useful economic life at least annually and any changes that could affect prospective depreciation/amortisation rates and asset carrying values. Estimates and judgements in this regard are based on historical experience and expectations of the manner in which assets are to be used, together with expected proceeds likely to be realised when assets are disposed of at the end of their useful lives. Such expectations could change over time and therefore impact both depreciation charges and carrying values of tangible and intangible assets in the future.

- Impairment of assets

  Assets are tested for impairment annually or more frequently if there is an indicator of impairment. Tangible assets and finite life intangible assets are tested when there is an indicator of impairment. The calculation of the recoverable amount requires the use of estimates and assumptions concerning the future cash flows which are inherently uncertain and could change over time. In addition, changes in economic factors, such as discount rates, could also impact this calculation.

- Retirement benefits

  The expected costs of providing post-employment benefits under defined benefit arrangements relating to employee service during the period are determined based on financial actuarial assumptions. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

1.2 BASIS OF CONSOLIDATION

Subsidiaries

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition 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.

All inter-company transactions, balances, resulting unrealised gains and losses on transactions between Group entities have been eliminated. Accounting policies have been applied consistently by Group entities.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1.3 FOREIGN CURRENCY TRANSACTIONS

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:

	2014	2013
Euro	14.56	11.83
Pound Sterling	17.61	14.04
United States Dollar	10.58	9.24
Swiss Franc	11.94	9.72

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.

Monetary assets/liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

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 foreign currency translation reserve in equity.

1.4 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is recognised when it is probable future economic benefits will flow to the entity and the cost can be measured reliably. Spare parts and stand-by equipment are recognised when they qualify as 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 recognised. When significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise when a major inspection is performed, the cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repairs and maintenance expenditure is recognised as an expense in the year it is incurred.

Land and artwork 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	3–5

The assets' residual values, depreciation methods 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. The amount of borrowing costs that the Group capitalises during a period shall not exceed the amount of borrowing costs it incurred during that period. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that the Group incurs in connection with the borrowing of funds.

1.6 INVESTMENT PROPERTIES

Investment property is recognised as an asset when it is probable that the future economic benefits that are associated with the property will flow to the entity, and the cost of the property can be reliably measured. 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 purposes. Investment properties are initially recorded at cost including transaction costs. 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.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The differences between the net disposal proceeds and the carrying amount of the asset is recognised in the Income Statement in the period of derecognition.

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 meets the criteria for recognition, namely reliable measurement and probable future economic benefits of 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.

Intangible assets are derecognised on disposal or when no future economic benefits are expected from its use or disposal.

The residual values, amortisation methods and amortisation periods are assessed annually. Intangible assets with an indefinite useful life are not amortised, but are tested for impairment at each reporting date. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable, if not the change in useful life from indefinite to finite is made on a prospective basis.

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, investment properties 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. All other financial instruments are initially measured at fair value plus transaction costs. '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 classified as loans and 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 and recognises the impairment in profit and loss.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 apart from those that meet the definition of loans and receivables 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.
- 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 cannot be measured reliably are recognised at cost less impairment.

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

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired. 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 profit or loss) is removed from equity and recognised in the profit or loss. impairment losses recognised in the profit or loss for equity investments classified as available-for-sale are not subsequently reversed through the profit or loss. impairment losses recognised in the profit or loss for debt instruments classified as available-for-sale are subsequently reversed through the profit or loss 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 asset's recoverable amount is the higher of an asset's fair value less costs of disposal and its value in use. 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 group 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 1 September 1998, who have ten years membership to the designated medical aid schemes at retirement, have remained 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. The defined benefit obligation is calculated annually by independent actuaries using the projected unit method. 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.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Past service costs are recognised immediately in profit and loss.

Long service leave obligation

The entitlement to leave benefits is based on employees who were employed before 1 March 2008 who will receive additional leave days based on their respective years of service with the 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 requisite 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.

Short-term employee benefits

Short-term employee benefits are those that are due to be settled within twelve months after the end of the period in which the services have been rendered. Remuneration of employees is charged to the Income Statement. An accrual is made for accumulated leave, incentive bonuses and other short-term employee benefits.

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

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability.

1.14 LEASES

The Group as lessee

Leases in respect of 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 cannot 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, as well as lease incentives, are recognised in the Income Statement on a straight-line basis over the period of the lease.

The Group as lessor

Leases in which the Group does not transfer substantially all the risks and benefits of ownership of an asset are classified as operating leases. 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. 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.

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 recognised 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.

Expenses and assets are recognised net of the amount of sales tax, except:

- When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable; and

- When the net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

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. 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 FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is accounted for according to the nature of the expense and disclosed separately in the Integrated Annual Report. Measures are implemented to ensure that such expenditure does not re-occur and where possible the expenditure is recovered. Cases of a criminal nature are reported to the responsible authorities.

1.19 RELATED PARTY TRANSACTIONS

The Group, in the ordinary course of business, entered into various sale and purchase transactions on an arm's length basis at market rates with related parties. The SABS is presumed to be related to all other government entities within the national sphere by virtue of its classification as a national public entity. Only transactions carried out within the ambit of **the dti** and transactions not carried out on an arms' length basis are disclosed. Key personnel are limited to the Board and the Executives only.

1.20 EVENTS AFTER THE REPORTING DATE

Recognised amounts in the Financial Statements are adjusted to reflect significant events arising after the reporting date, but before the Financial Statements are authorised for issue, provided there is evidence of conditions that existed at the reporting date. Events after the reporting date that are indicative of conditions that arose after the reporting date are dealt with by way of a note.

1.21 COMPARATIVE FIGURES

Certain comparative figures have been reclassified, where required or necessary, in accordance with current period classifications and presentation. Refer to note 32 for prior period adjustments.

1.22 NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

The SABS is categorised as a 3B public entity in terms of the PFMA, which makes it a Government Business Enterprise (GBE). The reporting framework for GBE's is under consideration and they might end up using IFRS, GRAP or any other reporting framework. SA GAAP has been withdrawn and ceased to apply in respect of financial years commencing on or after 1 December 2012. The following is a list of accounting standards, interpretations and amendments to published accounting standards that could impact the Group in the future, they are not yet effective and have not been adopted in the current year. The Group will review the effects of the standards on the Financial Statements, if any and will consider adoption when appropriate.

- *IFRS 9 Financial Instruments: Classification and Measurement*

  IFRS 9, as issued, reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortised cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The guidance in IAS 39 on impairment of financial assets and hedge accounting continues to apply. The mandatory effective date has been moved from annual periods beginning on or after 1 January 2015 but rather to be left open pending the finalisation of the impairment and classification and measurement requirement.
- *Amendments to IAS 32 – Financial Instruments Presentation*

  These amendments are to the application guidance in IAS 32, Financial Instruments Presentation and clarify some of the requirements for offsetting financial assets and financial liabilities on the Statement of Financial Position. This standard became effective for annual periods beginning on or after 1 January 2014.
- *Amendments to IAS 36 – Impairment of assets on recoverable amount disclosure*

  This amendment addresses the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. This standard became effective for annual periods beginning on or after 1 January 2014.
- *IFRIC 21 – Levies*

  IFRIC 21 clarifies that the obligating event that gives rise to a liability to pay a levy is the activity that triggers the payment of the levy, as identified by the legislation. If this 'activity' arises on a specific date within an accounting period then the entire annual obligation (and the related expense or debit) is recognised on that date.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

This single date recognition approach would represent a change from past practice for many non-income taxes across a number of jurisdictions. This is leading to questions as to whether particular non-income taxes are within the scope of IFRIC 21. IFRIC 21 is effective for annual periods beginning on or after 1 January 2014. Earlier application is permitted. It is to be applied retrospectively.

- *Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)*

  The Amendments define an investment entity and provide detailed application guidance on that definition. Entities that meet the definition are required to measure investments that are controlling interests in another entity, in other words, or loss instead of consolidating them. The Amendments also introduce new disclosure requirements for investment entities.

  While the Amendments are not effective until 1 January 2014, they can be adopted early (subject to the provisions of local law). Based on the preliminary analyses performed the amendments are not expected to have any impact on the Group.

1.23 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

Capitalisation of dosimeters

The Group assessed its accounting treatment for dosimeters against the recognition criteria of an asset. The Group had previously treated the dosimeters as an outright expense in the Income Statement. These items are being used in the supply of goods and services and have a useful life longer than one year and therefore meet the criteria of an asset. The Group has capitalised these assets and the impact of this is disclosed in note 32.

The Group applied IAS 19 Employee Benefits (Revised 2011), IFRS 10 Consolidated Financial Statements and IAS 1 for the first time, that require restatement of previous Financial Statements. Several other amendments apply for the first time in 2014, however they do not impact the Annual Consolidated Financial Statements of the Group.

IAS 19 (Revised 2011) changes the accounting for defined benefit plans, some of the key changes that impacted the Group include the following:

- Under the previous IAS 19, the Group made use of the corridor method to recognise actuarial gains and losses in respect of the post-retirement medical aid benefit. This method allowed the Group to recognise the unrecognised actuarial gains and losses that fall outside the 10% corridor limit over the lesser of 10 years or the employees' expected average remaining working lives. The Group had unrecognised actuarial losses of R2.4 million in 2012 and R7.9 million in 2013 (SABS: R7.9 million in 2012 and R9.1 million in 2013). An amount of R4.6 million for the Group and R9.4 million for the SABS was recognised in the Income Statement in 2013. Other comprehensive income was adjusted by R5.3 million for the Group and R1.4 million for the SABS in 2013. Past service cost of R1.0 million was also recognised in equity. Since both GRAP and IFRS no longer apply the corridor method the decision was taken to no longer apply the method. For a detail disclosure refer to note 22.
- IFRS 10 *Consolidated Financial Statements, IAS 27 Separate Financial Statements*

  IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for Consolidated Financial Statements. IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgement to determine which entities are controlled and therefore are required to be consolidated by a parent, compared with the requirements that were in IAS 27. Based on analyses performed, IFRS 10 has no impact on the currently held investments of the Group.
- IAS 1 *Presentation of Items of Other Comprehensive Income – Amendments to IAS 1*

  The amendments to IAS 1 change the grouping of items presented in other comprehensive income. Items that could be reclassified (or 'recycled') to profit and loss at a future point in time (for example, net gain on hedge of net investment, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) would be presented separately from items that will never be reclassified (for example, actuarial gains and losses on defined benefit plans and revaluation of land and buildings). The amendment affects presentation only and has no impact on the Group's financial position or performance.

