



PROMOTING
AN INCLUSIVE
ECONOMY

SHABS
APPROVED

INTEGRATED REPORT 2014/15



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PROMOTING AN INCLUSIVE ECONOMY IN ACTION



**THE NEXT
GENERATION
INDUSTRIALISTS**

**CATALYSING A
TRANSFORMED
ECONOMY**

SABS Design Institute

PROMOTING AN INCLUSIVE ECONOMY IN ACTION



SPECIAL HIGHLIGHT OF THE CEO'S FIRST TERM IN OFFICE



During the year under review we hosted the country's first Next Generation Industrialists Fair, showcasing 70 new products and services developed and underpinned by our own youth entrepreneurial business model. For decades, the SABS has enabled the South African economy through standards and related quality assurance services, a valuable contribution that has afforded the SABS close association with the manufacturing and fabrication sectors.

With the challenges of diminishing local manufacturing outputs, youth unemployment and limited opportunities for sustainable job creation, we saw it fit to leverage the technical base of the SABS and reposition the SABS Design Institute to play a role in creating a pipeline of future industrialists.

The SABS Board approved the repositioning strategy for the SABS Design Institute (DI) in 2012. We went out to look for a like-minded leader to bring the vision to life. It is with great pride that we continue to observe our Design Institute achieve recognition and accolades for the impact they have had in a short space of time. We have redefined the landscape by reshaping youth entrepreneurship, innovation, SMME development and supplier development models.



"DESIGN IS A CRUCIAL FACTOR IN MANUFACTURING SUCCESS.



In a continent that seeks to industrialise, and in a world with an increasing and more critical consumer base, South African design must stand out as a positive stamp of respect for locally designed products. I fully support this excellent initiative and I will follow the progress of the SABS Design Institute as it embarks on its journey to become a meaningful element in South Africa's manufacturing landscape." *(Dr Rob Davies, Minister of Trade and Industry, page 3 of the SABS Design Institute supplement in the Forbes Africa magazine, May 2015)*



Personal electronic devices tend to run out of power just when they're needed. Aeon's range of products uses a free energy source – the radio waves produced by cellphone towers – to harvest energy from the air around us, and charge devices on the go.

Free electronic charging SHALTON MOTHWA

STATUS: PROTOTYPE
CLIENT: TIA

AEON
free energy remote control

STEERING INDUSTRIALISATION THROUGH DESIGN

The challenges facing South Africa, in fostering sustained economic growth, is in the creation of new platforms for manufacturing and industrialisation. This makes it almost impossible to address the national priorities of job creation, poverty alleviation and skills development.

This is where design begins to play a role – it is the organising principle of turning intent into action through fostering a trans-disciplinary design approach that steers industrialisation. Design is the catalyst needed to activate the successful execution of the different national plans and systems and to increase all elements of the nation's competitiveness.

In response to the country's need to translate new ideas, research output and invention into sustainable economic opportunities and market successes, the SABS Design Institute has redirected its strategic direction to actively build national design capability to promote growth in the economy.

Omesan created a brand new Ipad application that gives instant results for the most common laboratory experiments. This replaces expensive equipment and cuts the time for test results from weeks to seconds.

Omesan's company, Quantify Lab Pixels, won the DST TT100 Award for Excellence in Technology Promotion at the 2014 TT100 (Technology Top 100) Awards.

Speeding up lab testing OMESAN NAIR

STATUS: EARLY SALES
CLIENT: TIA



**QUANTIFY
LAB
PIXELS**

"SABS DESIGN INSTITUTE--TURNING THE TIDE

Manufacturing is central to national growth and job creation in the broader economy. However, its contribution to GDP has declined steadily over a number of years. In order to turn the tide, new sectors and products need to be developed to broaden the export market options. Design plays a pivotal role, as it offers a competitive edge. *(Ms Joan Fubbs, Chairperson: Parliamentary Portfolio Committee on Trade and Industry, page 4 of the SABS Design Institute supplement in the Forbes Africa magazine, May 2015)*



MAKING IDEAS HAPPEN

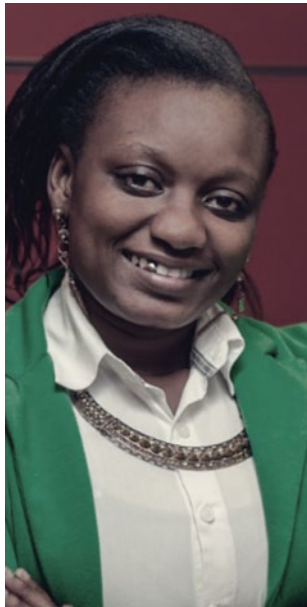
The SABS Design Institute has initiated the Design and Innovation Entrepreneurship Centre with the aim of generating successful and competitive businesses. The objective of the Centre is to mentor people who have good ideas and to assist their development via a multi-layered approach based on the design process. The first step is to develop the entrepreneurs themselves, then to develop their product or service idea, and finally to develop the business side of the idea. A multi-disciplinary team of designers and experts brings this about.

This is the way that the Institute produces new entrepreneurial businesses and ensures that existing SMMEs are more successful through process re-engineering and supplier development programmes. The Institute surrounds each entrepreneur with a design team that helps to create the product, the brand and business model simultaneously.

Public health patients have to stand in long queues to get treatment. This is both inefficient and dangerous since airborne diseases like TB infect other patients in the queue. The hospital booking system eliminates queueing and so minimising the problem.

A system of eliminating queues SANDILE DLAMINI

STATUS: PRE-LAUNCH TESTING
CLIENT: TIA



Pit toilets are still common in South Africa and they fill quickly while smelling bad. Btum is a probiotic waste decomposer that is sun-activated to create an exponential biological growth that is more effective in reducing the volume of waste, returning it to the soil and reducing smells.

Terminating germs WINILE NZAMA

STATUS: PRODUCT DEVELOPMENT
CLIENT: TIA



TURNING INTENT INTO ACTION BY PROVIDING A ONE STOP INDUSTRIAL DESIGN AND BUSINESS ACCELERATOR HUB FOR THE NEXT GENERATION



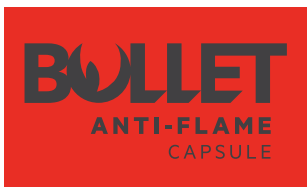
The SABS Design Institute is ideally situated to support industrial growth in South Africa, by inspiring youthful entrepreneurs to turn dreams into productive reality. We are convinced that efforts to grow manufacturing in South Africa remain fundamental to placing our economy on a path of sustainable growth. *(Mr Lionel October, Director-General of the Department of Trade and Industry, page 4 of the SABS Design Institute supplement in the Forbes Africa magazine, May 2015)*



Some industrial fires are difficult to put out because buildings become too dangerous for firefighters to enter and sprayed suppressants cannot penetrate the core of the fire. Bullet is a firefighting capsule that is launched into a fire to solve this problem.

Projectile firefighting KANYA PAKATI

STATUS: PROTOTYPE
CLIENT: TIA



Willy's product detects the obstruction of legal connections by cutting off and tracking down illegal connections, then reporting these activities to the supplier via GPRS.

Safeguarding cables against theft WILLY SIBUYI

STATUS: PROTOTYPE



Traditional power utilities have excess power at night and can have shortages during the day. TOBE uses bodies of water to store large quantities of energy during the night, then supplies it back to the grid during the day; helping to stabilise the grid and save utilities money.

Storing hydro energy SIBUSISO MXOLISI

STATUS: CONCEPT
CLIENT: TIA



WE WILL CONTINUE TO CREATE A BETTER LIFE FOR FUTURE GENERATIONS



Lutendo is developing a range of products made from an indigenous plant from Venda called Munugwane. The plant is used as traditional medicine and can cure mouth ulcers and throat sores. Her main aim is to create a modern branded version of an ancient cure.

A modern, ancient medicine

LUTHENDO MAGORO

STATUS: PRODUCT
DEVELOPMENT
CLIENT: TIA



The Storolla helps informal fresh food traders in cities to overcome the difficulties of transporting, displaying and storing their wares, while at the same time assisting municipalities to organise and control informal trade in cities.

Pushing forward THEMBI NGCUKA

STATUS: PROTOTYPE
CLIENT: TIA

STOROLLA
TROLLEY STORAGE

Ethnic women have used red clay as part of their beauty regimen for millennia. The Ibomvu cosmetics range uses extracts of red clay minerals to offer this beauty secret to women who want natural ingredients in their beauty products.

Natural beauty treatment PHINDILE MBUYAZI

STATUS: PROTOTYPE
CLIENT: TIA




IBOMVU
RED CLAY

SABS approach to integrated reporting

SCOPE

This Integrated 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 2014 to 31 March 2015.

REPORTING FRAMEWORK

The report has been compiled in compliance with:

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

The content of the report has also taken 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);
- International Integrated Reporting Framework; 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 an indirect impact on SABS' ability to promote economic, environmental and social values for itself, its stakeholders, the environment and society at large, over time." Plans are in place to strengthen the maturity of integrated reporting principles for the next reporting period. The strategic objectives and key performance indicators in the 2014/15–2016/17 Corporate Plan and the 2014/15 Business Plan have been considered in determining the relevant topics included in this Integrated Report.

ASSURANCE

The Audit and Risk Committee has reviewed the Annual Financial Statements for the year ended 31 March 2015 and concluded that these comply in all material respects with the requirements of South African GAAP. They are further consistent in all material respects with International Financial Reporting Standards (IFRS). The Committee has also 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.

BOARD MEMBERS' RESPONSIBILITY

The Directors acknowledge their responsibility to ensure the integrity of the Integrated Report and believe the report addresses all material issues and fairly represents the performance and impact of the SABS.

ENQUIRIES

Enquiries regarding this report may be directed to the office of the Executive, Corporate Services, Tel +27 12 428 6764.

Other contact details:

Email: info@sabs.co.za

Facebook: <https://www.facebook.com/pages/SABS-Approved/1437881886432842>

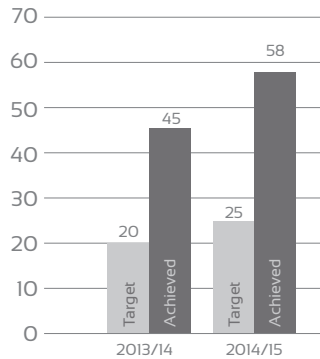
Twitter: <https://twitter.com/SABSApproved>





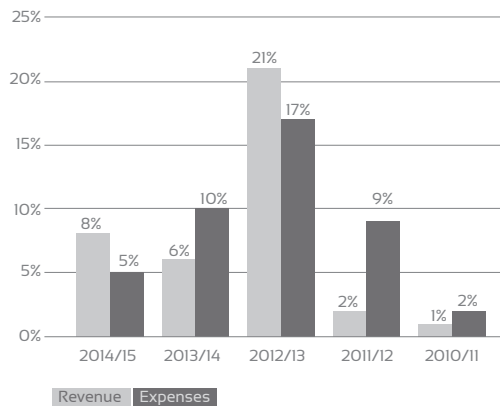
Operational Highlights

Number of SMMEs developed through Design Institute



58

Year-on-year growth



81% (13 out of 16) of the performance indicators were met or exceeded and include, among others:

- Certification schemes developed met the target of 2;
- Laboratories on the CRM platform reached 15 against a target of 10;
- Home-grown standards published for the year exceeded the target of 225 at 232;
- Training courses developed met the target of 3;
- Percentage of committees that use the fully installed modules for technical committees reached 83% against a target of 80%;
- Efficiency of standards development improved with the average number of days to develop standards decreasing to 398 against a target of 400 days;
- 89.5% of IPAP commitments were delivered against a target of 80%; and
- The number of managers who successfully completed a Leadership Development Programme reached 59 against a target of 50.

Other highlights



The SABS has achieved a clean audit for the 2014/15 performance year for the third consecutive year.

132% Growth in the number of small, medium and micro enterprises (SMMEs) developed through the Design Institute.

The SABS has achieved a clean audit for the 2014/15 performance year for the third consecutive year.

EXCELLENCE UNDER CONSTRUCTION



About the SABS

Established in accordance with the Standards Act, 1945 (Act No. 24 of 1945), the SABS has a seventy year history in the development and maintenance of national standards and the provision of conformity assessment services to the South African economy. This rich legacy has supported and enabled South African products and services with a competitive advantage and entry into global markets. The SABS is governed by the Standards Act, 2008 (Act No. 8 of 2008) today with a SABS Commercial SOC Ltd, self-financing subsidiary. It is committed to supporting sustainable economic growth by providing relevant conformity assessment services that include the full value chain of inspection, testing, verification, certification, design, entrepreneurship and training services.



1.1 PRINCIPAL ACTIVITIES

The SABS engages in the following principal activities and services:

- Develops, maintains and promotes the use of South African National Standards (SANS), which contribute to consumer welfare by improving economic efficiency, improving health and safety aspects of products and services, addressing market failures and promoting trade.
- Provides assurance through Management System Certification Schemes of the effectiveness, validity, quality, safety and good governance management system(s).
- The Product Certification Scheme (SABS Mark) a third party guarantee of quality, safety and reliability of products to the consumer. Products that have proved conformance to quality standards are awarded the SABS Mark to provide assurance of conformity to standards.
- Testing and Verification services conducted on a wide spectrum of products across industry sectors and technologies at the SABS' dedicated test laboratories, situated in Pretoria and at various strategic locations throughout South Africa. These services remain the most comprehensive offered by any single organisation in the Southern African region.
- Provides Design and Innovation services as a route to growing competitiveness in the economy by disseminating design knowledge and practice, and demonstrating success from the use of design-based methods and interventions. The Institute particularly focuses on applying design tools to support the growth of the SMME sector and youth entrepreneurship in the economy
- Conducts Local Content Verification Services on behalf of government. Government leverages state procurement of designated goods for local manufacturing to facilitate growth in the manufacturing sectors of the South African economy.
- Provides third party Consignment Inspection Services to assist in purchasing operations, including the production of item descriptions, the preparation of tender documents, the adjudication of contracts and inspection for quality assurance of deliverables.
- Provides Training in accordance with structured courses on standards such as ISO 9001, Quality management systems, ISO 14001, Environmental management systems and OHSAS 18001, Occupational health and safety systems, etc.

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

Socio-economic Impact

WHAT WE DO



Development, maintenance and promotion of South African National Standards.



Testing, Inspection, Verification and Certification Services against national standards.

Local Content Verification.



Innovation through industrial design with focused support for SMMEs.



Training Services that support the implementation of national standards.

BENEFIT TO SOCIETY

Protects the health and safety of consumers.
Promotes environmental protection.
Provides a platform for fair trade.

Provides consumer assurance on quality of products and services
Protect the health and safety of consumers

Promotes real local manufacturing and jobs.

Innovative products and services introduced into the market.
Promotes entrepreneurship and innovation.

Enhanced use of standards in the economy.

BENEFIT TO LOCAL INDUSTRY

Increases industry competitiveness.
Improves industry access to local and international markets.

Credibility of products and services through compliance with standards
Enhance business reputation through quality products and services

Stimulate local manufacturing through local content verification

Enhanced opportunities for SMMEs and existing businesses in the supply chain of the economy.

Understand the strategic value of standardisation to business
Improved compliance to quality.

BENEFIT TO SOUTH AFRICA

Improves the quality of life of our citizens.

Leveling the playing field for local industries

Stimulates local innovation and design.

Development of young entrepreneurs and SMMEs to enter the formal economic sector.

Supports the development of skills and competencies for sustainable businesses.





1.2 STAKEHOLDERS

Quality and safety of products and services affect the lives of all South Africans. Implementation of internationally recognised standards are key components in maintaining the competitiveness of South African industry and facilitating access to global markets.

A successful and impact driven SABS therefore depends on value addition to its stakeholders.

STAKEHOLDERS	WHAT MATTERS TO THEM	FOCUS OF ENGAGEMENT	FREQUENCY AND METHOD OF ENGAGEMENT
Customers and Industry Bodies	Quick and efficient access to standards, training and conformity assessment services.	Communication of service delivery improvements and how they will add value to their engagement with the SABS.	Interactions through relationship managers, industry bodies meetings, CEO letters and Executives' visits.
SABS Shareholder (the dti)	<p>Effective oversight on SABS execution of the mandate provided under the Standards Act (Act No 8 of 2008) and compliance with all relevant legislation such as the PFMA and Companies Act.</p> <p>Performance monitoring of the SABS on Industrial Policy Action Plans (IPAP) commitments.</p>	Minister's annual presentation, quarterly reports and operational quarterly meetings.	<p>Quarterly and annually, in line with reporting requirements.</p> <p>Ad-hoc meetings and infrastructure/institutional visits.</p>

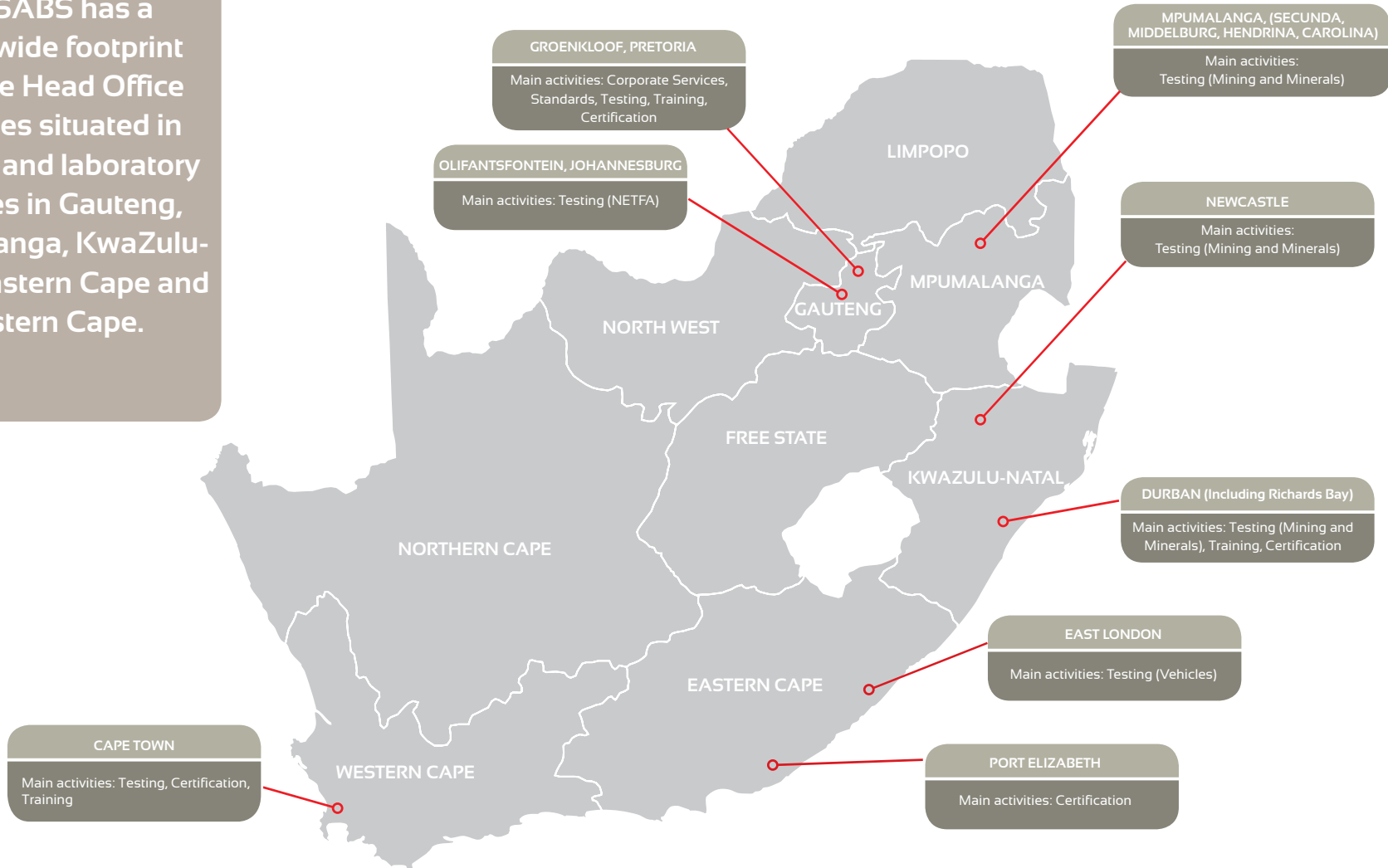
1.2 STAKEHOLDERS *(Continued)*

STAKEHOLDERS	WHAT MATTERS TO THEM	FOCUS OF ENGAGEMENT	FREQUENCY AND METHOD OF ENGAGEMENT
International and Regional Standards Bodies	Maintaining a global network of standards to facilitate trade.	Influence the development of international standards to support growth in South Africa.	Scheduled meetings, reports and feedback as per annual programme /agenda of the international bodies.
Regulators	Standards to facilitate compliance with regulations.	Maintain open, honest and transparent relationships with regulators to encourage close collaboration in referencing of standards in legislation.	Annually at a bilateral level.
Employees and Organised Labour	Conditions of employment. Engaging and progressive employer.	Creating open and transparent communication platforms to ensure the success of the organisation.	Internal communications. CEO's quarterly feedback session.

SABS national footprint



The SABS has a nationwide footprint with the Head Office premises situated in Pretoria and laboratory facilities in Gauteng, Mpumalanga, KwaZulu-Natal, Eastern Cape and Western Cape.



SABS global footprint

The SABS, however, has customers in many countries and has key stakeholders that span the region, the continent and the rest of the world.



AMERICA	7
EUROPE	159
AFRICA	252
ASIA - PACIFIC	131

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Postal address	Private Bag X191, Pretoria 0001
Telephone number	+ 27 (0) 12 428 7911
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External auditors	Auditor-General of South Africa
Bankers	ABSA
Company/Board Secretary	W de Witt
E-mail address	info@sabs.co.za
Facebook	https://www.facebook.com/pages/SABS-Approved/1437881886432842 https://www.facebook.com/SABSDesignInstitute
Twitter	https://twitter.com/SABSApproved https://twitter.com/sabs_design
LinkedIn	https://za.linkedin.com/company/sabs

Foreword by the Minister



Dr Rob Davies
Minister of Trade and Industry

The modern world continues to evolve at a rapidly expanding rate. In many instances products and services have hardly made their appearance in the market place when they are superseded by new improved versions.

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. The supply chain of multinationals has become a global logistics science. 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 contributing to the goals as set out in the Industrial Policy Action Plan (IPAP) and the National Development Plan (NDP).

I am pleased to report that the IPAP, which is designed to encourage diversification with local manufacturing and to stem the tide of inferior quality imports into South Africa, has had a positive impact on a number of areas. The SABS has played a significant role with developing home-grown standards for new industries anticipated under the IPAP programme.

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. Local content and localisation are critical to unlocking the value of local manufacture for South Africa, and **the dti** is pleased to note that a number of certificates have been awarded to companies manufacturing bus bodies, solar water heaters and power and telecoms industries.

The SABS has managed, despite lower than expected growth in the South African economy, to achieve some growth to support its operations. Further to this, the SABS continues to encourage innovation and entrepreneurship at grassroots level through initiatives such as the initiation of the Design and Innovation Entrepreneurship Centre and the Young Movers Programme. I want to applaud the SABS on these initiatives because it is through such interventions that an entrepreneurship culture can develop in the country, creating jobs for future growth.

On behalf of **the dti**, I wish to express my thanks to the SABS, its Board Members (outgoing and incoming) its leadership and employees for their focused and dedicated work delivered during the past year.

Dr Rob Davies
Minister of Trade and Industry

Foreword by the Chairperson



Chairperson of the Board:
Jeff Molobela

Contributing to South Africa's economic growth

As a nation South Africa remains steadfast in its commitment to address the challenges of global competitiveness, high levels of unemployment, and reduction in poverty with the goal of improving the quality of life of its citizens. Therefore the focused contribution of industrialisation as a driver of accelerated economic growth and transformation is vitally important to stimulate the economy of South Africa. Government policies and programmes such as the National Development Plan (NDP), the Industrial Policy Action Plan (IPAP) and the massive infrastructure build programme are expected to be a catalyst for socio-economic growth in our country and the SABS has a role to play in these initiatives.

The SABS, as the National Standards Body of South Africa, is in a unique position to provide an integrated value proposition to its stakeholders that encompasses the development of National Standards and the provision of relevant conformity assessment services that supports business and government, while creating value for SMMEs and young entrepreneurs. The SABS is driven by industry needs, with direction-setting on new areas of standardisation aligned with new and emerging technologies, whilst all the time contributing to the value chain of industrial activity in the country. These services of the organisation form the basis of quality assurance for efficient trade in the domestic, regional, and international arena.

As an organisation with a rich history of quality, established nearly 70 years ago, the SABS is a strategic asset that supports government in enabling policy implementation and achieving regulatory objectives in the economy. Our service offerings which include the development of national standards, testing, certification, consignment inspection, training and an enhanced Design Institute are pivotal to industry development in improving competitiveness and market access with quality of products and services being top of mind.

The appointment of the SABS by the dti as the local content verification authority for public procurement has shown reasonable results in supporting local manufacturers and suppliers. Entities are encouraged to embrace and effectively implement the mandate and to go beyond just the designated products.

The SABS remains optimistic that sufficient support from government and effective promotional and educational initiatives on local content verification will drive the ultimate goal to stimulate and support local manufacturing especially in the SMME sector.

Our Design Institute has continued on its innovative path to address the challenges faced by young entrepreneurs with support and mentoring of SMMEs in their ambition to enter the formal business sectors. During the past year the Institute played an important role in linking with public, business and government to encourage the design of products, services and systems. This initiated the development of the Design and Innovation Entrepreneurship Centre with the aim of generating successful and competitive businesses through design. The Institute further hosted South Africa's first Industrial fair, supported by the Ministry of Small Business Development, which created a platform for young industrialists to engage with the country's business leadership.

Our on-going drive to modernise laboratory infrastructure and improve operational efficiencies remains a key focus area. These modernisation projects will continue into the short to medium term to ensure that we deliver a quality service that meets market requirements. The challenges experienced over the recent past on the abuse of our intellectual property have prompted a much more strategic approach towards addressing this serious threat to the reputation of the organisation.



The new financial year will see the implementation of a repositioned stance by the SABS on the infringement of its intellectual property.

It is my belief that the organisation can make huge strides with an enhanced ICT platform. Rather than seeing it as merely a provider of technology services, we need to look upon it for innovation that will not only aid business transformation but also contribute to strategic differentiation and sustainable business growth. We have initiated a journey on ICT investments to holistically transform every aspect of the SABS over the next five years, to provide the backbone required to create efficiencies in business operations across the entire value chain and deliver appropriate technology channels and solutions for our customers.

Our strategic and governance foundation – the SABS Board

The SABS Board continued to support the organisation in an oversight capacity. In the review period, Board performance was subjected to an independent appraisal process, overseen by the Company Secretary. This review identified key initiatives that will enhance the Board's oversight role, including the strengthening of the Board Induction Programme and a focus on executive remuneration as well as retention and succession planning.

In line with the recommendations of King III, the Board reviewed and redefined the terms of reference of all its committees. This resulted in the number of committees increasing from four to five, with clearly defined and focussed mandates. In addition, the ICT Steering Committee was reconstituted at executive level to support the Board in decision-making regarding the completion and execution of the new ICT Road Map.

Reinforcement of strategic relations

As a global role player in the standards and conformity assessment sector, the SABS is an active participating member of ISO, IEC, SADCSTAN and ARSO. Staying abreast of regional and international developments and building relationships with our counterparts is key to our success and the competitiveness of the South African economy. In this regard the SABS has entered into co-operation agreements with key partners with the objective of building capacity and supporting institutional strengthening projects. These mutually beneficial co-operation agreements are expected to drive innovation, business development and the leveraging of expertise in specialised sectors.