	GROUP		SABS	
	2014 R'000	2013 R'000	2014 R'000	2013 R'000

2. EXTERNAL REVENUE

External revenue comprises income from services provided for the sales of standards, certification of products and systems and testing and inspection of products for compliance with standards and training.

	GROUP 2014 R'000	GROUP 2013 R'000	SABS 2014 R'000	SABS 2013 R'000
Investigations, tests and services and training	**202 881**	218 935	**450**	-
Product and system certification	**275 730**	244 944	**-**	-
Sale of standards	**23 043**	21 945	**23 043**	19 551
Design Institute services	**15 112**	-	**15 112**	-
Services – group	**-**	-	**52 774**	44 985
	516 766	485 824	**91 379**	64 536

3. OTHER INCOME

Includes:

	GROUP 2014 R'000	GROUP 2013 R'000	SABS 2014 R'000	SABS 2013 R'000
Deferred income in respect of government grants recognised during the year for plant and equipment	**11 597**	6 846	**7 301**	4 067
Dividends received	**5 776**	4 375	**5 776**	4 375
Foreign exchange gains	**569**	254	**116**	8
Rental income from investment property	**6 602**	4 781	**6 602**	4 781
Rentals in respect of operating leases (minimum lease payments)	**-**	-	**72 432**	72 750
Land and buildings	**-**	-	**30 035**	37 892
Equipment	**-**	-	**42 397**	34 858
Royalties received	**-**	-	**9 541**	9 362

4. EMPLOYEE BENEFIT EXPENDITURE

	GROUP 2014 R'000	GROUP 2013 R'000	SABS 2014 R'000	SABS 2013 R'000
Salaries and wages	**368 143**	326 821	**143 727**	120 252
Medical aid and other employment benefits	**25 124**	21 502	**8 245**	6 723
Pension contributions	**27 080**	23 909	**10 577**	8 824
Board emoluments (note 29.5)	**3 791**	3 190	**3 632**	3 083
	424 138	375 422	**166 181**	138 882
Post-employment healthcare benefits (note 22)	**7 594**	9 541	**4 814**	6 760
Long service leave benefits (note 22)	**2 790**	4 684	**884**	1 422
	434 522	389 647	**171 879**	147 064

	GROUP 2014 R'000	GROUP 2013 R'000	SABS 2014 R'000	SABS 2013 R'000
5. OTHER EXPENDITURE				
Includes:				
Amortisation of intangible assets (note 12)	**6 389**	3 597	**621**	3 353
Auditors' remuneration				
- Audit fees – current year	**3 456**	3 213	**2 638**	2 485
Bad debts	**11 022**	3 149	**(153)**	(80)
- Bad debts written-off	**8 695**	2 217	**11**	36
- Bad debts recovered	**(300)**	(110)	**(300)**	(110)
- Impairment of receivables/(reversal of impairment)	**2 627**	1 042	**136**	(6)
Computer software and license fees	**8 950**	8 718	**8 905**	8 022
Consumables	**16 229**	16 948	**1 324**	1 247
Depreciation on investment properties (note 11)	**431**	431	**7 021**	6 931
Direct operating expenses relating to investment properties that:				
- Generated rental income	**6 578**	4 245	**46 216**	30 896
- Did not generate rental income	**1 136**	-	**7 211**	8 506
Impairment of equity loan in subsidiary	**-**	-	**15 401**	7 943
Insurance	**2 956**	2 386	**2 772**	2 330
Legal costs	**2 760**	3 129	**2 410**	3 129
Loss on disposal of property, plant and equipment	**2 233**	685	**361**	57
Membership fees	**3 235**	2 459	**3 036**	2 236
Municipal services	**39 908**	29 323	**38 733**	28 363
Postal services	**3 385**	2 747	**333**	235
Realised foreign exchange losses	**1 054**	2 186	**772**	543
Rentals in respect of operating leases (minimum lease payments)	**14 671**	13 204	**34 642**	25 304
- Land and buildings	**12 029**	9 807	**9 045**	8 180
- Equipment	**2 642**	3 397	**25 597**	17 124
Training	**7 332**	7 261	**4 282**	3 508

6. FINANCE REVENUE

	GROUP 2014 R'000	GROUP 2013 R'000	SABS 2014 R'000	SABS 2013 R'000
Bank balances	**1 028**	990	**1 028**	989
Money market investments, short-term deposits and available-for-sale investments	**22 187**	24 380	**22 187**	24 380
	23 215	25 370	**23 215**	25 369

	GROUP		SABS	
	2014 R'000	2013 R'000	2014 R'000	2013 R'000
7. FINANCE COST				
Interest paid	**82**	42	**80**	4
Interest on VAT/(over accrued interest)	**(50)**	730	**(50)**	730
Impairment loss on available-for-sale investment (note 14)	**-**	74	**-**	74
	32	846	**30**	808
8. TAXATION				
Deferred taxation – current year	**(400)**	1 926	**-**	-
The charge for the year can be reconciled to the profit per the Income Statement as follows:				
Profit before taxation				
- Continuing operations	**21 343**	29 090	**3 075**	1 080
- Discontinuing operations	**(19)**	(121)	**-**	-
	21 324	28 969	**3 075**	1 080
Taxation at 28%	**5 971**	8 111	**861**	302
Non-taxable/non-deductible differences				
Exempt income and expenses	**(6 371)**	(6 185)	**(861)**	(302)
Taxation expense	**(400)**	1 926	**-**	-

Exempt income and expenses relate to the deferred income on government related grants and the expenditure incurred on earmarked projects.

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 National Regulator for Compulsory Specifications Act and the new Standards Act, No. 5 of 2008, were signed by the President in July 2008. The effective date was 1 September 2008.

Previously the Regulatory Division, through the Global Conformity Services (GCS) Namibia (Pty) Ltd was the responsible inspection body for the European Union in Namibia. The split of the SABS into two entities was agreed to with the Namibian authorities and the Namibian Standards Institute (NSI) took over the operations of the GCS Namibia (Pty) Ltd. The activities of GCS Namibia (Pty) Ltd have been accounted for as a discontinued operation. Ministerial approval was granted to transfer the Walvis Bay immovable property and the movable assets in Namibia to the NSI. An agreement was entered into between the SABS, SABS Commercial SOC 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 Lüderitz and permission was granted for the disposal of the property. The SABS has sold the property and the transfer of the property is currently in progress.

9. DISCONTINUED OPERATIONS (CONTINUED)

	GROUP		SABS	
	2014 R'000	2013 R'000	2014 R'000	2013 R'000
The results of the discontinued operations are as follows:				
Expenses	**(19)**	(121)	-	-
Loss for the year from discontinued operations	**(19)**	(121)	-	-
Assets				
Cash and cash equivalents	-	23	-	-
Assets of disposal group classified as held for sale	-	23	-	-
Liabilities				
Trade and other payables	**100**	85	-	-
Intercompany loans	**43**	62	-	-
Liabilities of disposal group classified as held for sale	**143**	147	-	-
Net liabilities directly associated with assets classified as held for sale	**(143)**	(124)	-	-
Reserves	**(143)**	(124)	-	-
Reserve of disposal group classified as held for sale	**(143)**	(124)	-	-
The net cash flows incurred are as follows:				
Operating	**(23)**	(1)	-	-
Net cash (outflow)/inflow	**(23)**	45	-	-

The SABS currently owns a house in Saldanha Bay that was acquired in 2003 and which was converted into an iron ore sampling and testing laboratory for the benefit of a single client. The client has however since opted to automate and perform its own sampling and testing in-house, thereby rendering the service and the property redundant. The Saldanha Bay property has been standing vacant. The Board has resolved that the Saldanha Bay property be disposed of by following an open tender process or applying alternative mechanisms to dispose of the property should no reasonable offer be received through the tender process. The book value of the property is R1.1 million. The SABS encountered legal issue with regards to the selling of the property as it is still registered in a deregistered company of the SABS. The sale of the asset has been put on hold until the issues can be resolved and the asset has been brought back into the books of the Group.