Acknowledgments

The SABS has again achieved an unqualified audit report from the Auditor General for 2014/15 financial period, and I

wish to thank each Board member, management and all staff members of the organisation for this achievement.

I would like to further take this opportunity to congratulate my predecessor, Mr Bahle Sibisi, together with all outgoing Board Members, for successfully steering the SABS on the path of organisational renewal over the past 8 years. During that time, the SABS saw increased national recognition for standardisation activities as well as the strengthening of partnerships with public and private sector organisations.

To my fellow team members, the SABS CEO, Dr Boni Mhlohlakulu, the Executive team, employees and customers – thank you for your continued commitment to the SABS. Your dedication and drive continue to carry us on our exciting development journey.

I also want to extend my appreciation to our shareholder, **the dti**, for its unwavering support and constant inspiration.

Jeff Molobela
Chairman

Chief Executive Officer's Overview



Looking back on a year of delivery

In September 2009 I embraced a challenge to lead the South African Bureau of Standards through a journey of organisational renewal and transformation from strutting regulatory powers. The depth and breadth of change that awaited us as we grappled to thrive anew was in itself a journey of discovery as the legislation review process had not produced any documented business case, impact analyses, and change management processes.

It became clear that while the 2008 legislation fundamentally changed the role of the Bureau, the expectation both internally and externally was to keep the status quo. Navigating the delicate yet fundamental change with a broad and varied stakeholder base has been a challenging and deeply enriching experience. In this regard, I owe thanks to the former Chairman, Mr Bahle Sibisi and the Board that supported the vision, challenged and guided me and the executive team as we implemented the renewal strategy.

In my reflection as I embrace the next chapter of this journey with the SABS, I have had to look back at the goals I had set for my leadership when I joined the SABS. The CEO's overview for the 2009/2010 Annual Report captures my now clearer vision to place this organisation on a path to reconnect with industry and consumers, to entrench, once again, the SABS brand and the SABS Mark as recognised, respected and valued icons in every South African's life, and for the SABS as whole to add even greater value to the economy and industry. I think I can state with confidence that my team has poured heart, commitment and great pride in delivering on this promise. I am humbled by my executive team's commitment and hard work, they too see the world of possibilities that awaits the SABS and that makes us a team.

While the organisation has pulled together to deliver on the objectives of the Organisational Renewal Strategy (2010), four major highlights stand out in my reflection on my first term at the SABS:

- 1) For the first time in the decades long history of the SABS, the reigning State President of the country, His Excellence JG Zuma graced our campus and spent half a day with the SABS stakeholders during the launch of the new laboratory complex;
- 2) The innovation buzz brought about by the repositioning of the SABS Design Institute is a considered experiment to support pressing industrialisation and job creation challenges of the country;
- 3) Conceiving, marketing, selling and achieving the status of the country's sole Local Content Verification authority was a significant confidence booster for the relevance of the post regulatory SABS; and
- 4) Achieving successive Clean Audits and receiving the SABS's first Auditor General's Clean Audit Award.

We remain firmly committed to leveraging our inherited technical base to support our government in building a thriving, modern, growing inclusive economy. We see our role broadly in helping enterprises grow by building trust in their products and services.

During the year under review, we continued to deliver on our Organisational Renewal Strategy (2010) against clear measurable objectives aligned to the four pillars of the Balanced Scorecard.



Growth

Growth in our revenue and increasing impact of our services to the economy remains a key strategic indicator of the SABS that is thriving anew. Increasing uptake of our services will ensure that the SABS can meet the ever increasing cost pressures and reinvest in improving service offerings. While the South African economy continued to grapple, the SABS achieved a strong 8% year-on-year growth in revenue from sales and services, up from R516.7 million to R557.3 million, achieving total revenue of R785.5 million. We managed our travel and recruitment practices tightly and recorded a healthy net profit of R32.2 million for the year ending 31 March 2015, which is R25.3 million higher than budget, a 48% increase from prior year.

The Design Institute engaged a total of 170 entrepreneurs hosted three Portfolio Committees and two Cabinet Ministers. Our Standards Division exceeded the target of home grown standards publication recording 232 against 225.

Customer Centricity

Central to the change from a regulator to a standardisation services provider, is the relationship the SABS of today ought to have with our customers and broader stakeholders. The relational philosophy of a regulatory-centric mindset discards fanatically with that of a customer-centric service provider. We have taken bold steps to the quality promise fundamentals in our services. We sell trust and we will not succeed in convincing a customer to buy our services if we are not trusted. Benchmarks indicate that we are at least 10 years behind the curve in implementing technological solutions for

our customers. We continue to use manual systems while we implement solutions to achieve better, faster and predictable customer experience.

During the year under review we achieved 86% utilisation of the Laboratory Information Management System (LIMS) and investigated various platforms for our certification services and standard sales. Processes are advanced to integrate the existing platforms with our customer relations management (CRM) tool to better manage our customer interface.

Productivity

The SABS exists to service the economy and our systems and processes must enable effective and efficient delivery of our services to our customers. The 2010 organisational renewal strategy articulated our stated desire to automate and transform our business processes to drive efficiencies and traceability of our complex high risk services.

Achieving this goal hinges on a well-conceived, well managed and resourced ICT programme. While the vision was clear, the roadmap to achieve the vision needed to be reviewed during the year to dovetail various plans towards an integrated platform that enables interoperability. The implementation of the ICT Roadmap will be my strategic focus area over the next two years.

Competent and empowered employees

Our stakeholders expect the SABS to be South Africa's expert body on all issues related to standards. Our mandate dictates that we should always stand proud of our individual and institutional integrity and expertise. The expectation today is not for the SABS to administer standards but to deliver value added standardisation solutions that impact businesses positively. In this regard we have put a moratorium on recruitment for administration purposes. We will up skill administrators within the organisation to perform specialised administration functions as required by our services.

We are in the process of establishing a Knowledge Hub for the SABS. This will leverage our collective internal capacity, academic, industry associations, consumer bodies, government and international partnerships to deliver greater value to the South African economy. We continue to expose young graduates to our environment through our graduate internship programme. The Knowledge Hub will see a more targeted and systematic graduate programme that will create a pipeline of standardisation professionals for the SABS and the broader economy.

It is clear in many indicators that we have invested in our employees over the last five years through various learning and development programmes and increased benefits. We will continue to explore strategies to attract and retain talent to deliver on the vision of this important organisation. We set out to keep the vacancy rate of identified critical positions below 7%, and I am pleased to report that we exceeded this target, keeping this rate at 3.4%.

Looking Ahead

I am fortunate and greatly encouraged to have the caliber of professionals that have accepted the responsibility to serve on the SABS Board. The wealth of collective knowledge and experience has put the SABS at a different platform of strategic engagement. Under the firm hand of our newly appointed Chairman, Mr Jeff Molobela we are challenged and supported to achieve our objectives. We are encouraged by the shared appreciation of the task at hand and the passion our Board has for the SABS.

The establishment of our dedicated customer facing division, through the consolidation of dispersed capacity with various departments, will give the much needed focus to our commitment to deliver quality services to our customers. We will launch new communication platforms to improve engagement with our stakeholder community. As we celebrate 70 years of the SABS brand, we embrace the post-regulatory SABS by reinforcing our quality promise for a truly fair and inclusive economy.

There is a big task ahead to bring every employee of the SABS to understand and embrace the vision. We will endeavor to encourage innovation, collaboration across boundaries within and between divisions, to bring together disparate experiences and perspectives, and to properly empower people to come up with ideas and make a vision happen. Sometimes it is the simplest of things that motivate people to want to do greater good and take the road less traveled. The reality is that power to achieve any change and make a difference comes from a space with passion, drive, imagination and commitment to the course. We are all capable to achieve extraordinary

success for the SABS and our country. To the employees of this great organisation, change is an opportunity for new and better, let's journey together through this next chapter.

ACKNOWLEDGEMENTS

In closing I would like to extend my sincere appreciation to the SABS Executive Committee and all 1000 plus committed employees for their hard work that has set us on the firm footing to reach our goals. I thank too, the Board of the SABS and the supportive and active shareholder, the dti, for constructive engagements and guidance.



Boni Mehlomakulu, PhD
Chief Executive Officer



Statement of responsibility and confirmation of accuracy of the integrated report



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

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

The Integrated 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 Public Finance Management Act, 1999 (Act No.1 of 1999) (PFMA), the Companies Act, 2008 (Act No. 71 of 2008), 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. This expectation is supported by the fact that the organisation is partially funded by a parliamentary grant and has a positive

balance of own cash resources. In addition it has a pipeline to sustain future growth as it has been appointed under a number of service contracts to industry, state owned entities and state departments.

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

Management and employees operate within a framework that requires 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 Report fairly reflects the operations, performance information, human capital information and financial affairs of the SABS for the financial year ended 31 March 2015.

Jeff Molobela
Chairperson of the Board
27 July 2015

Boni Mehlomakulu
Chief Executive Officer
27 July 2015

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 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

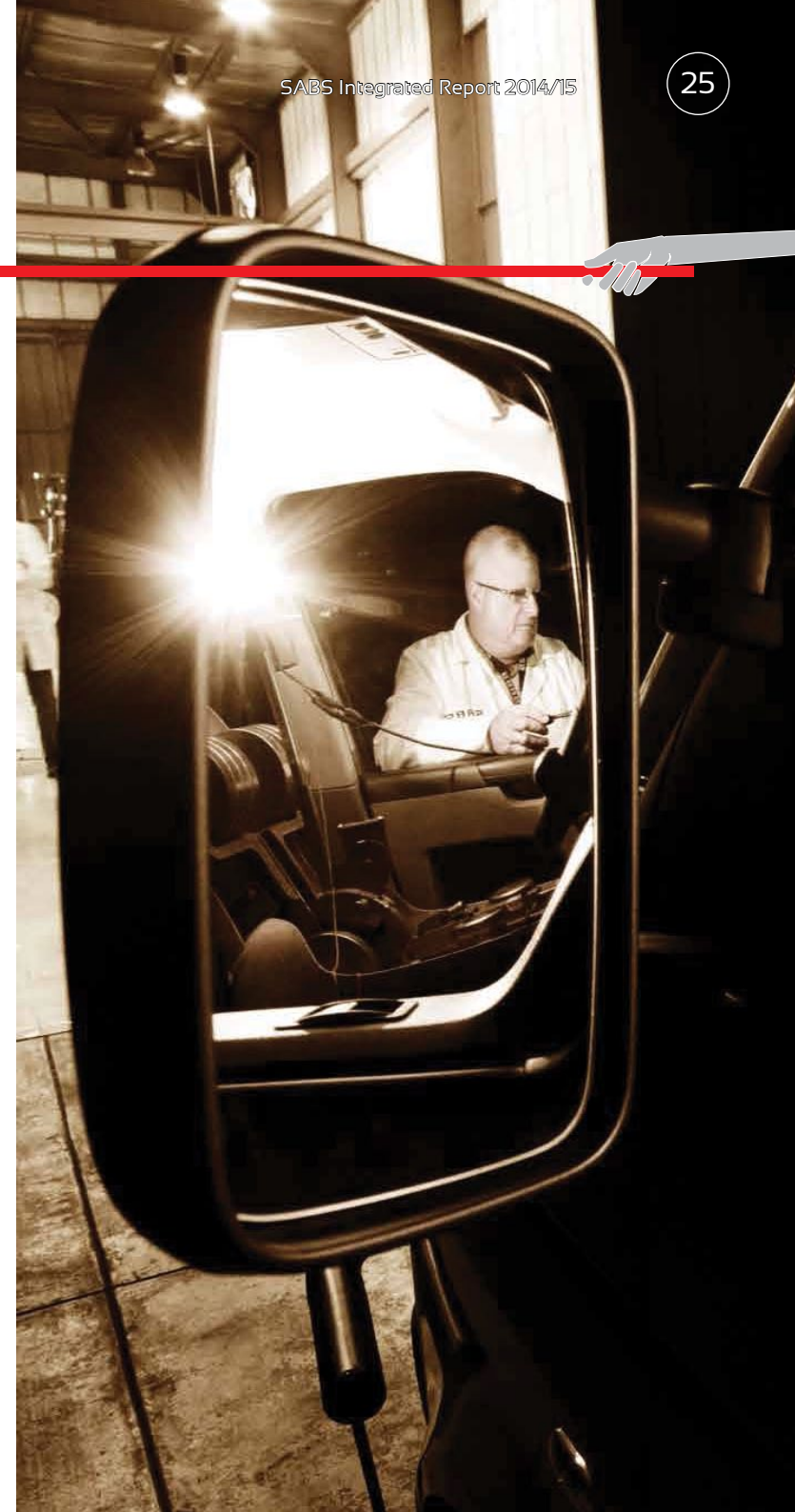
- Being respectful.
- Being honest and trustworthy.
- Being professional at all times.
- Being loyal to the SABS, our country and its people.
- Performing our duties with care and dedication – paying attention to detail.
- Being fair and transparent.

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 mandated in accordance with the Standards Act, 2008 (Act No. 8 of 2008) to undertake the following:

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

ACTS, CODES AND DEVELOPMENT PLANS

The SABS 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 as well as industrial policy and the implementation thereof.

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

Among its nine (9) key priorities, the NDP, implemented in 2013, identified reduction of unemployment and improved quality of education as key priorities, which will contribute most towards realising the developmental goals of the country.

The NDP advocates a shift away from over-dependence on the resources sectors, which lack the potential for higher growth. This plan therefore guides the work of the SABS.

Industrial Policy Action Plan (IPAP)

IPAP is the three-year rolling implementation plan of the National Industrial Policy Framework (NIPF), and coordinates 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.