	GROUP		SABS	
	2014 R'000	2013 R'000	2014 R'000	2013 R'000
Assets				
Property, plant and equipment	-	1 144	-	-
Opening balance	**1 144**	-		
Depreciation	**(63)**	-		
Closing carrying value	**1 081**	-		
Balance transferred to property, plant and equipment	**(1 081)**	-		
Reserve of disposal group classified as held for sale	-	1 144	-	-

10. PROPERTY, PLANT AND EQUIPMENT

GROUP	Land R'000	Buildings R'000	Laboratory equipment R'000	Furniture and office equipment R'000	Vehicles R'000	Artwork R'000	Work-in-progress R'000	Total R'000
2014								
Opening carrying value	4 161	217 162	71 897	24 481	56	6	14 164	331 927
Cost	4 161	275 300	184 847	85 904	385	6	14 164	564 767
Accumulated depreciation	-	(58 138)	(112 950)	(61 423)	(329)	-	-	(232 840)
Additions	-	1 005	10 151	6 187	-	-	39 955	57 298
Work-in-progress transfers	-	2 148	14 187	13 097	788	-	(30 220)	-
Category transfers	-	-	(12)	12	-	-	-	-
Reclassification of intangible assets	-	-	(742)	(440)	-	-	(5 186)	(6 368)
Assets transferred from non-current held for sale (carrying value)	151	930	-	-	-	-	-	1 081
Work-in-progress expensed	-	-	-	-	-	-	(628)	(628)
Disposals	-	(622)	(1 670)	(239)	(2)	-	-	(2 533)
Depreciation	-	(9 146)	(15 042)	(11 009)	(108)	-	-	(35 305)
Closing carrying value	**4 312**	**211 477**	**78 769**	**32 089**	**734**	**6**	**18 085**	**345 472**
Cost	4 312	278 283	200 573	100 288	1 075	6	18 085	602 622
Accumulated depreciation	-	(66 806)	(121 804)	(68 199)	(341)	-	-	(257 150)
2013								
Opening carrying value	6 569	219 245	58 937	17 237	104	3	6 470	308 565
Cost	6 569	269 766	160 110	79 905	385	3	6 470	523 208
Accumulated depreciation	-	(50 521)	(101 173)	(62 668)	(281)	-	-	(214 643)
Additions	-	3 617	18 205	20 935	-	-	30 635	73 392
Work-in-progress transfers	-	2 638	8 640	2 063	-	-	(13 341)	-
Category transfers	(2 257)	1 864	194	196	-	3	-	-
Reclassification of intangible assets	-	-	-	(5 563)	-	-	(9 393)	(14 956)
Assets transferred to non-current held for sale	(151)	(993)	-	-	-	-	-	(1 144)
Work-in-progress expensed	-	-	-	-	-	-	(207)	(207)
Disposals	-	(64)	(591)	(400)	-	-	-	(1 055)
Depreciation	-	(9 145)	(13 488)	(9 987)	(48)	-	-	(32 668)
Closing carrying value	**4 161**	**217 162**	**71 897**	**24 481**	**56**	**6**	**14 164**	**331 927**
Cost	4 161	275 300	184 847	85 904	385	6	14 164	564 767
Accumulated depreciation	-	(58 138)	(112 950)	(61 423)	(329)	-	-	(232 840)

10. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

SABS	Land R'000	Buildings R'000	Laboratory equipment R'000	Furniture and office equipment R'000	Vehicles R'000	Artwork R'000	Work-in-progress R'000	Total R'000
2014								
Opening carrying value	3 251	26 609	1 737	17 868	3	-	9 189	58 657
Cost	3 251	43 490	10 602	69 502	82	-	9 189	136 116
Accumulated depreciation	-	(16 881)	(8 865)	(51 634)	(79)	-	-	(77 459)
Additions	-	302	-	5 432	-	-	15 085	20 819
Work-in-progress transfers	-	860	-	9 541	-	-	(10 401)	-
Assets transferred to investment properties	-	-	-	-	-	-	(623)	(623)
Assets transferred to subsidiary*	-	(997)	(506)	(935)	-	-	(1 423)	(3 861)
Work-in-progress expensed	-	-	-	-	-	-	(628)	(628)
Disposals	-	(556)	(3)	(96)	(3)	-	-	(658)
Depreciation	-	(1 909)	(341)	(8 429)	-	-	-	(10 679)
Closing carrying value	**3 251**	**24 309**	**887**	**23 381**	**-**	**-**	**11 199**	**63 027**
Cost	3 251	41 804	3 330	81 040	-	-	11 199	140 624
Accumulated depreciation	-	(17 495)	(2 443)	(57 659)	-	-	-	(77 597)
2013								
Opening carrying value	5 333	21 972	2 807	11 309	12	-	1 326	42 759
Cost	5 333	40 703	18 732	67 030	82	-	1 326	133 206
Accumulated depreciation	-	(18 731)	(15 925)	(55 721)	(70)	-	-	(90 447)
Additions	-	2 944	-	14 803	-	-	10 539	28 286
Work-in-progress transfers	-	1 702	-	507	-	-	(2 209)	-
Category transfers	(2 082)	2 082	-	-	-	-	-	-
Work-in-progress transferred to investment properties	-	-	-	-	-	-	(377)	(377)
Assets transferred to subsidiary*	-	(1)	(447)	(980)	-	-	-	(1 428)
Reclassification of intangible assets	-	-	-	(1 931)	-	-	(90)	(2 021)
Disposals	-	(32)	(1)	(24)	-	-	-	(57)
Depreciation	-	(2 058)	(622)	(5 816)	(9)	-	-	(8 505)
Closing carrying value	**3 251**	**26 609**	**1 737**	**17 868**	**3**	**-**	**9 189**	**58 657**
Cost	3 251	43 490	10 602	69 502	82	-	9 189	136 116
Accumulated depreciation	-	(16 881)	(8 865)	(51 634)	(79)	-	-	(77 459)

* Assets transferred to subsidiary is repaid through the intergroup loan account.

Work in progress for the Group includes an amount of R6,5 million for new laboratory equipment, R2,9 million for the new laboratories, R3,4 million for various refurbishment projects, R1,6 million for ICT equipment and R0,9 million for security equipment and upgrades.

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

There were no assets that were pledged as security and there are no contractual commitments.

During the year under review the Group decided to change its policy on the treatment of dosimeters. The impact of the capitalisation on the dosimeters is disclosed in note 27.

A register of land and buildings is available for inspection at the registered office of each entity in the Group.

	GROUP		SABS	
	2014 R'000	2013 R'000	2014 R'000	2013 R'000
11. INVESTMENT PROPERTIES				
Opening carrying value	**10 035**	10 466	**188 733**	195 287
Cost	**13 667**	13 667	**229 342**	226 329
Accumulated depreciation	**(3 632)**	(3 201)	**(40 609)**	(31 042)
Work in progress transfers	**-**	-	**-**	377
Reclassification of buildings to investment properties	**-**	-	**623**	-
Depreciation	**(431)**	(431)	**(7 021)**	(6 931)
Closing carrying value	**9 604**	10 035	**182 335**	188 733
Cost	**13 667**	13 667	**229 911**	229 342
Accumulated depreciation	**(4 063)**	(3 632)	**(47 576)**	(40 609)

Investment properties and significant components thereof are stated at the costs thereof. Management assessment of the investment properties amounts to R24.9 million for the Group and R718.8 million for the SABS (2013: Independent valuers with current market value of R23.1 million for the Group and R534.5 million for the SABS).

Investment properties for the SABS consist of:

- A property in East London, Cape Town, Durban, one building in Secunda and NETFA
- All the buildings on the Groenkloof Campus except for the administration building Block A

Investment properties for the Group consist of:

- Buildings N, R and Z including the parking located on the Groenkloof Campus

	GROUP		SABS	
	2014 R'000	2013 R'000	2014 R'000	2013 R'000

12. INTANGIBLE ASSETS

	GROUP 2014 R'000	GROUP 2013 R'000	SABS 2014 R'000	SABS 2013 R'000
Computer software				
Opening carrying value	**14 652**	3 292	**1 206**	2 538
Cost	**54 945**	29 413	**39 039**	28 343
Accumulated amortisation	**(40 293)**	(26 121)	**(37 833)**	(25 805)
Additions	**199**	-	**-**	-
Work in progress transfers	**5**	9 393	**5**	90
Assets transferred from property, plant and equipment	**6 368**	5 564	**-**	1 931
Amortisation	**(6 389)**	(3 597)	**(621)**	(3 353)
Closing carrying value	**14 835**	14 652	**590**	1 206
Cost	**61 299**	54 945	**38 891**	39 039
Accumulated amortisation	**(46 464)**	(40 293)	**(38 301)**	(37 833)

13. INVESTMENT IN SUBSIDIARIES

The entity's principal subsidiaries are:

		SABS	
Name	Ownership %	2014 R'000	2013 R'000
SABS Commercial SOC Ltd	100%	**65 661**	50 260
Less: impairment of equity loan		**(65 660)**	(50 259)
		1	1
Equity loan			
Opening balance		**50 259**	31 828
Increase in equity loan from loans to group companies		**15 401**	18 431
Closing balance		**65 660**	50 259

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

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

	2014 R'000	2013 R'000
External Revenue	**478 161**	466 273
Other income	**12 610**	5 196
Expenditure	**(487 903)**	(461 853)
Operating profit	**2 868**	9 616
Net finance cost	**(1)**	(37)
Taxation	**400**	(1 926)
Profit for the year	**3 267**	7 653

	GROUP		SABS	
	2014 R'000	2013 R'000	2014 R'000	2013 R'000

14. AVAILABLE-FOR-SALE INVESTMENTS

	GROUP 2014 R'000	GROUP 2013 R'000	SABS 2014 R'000	SABS 2013 R'000
Opening balance	**277 784**	229 180	**277 784**	229 180
Additions (net of costs)	**13 357**	33 024	**13 357**	33 024
Gains on investments transferred to equity (Refer to note 21)	**13 913**	15 654	**13 913**	15 654
Impairment of investment transferred to Income Statement	**-**	(74)	**-**	(74)
Non-current portion	**305 054**	277 784	**305 054**	277 784
Opening balance	**58 288**	55 128	**58 288**	55 128
Additions (net of costs)	**3 325**	3 093	**3 325**	3 093
Disposals	**(61 578)**	-	**(61 578)**	-
(Losses)/gains on investments transferred to equity (Refer to note 21)	**(35)**	67	**(35)**	67
Current portion	**-**	58 288	**-**	58 288
Available-for-sale investments comprises:				
Money market	**-**	58 288	**-**	58 288
Equities	**305 054**	277 784	**305 054**	277 784
	305 054	336 072	**305 054**	336 072

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 other comprehensive income. When available-for-sale assets are determined to be impaired to the extent that the fair value 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.

No new investments were entered into during the year under review (2013: R22 million new five-year fixed deposit with FNB). The Investment Committee of the SABS approved the withdrawal of the funds in the short-term investment portfolio amounting to R61.2 million. These funds are to be invested equally in the long-term investment portfolio once all documents are in place. Currently the funds are invested in a money market account. No investments were disposed of in 2013.

IMPAIRMENT ON AVAILABLE-FOR-SALE FINANCIAL INVESTMENTS

For available-for-sale financial investments, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired. In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. The Group evaluated, among other factors, historical share price movements and the duration or extent to which the fair value of an investment is less than its cost. Based on these criteria, the Group identified no impairment on the available-for-sale investments (2013: None).

	GROUP 2014 R'000	GROUP 2013 R'000	SABS 2014 R'000	SABS 2013 R'000
15. DEFERRED TAXATION				
Accelerated wear and tear for tax purposes on property, plant and equipment	**(9 832)**	(9 805)	-	-
Intangible assets	-	(33)	-	-
Assessed losses	**8 211**	3 203	-	-
Other deductible temporary differences	**22 481**	27 095	-	-
Employee related provisions	**17 299**	16 550	-	-
Doubtful debts allowance	**1 162**	639	-	-
Other	**4 020**	9 906	-	-
Deferred tax asset	**20 860**	20 460	-	-
The movement for the year in the Group's deferred tax positions was as follows:				
Opening balance	**20 460**	21 053	-	-
Temporary differences on property, plant and equipment	**(27)**	(34)	-	-
Temporary differences on intangible assets	**33**	(2)	-	-
Temporary differences on employee related provisions	**749**	916	-	-
Temporary differences on tax losses	**5 008**	(3 362)	-	-
Reversing temporary differences on other deductible temporary differences	**(5 363)**	1 889	-	-
Closing balance	**20 860**	20 460	-	-

At the Statement of Financial Position date the Group had unutilised tax losses of R29.3 million (2013: R11.4 million) available for offset against future taxable profits. A deferred tax asset was recognised in respect of all losses which the Group anticipated being able to utilise.

	SABS 2014 R'000	SABS 2013 R'000
16. LOANS TO GROUP COMPANIES		
GCS Namibia (Pty) Ltd	**44**	62
SABS Commercial SOC Ltd	**35 495**	-
	35 539	62
Loans to SABS Commercial SOC Ltd		
Opening balance	-	3 412
Increase/(repayment) of loan by SABS Commercial SOC Ltd	**35 495**	(3 412)
Closing balance	**35 495**	-

SABS Commercial was a subsidiary throughout the year and was directly held.

GCS Namibia (Pty) Ltd is registered in Namibia.

	SABS 2014 R'000	SABS 2013 R'000
The holding company's interest in profit after tax earned by subsidiary is:		
SABS Commercial SOC Ltd	**3 267**	**7 653**

All loans to subsidiaries are interest free with no fixed payment date.

	GROUP		SABS	
	2014 R'000	2013 R'000	2014 R'000	2013 R'000

17. INVENTORY

Consumable stores	**1 973**	1 118	**1 973**	1 118
Obsolete stock written-off	**(34)**	(26)	**(34)**	(26)
	1 939	1 092	**1 939**	1 092

There were no inventories recognised as an expense during the year under review (2013: Nil).

18. TRADE AND OTHER RECEIVABLES

Trade receivables	**118 630**	93 505	**15 782**	5 151
Less: Impairment of trade and other receivables	**(5 680)**	(3 053)	**(147)**	(11)
	112 950	90 452	**15 635**	5 140
Other receivables	**4 757**	6 008	**2 355**	4 747
Straightlining of operating leases	**596**	496	**-**	80
Deposits and payments in advance	**2 788**	4 449	**2 102**	4 082
Employee related debtors	**1 373**	1 063	**253**	585
	117 707	96 460	**17 990**	9 887

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 9.0% (2013: 8.5%). No interest is charged on overdue accounts. The credit period is 30 days from date of invoice. The carrying amounts approximate their fair value. No individual customer represents more than 10% of the Group's trade receivables.

Impairment of trade and other receivables:				
Opening balance	**(3 053)**	(2 011)	**(11)**	(17)
(Increase)/decrease in impairment provision	**(2 627)**	(1 042)	**(136)**	6
Closing balance	**(5 680)**	(3 053)	**(147)**	(11)

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

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

18. TRADE AND OTHER RECEIVABLES (CONTINUED)

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

				PAST DUE			
GROUP		Total	Not past due	> 30 days	> 60 days	>90 days	>120 days
2014							
Carrying value	**R'000**	**117 707**	**55 160**	**32 591**	**10 500**	**3 399**	**16 057**
	%	**100%**	**47%**	**28%**	**9%**	**3%**	**14%**
Impairment	**R'000**	**5 680**	**418**	**360**	**448**	**446**	**4 008**
	%	**100%**	**7%**	**6%**	**8%**	**8%**	**71%**
2013							
Carrying value	R'000	96 460	42 919	28 706	12 139	4 647	8 049
	%	100%	44%	30%	13%	5%	8%
Impairment	R'000	3 053	220	1 161	277	1 120	275
	%	100%	7%	38%	9%	37%	9%
SABS							
2014							
Carrying value	**R'000**	**17 991**	**10 484**	**4 613**	**1 711**	**10**	**1 173**
	%	**100%**	**58%**	**26%**	**10%**	**-**	**7%**
Impairment	**R'000**	**147**	**9**	**11**	**3**	**-**	**124**
	%	**100%**	**6%**	**7%**	**2%**	**-**	**84%**
2013							
Carrying value	R'000	9 887	7 339	2 301	907	(106)	(554)
	%	100%	74%	23%	9%	(1%)	(6%)
Impairment	R'000	11	-	1	3	-	7
	%	100%	-	9%	27%	-	64%

	GROUP		SABS	
	2014 R'000	2013 R'000	**2014 R'000**	2013 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 comprise the following:

	GROUP 2014 R'000	GROUP 2013 R'000	SABS 2014 R'000	SABS 2013 R'000
Bank balances	**22 719**	26 358	**22 702**	26 341
Short-term deposits	**148 629**	181 668	**148 629**	181 668
Money Market investments	**112 095**	66 282	**112 045**	66 231
Cash on hand	**15**	30	**3**	16
Net cash and cash equivalents used in Cash Flow Statement	**283 458**	274 338	**283 379**	274 256

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

Short-term deposits are made for varying periods between one day and three months, depending on the immediate operational cash requirements of the Group, and earn interest at the respective short-term deposit rates. The funds are available on demand and there are no restrictions placed on the funds.

The Group has opted to not have access to any overdraft facilities. If the need arises to make use of overdraft facilities the Group will obtain the necessary approvals.

The carrying value of cash and cash equivalents approximates fair value due to the short-term maturity of these instruments.

The effective interest rate of money market instruments was 5.71% at 31 March 2014 (2013: 5.56%).

	GROUP		SABS	
	2014 R'000	2013 R'000	2014 R'000	2013 R'000
20. GENERAL RESERVE				
The general reserve is build up to a maximum of 50% of one year's operational expenses to provide for aspects such as replacement of assets and other contingencies. No funds were transferred to the reserve during the year under review as it was not required.				
Opening balance	**54 282**	54 282	**54 282**	54 282
Amount transferred to general reserve	**-**	-	**-**	-
Closing balance	**54 282**	54 282	**54 282**	54 282
21. OTHER COMPONENTS OF EQUITY				
Available-for-sale reserve				
Opening balance	**30 431**	14 710	**30 431**	14 710
Gains on revaluation of available-for-sale investments	**13 878**	15 721	**13 878**	15 721
Closing balance	**44 309**	30 431	**44 309**	30 431

22. EMPLOYMENT BENEFIT OBLIGATIONS

DEFINED CONTRIBUTION PLANS

Retirement benefits are provided for through the SABS Retirement Fund to which the organisation and its employees contribute. This fund operates as a defined contribution fund and is administered in terms of the Pension Funds Act, 1956 (Act No. 24 of 1956), as amended.

POST-EMPLOYMENT HEALTHCARE BENEFIT OBLIGATION

This obligation arises as the SABS provides post-retirement medical assistance for current employees and pensioners of the SABS who are members of Bestmed or Discovery Medical Scheme and are entitled to receive a contribution subsidy from the SABS. All employees employed by the SABS before 1 September 1998 who belong to Bestmed or Discovery for at least ten years and retire after the age of 60 are entitled to a post-retirement medical subsidy. There are no plan assets for this liability.

75% of the Investment Solutions investment disclosed as part of available-for-sale investment portfolio (note 14) which amounts to R106.5 million (2013: R96.7 million) has been notionally allocated to the funding of this liability.

Valuations of these obligations are carried out annually by independent qualified actuaries. The most recent valuation was done as at 31 March 2014.

22. EMPLOYMENT BENEFIT OBLIGATIONS (CONTINUED)

Key assumptions used (expressed as weighted averages):

	2014	2013
Gross discount rate	**8.65%**	7.80%
Salary inflation	**8.25%**	8.00%
Healthcare cost inflation	**6.25%**	6.00%
Pre-retirement mortality	**SA85-90 (Light) rated down 1 year for males and females**	SA85-90L for males and females
Expected retirement age – Males and females	**60/65 years***	60/65 years*

If an eligible employee is younger than age 56, employed before 1 September 1998 and not on a medical aid at the valuation date, it is assumed that the employee will join the medical aid before retirement and will receive the post-retirement healthcare benefit. These employees were included in the liability. At the reporting date, the Group had 445 (2013: 449) pensioners and 179 (2013: 183) actives and the SABS had 393 (2013: 404) pensioners and 54 (2013: 48) actives entitled to the benefit.

* The assumed retirement age is 65 for all employees employed before 1 September 2000 and 60 for all employees employed after 1 September 2000. No allowance was made for early retirement.

The total outstanding liability amounts to R85.5 million per the valuation performed during March 2014 (2013: R88.8 million).