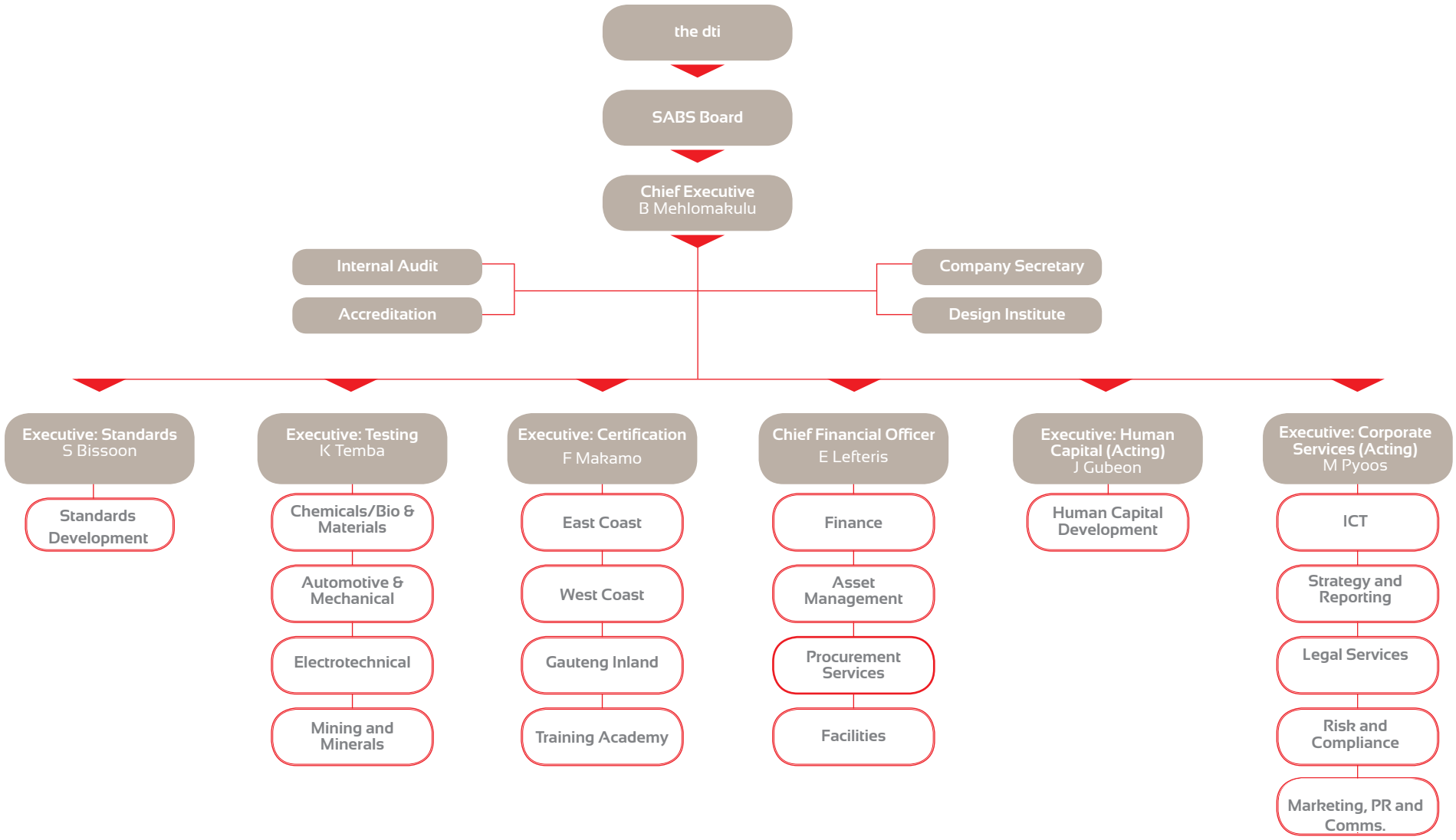
As a leading national standards body, the SABS must ensure that the standards that are necessary to implement these policies and regulations are in place. For the SABS this implies a focus on IPAP commitments that primarily support economic sectors, which include green industries, agroprocessing, metal fabrication as well as capital and transport equipment.

ACCREDITATION

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

- The Dutch Raad Voor Accreditatie (RVA) C109 for the provision of management system certification in accordance with OHSAS 18001 and FSSC 22000;
- The South African National Accreditation System (SANAS) for:
 - The provision of management system certification in accordance with ISO 9001, ISO 14001, ISO 22000, SANS 10330 (HACCP), OHSAS 18001 and ISO 50001
 - Provision of product certification (SABS Mark Scheme)
 - The provision of testing and calibration laboratory services that comply with ISO/IEC 17025
 - Consignment Inspection in accordance with ISO/IEC 17020; and
- Verband der Automobilindustrie – Qualitäts Management center VDA-QMC
 - Provision of automotive management system certification in accordance with ISO/TS 16949.

SABS Organisational structure



SABS



AUDITOR-GENERAL'S REPORT ON PREDETERMINED OBJECTIVES

The Auditor-General currently performs the necessary audit procedures on performance information to provide reasonable assurance in the form of an audit conclusion. The audit conclusion on the performance against predetermined objectives is included in the report to management, with material findings being reported under the Predetermined Objectives heading in the Other Legal and Regulatory Requirements section of the Auditor-General's report on page 74.

SITUATIONAL ANALYSIS

Service delivery and organisational environment

Dedicated focus has been given to the SABS Mark over the year under review. The SABS Mark has been the bedrock of the SABS since it was first introduced in 1948. It is likely the most discernible association with the SABS brand. It is not just cherished by the SABS - it has been cherished by South Africans as an icon of quality and safety for decades.

The SABS Mark, its test protocols and procedures represent the embodiment of the core value of the SABS that customers and industry have come to trust and rely on.

During the SABS's regulatory era it was the gate keeper for regulated products in the South African economy. Through the SABS Mark, the SABS could perform the most important function of locking out inferior quality goods.

The SABS severed ties with its regulatory enforcement capacity in 2008. There has been confusion and questions about the post-regulatory value of the SABS Mark. The efforts currently underway are aimed at reinforcing the SABS Mark as the South African quality Mark.

On enablers and culture transformation....

Over the past two years, the SABS has invested significantly in its ICT infrastructure, primarily out of necessity as the infrastructure was becoming obsolete. This remained in line with the execution of the ICT strategy that had been approved by the Board in 2012, and which had been formulated on the back of the five-year business strategy that broadly sought to improve ICT infrastructure, governance, as well as modernise business applications to improve efficiency in business operations. During the year under review, the focus on ICT was revised and renewed. A new ICT roadmap was developed to rapidly transform the SABS into a customer centric and innovative service organisation. The roadmap will be finalised under the advice of a newly appointed ICT Steering Committee and implemented in 2015/16.

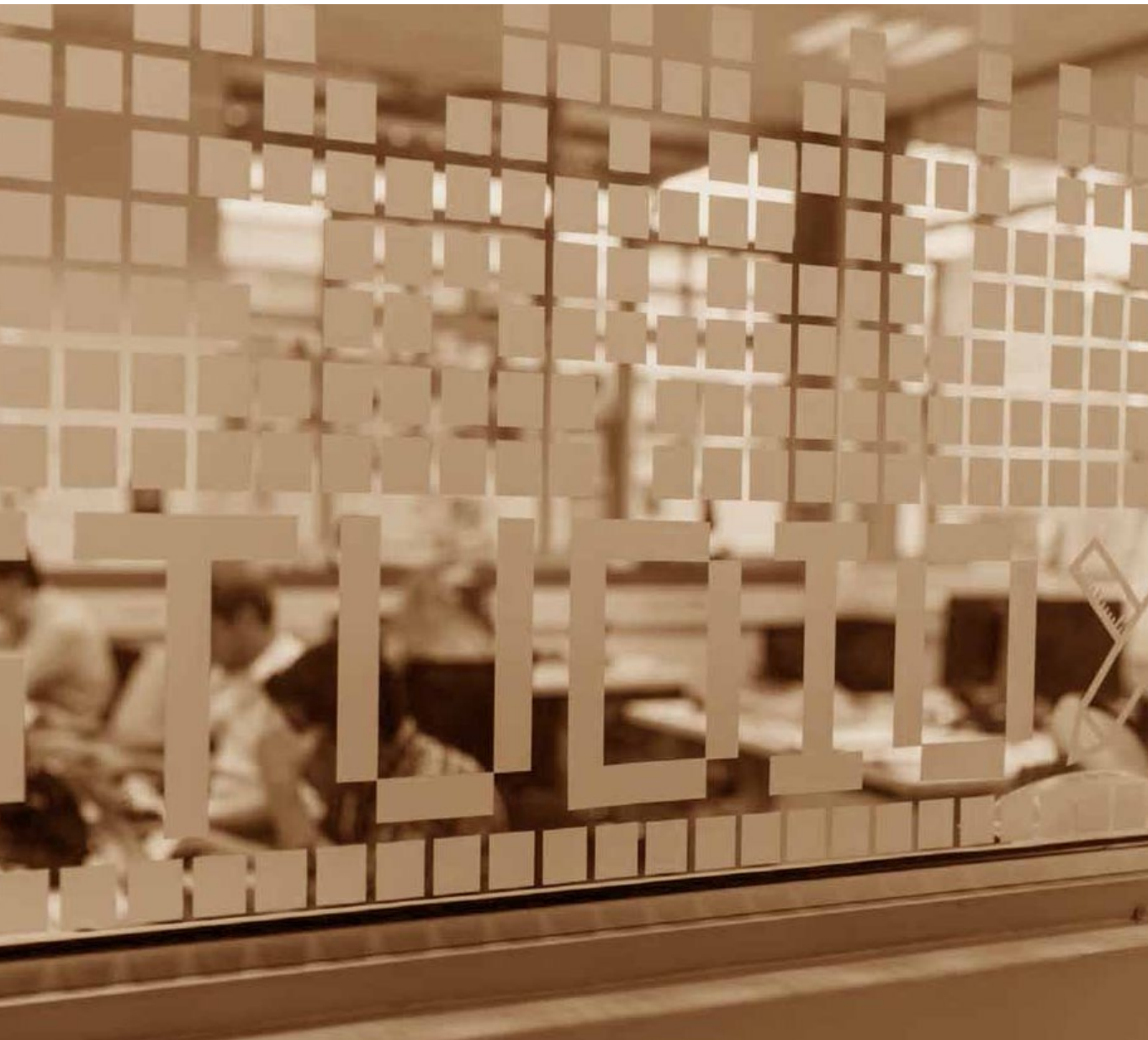
Alongside technology transformation, greater effort was directed at developing mechanisms to embed a culture of customer centricity amongst employees in various roles throughout the organisation. Initiatives in this regard included the development and rollout of Customer Service Charters across all divisions. Focus in the year ahead will be on embedding the use of these charters as part of a larger cultural transformation programme that will be developed and implemented.

Strategic outcome-oriented goals

The SABS provides services that directly affect 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. As such, the SABS is a catalyst for economic growth through quality assurance. The goals of the SABS in this regard are aligned with those of **the dti** and the broader government effort to grow the South African economy. The SABS remains 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 SABS will develop plans to meet each agreed mandate from regulators, policymakers and industry stakeholders.



The SABS will continue to support the development of key economic sectors by developing standards for conversion into regulations by the NRCS and other regulators; standards in line with the requirements of IPAP, standards in line with the Consumer Protection Act (CPA), 2008 (Act No. 68 of 2008), and with 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.**

South African National Standards are developed in cooperation with role players and industry experts. The quality of a national standard is determined by the extent to which it reflects the true interests of society.

- **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 the technical barriers to entry into a market, which stem from South African National Standards, are appropriate for the developmental needs of the country. In this regard, the SABS will, in all instances of testing, test to the full requirements of the applicable national standard. This will ensure that the purpose of the standard is attained. The improved testing and certification protocols will increase our value proposition to consumers and business.

- **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.

PERFORMANCE AGAINST PREDETERMINED OBJECTIVES

The approved Business Plan for 2014/2015 included the SABS' objectives and key performance indicators for the period under review, which were designed to support its strategic outcomes as formulated in the five-year Strategic Plan. The specific targets and the performance measured against these targets for the year ended 31 March 2015 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	2014/15			Comment on variation	2013/14		
		Target	Achievement	Variance		Target	Achievement	Variance
Increased revenue	Revenue generated from sales (R million) ¹	580,2*	569,1	-1,9%	Strong year-on-year growth but target not achieved Lower sample volumes in Testing including lower than expected revenue from Training services. The Design Institute and Standards Sales contributed to the revenue shortfall.	569,7	516,7	-9.3%
	Operating profit across operating divisions, % ¹	3,7%	2,4%	-35.1%	Target not achieved Although focus was placed on reducing costs throughout the business, the biggest impact to the operating profit was the shortfall on the budgeted revenue.	-	-	-
Profitability	Percentage of laboratories that are profitable ¹	-	-	-	Not applicable	65%	51%	-21.5%
Training courses developed	Number of new training courses developed ¹	3	3	0	Target achieved	2	2	0
Home-grown standards published	Number of published home-grown standards	225	232	3.1%	Target exceeded	170	219	28.8%
New Certification Scheme	Number of new certification schemes developed ¹	2	2	0	Target achieved	2	2	0

¹Includes rental income



CUSTOMER/STAKEHOLDER

Put the customer at the forefront of everything we do

Output	Performance indicator/ measure	2014/15			Comment on variation	2013/14		
		Target	Achievement	Variance		Target	Achievement	Variance
An improvement in customer and stakeholder relations due to focus on the delivery of standardisation solutions that are aligned with their needs	Implementation of actions recommended in the customer and brand surveys ¹	80%	90%	12.5%	Target exceeded	-	-	-
	Number of laboratories on the new CRM platform ¹	10	15	50.0%	Target exceeded	-	-	-
Development of SMMEs	Number of SMMEs for whom improvement projects were developed and implemented ¹	25	58	132.0%	Target exceeded	20	45	125.0%
Committees that fully use the installed modules of the e-committee portal	Percentage of committees that fully use the installed modules of the e-committee portal	80%	83%	3.8%	Target exceeded	50%	67%	34.0%

¹Indicators for SABS Commercial SOC 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	2014/15			Comment on variation	2013/14		
		Target	Achievement	Variance		Target	Achievement	Variance
Increase in compulsory specifications that can be tested at SABS	Percentage of compulsory specification compliance which can be assessed at SABS in full ¹	80%	80%	0	Target achieved	70%	70%	0
Implementation of Laboratory Information Management Systems (LIMS)	Percentage of laboratories that are on LIMS (36 laboratories) ¹	100%	86%	-14.0%	Target not achieved Technical challenges to implementing LIMS were encountered in various laboratories, particularly remote laboratories.	80%	80%	0
Implementation of Mission Directed Work Teams (MDWTs)	Percentage of laboratories that have MDWTs ¹	0	0	0	Not applicable	80%	100%	25.0%
Reduced time for publication of standards	Number of days to publish standards	<400	398	1%	Target exceeded	-	-	-
Modernisation of laboratory facilities	Number of laboratories that are fully functional in the new laboratory building	9	9	0	Target achieved	-	-	-

¹Indicators for SABS Commercial SOC Ltd



COMPETENT AND EMPOWERED EMPLOYEES

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

Output	Performance indicator/ measure	2014/15			Comment on variation	2013/14		
		Target	Achievement	Variance		Target	Achievement	Variance
Increase in business development capacity	Number of laboratories in which business development capacity is established (officer appointed)	-	-	-	Not applicable	6	6	0
Introduction of technical and thought leadership capability in laboratories	Number of laboratories where technical thought leadership is introduced (scientific officer appointed)	-	-	-	Not applicable	4	4	0
Graduate and student internship programmes	Number of graduates/ students on the internship programme intake	10	11	10.0%	Target exceeded	-	-	-
Three (3) Leadership Development Programmes (SABS-specific classroom programme, as well as mentorship and coaching)	Number of managers who successfully completed a leadership development programme	50	59	18.0%	Target exceeded	-	-	-
Workforce capacity	Vacancy rate of identified critical positions (out of the total employee complement)	<7%	-3,4%	51.4%	Target exceeded	-	-	-

DIVISIONAL OVERVIEW

Standards

As the custodian of South African National Standards (SANS) the SABS strives to maintain an effective standards development governance framework, supported by diverse stakeholder representation, which creates value and relevance to industry, government and consumers. Standardisation is a vital contributor to economic and social development and the importance of participating in the development of national standards should not be underestimated.

The system of developing South African National Standards is aligned with international best practice to meet the SABS' obligations to the World Trade Organisation Technical Barriers to Trade Agreement (WTO/TBT) and commitments to membership of the International Organisation for Standardisation (ISO) and the International Electrotechnical Commission (IEC). The SABS remains steadfast in its focus on developing and implementing collaborative systems to enhance its national and international engagements, which embed confidence and credibility in SABS' deliverables.

Four strategic pillars support the efficient and effective development of national standards, namely:

- Economic and Industrial Policy objectives and the consequent potential impact of national standards;
- Standards development processes integrated with committee support services;
- Strategic partnerships and participation in; international/multilateral standardisation forums; and
- Promotion and distribution of published standards.

The organisation published 572 new, revised and amended standards during 2014/15, of which 232 (against a target of 225) were home-grown, as opposed to the identical adoption of existing international standards. This total can be favourably compared with the 574 South African National Standards published during the previous year. Forty-three percent (43%) of the published home-grown standards consisted of revised and new standards. This is 35% higher than the number of home-grown standards published in 2013/14.

The management of turnaround times relating to the completion of standards development projects is tracked by monitoring the average number of days required to publish a standard. This was 398 days, which exceeded the target of a maximum of 400 days. The improved performance is attributed to sound focus on the process of publishing and clearing the backlog of SANS projects.

The effective participation of relevant stakeholders in the development of South African National Standards to support industry is critical to address challenges such as market access for products, refinement of services and conformity to regulatory requirements. The development of modernised tools to facilitate this stakeholder collaboration resulted in the satisfactory implementation of the National Technical Committee (NTC) module of the e-Committee ICT solution, hosted by ISO. In the period under review, the SABS activated 83% of committee membership (against a target of 80%), which is a significant milestone. The e-Balloting module will be rolled out during the 2015/16 period. E-Committees have

provided committee members with an efficient access and traceability function for documents, including a repository system for all active projects.

The target of 80% for IPAP commitment deliverables was exceeded, with 89.5 % being realised.

Distribution of and efficient access to national standards enable the public and private sectors to implement national standards to achieve market objectives. The SABS revitalised its Webstore and initiated consultations related to third party distribution channels, with the objective of improving access to standards for a broader customer base.

An increase in the infringement of copyright of South African National Standards was detected during the review period, and proactive measures are being reviewed to prevent further copyright abuse of national standards.

In our international engagements front, one major development has put South Africa in the spot light. The selection of our Executive for Certification: Mr Frank Makamo as the first Chairman of ISO CASCO to come from the African region has been hailed as a significant vote of confidence for the SABS. The appointment adds to other strategic leadership positions the SABS executives already play in ISO, IEC, ARSO, SADCSTAN and PASC.



INTERNATIONAL VISITORS

Country/Institution	Purpose of visit
Turkey/TSE	Collaboration in Conformity Assessment services
Uganda National Bureau of Standards	Benchmarking
Ethiopian Conformity Assessment Enterprise	Collaboration in Conformity Assessment services
ISO Central Secretariat	ISO Secretariat Training
Zambia-SADCSTAN Secretariat	Secretariat duties formal handover
Malawi Bureau of Standards	Facilities Benchmarking
Ghana (Government official)	Study tour, TI Benchmarking
Germany/PTB	Cooperation on Quality Infrastructure projects
Brazil /ABNT	SMME Engagement meeting
ISO Member Countries	IEC TC 121 Meeting on Switchgear and control gear and their assemblies for low voltage
ISO Member Countries	ISO/TC 207 Meeting on Environmental Management
ISO Member Countries	ISO/TC 178 Meeting on Lifts, Escalators and Moving Walks
ISO Member Countries	ISO/TC 146 Meeting on Air Quality
ISO Member Countries	ISO/TC 171 Meeting on Document Management Applications
ISO Member Countries	Hosting of ISO/TC 45 on Rubber and Rubber Products
Zambia	Sharing Local Content verification/public procurement experiences
IEEE	Review and update existing MoU
ISO Member Countries	ISO/TC 44/SC 8 on Equipment for gas and welding, cutting and allied processes

THE IMPLEMENTATION OF E-COMMITTEES

The use of the e-Committee modules was actively promoted amongst committee members. Numerous training sessions were hosted for stakeholders to enable them to engage using the modernised collaboration tools and to register as members on the system. Further migration of all standards projects to the electronic platform requires a review of the current project implementation plan. This will form a key focus in 2015/16.

ACADEMIC ENGAGEMENT PROGRAMME

The SABS continues to collaborate with universities to explore partnership models in order to create opportunities for *Education about Standardisation* to be included in university curricula. This action will support current and future decision makers, enabling them to be conversant with the benefits of using national standards and to participate in their development. During the period under review, a collaboration agreement with Unisa was explored and finalised. The resulting programme will be rolled out in 2015/16. SABS employees also delivered lectures to students in the engineering field at the University of Pretoria and the Master of Business Leadership classes at the Unisa School of Business Leadership.

IMPROVING THE EFFECTIVENESS OF ADVISORY FORUMS

The SABS has repositioned the established Advisory Forums to ensure that the insights and advice of relevant stakeholders have a focused influence on the direction and quality of the standards and conformity services provided. The forums have prioritised consultations on the development of economic sector standardisation road maps, which will be the focus in 2015/16.

SABS Design Institute

The Design Institute is rooted in a long history of design excellence which, in its initial years focused on engineering and product design and the reward of design excellence through a variety of award schemes. Currently the Institute is mandated to focus on national priorities, and in its role as a national change agent, is geared towards unlocking the economic value and direct socio-economic contribution that design can bring to our economy, as well as improving the competitive advantage of South African goods and services. This is crucial to improve the lives of South Africa's people, especially the young people who should be in a position to make a difference to their own futures through participation in the economy.

The disciplined application of a good design process fills the gap between an innovative idea and commercial value, and ultimately results in a marketable end product. A good design process, involving a user-centred and holistic approach, co-creation by persons of different expertise, and de-risking through prototyping and small-scale testing, can radically transform products, services and systems into commercial successes for young entrepreneurs.

The Design and Innovation Entrepreneurship Centre was therefore initiated with the aim of generating successful and competitive businesses through design. The objective of the Centre is to mentor those who have good ideas and assist their development through a multi-layered approach, based on the design process.

The entrepreneurs themselves, their product or service idea, and the business side of the idea are developed simultaneously with the assistance of a multi-disciplinary team of designers and experts.

A total of 170 candidates received support from the Design Institute; from idea to prototype, to market and to enterprise development. These comprised 58 SMMEs and 114 individual candidates.

The Young Movers Programme was introduced in partnership with Transnet and Junior Achievement South Africa (JASA) to encourage innovation and entrepreneurship at grassroots level. This was a direct response to the current reality that South Africa cannot provide the 11 million jobs required by 2030. It is through such interventions that an entrepreneurship culture is likely to be harnessed in the country.

Through a partnership with Transnet, the Design Institute established the Transnet Design, Innovation and Research Centre, aimed at providing facilities and resources for SMMEs to research and develop innovative and commercially viable ideas. This hub will enable access to technology and industry experts, to support these entrepreneurs. The centre is located at the SABS Design Institute premises.

An in-house prototype laboratory was established to support entrepreneurs with experimental prototyping. This is a critical step towards product development. In addition, a graduate designer hub was launched to transfer skills to young designers from previously disadvantaged backgrounds. This hub will empower these designers with employability skills.

The Design Institute hosted South Africa's first industrialisation fair, supported by the Ministry of Small Business Development. The fair was a presentation by young industrial entrepreneurs, whose newly designed products and services were underpinned by a user-centred business model from inception, which made them investor-ready in record time. The fair was launched on the premise that it is these young entrepreneurs who will re-ignite the culture of industrialisation, craftsmanship, artisan expertise and tooling. The platform also enabled young industrialists to engage with the country's leadership.

A clear objective is to grow the reach of the Design Institute through international platforms. Through its strategic membership under the International Council of Design, the SABS hosted the Ico-D Africa annual general meeting with representation from seven (7) countries. The meeting created a strategic platform for the Design Institute to enter global strategic partnerships.

Together with other public partners, the Design Institute successfully spearheaded the bid for South Africa to host the 2017 Global Entrepreneurship Congress (GEC). The GEC is an interdisciplinary gathering of start-up champions from throughout the world, with a focus on how best to help entrepreneurs start and scale up new businesses. Furthermore, the GEC will boost the Gauteng economy, as Johannesburg will host close to 150 countries at the event.



Testing

The Testing Division met most of its set objectives as prescribed in the organisational score card. These include the target to test up to 80% of compulsory specifications based on demand from the Regulator. In meeting this target the division moved from a base of 70% percent capability, and gradually progressed to a target of 80% by end of the financial year. This clearly is in support of the country's trade and industrial policy to 'lock-in' local manufacturing capability for export markets and 'lockout' inferior quality imports while maintaining standardisation through conformity assessment services.

Full roll-out and operationalisation of the Laboratory Information Management System (LIMS) remains critical in the broader trajectory of continuous improvement of service rendered to our customers. Major progress was made in the implementation of a Laboratory Information Management System (LIMS). By the end of the reporting period the utilisation rate of the system was 86% against a target of 100%. Even at this rate, a marked improvement in customer service was noted, with greater ability to gauge capacity and laboratory utilisation to provide accurate estimations of completion times of tests.

Proactive engagements continued in order to build and resuscitate relationships with various stakeholders, including manufacturers, regulators, retailers and state-owned entities. Meetings were held with various cable and switch gear manufacturers, regulators and Eskom with a view to launching a National Electrical Test Facility (NETFA). The Advisory Committee is to gain valuable input from industry

on the NETFA Recapitalisation Programme, to ensure that it is relevant.

Modernisation of NETFA, as a unique infrastructural asset to meet local and international testing requirements for electrical utilities, will see an increase in the scope of testing services offered by the facility. Work has begun on an assessment, which will inform a plan and consequent way forward to complete the modernisation.

The division continues to support most Government initiatives. The **Electrotechnical Laboratories** was selected by the Department of Energy (DoE) and the dti to set up a laboratory, including equipment and procedures, to test appliances for energy efficiency. The same cluster has been instrumental in supporting the country's digital migration programme through the establishment of the Set Top Box laboratory, a project driven by the Department of Communication.

The **Automotive and Mechanical cluster** successfully completed the acquisition and commissioning of fire-fighting test equipment in support of the National Building Regulations and Building Standards Act, 1977 (Act No. 103 of 1977) as amended. Development and commissioning of new test methods in the automotive sector were also completed for products such as hand brakes, microdots, number plate holders, vehicle dashboards and road signs. These projects will provide immediate benefit to industry.

In the **Chemicals, Bio and Materials Laboratories**, condom testing increased dramatically in the second half of the year in line with the requirements of the National Department of Health.

Through an equipment upgrade and method optimisation, the turnaround time for pesticide residue monitoring services was reduced from 13 to 10 days and the backlog in pesticide registration was reduced from one (1) year to six (6) months. The backlog is expected to reduce further in the year ahead.

During the review period, the Minister of Mineral Resources announced a strategic partnership with the SABS, in which the SABS will be the service provider of choice in the verification of quality and quantity of coal intended for export. This development is an opportunity for the SABS Mining and Minerals Laboratories to reclaim leadership in mining and minerals testing.

Certification

The core business of Certification is the provision of an independent, third party, conformity assessment service for systems and products, in accordance with predefined standards. Staffed by 214 qualified highly competent and experienced auditors across KwaZulu-Natal, Cape Town, Port Elizabeth and Gauteng, the Certification Division provides product certification (the SABS Mark) and system certification (services) to both local and international customers across various sectors such as the food and health, chemical, environmental, health and safety, timber and fibre, electrical, mechanical, civil, transportation, services and automotive sectors.

Through this division, the SABS provides the assurance that products and services comply with predefined standards. The division has to date issued certificates and permits in more than 40 countries around the world.