	GROUP		SABS	
	2014 R'000	2013 R'000	**2014 R'000**	2013 R'000
Opening balance	**88 784**	79 202	**62 116**	58 692
Provisions made	**7 594**	9 541	**4 814**	6 760
Benefits paid	**(5 563)**	(5 269)	**(4 873)**	(4 735)
Remeasurements (OCI)	**(5 300)**	5 310	**(2 104)**	1 399
Total liability	**85 515**	88 784	**59 953**	62 116
Current portion	**(5 821)**	(5 288)	**(5 105)**	(5 139)
Total non-current portion	**79 694**	83 496	**54 848**	56 977
The amount recognised in the other comprehensive income is determined as follows:				
Actuarial gain/(loss) – change in financial assumptions	**6 085**	(8 538)	**3 408**	(4 973)
Actuarial loss – change in demographic assumptions	**(123)**	-	**(45)**	-
Experience (loss)/gain	**(662)**	3 228	**(1 259)**	3 574
	5 300	(5 310)	**2 104**	(1 399)
The amount recognised in the Income Statement is determined as follows:				
Current service cost	**1 013**	938	**290**	263
Interest cost	**6 581**	6 538	**4 524**	4 786
Past service cost	**-**	993	**-**	993
Membership data error	**-**	1 072	**-**	718
	7 594	9 541	**4 814**	6 760

	GROUP		SABS	
	2014 R'000	2013 R'000	2014 R'000	2013 R'000
Present value of the obligation				
Opening balance	**88 784**	79 202	**62 116**	58 692
Current service cost	**1 013**	938	**290**	263
Interest cost	**6 581**	6 538	**4 524**	4 786
Past service cost	**-**	993	**-**	993
Membership data error	**-**	1 072	**-**	718
Benefits paid	**(5 563)**	(5 269)	**(4 873)**	(4 735)
Actuarial gain – change in financial assumptions	**(6 085)**	8 538	**(3 408)**	4 973
Actuarial loss – change in demographic assumptions	**123**	-	**45**	-
Experience gain/(loss)	**662**	(3 228)	**1 259**	(3 574)
Closing balance	**85 515**	88 784	**59 953**	62 116

SENSITIVITY ANALYSIS – POST-EMPLOYMENT HEALTHCARE BENEFIT OBLIGATION

Below are the effects on the central basis liability results when assumptions are increased or decreased on:

		GROUP		SABS	
		Liability R'000	Change in liability %	Liability R'000	Change in liability %
Healthcare cost inflation	+1%	95 730	11.9%	65 748	9.7%
	Central	85 515	-	59 953	-
	-1%	76 939	(10.0%)	54 948	(8.3%)
Discount rate	+1%	77 187	(9.7%)	55 094	(8.1%)
	Central	85 515	-	59 953	-
	-1%	95 580	11.8%	65 664	9.5%
Post-retirement mortality improvements	0.50%	88 415	3.4%	61 847	3.2%
	Central	85 515	-	59 953	-
	-0.50%	82 751	(3.2%)	58 147	(3.0%)

Five-year summary of post-employment healthcare benefit obligation are as follows:

	2014 R'000	2013 R'000	2012 R'000	2011 R'000	2010 R'000
Present value of obligation	**85 515**	88 784	79 202	74 771	72 782
Actuarial gains/(losses)	**5 300**	(5 310)	3 786	(853)	(3 213)

The contributions expected to be paid during the next reporting period is R5.8 million for the Group and R5.1 million for the SABS.

22. 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 regard 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 or losses and past service costs are recognised immediately. There are no plan assets for this liability. At the reporting date, the Group and the SABS had 466 (2013: 488) and 152 (2013: 155) employees entitled to the benefit respectively.

Key assumptions used (expressed as weighted averages):

	2014	2013
Discount rate per annum	**8.65%**	7.80%
Salary inflation	**8.25%**	8.00%
Inflation	**6.25%**	6.00%

The total outstanding liability amounts to R26.0 million per the valuation performed during March 2014 (2013: R26.2 million).

	GROUP		SABS	
	2014 R'000	2013 R'000	2014 R'000	2013 R'000
Opening balance	**26 182**	24 486	**7 800**	7 331
Provisions made	**2 790**	4 684	**884**	1 422
Benefits paid	**(2 958)**	(2 988)	**(927)**	(953)
Net liability in Statement of Financial Position	**26 014**	26 182	**7 757**	7 800
Current portion	**(3 178)**	(2 324)	**(996)**	(939)
Total non-current portion	**22 836**	23 858	**6 761**	6 861
Present value of funded obligations	**26 014**	26 182	**7 757**	7 800
The amount recognised in the Income Statement is determined as follows:				
Current service cost	**2 150**	2 188	**659**	657
Interest cost	**1 758**	2 094	**527**	633
Actuarial (loss)/gain – change in financial assumptions	**(2 350)**	3 668	**(661)**	1 045
Actuarial gain/(loss) – change in demographic assumptions	**94**	(1 210)	**26**	(356)
Experience gain/(loss)	**1 138**	(2 056)	**333**	(557)
	2 790	4 684	**884**	1 422
Present value of the obligation				
Opening balance	**26 182**	24 486	**7 800**	7 331
Current service cost	**2 150**	2 188	**659**	657
Interest cost	**1 758**	2 094	**527**	633
Actuarial (loss)/gain – change in financial assumptions	**(2 350)**	3 668	**(661)**	1 045
Actuarial gain/(loss) – change in demographic assumptions	**94**	(1 210)	**26**	(356)
Experience gain/(loss)	**1 138**	(2 056)	**333**	(557)
Benefits paid	**(2 958)**	(2 988)	**(927)**	(953)
Closing balance	**26 014**	26 182	**7 757**	7 800

SENSITIVITY ANALYSIS – LONG SERVICE LEAVE AWARD OBLIGATION

Below are the effects on the central basis liability results when the assumptions are increased and decreased by:

		GROUP		SABS	
		Liability R'000	Change in liability %	Liability R'000	Change in liability %
Discount rate	+1%	24 580	(5.5%)	7 347	(5.3%)
	Central	26 014	-	7 757	-
	-1%	27 608	6.1%	8 211	5.9%
Salary inflation	+1%	27 671	6.4%	8 227	6.1%
	Central	26 014	-	7 757	-
	-1%	24 497	(5.8%)	7 325	(5.6%)
Expected retirement age	+1 year	27 583	6.0%	8 309	7.1%
	Central	26 014	-	7 757	-
	-1 year	24 455	(6.0%)	7 223	(6.9%)

Five-year summary of long service leave awards are as follows:

	2014 R'000	2013 R'000	2012 R'000	2011 R'000	2010 R'000
Present value of obligation	**26 014**	26 182	24 985	19 612	20 941
Actuarial gains/(losses)	**(1 118)**	402	3 176	(3 053)	(1 432)

23. DEFERRED INCOME

	GROUP		SABS	
	2014 R'000	2013 R'000	2014 R'000	2013 R'000
Opening balance – Plant and equipment	**306 194**	247 541	**275 386**	237 347
Recognised in deferred income (Refer to note 3)	**(11 597)**	(6 846)	**(7 301)**	(4 067)
Recognised in other income	**(811)**	-	**-**	-
Grants received to be recognised in future accounting periods	**-**	65 499	**-**	42 106
Closing balance	**293 786**	306 194	**268 085**	275 386
Less: Deferred grant income to be recognised in the following year:				
Plant and equipment	**(10 206)**	(7 595)	**(5 729)**	(5 649)
	283 580	298 599	**262 356**	269 737
Non-current portion	**283 580**	298 599	**262 356**	269 737
Current portion	**10 206**	7 595	**5 729**	5 649
	293 786	306 194	**268 085**	275 386

The SABS received funds from Government earmarked specifically and exclusively for the acquisition of certain assets.

23. DEFERRED INCOME (CONTINUED)

The funds are treated as deferred income over the useful life of the assets. All assets brought into use are kept in working condition and maintained regularly.

The useful life of the relevant assets are:

	Years
Bio fuel	5
NETFA encapsulated sphere	5
GCS rabit automation	5
Laboratories (investment property)	30
Set top boxes project	3–10

	GROUP		SABS	
	2014 R'000	2013 R'000	2014 R'000	2013 R'000
24. TRADE AND OTHER PAYABLES				
Trade payables	**120 443**	130 483	**57 802**	46 006
Other payables				
Salary deductions	**6 764**	11 277	**3 012**	4 354
	127 207	141 760	**60 814**	50 360

The carrying amount of trade and other payables approximates their fair value. Trade payables are normally settled on average 45 days from invoice date and bear no interest.

25. VAT LIABILITY

March 2014 VAT to be paid over to SARS	**5 365**	3 139	**770**	886

26. NOTES TO CASH FLOW STATEMENTS

26.1 RECONCILIATION OF (LOSS)/PROFIT BEFORE TAXATION AND INTEREST TO CASH (UTILISED BY)/ GENERATED FROM OPERATIONS

	GROUP 2014 R'000	GROUP 2013 R'000	SABS 2014 R'000	SABS 2013 R'000
(Loss)/profit before interest and taxation from continuing operations	**(1 840)**	4 566	**(20 110)**	(23 481)
Loss before taxation from discontinued operations	**(19)**	(121)	**-**	-
(Loss)/profit before interest and taxation	**(1 859)**	4 445	**(20 110)**	(23 481)
Adjustments for:	**37 961**	(25 107)	**12 043**	1 568
Depreciation on property, plant and equipment	**35 368**	32 668	**10 679**	8 505
Depreciation on investment properties	**431**	431	**7 021**	6 931
Plant and equipment related government grants amortised	**(11 597)**	(6 846)	**(7 301)**	(4 067)
Amortisation of intangible assets	**6 389**	3 597	**621**	3 353
Loss on disposal of property, plant and equipment	**2 233**	685	**361**	57
Discontinued operations	**1 163**	(1 023)	**-**	-
Provision for employment benefit obligations	**10 384**	14 225	**5 698**	8 182
Employment benefits paid from provision	**(8 521)**	(8 257)	**(5 800)**	(5 688)
Recognition of actuarial gains	**-**	2 445	**-**	7 902
Non-current assets held for sale	**(1 144)**	1 144	**-**	-
Increase in impairment of loan in subsidiary	**-**	-	**-**	18 431
Increase/(decrease) in impairment of trade receivables	**2 627**	1 042	**136**	(6)
Expense transferred out of work-in-progress	**628**	207	**628**	-
Impairment of investment	**-**	74	**-**	74
Government grant funding for infrastructure project	**-**	(42 106)	**-**	(42 106)
Funding for government specific projects	**-**	(23 393)	**-**	-
Operating cash flows before working capital changes	**36 102**	(20 662)	**(8 067)**	(21 913)
Changes in working capital	**(37 859)**	51 805	**1 252**	45 342
(Increase)/decrease in inventory	**(847)**	36	**(847)**	36
(Increase)/decrease in trade and other receivables	**(23 874)**	(37 218)	**(8 239)**	(4 244)
(Decrease)/increase in asset related government grants	**(811)**	65 499	**-**	42 106
(Decrease)/increase in trade and other payables	**(14 553)**	29 153	**10 454**	9 809
Increase/(decrease) in vat liability	**2 226**	(5 665)	**(116)**	(2 365)
Cash (utilised by)/generated from operations	**(1 757)**	31 143	**(6 815)**	23 429

26.2 PROCEEDS ON DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT

	GROUP 2014 R'000	GROUP 2013 R'000	SABS 2014 R'000	SABS 2013 R'000
Carrying value of disposals	**2 533**	1 055	**658**	57
Net loss on disposal	**(2 233)**	(685)	**(361)**	(57)
	300	370	**297**	-

	GROUP		SABS	
	2014 R'000	2013 R'000	2014 R'000	2013 R'000
27. COMMITMENTS				
Capital commitments				
Commitments for the acquisition of property, plant and equipment				
Contracted	**29 025**	33 749	**7 529**	11 561
Capital projects approved in respect of which orders will be placed	**295 130**	185 408	**252 949**	131 756
Capital commitments are funded through internally generated funds and grants received specifically and exclusively for that purpose				
Operating lease commitments – the Group as lessee				
The future minimum payments payable under non-cancellable operating leases are as follows:				
Buildings	**5 583**	3 919	**-**	-
Up to one year	**2 918**	1 118	**-**	-
One to five years	**2 666**	2 801	**-**	-
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 9% (2013: 6.75%).				
Other equipment	**2 035**	2 608	**669**	2 150
Up to one year	**1 183**	1 004	**427**	992
One to five years	**852**	1 604	**242**	1 158
Total	**7 618**	6 527	**669**	2 150

28. FINANCIAL RISK MANAGEMENT

28.1 FOREIGN CURRENCY RISK MANAGEMENT

Foreign currency exposures arise from the sale and purchase of standards from overseas clients and purchase of capital equipment, consumables and airfare costs. 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 2014 (2013: 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.

Foreign currency	GROUP 2014 Foreign amount '000	2013 Foreign amount '000
British Pounds	**7**	10
United States Dollar	**9**	13
Euro	**14**	94
Swiss Franc	**11**	26

Foreign currency sensitivity

The impact of the Group's exposure to foreign currency is not material.

28.2 INTEREST RATE RISK MANAGEMENT

The Group is exposed to interest rate risk as it places funds in the money market floating interest rates apply. Interest rate risk is managed through effective cash management. The net interest income at 31 March 2014 was R23.2 million (2013: R24.6 million).

The exposure of financial assets to interest rate risk is as follows:

	2014			2013		
	Interest bearing financial assets	Non-interest bearing financial assets		Interest bearing financial assets	Non-interest bearing financial assets	
GROUP	Floating rate R'000	Other R'000	Total R'000	Floating rate R'000	Other R'000	Total R'000
Cash and cash equivalents	**283 458**	-	**283 458**	274 338	-	274 338
Trade and other receivables	-	**117 707**	**117 707**	-	96 460	96 460
Available-for sale investments current portion	-	-	-	58 288	-	58 288
Financial asset exposure to interest rate risk	**283 458**	**117 707**	**401 165**	332 626	96 460	429 086
SABS						
Cash and cash equivalents	**283 379**	-	**283 379**	274 256	-	274 256
Trade and other receivables	-	**17 990**	**17 990**	-	9 887	9 887
Available-for sale investments current portion	-	-	-	58 288	-	58 288
Financial asset exposure to interest rate risk	**283 379**	**17 990**	**301 369**	332 544	9 887	342 431

28. FINANCIAL RISK MANAGEMENT (CONTINUED)

The exposure of the financial liabilities to interest rate risk is as follows:

	2014			2013		
	Interest bearing financial assets	Non-interest bearing financial assets		Interest bearing financial assets	Non-interest bearing financial assets	
GROUP	Floating rate R'000	Other R'000	Total R'000	Floating rate R'000	Other R'000	Total R'000
Trade and other payables	-	127 207	127 207	-	141 760	141 760
SABS						
Trade and other payables	-	60 814	60 814	-	50 360	50 360

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:

GROUP	Within 1 month R'000	1-3 months R'000	3-12 months R'000	1-5 years R'000	Total R'000
2014					
Financial assets					
Loans and receivables					
Trade and other receivables	117 707	-	-	-	117 707
Cash and cash equivalents	283 458	-	-	-	283 458
Available-for-sale investments					
Other financial assets	-	-	-	305 054	305 054
Financial liabilities					
Trade and other payables	114 486	12 721	-	-	127 207
2013					
Financial assets					
Loans and receivables					
Trade and other receivables	96 460	-	-	-	96 460
Cash and cash equivalents	274 338	-	-	-	274 338
Available-for-sale investments					
Other financial assets	-	-	58 288	277 784	336 072
Financial liabilities					
Financial liabilities amortised at cost					
Trade and other payables	66 483	75 277	-	-	141 760

SABS	Within 1 month R'000	1-3 months R'000	3-12 months R'000	1-5 years R'000	Total R'000
2014					
Financial assets					
Loans and receivables					
Trade and other receivables	**17 990**	**-**	**-**	**-**	**17 990**
Cash and cash equivalents	**283 379**	**-**	**-**	**-**	**283 379**
Available-for-sale investments					
Other financial assets	**-**	**-**	**-**	**305 054**	**305 054**
Financial liabilities					
Trade and other payables	**54 733**	**6 081**	**-**	**-**	**60 814**
2013					
Financial assets					
Loans and receivables					
Trade and other receivables	9 887	-	-	-	9 887
Cash and cash equivalents	274 256	-	-	-	274 256
Available-for-sale investments					
Other financial assets	-	-	58 288	277 784	336 072
Financial liabilities					
Financial liabilities amortised at cost					
Trade and other payables	9 302	41 058	-	-	50 360

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 and exposure is limited to no more than 30% at each counterparty. Credit quality of a customer is assessed based on a credit assessment report and individual credit limits are based upon the financial history of the customer as provided in these reports and any previous financial data held by the company. Customers with any relevant adverse financial history are not afforded a credit facility and need to pay on a cash only basis.

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 2014, the Group did not have any significant concentration of credit risk which had not been insured or adequately provided for.

The maximum exposure to credit risk is as follows:

	GROUP		SABS	
	2014 R'000	2013 R'000	2014 R'000	2013 R'000
Cash and cash equivalents	**283 458**	274 338	**283 379**	274 256
Trade and other receivables	**117 707**	96 460	**17 990**	9 887
	401 165	370 798	**301 369**	284 143

28. FINANCIAL RISK MANAGEMENT (CONTINUED)

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

	GROUP		SABS	
	2014 %	2013 %	2014 %	2013 %
South Africa	**92.0**	91.0	**100.0**	100.0
Other	**8.0**	9.0	**-**	-
Total	**100.0**	100.0	**100.0**	100.0

28.5 EQUITY PRICE RISK

The SABS investments are invested per the approved investment policy of the Group. The approved investment managers report to the Investment Committee of the Board on a quarterly basis on the performance of the investments. The Group's Investment Committee approved the choice of investment managers who are given a specific mandate.

28.6 FAIR VALUE OF FINANCIAL INSTRUMENTS

The comparison by class of the carrying amounts and fair value of the Group's financial instruments that are carried in the Financial Statements is set out below:

	Carrying amount		Estimated fair value	
	2014 R'000	2013 R'000	2014 R'000	2013 R'000
GROUP				
Financial assets				
Trade and other receivables	**117 707**	96 460	**117 707**	96 460
Available-for-sale investments	**305 054**	336 072	**305 054**	336 072
Cash and short-term deposits	**283 458**	274 338	**283 458**	274 338
	706 219	706 870	**706 219**	706 870
Financial liabilities				
Trade and other payables	**127 207**	141 760	**127 207**	141 760
SABS				
Financial assets				
Trade and other receivables	**17 990**	9 887	**17 990**	9 887
Available-for-sale investments	**305 054**	336 072	**305 054**	336 072
Cash and short-term deposits	**283 379**	274 256	**283 379**	274 256
	606 423	620 215	**606 423**	620 215
Financial liabilities				
Trade and other payables	**60 814**	50 360	**60 814**	50 360

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 2014 the carrying amounts of cash and short-term deposits, trade receivables, investments, trade payables 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

Interest bearing debt is measured at amortised cost using the effective interest rate method. The carrying amounts of interest bearing debt approximate their fair values.

Available-for-sale financial assets

For financial assets which are traded on an active market, such as listed investments, fair value is determined by reference to market value. For non-traded financial liabilities, fair value is calculated using discounted cash flows, considered to be reasonable and consistent with those that would be used by a market participant, unless carrying value is considered to approximate fair value.

Fair value hierarchy

The Group used the following hierarchy for determining and disclosing the fair value of the financial instruments by valuation technique:

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: Techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data

As at 31 March 2014, the Group held the following financial instruments measured at fair value:

GROUP	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total R'000
2014				
Available-for-sale financial assets – Equities and bonds	**305 054**	**-**	**-**	**305 054**
2013				
Available-for-sale financial assets – Equities and bonds	336 072	-	-	336 072
SABS				
2014				
Available-for-sale financial assets – Equities and bonds	**305 054**	**-**	**-**	**305 054**
2013				
Available-for-sale financial assets – Equities and bonds	336 072	-	-	336 072

There were no transfers between level 1 and level 2 in the year ended 31 March 2014 (2013: None).