As in prior years, the Certification Division continued to grow profitably, posting year-on-year revenue growth of 13% from the previous year. During the period under review, the Certification Division achieved accreditation for conformance to OHSAS 18001, Occupational, health and safety management system – Requirements, and ISO 50001, Energy management systems – Requirements with guidance for use, from the South African National Accreditation System (SANAS). These achievements will provide a competitive advantage over other quality assurance providers.

Local Content Verification

Procurement of locally manufactured products is one of the key levers identified by Government to support Industrial Development in South Africa. The SABS Certification division has so far undertaken about 3000 verification hours and has issued more than 25 **local content verification** reports to various companies, including Marcopolo, for the manufacturing of bus bodies for the City of Johannesburg; the National Lottery Board, in one of the tenders for electronic equipment; and Telkom suppliers, for telecommunications cables.

The local content verification work forms part of the government's compliance monitoring of the Industrial Policy Action Plan (IPAP) intervention to leverage state procurement for industrialisation. The economic objective of IPAP is to get local manufacturers to benefit from a substantial share of government business, where sustainable order books will contribute to the development of local industries and creation of jobs.

A major challenge faced so far in the roll out of local content verification is the lack of support from state-owned entities by not providing the necessary information to allow for the verification process as well as for setting baselines on past performance spend. It is anticipated that this situation will improve as local content is crucial to securing economic transformation in the manufacturing base in order to grow our economy.

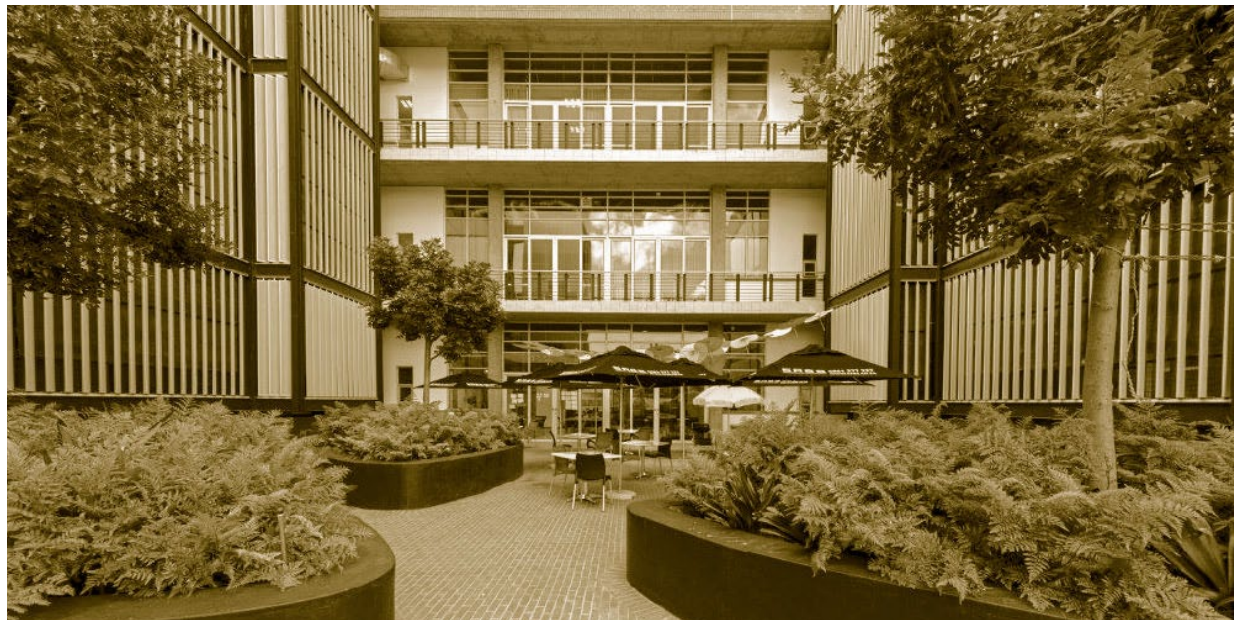
Training

The Training Academy is an integral component of the SABS value chain of services and even though it has been faced

by operational challenges in the last year, its growth over the last five years has been steady. The division operates in a dynamic environment that requires a tangible value proposition to customers and has been identified as having sound potential to grow significantly by leveraging the value chain of the SABS.

In the new financial year, focus will be on:

- Improving turnaround times for delivery of services; and
- Reviewing the pricing model for all services offered.



SABS



Economic Impact

VALUE ADDED STATEMENT FOR THE YEAR ENDED 31 MARCH 2015

Adding value to the stakeholders

	GROUP			
	2015		2014	
	R'000	%	R'000	%
Revenue	557 331	110	516 766	113
Other income	35 135	7	42 787	9
Government grants	193 050	38	179 795	40
	785 516	155	739 348	162
Less: Cost of generating revenue	303 667	60	306 685	67
Value added	481 849	95	432 663	95
Finance income	22 797	5	23 215	5
Wealth created	504 646	100	455 878	100
Wealth distributed				
Employees - Salaries wages and other benefit	471 840	94	434 522	95
Finance cost	113	-	32	-
	471 953	94	434 554	95
Wealth reinvested				
Reinvested in the Group	32 693	6	21 324	5
	32 693	6	21 324	5
Total wealth distributed and invested	504 646	100	455 878	100

	GROUP	
	2015	2014
Employee statistics		
Number of employees at year end	1,017	1,050
Revenue per employee (R'000)	548	492
Value added per employee (R'000)	474	412
Wealth created per employee (R'000)	496	434
Average cost per employee (R'000)	464	414



Indirect economic impact: Broad-Based Black Economic Empowerment

The SABS is committed to follow the Codes of Good Practice for Broad-Based Black Economic Empowerment (B-BBEE) gazetted in 2009 by empowering previously disadvantaged people, business and communities in South Africa. The SABS currently holds a Level 3 B-BBEE contributor status against the dti's Generic Scorecard. The results for the year ended 31 March are as follows:

Description	Weighting	SABS CONSOLIDATED	
		2014/15	2013/14
Overall BEE Score	100.0	78.6	77.8
Direct Empowerment	15.0	16.0	16.0
Equity Ownership	-	-	-
Management Control	15.0	16.0	16.0
Human Resources	35.0	16.9	23.4
Employment Equity	15.0	12.6	12.6
Skills Development	20.0	4.3	10.8
Indirect Empowerment	35.0	34.4	23.4
Preferential Procurement	20.0	19.2	20.0
Enterprise Development	15.0	15.0	3.4
Residual	15.0	11.5	15.0
Socio-Economic Development	15.0	11.5	15.0
		LEVEL 3	LEVEL 3

Employment equity marginally increased with the effective average representation of black people in the senior, middle and junior management levels of the company increasing from 75% to 77%. Quantifiable skills development expenditure for black employees was identified as an area for attention during the period under review. Concerted efforts are being made to invest in various learning programmes and in developing unemployed black people.

The SABS received the maximum available points for Enterprise Development as the organisation capitalised on discounts in addition to normal business practices and the direct costs incurred for payment of SMME B-BBEE verification audits. It is expected that more focus will be placed on SMME development in the financial year ahead.

The more rigorous scorecard of the amended B-BBEE Codes, gazetted in 2015, prompted the development of an action plan to help the SABS to achieve its new B-BBEE targets to ensure the maintenance of an acceptable B-BBEE Status.

SOCIAL IMPACT

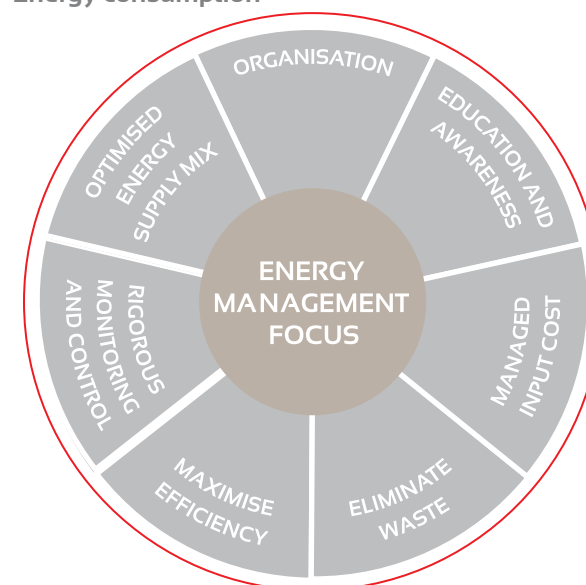
Corporate Social Investment

The SABS is one of the smaller State Owned Companies in South Africa with limited resources. Whilst there is no statutory or corporate obligation for the SABS to commit resources for social upliftment, the organisation is sensitive to and does support extreme cases amongst South African society where public services and support are inadequate or cannot be extended to remote areas.

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 the broader South African society. Where resources are available, the emphasis is on providing infrastructure, facilities, resources and tuition to disadvantaged learners in order to inculcate a desire for learning and to support the creation of an environment conducive to education. During the period under review, support amounting to R800 000 was provided to a number of schools that included Mogobosheng Secondary School, Clarkesbury High School, Ithongasi Public Primary School, and Kwa-Lodokada Primary School.

ENVIRONMENTAL IMPACT

Energy consumption



ENVIRONMENTAL IMPACT (CONTINUED)



Energy consumption (continued)

SABS's energy management focuses is illustrated and described below:

The SABS's energy management focus is illustrated and described below:

- Organisation: having clear accountability and responsibility for energy management;
- Education and awareness: assuring behavioural and attitudinal changes to use of energy;
- Managed input cost: reviewing and pursuing more advantageous tariff structures;
- Eliminate waste: identification and reduction of practices consuming energy when not required;
- Maximise efficiency: implementation of projects and initiatives to reduce energy consumption;
- Rigorous monitoring and control; and
- Optimised energy mix: eventual diversification of SABS's energy requirements to renewable energy sources.



Electricity

As a government agency the role of the SABS is not only to support the country's economic growth, but also to support national initiatives such as energy conservation. The SABS is a significant energy consumer and during the year under review committed to reducing energy consumption.

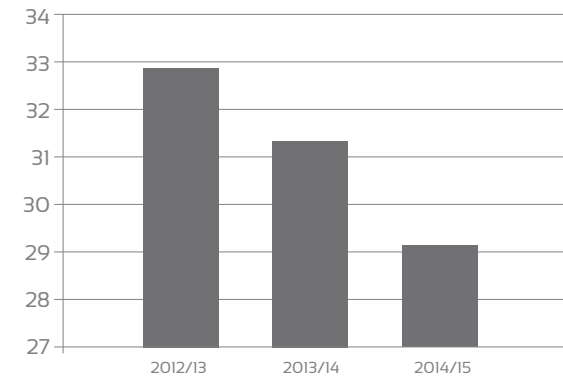
The total electricity consumed by the SABS during the year under review was 29.1 megawatt hours (MWh), a reduction of 2.3 MWh (7.3%) from the 31.4 MWh of 2013/14.



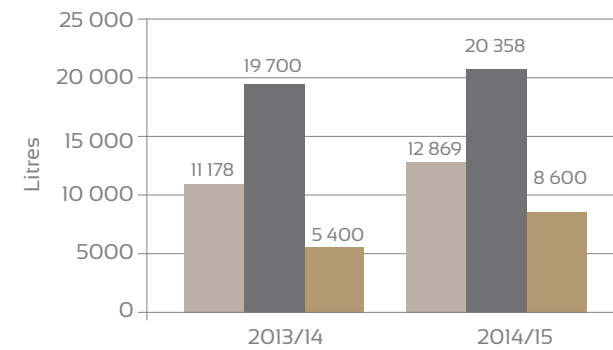
Fuel

During the period under review a total of 12 869 litres of diesel and 20 358 litres of petrol was consumed, 15.1% and 3.3% increase respectively from the previous period. The increase in generator diesel was, however, significant at 59.3% as a result of the use of emergency generators associated with load shedding during the year under review.

Electricity consumed (MWh)



Fuel Consumption



DIESEL (Vehicles) | PETROL (Vehicles) | DIESEL (standby generators)



Water consumption

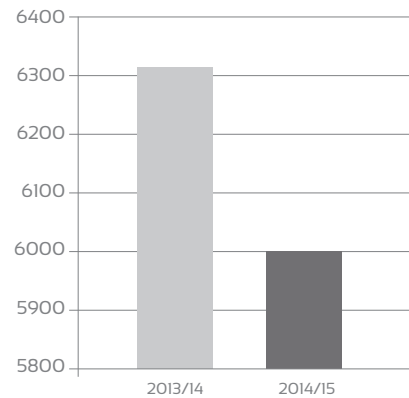
With South Africa being a water scarce country and the supply of water becoming an increasingly limited commodity, its conservation is just as important as the recycling of waste and the saving of energy. To this end, the SABS began the monitoring of its water consumption to ensure that saving measures are effectively implemented where possible. The average monthly water consumption reduced by 5.1% from 6327 kilo-litres (KL) in the 2013/14 period to 6004 KL in the current reporting period.

Waste recycling

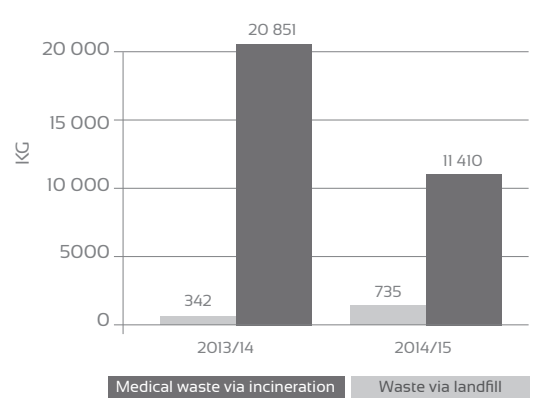
Further initiatives were undertaken to improve the waste management system, including the accurate quantifying of waste to enable effective waste reduction targets. During the year under review, a total of 53.0 tons of nonhazardous waste was recycled, representing an increase of 20% on the 44.2 tons recycled in the previous year. Overall production of hazardous waste was reduced compared to the previous period and disposed of appropriately as required by relevant legislation.