28. FINANCIAL RISK MANAGEMENT (CONTINUED)

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.

	GROUP		SABS	
	2014 R'000	2013 R'000	2014 R'000	2013 R'000
Trade and other payables	**(127 207)**	(141 760)	**(60 814)**	(50 360)
Cash and cash equivalents	**283 458**	274 338	**283 379**	274 256
	156 251	132 578	**222 565**	223 896
Equity	**560 899**	519 997	**492 475**	473 418

The Group's cash reserves are sufficient to cover all debt.

29. RELATED PARTY DISCLOSURE

National Government and state controlled entities

The Group is controlled by the SABS (incorporated in South Africa under section 2 of the Standards Act, 1945 which was superseded by the Standards Act, 1993 (Act No. 29 of 1993) and subsequently superseded by the Standards Act, 2008 (Act No. 8 of 2008)) which reports to **the dti**.

Principle related parties

Related party	Country of incorporation	Nature of relationship
SABS Commercial SOC Ltd	South Africa	Subsidiary
GCS Namibia (Pty) Ltd	Namibia	Subsidiary

The SABS is presumed to be related to all other government entities within the national sphere by virtue of its classification as a national public entity. However, only transactions carried out within the ambit of **the dti** and transactions not carried out on normal terms are disclosed.

The following transactions were carried out with related parties:

29.1 PURCHASES FROM RELATED PARTIES

	2014				2013			
	GROUP		SABS		GROUP		SABS	
	Purchases R'000	Balance outstanding R'000	Purchases R'000	Balance outstanding R'000	Purchases R'000	Balance outstanding R'000	Purchases R'000	Balance outstanding R'000
National Regulator for Compulsory Specifications	116	4	53	-	242	-	190	-
National Metrology Institute of South Africa	163	3	-	-	-	-	-	-
South African National Accreditations System	1 472	-	32	-	-	-	-	-
	1 751	**7**	**85**	**-**	**242**	**-**	**190**	**-**

29.2 SALES TO RELATED PARTIES

	2014				2013			
	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
GROUP								
National Regulator for Compulsory Specifications	13 343	-	-	2 629	12 733	-	-	1 672
National Metrology Institute of South Africa	40	-	-	5	-		-	-
South African National Accreditations System	181	-	-	11	54	-	-	(2)
Department of Trade and Industry	296	-	-	296	-	-	-	-
	13 860	**-**	**-**	**2 941**	**12 787**	**-**	**-**	**1 670**
SABS								
SABS Commercial SOC Ltd	80 596	-	-	-	80 445	-	-	-
National Metrology Institute of South Africa	16	-	-	1	-		-	-
National Regulator for Compulsory Specifications	8 567	-	-	1 296	9 526	-	-	1 732
South African National Accreditations system	173	-	-	3	54	-	-	(2)
	89 352	**-**	**-**	**1 300**	**90 025**	**-**	**-**	**1 730**

	SABS	
	2014 R'000	2013 R'000
29.3 LOANS RECEIVABLE FROM RELATED PARTIES – SABS		
SABS Commercial SOC Ltd	**35 495**	-
GCS Namibia (Pty) Ltd	**44**	62
Net loan receivable from Group companies	**35 539**	62
29.4 OTHER GROUP TRANSACTIONS – INCOME		
Royalties receivable	**9 541**	9 362
Rental of assets	**-**	3

29. RELATED PARTY DISCLOSURE (CONTINUED)

29.5 KEY MANAGEMENT PERSONNEL COMPENSATION

The following emoluments were paid to the Board members:

2014	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	
GROUP							
Executive							
B Mehlomakulu (CEO)	-	2 003	786	131	-	2 920	
Non-executive							
CB Sibisi	164	-	-	-	-	164	
T Demana	-	-	-	-	-	-	1
W Poulton	113	-	-	-	-	113	
B Mosako	151	-	-	-	-	151	
MJ Ellman	126	-	-	-	-	126	
WK Masvikwa	105	-	-	-	-	105	
JR Oliphant	1	-	-	-	-	1	2
VK Klein	103	-	-	-	-	103	3
GP Harris	108	-	-	-	-	108	3
	871	2 003	786	131	-	3 791	

1. Treasury guideline – Employees of national, provincial and local government or agencies and entities of government serving on boards of public entities are not entitled to additional remuneration.
2. Resigned 28 January 2014.
3. Appointed 1 May 2013.

2014	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	
SABS							
Executive							
B Mehlomakulu (CEO)	-	2 003	786	131	-	2 920	
Non-executive							
CB Sibisi	131	-	-	-	-	131	
T Demana	-	-	-	-	-	-	1
W Poulton	89	-	-	-	-	89	
B Mosako	133	-	-	-	-	133	
MJ Ellman	102	-	-	-	-	102	
WK Masvikwa	87	-	-	-	-	87	
JR Oliphant	1	-	-	-	-	1	2
VK Klein	85	-	-	-	-	85	3
GP Harris	84	-	-	-	-	84	3
	712	2 003	786	131	-	3 632	

1. Treasury guideline – Employees of national, provincial and local government or agencies and entities of government serving on boards of public entities are not entitled to additional remuneration.
2. Resigned 28 January 2014.
3. Appointed 1 May 2013.

2013	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
GROUP						
Executive						
B Mehlomakulu (CEO)	-	1 868	553	196	-	2 617
Non-executive						
CB Sibisi	158	-	-	-	-	158
T Demana	-	-	-	-	-	- [1]
W Poulton	75	-	-	-	-	75
B Mosako	115	-	-	-	-	115
MJ Ellman	107	-	-	-	-	107
WK Masvikwa	110	-	-	-	-	110
ME Mkwanazi	4	-	-	-	-	4
JR Oliphant	4	-	-	-	-	4
	573	1 868	553	196	-	3 190

1. Treasury guideline – Employees of national, provincial and local government or agencies and entities of government serving on boards of public entities are not entitled to additional remuneration.

2013	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
SABS						
Executive						
B Mehlomakulu (CEO)	-	1 868	553	196	-	2 617
Non-executive						
CB Sibisi	128	-	-	-	-	128
T Demana	-	-	-	-	-	- [1]
W Poulton	58	-	-	-	-	58
B Mosako	93	-	-	-	-	93
MJ Ellman	91	-	-	-	-	91
WK Masvikwa	88	-	-	-	-	88
ME Mkwanazi	4	-	-	-	-	4
JR Oliphant	4	-	-	-	-	4
	466	1 868	553	196	-	3 083

1. Treasury guideline – Employees of national, provincial and local government or agencies and entities of government serving on boards of public entities are not entitled to additional remuneration.

29. RELATED PARTY DISCLOSURE (CONTINUED)

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

2014	Salary fees R'000	Bonus/ performance payments R'000	Retirement and medical fund R'000	Other R'000	Total R'000	
SABS						
Executive management						
EE Lefteris (CFO)	1 553	500	146	-	2 199	
M Mathibe (Human Capital Development)	1 393	431	91	-	1 915	
Dr S Bissoon (Standards)	1 295	421	176	-	1 892	
SL Maluleke (Corporate Services)	530	-	72	-	602	1
W de Witt (Company Secretary)	854	110	99	-	1 063	
B Mona (Senior Audit Manager)	929	130	61	-	1 120	
	6 554	1 592	645	-	8 791	
Subsidiary						
LS Ratlabala	163	-	-	117	280	2
F Makamo	1 575	320	220	24	2 139	3
H Williams	185	-	23	21	229	4
KJ Temba	228	-	30	-	258	5
	8 705	1 912	918	162	11 697	

1. Appointed 1 November 2013
2. Resigned 7 May 2013
3. Acting Executive: Certification contract ended 30 April 2013, appointed 1 May 2013
4. Acting Executive: Testing and Inspection ended 31 May 2013
5. Appointed 1 February 2014

2013	Salary fees R'000	Bonus/ performance payments R'000	Retirement and medical fund R'000	Other R'000	Total R'000	
SABS						
Executive management						
EE Lefteris (CFO)	1 446	195	218	-	1 859	
M Mathibe (Human Capital Development)	1 297	266	136	-	1 699	
Dr S Bissoon (Standards)	1 210	237	230	53	1 730	
W de Witt (Company Secretary)	804	146	125	-	1 075	
B Mona (Senior Audit Manager)	865	146	91	18	1 120	
	5 622	990	800	71	7 483	
Subsidiary						
LS Ratlabala	1 584	309	-	-	1 893	
F Makamo	245	-	-	27	272	1
H Williams	534	-	45	60	639	2
	7 985	1 299	845	158	10 287	

1. Acting Executive: Certification from 16 January 2013
2. Acting Executive: Testing and Inspection from 9 October 2012

29.6 GOVERNMENT GRANTS

	GROUP		SABS	
	2014 R'000	2013 R'000	2014 R'000	2013 R'000
Received from Department of Trade and Industry				
- Government grants	**179 795**	163 096	**179 795**	163 096
- Funding for infrastructure project	**-**	42 106	**-**	42 106
	179 795	205 202	**179 795**	205 202
Received from Department of Communications				
- Funding for set top boxes project	**-**	23 393	**-**	-
	179 795	228 595	**179 795**	205 202

Infrastructure project funds have been earmarked specifically and exclusively for that purpose.

30. CONTINGENT LIABILITIES

	GROUP		SABS	
	2014 R'000	2013 R'000	2014 R'000	2013 R'000
Third parties in respect of services rendered [1]	**9 715**	9 419	**8 948**	7 448

1. The litigations are partly due to alleged negligence in testing products and the remainder due to disputed interpretation of contract terms.

31. FRUITLESS AND WASTEFUL EXPENDITURE

The SABS is committed to using its funds in a responsible manner. Corrective action is taken where situations lead to fruitless and wasteful expenditure.

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

Expenses to the value of R43 025 have been incurred relating to interest charged on delayed payments to municipal and telecommunication companies. The amount is not recoverable.