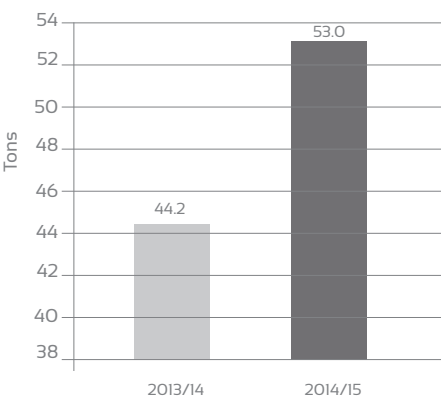
Average monthly KL consumed



Hazardous waste disposed



Non-hazardous waste recycled



OCCUPATIONAL HEALTH AND SAFETY

The SABS is committed to the health and safety of its employees, customers and the public, and to reducing the impact of its operations on the environment.

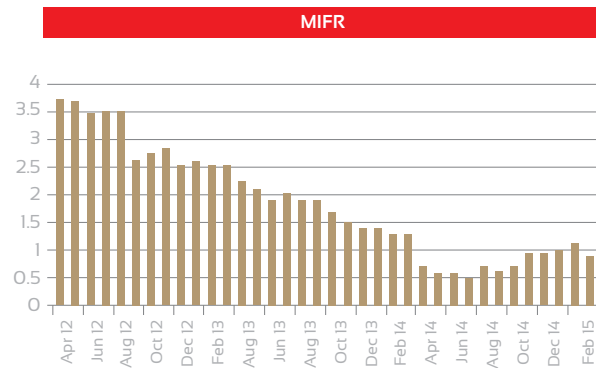
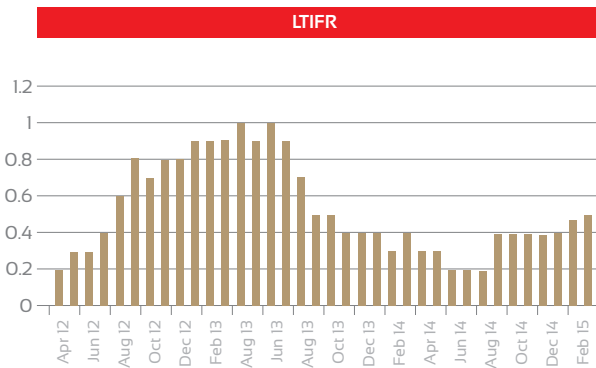
Safety indicators

Injuries on duty include both lost time injuries (LTIs) where an individual could not complete his/her work shift, and minor injuries (MIs) which may require medical treatment but the individual can complete his/her work shift. The measures of lost time injury frequency rate (LTIFR) and the minor injury frequency rate (MIFR) are monitored on a monthly basis and reflect the successes of controlling and ultimately eliminating injuries on duty.

Both LTIFR and MIFR are presented in the two graphs below and both show a long term decreasing trend however in the latter half of the reporting period a minor increasing trend is observable for which interventions have been implemented.

Employee wellness

An organisation-wide employee wellness programme, managed by the Independent Counselling and Advisory Services (ICAS) continued during the year under review. The programme focuses on, amongst others, chronic lifestyle disease management and HIV/Aids management.



SABS



INTRODUCTION

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

SABS views adherence to King III recommendations as good practice and recognises the benefit 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. The SABS continually reviews and modifies its processes, policies and structures to ensure on-going alignment with legislation, regulations and best governance practices.

PORTFOLIO COMMITTEES

The SABS attended a number of Portfolio Committee meetings during the year under review, as detailed in the table below.

Date of meeting	Portfolio Committee	Reason for engagement
4 July 2014	Portfolio Committee on Trade and Industry	Briefing by the dti on Industrial Development
18 November 2014	Portfolio Committee on Trade and Industry	Briefing by the SABS on Local Content Verification activities
28 January 2015	Portfolio Committee on Trade and Industry	Oversight visit to review service delivery performance
24 March 2015	Portfolio Committee on Economic Development	Oversight visit to gain improved understanding of the critical role that the SABS plays in economic development

EXECUTIVE AUTHORITY

The Department of Trade and Industry (**the dti**) is the Executive Authority of the SABS.

Shareholders' 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 Shareholders' Compact, which is annually concluded between the SABS and the Executive Authority. The Compact promotes good governance practices by clarifying the roles and responsibilities of the Board and the Executive Authority and ensuring agreement on the organisation's mandate and key objectives.

SABS BOARD

Board composition

The size of the Board is prescribed in section 6 (2) of the Standards Act, 2008 (Act No. 8 of 2008), which requires a minimum of seven (7) and a maximum of nine (9) members, appointed by the Shareholder. Members may not serve more than two terms.

In line with the recommendations of King III, the SABS has a unitary Board structure, comprising seven independent non-executive members, one non-executive member from **the dti** and one executive member. In assessing the status of members, the principles as set out in King III are applied.

Board members



Role of the Board

The Executive Authority is responsible for the appointment of the Board Chairman and there is a clear division of roles between the role of the Chairman and that of the Chief Executive Officer. The Chairman oversees the effective functioning of the Board and the Chief Executive Officer is responsible for the day-to-day affairs of the organisation.

The non-executive Board members play a critical role on the various Board Committees. The meetings follow a formal agenda to ensure that all substantive matters are addressed. Information relevant to the meetings is supplied to Board members in advance so that they can make informed and reasoned decisions.

The members have unrestricted access to information and may seek independent professional advice on matters concerning the affairs of the organisation, if and when required.



Chairperson of the Board:
Jeff Molobela



Boni
Mehloakulu



Michael
Ellman



Webster
Masvikwa



Venete
Klein



Guy
Harris



Anna-Marie
Lotter



Nivashnee
Naraindath



Elekanyani
Ndlovu

Board members

Name	Gender	Date of Appointment/ Reappointment	Term	Expiry of term	Qualification	Area of expertise	Board Memberships (incl. the SABS)
Jeff Molobela	M	25 August 2014	1	24 August 2019	BSc (Eng) (Hons), MBA (UK)	Engineering Finance Research and Analysis Project Management Strategy Development	5
Bonakele Mehlomakulu	F	7 September 2014	2	6 September 2019	PhD Chemical Engineering	Chemical Engineering	3
Guy Harris	M	25 August 2014	2	24 August 2019	CA (SA)	Manufacturing Finance Entrepreneurship	5
Michael Ellman	M	25 August 2014	2	24 August 2019	PhD Chemical Engineering, MBA	Mining Petroleum and Gas Standards Development Chemicals and Polymer Research and Development	7
Venete Klein	F	25 August 2014	2	24 August 2019	CD (SA) Graduate of various senior executive programmes including Harvard, MIT, INSEAD, IMD and Wits University	Finance Business Management Corporate Governance Banking (Retail And Business) Credit Extension	9
Webster Masvikwa	M	25 August 2014	2	24 August 2019	CA (SA), MBL (SA), AMCT (UK)	Finance	6
Anna-Marie Lötter	F	25 August 2014	1	24 August 2019	BCom (Hons), Master of Management, MPhil	Public and Development Management International Management Standards and Environment Technical Infrastructure	2
Elekanyani Ndlovu	F	25 August 2014	1	24 August 2019	Pr. Eng BSc (Electrical Engineering)	Engineering and Project Management Technical Infrastructure and Governance Risk Management Strategy Development	3
Nivashnee Naraindath	F	25 August 2014	1	24 August 2019	BA, LLB, LLM Diploma in Nuclear Law (France) Admitted Attorney	Legal: Litigation, drafting of commercial contracts, legal opinions Corporate Governance Nuclear, Employment and Commercial Law Legal Compliance Risk Management	1



Board Charter

The Board Charter sets out the role and responsibilities of the Board as well as the requirements for its composition and meetings. The Charter is subject to the provisions of the Standards Act, 2008 and any other applicable law or regulatory provisions. 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 for not only the financial aspects of the business but also 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 committee;
- be responsible for the governance of risk;
- be responsible for information technology (IT) 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;

- appreciate that stakeholder's perceptions affect the organisation's reputation;
- ensure the integrity of the organisation's Integrated Report;
- act in the best interests of the organisation; and evaluate
- the performance of the Chief Executive Officer

Induction and development

On appointment, new members of the Board 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 the induction programme, newly appointed members meet with executive and senior management to become acquainted amongst others with the business, products and service offerings as well as the organisational structure.

The Company Secretary considers development and training opportunities in consultation with members. Also, training needs identified during the outcome of the Board performance assessment, are communicated to the Company Secretary who ensures that these needs are addressed through the continuous development programme, which is approved by the Chairman of the Board.

Board meetings and attendance

The Board meets at least four times per annum or more often as circumstances necessitate. During the period under review, the Board met eight times, including a special workshop session and the annual Lekgotla to discuss matters of strategic importance.

All documents submitted to the Board are reviewed by the Executive Committee and approved by the CEO 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 before or after meetings. Members of the Executive Committee report to the Board on their respective operational areas as and when required. The attendance record for meetings during the period under review was as follows:

Board Meeting Attendance Record

Number of Meetings	8
Mr Jeff Molobela (Chairman) **	6/6
Dr Tshenge Demana *	2/2
Dr Michael Ellman	7/8
Mr Guy Harris	7/8
Ms Venete Klein	5/8
Ms Anna-Marie Lötter **	5/6
Mr Webster Masvikwa	8/8
Dr Boni Mehloakulu	8/8
Ms Boitumelo Mosako *	2/2
Ms Nivashnee Naraindath **	5/6
Ms Elekanyani Ndlovu **	6/6
Ms Wendy Poulton *	2/2
Mr Bahle Sibisi*	1/2

* Second term expired 24 August 2014

** First term commenced 25 August 2014

Performance assessment

During the period under review, an appraisal of the Board's performance was undertaken and coordinated by the Company Secretary. The independent appraisal was facilitated by an external service provider and took the form of a detailed questionnaire as well as a series of structured interviews, held individually with each of the members.

The overall assessment was positive. Whilst the review concluded that the Board operated with high levels of trust and integrity and high standards of corporate governance, there were areas in which the Board felt it could improve and will be driving a programme to ensure that these improvements are implemented. One of these areas was to strengthen its induction programme to include more details on SABS strategies and the legislative environment.

Conflict of interest

Members are required to annually declare any direct and indirect material interests, which may exist as a result of their association with any other company. As soon as an individual becomes aware of any conflict of interest, he or she is required to disclose such conflict, to recuse themselves from discussions and to abstain from voting on conflicting matters.

Remuneration

Non-executive members receive remuneration based on meetings attended. National Treasury annually set the fees 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 and the Executive Management Team is set out in Note 29.5 to the Annual Financial Statements.

Financial statements

The SABS Board and the Executive Committee 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 67 to 132, were prepared in accordance with the Statements of South African Generally Accepted Accounting Practice, the Companies Act and the PFMA.

The Financial Statements are based on appropriate accounting policies and are supported by reasonable and prudent judgments and estimates. The external auditor is the Auditor-General who is responsible for carrying out an independent examination of the financial statements in accordance with International Standards of Auditing, and reporting his findings thereon. The Auditor-General's report is set out on page 78.

Going Concern

The SABS Board reviewed the Group's financial position and is satisfied that adequate resources exist to continue business in the foreseeable future. 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. This expectation is supported by the fact that the organisation is partially funded by a parliamentary grant and has a positive balance of own cash resources.

In addition it has a pipeline to sustain future growth as it has been appointed under a number of service contracts to industry, state owned entities and state departments. The Board confirms that there is no reason to believe that the Group's operations will not continue in the year ahead.

Significance and materiality framework

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

Delegation of authority

The Board has appointed a series of committees to assist in its responsibilities and has delegated responsibility for the execution of the company's strategy to the Group's Chief Executive Officer (CEO) including financial strategic, operational, governance, risk and functional issues. The CEO reports to the Board and in September 2014, the Shareholder renewed the CEO's contract for a further five-year term.

Delegation of authority to Committees or the CEO does not in any way release the Board from its duties and responsibilities.



THE EXECUTIVE COMMITTEE

The CEO has appointed a seven-member Executive Committee (EXCO) which assists in overseeing and managing the day-to-day running of the organisation. The CEO ensures that the relevant legislation and regulations are adhered to, and that adequate internal financial control systems are in place to provide reasonable certainty in respect of the completeness and accuracy of accounting records, the integrity and 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, and is annually recommended by the HR and Remuneration Committee for approval by the Board. On 31 March 2015, the Executive Committee comprised the following members:



Chief Executive Officer:
Dr Boni Mehlomakulu
*(Chairperson of the Executive Committee);
 PhD. Chemical Engineering*



Elis Lefteris
Chief Financial Officer
 CA (SA)



Marjorie Pyoos
Executive: Corporate Services
 BCom (Hons)
 (Acting)



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



Katima Temba
Executive: Testing
 B.Tech Electrical
 Engineering; MBA



Sadvir Bissoon
Executive: Standards
 D.Tech Biotechnology



Josie Gubeon
**Executive: Human Capital
 Development**
 BA Degree
 (Acting)

COMMITTEES OF THE BOARD

The Board established a number of committees to assist in discharging its responsibilities. During the period under review, the Nominations Committee considered the functioning and structure of its committees and made recommendations to the Board for their restructuring. These recommendations were accepted by the Board, resulting in the number of standing committees increasing from four to five as of 1 October 2014, as set out below:

Committees before 1 October 2014	Committees as from 1 October 2014
Audit and Finance	Audit and Risk
Investment	Finance and Investment
Business Risk, Social and Ethics	Social and Ethics
HR, Remuneration and Nominations	HR and Remuneration
	Nominations

Attendance of meetings during the year is presented in the following table:

Board Committee Attendance Record: 1 April 2014 to 30 September 2014

Member	Audit and Finance	Investment	Business Risk, Social and Ethics	HR, Remuneration and Nominations
Boitumelo Mosako	5/5	2/2		
Tshenge Demana		2/2		2/2
Michael Ellman	3/5		2/3	1/2
Guy Harris			3/3	2/2
Venete Klein	5/5			2/2
Webster Masvikwa	5/5	2/2		
Wendy Poulton	4/5		3/3	

Board Committee Attendance Record: 1 October 2014 to 31 March 2015

Member	Nominations	Audit and Risk	Finance and Investment	Social and Ethics	HR and Remuneration
Jeff Molobela	2/2				
Michael Ellman		3/3		2/2	3/3
Guy Harris	2/2	3/3	2/2		3/3
Venete Klein	2/2	3/3	2/2		3/3
Anna-Marie Lötter			2/2	2/2	
Webster Masvikwa		2/3	2/2		
Nivashnee Naraindath				1/2	2/3
Elekanyani Ndlovu			2/2	2/2	



Audit and Risk Committee

The Audit and Risk Committee oversees compliance 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. During the period under review, the Committee revised its terms of reference in accordance with the recommendations contained in King III. The Board subsequently approved the revised terms of reference.