The Group incurred penalties to SARS amounting to R288 130 relating to the overstatement of input VAT on the municipal accounts. The interest was accounted for in the previous financial year.

The Group incurred administration surcharge on one of its lease agreements amounting to R10 131 during the year under review. These charges were incurred before the lease agreement terms were changed and is not recoverable.

32. RESTATEMENT OF PRIOR YEAR RESULTS AND FINANCIAL POSITION

32.1 CAPITALISATION OF DOSIMETERS

During the year under review the Group amended its policy to capitalise dosimeters. The dosimeters were directly expensed to the Income Statement in the previous years. The impact of the capitalisation is an increase of R5.8 million in property, plant and equipment. The opening retained earnings increased by R5.8 million (2012: R3.1 million) and the profit for 2013 increased by R5.3 million (2012: R3.1 million).

32.2 UNDERSTATEMENT OF INPUT VAT ON RENNIES TRAVEL

The input VAT on Rennies' invoices since the Group started to use the travel agency (2012) have been recalculated and corrected against the VAT and travel expense account. The prior year results have been restated to account for this. The profit for 2013 increased by R0.2 million.

32. RESTATEMENT OF PRIOR YEAR RESULTS AND FINANCIAL POSITION (CONTINUED)

32.3 APPLYING IAS 19 – EMPLOYEE BENEFITS

The Group applied the revised IAS19 retrospectively in the current period. The opening Statement of Financial Position of the earliest comparative period presented have been restated and comparative figures have been restated accordingly. The Group had unrecognised actuarial losses of R2.4 million in 2012 and R7.9 million in 2013 (SABS: R7.9 million in 2012 and R9.1 million in 2013). An amount of R4.6 million for the Group and R9.4 million for the SABS was recognised in the Income Statement in 2013. Other comprehensive income was adjusted by R5.3 million for the Group and R1.4 million for the SABS in 2013. Past service cost of R1.0 million was also recognised in equity.

32.4 FOREIGN CURRENCY TRANSLATIONS

Foreign currency transactions on sales orders are translated on purchase order date and not invoice date. The impact of the translation differences were calculated and adjusted and increased the revenue by R0.9 million. The expenses were increased with the same amount.

32.5 IMPACT OF RESTATEMENTS ON PREVIOUSLY DISCLOSED RESULTS AND FINANCIAL POSITION

The effect of the above on the financial statements is as follows:

	GROUP 2013 R'000	SABS 2013 R'000
Accumulated profit at the beginning of the year		
Balance as previously reported	410 489	389 024
Adjustments to opening accumulated profit	3 065	-
Capitalisation of dosimeters	3 411	-
Taxation	(346)	-
Adjusted accumulated profit at the beginning of the year	413 554	389 024
Accumulated profit at the end of the year		
Balance as previously reported	440 624	399 514
Adjustments to opening accumulated profit	3 065	-
Net adjustments to profit	(4 115)	(9 410)
Overstatement of travel charges due to understatement input VAT	159	-
Capitalisation of dosimeters	2 433	-
Applying IAS 19 – Employee benefits	(4 648)	(9 410)
Taxation	(2 059)	-
Closing balance restated	439 574	390 104

	GROUP			SABS		
	Previously reported R'000	Adjustment R'000	Restated results R'000	Previously reported R'000	Adjustment R'000	Restated results R'000
2013 Income Statements						
Continuing operations						
External revenue	484 918	906	485 824	64 536	-	64 536
Other income	31 344	-	31 344	108 260	-	108 260
Government grants	163 096	-	163 096	163 096	-	163 096
	679 358	906	680 264	335 892	-	335 892
Employee benefit expenditure	(387 444)	(2 203)	(389 647)	(145 556)	(1 508)	(147 064)
Depreciation	(31 431)	(1 237)	(32 668)	(8 505)	-	(8 505)
Contract services	(51 503)	13	(51 490)	(27 030)	-	(27 030)
Travel expenditure	(34 534)	92	(34 442)	(7 829)	-	(7 829)
Advertising expenditure	(16 721)	-	(16 721)	(7 740)	-	(7 740)
Repairs and maintenance expenditure	(11 007)	2	(11 005)	(6 406)	-	(6 406)
Consulting and technical fees	(19 603)	(39)	(19 642)	(8 194)	-	(8 194)
Other expenditure	(120 493)	410	(120 083)	(138 703)	(7 902)	(146 605)
Operating profit	6 622	(2 056)	4 566	(14 071)	(9 410)	(23 481)
Finance revenue	25 370	-	25 370	25 369	-	25 369
Finance cost	(846)	-	(846)	(808)	-	(808)
Net profit for the year before taxation	31 146	(2 056)	29 090	10 490	(9 410)	1 080
Taxation	133	(2 059)	(1 926)	-	-	-
Net profit for the year	31 279	(4 115)	27 164	10 490	(9 410)	1 080
Discontinued operations						
Loss for the year from discontinued operations	(121)	-	(121)	-	-	-
Profit for the year	31 158	(4 115)	27 043	10 490	(9 410)	1 080

32. RESTATEMENT OF PRIOR YEAR RESULTS AND FINANCIAL POSITION (CONTINUED)

	GROUP			SABS		
	Previously reported R'000	Adjustment R'000	Restated results R'000	Previously reported R'000	Adjustment R'000	Restated results R'000
2013 Statements of Financial Position						
ASSETS						
Non-current assets	651 419	3 439	654 858	526 381	-	526 381
Property, plant and equipment	326 083	5 844	331 927	58 657	-	58 657
Investment properties	10 035	-	10 035	188 733	-	188 733
Intangible assets	14 652	-	14 652	1 206	-	1 206
Investment in subsidiaries	-	-	-	1	-	1
Available-for-sale investments	277 784	-	277 784	277 784	-	277 784
Deferred taxation	22 865	(2 405)	20 460	-	-	-
Current assets	430 178	-	430 178	343 585	-	343 585
Inventory	1 092	-	1 092	1 092	-	1 092
Trade and other receivables	96 460	-	96 460	9 887	-	9 887
Loans to group companies	-	-	-	62	-	62
Available-for-sale investments	58 288	-	58 288	58 288	-	58 288
Cash and cash equivalents	274 338	-	274 338	274 256	-	274 256
Assets of disposal group classified as held for sale	1 167	-	1 167	-	-	-
Total assets	1 082 764	3 439	1 086 203	869 966	-	869 966
EQUITY AND LIABILITIES						
Equity and reserves	526 357	(6 360)	519 997	484 227	(10 809)	473 418
General reserve	54 282	-	54 282	54 282	-	54 282
Other components of equity	30 431	(5 310)	25 121	30 431	(1 399)	29 032
Accumulated profit	440 624	(1 050)	439 574	399 514	(9 410)	390 104
Reserves of disposal group classified as held for sale	1 020	-	1 020	-	-	-
Non-current liabilities	395 995	9 958	405 953	322 766	10 809	333 575
Employment benefit obligations	97 396	9 958	107 354	53 029	10 809	63 838
Deferred income	298 599	-	298 599	269 737	-	269 737
Current liabilities	160 265	(159)	160 106	62 973	-	62 973
Deferred income	7 595	-	7 595	5 649	-	5 649
Trade and other payables	141 760	-	141 760	50 360	-	50 360
Employment benefit obligations	7 612	-	7 612	6 078	-	6 078
Vat liability	3 298	(159)	3 139	886	-	886
Liabilities of disposal group classified as held for sale	147	-	147	-	-	-
Total equity and liabilities	1 082 764	3 439	1 086 203	869 966	-	869 966


GERSTEL
MPS
SABS

List of abbreviations

AFSEC	African Electrotechnical Standardisation Committee
ARSO	African Regional Standards Organisation
BBBEE	Broad-Based Black Economic Empowerment
BCM	Business Continuity Management
CPA	Consumer Protection Act
DoL	Department of Labour
DRP	Disaster Recovery Plan
DST	Department of Science and Technology
ECSA	Engineering Council of Southern Africa
EE	Employment Equity
EME	Exempted Micro-enterprise
EVP	Employee Value Proposition
EWP	Employee Wellness Programme
GCS	Global Conformity Services
GP	General Practitioner
GRI	Global Reporting Initiative
HC	Human Capital
HR	Human Resource
HSE	Health, Safety and Environment
ICAS	Independent Counselling and Advisory Services
ICT	Information Communication Technology
IEC	International Electrotechnical Commission
IFRS	International Financial Reporting Standards
IMR	Initial Medical Report
IPAP	Industrial Policy Action Plan
ISO	International Organization for Standardization
King III	King Report on Governance for South Africa and the King Code of Governance Principles
LIMS	Laboratory Information Management System
LTIFR	Lost Time Injury Incident Frequency Rate
MDWT	Mission Directed Work Team
MIIFR	Minor Injury Incident Frequency Rate
NDP	National Development Plan
NEHAWU	National Education, Health and Allied Workers' Union
NGP	New Growth Path
NIPF	National Industry Policy Framework
NRCS	National Regulator for Compulsory Specifications
NSI	National System of Innovation
OHC	Occupational Health Practitioner
PAA	Public Audit Act
PFMA	Public Finance Management Act
PRP	Prerequisite Programme
QSE	Qualifying Small Enterprise
RvA	Raad voor Accreditatie
SA GAAP	South African Statements of Generally Accepted Accounting Practice
SABS	South African Bureau of Standards
SADCSTAN	Southern Africa Development Community Co-operation on Standardisation
SANAS	South African National Accreditation System
SANS	South African National Standards
Seda	Small Enterprise Development Agency
SIP	Strategic Infrastructure Programmes
SMC	Standards Management Committee
SMME	Small, Medium and Micro Enterprise
SOC	State Owned Company
SQAM	Standards, Quality, Accreditation and Metrology
the dti	The Department of Trade and Industry
TIA	Technology Innovation Agency
TLIU	Technology Localisation Implementation Unit
WCC	Workman's Compensation Commissioner
WCL	Workman's Compensation Letter

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