The Committee comprised four independent non-executive directors, the majority of whom have the requisite financial skills and experience to fulfill their duties on the Committee. The Chief Executive Officer, the Chief Financial Officer and representatives of internal audit as well as the Group's external auditors attended committee meetings by invitation.

The Committee is, amongst others, mandated to review the effectiveness of internal controls, ensure satisfactory standards of governance and compliance, maintain oversight of financial results and integrated reporting, and ensure that the Group has an effective policy and plan for risk management, including risk control systems. In this regard, the Committee maintains oversight over financial reporting risks, internal financial risks as well as fraud and IT risks, as they relate to financial reporting.

Finance and Investment Committee

The Finance and Investment Committee comprises five non-executive members. The Chief Executive Officer and the Chief Financial Officer attend meetings by invitation.

The Committee's mandate is to:

- ensure that the daily operational cash flow needs of the SABS are being met;
- ensure that there are sufficient available funds to allow for any unforeseen expenses or other cash flow needs;
- provide for medium- and long-term capital expenditure;
- provide for the post-retirement medical liability and any other specific liabilities; and
- review all material capital investments relating to property and the IT Strategy.

During the period under review, the Committee revised its terms of reference in accordance with the recommendations contained in King III. The Board subsequently approved the revised terms of reference.

Social and Ethics Committee

The Social and Ethics Committee comprises four non-executive members. As required by the Companies Act, 2008 (Act No. 71 of 2008) and King III, this Committee oversees and monitors activities in relation to social and economic development, corporate citizenship and ethical behaviour, stakeholder and consumer relations as well as safety, health and environmental issues at the SABS.

During the period under review, the Committee revised its terms of reference in accordance with the recommendations contained in King III and these revisions were approved by the Board.

HR and Remuneration Committee

The HR and Remuneration Committee comprises four non-executive members appointed by the Board. The Chief Executive Officer and the Executive Human Capital Development attend 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, and the Board subsequently approved the revised terms of reference.

REPORT OF THE AUDIT COMMITTEE OF THE BOARD FOR THE YEAR ENDED 31 MARCH 2015

INTRODUCTION

This report to the board and shareholder, on how the Audit and Risk 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 Risk Committee to be the Audit and Risk Committee for both SABS and SABS Commercial SOC Ltd with each having their own regulatory requirements. The Audit and Risk 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 Risk Committee and all responsibilities are set out in detail therein.

The Board recognises the important role of the Audit and Risk 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.

Summary of conclusions reached by the Audit and Risk Committee for the year ended 31 March 2015:

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 Interim 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 Risk Committee has:

- Reviewed and discussed the (draft) 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 RISK COMMITTEE RECOMMENDED THE ADOPTION OF THE INTEGRATED REPORT TO THE BOARD.

In this regard the committee:

- Considered all facts and risks that may impact on the integrity of the integrated report;
- Reviewed and commented on the financial statements included in the integrated report;
- Reviewed the disclosure of sustainability issues in the integrated report to ensure they are reliable and do not conflict with the financial information;

The Board subsequently approved the integrated report, including the financial statements.

COMPOSITION

The Audit and Risk Committee comprised four independent non-executive directors; who have the requisite financial skills and experience to fulfil the committee's duties:

REPORT OF THE AUDIT COMMITTEE OF THE BOARD FOR THE YEAR ENDED 31 MARCH 2015



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 times. Attendance of meetings held during the year under review is presented on page 53:

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 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 upon for the preparation of the annual financial statements.

The Audit and Risk Committee has evaluated the consolidated annual financial statements for the year ended 31 March 2015 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.

GP HARRIS
AUDIT AND RISK COMMITTEE CHAIRPERSON

REMUNERATION

The SABS remuneration framework comprises the following key elements:

- Guaranteed pay (inclusive of benefits);
- Short-term incentive scheme (performance bonuses);

Guaranteed remuneration

Guaranteed remuneration comprises the cash component and employee benefits such as medical aid, pension fund contributions, group life and disability benefits. Membership of the approved medical aid and a pension fund scheme is compulsory for all permanent employees.

Average increases on guaranteed pay for the financial year 2014/15 were as follows:

- Management and Specialists – 7.6%; and
- Bargaining Unit – Between 7.5% and 8%.

Short-term incentives

For the year under review, performance bonuses were paid to Management and Specialists on Peromnes levels 1 to 7. Performance bonuses are paid in arrears, i.e. performance bonuses paid in FY 2014/15 were for the financial year 2013/14. The maximum performance bonuses payable are as follows:

- CEO – 45%;
- Executives (P2 to P3) – 35%;
- Group/General Managers – 25%;
- Management and Specialists (P5 to P7) – maximum 10%.

Based on the organisational performance for the financial year 2013/14, no additional bonuses were paid in the review period. However, in accordance with a three year wage negotiation agreement, signed in December 2012, permanent employees in the bargaining unit were paid 13th cheques in lieu of performance-based bonuses.

Additional benefits for bargaining unit employees

Bargaining unit employees are those employees on Peromnes levels 8 to 18. Apart from a guaranteed 13th cheque these employees also receive additional benefits in the form of a medical aid subsidy and a housing allowance.

Non-executive directors' remuneration

Non-executive members receive remuneration based on the number of meetings attended. National Treasury annually sets the fees, 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 and the Executive Management Team is set out in Note 29,5 to the Annual Financial Statements.

RISK MANAGEMENT

The effective management of risk is critical to the achievement of the SABS strategic objectives. Over the past few years there has been an increased focus on risk management resulting in risk management being proactively integrated into the business. The SABS Board, through the Audit and Risk Committee, maintains overall 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 ensure that the necessary controls are in place and are effective.

During the year under review, the SABS analysed its Risk Profile as informed by a number of litigation cases that the SABS had to deal with over a period of some years. This is work-in-progress and will be further refined in 2015/16. The risk profile took into account other similar state owned enterprises that have both a legislative mandate and a need to ensure long term sustainability through competing for business in the market place.

In terms of its risk profile the SABS mandate and type of work require that the SABS should be incorruptible and stand beyond reproach in delivering services to the economy. The trust value is inherently the driver for up-take of its products and services by both the government and industry. Therefore should that trust be eroded, SABS will struggle to sustain itself in that it will be faced with reputation issues, litigation risks and loss of business.

Key elements of the trust include:-

- Timely service
- Technical know-how
- Trusted systems and processes
- Up to date laboratory equipment
- Incorruptible employees
- Zero-tolerance on SABS mark abuse



As part of the on-going risk management the following were developed in 2014/15 and will be prioritised for review during 2015/16 to ensure completeness and application of best practice:

- Risk Management Framework aligned with National Treasury's risk management framework and best practice;
- Risk Management Policy;
- Risk Management Strategy; and
- Risk Appetite and Tolerance Framework.

ICT GOVERNANCE

King III stipulates that boards and executive management need to extend governance to ICT to ensure that an organisation's ICT infrastructure and policies sustain and extend its strategies and objectives. During the year under review, the Board considered progress against the implementation of the ICT strategy that was developed in 2011, and set in motion the revision of the ICT Road Map. The revision is aimed at accelerating the strategy roll-out in order to immediately leverage solutions enabled by information technology. The organisation's strategic intent is to improve business processes, improve growth, create revenue opportunities, achieve greater market penetration, improve speed of delivery, enable rapid response to customer demands, improve customer satisfaction and engagement, and bring greater innovation and operational efficiencies to the organisation. In order to support the oversight role of the Board on the execution of the Road Map, the ICT Steering Committee was reconstituted to executive level and includes three external experts.

The Finance and Investment Committee will monitor the activities of the ICT Steering Committee. The ICT operating model is also being redesigned to drive the changes in line with the execution of the new Road Map.

INTERNAL CONTROL

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.

Internal Audit assists in accomplishing the SABS objectives by bringing a systematic and disciplined approach to bear in evaluating and improving the effectiveness of risk management, control, and governance processes. Internal Audit also assists by assessing the adequacy and effectiveness of the system of internal control. Internal Audit operates under the direction and leadership of the Audit and Risk 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 Risk 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 Audit and Risk Committee, on the effectiveness of the risk management processes.

COMPLIANCE WITH LAWS AND REGULATIONS

Legal and regulatory compliance form an important component of the corporate governance structure of the SABS. A partial review was undertaken of legal and regulatory compliance but this was not exhaustive and a more comprehensive analysis will form part of the risk management priorities in 2015/16.

The Risk and Compliance functions advise and assist 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.

A schedule of policies and procedures was uploaded to the SABS intranet in the reporting period to make these compliance tools more readily available to employees and management. Compliance policies and procedures are founded in the organisation's values and ethics in an effort to ensure consistent application and compliance with applicable laws, regulations, codes and standards.

The Risk and Compliance functions are responsible for awareness training, assessment, monitoring and reporting to the Audit & Risk Committee. 'Risk champions' were appointed during the year in the various divisions and a number of workshops as well as in-house training were conducted to familiarise them with the risk management systems.

FRAUD AND CORRUPTION

The SABS is committed to "Zero tolerance" of any fraudulent behaviour. A Fraud Policy and a Fraud Prevention Plan are in place and effective. To promote a culture of whistle blowing, an external service provider independently manages the SABS Fraud Hotline and logged calls are managed by Internal Audit to guarantee anonymity of whistle blowers.

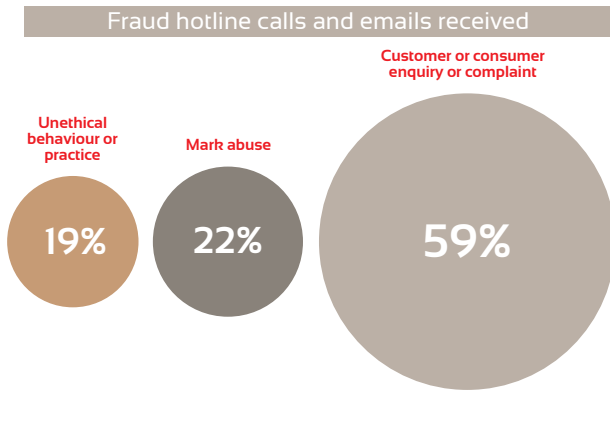
All reasonable suspicions of fraud, corruption and maladministration are verified and investigated and appropriate action is taken, including, but not limited to:

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

The Fraud hotline recorded a total of 27 calls (46 in 2013/14) during the year under review, of which 6 calls (29 in 2013/14) related to abuse of the SABS Mark. This reflects a decrease of 41% in total calls logged and a decrease of 79% in terms of SABS Mark Abuse-related calls compared to the previous financial year.

Abuse of the SABS Mark has become a key area of focus and the SABS is currently putting procedures and measures in place to ensure that each incident of Mark abuse is dealt with effectively, efficiently and comprehensively in order to maintain the value of the SABS Mark. The SABS is also embarking on an awareness campaign, which will make the public aware of the consequences of misuse of the SABS Mark.

Cases classified as 'Unethical Behaviour or Practices' relate to complaints raised about the conduct of SABS employees and formed 5 (19%) of the total cases reported through the hotline – an increase of 67% compared to 2013/14 when 3 (representing 7% of total cases) were reported).





The majority of the cases 16 (59%) versus 14 (30%) in 2013/14, representing an increase of 14% year-on-year, were complaints and enquiries by customers or consumers concerning SABS services that were directed to the SABS call centre for resolution. This number also includes misdirected complaints and queries 3 (11%) regarding companies and products that are completely outside the scope of the SABS' activities. These calls were directed to the correct entities before they were closed.

MINIMISING CONFLICT OF INTEREST

At Board level members are required to annually declare all direct and indirect material interests which may exist as a result of their association with any other company. As soon as an individual becomes aware of any conflict of interest, he or she is required to disclose such conflict and to recuse themselves from related discussions. The member is prohibited and precluded from voting on conflicted matters.

Conflict of interest in the Procurement Department and in the procurement process are addressed by ensuring that the procurement personnel and employees involved in the procurement process sign a declaration of interest. No employees recused themselves from the process during the reporting period. Specific action is also taken to ensure that all possible conflict is eliminated.

- All new suppliers are required to complete a declaration of interest form before they are registered on the SABS database. Tenderers are also required to complete a declaration of interest form and to submit the form together with their tender. Any conflict is handled in line

with the Preferential Procurement Policy Framework Act, 2000 (Act No. 5 of 2000).

- Members of the Cross Functional Sourcing Team are required to complete a declaration of interest form before commencing with the writing of any scope of services document. Such declaration also applies to the subsequent evaluation of tenders.
- Members of the tender committee are required to sign a declaration of interest at the commencement of the tender committee sittings and adjudication of tenders.

The above measures ensure that all possible undue procurement process manipulation is avoided.

CODE OF GOOD CONDUCT

The SABS has a Code of Ethics Policy, which commits Board members, Executive Management and employees to high standards of ethical conduct, both in their work and in their dealings with customers and other stakeholders. New Board members and employees are required to commit themselves to the code during their induction period. The principles of the code are 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 maintaining good governance and responsibility.

COMPANY SECRETARY

The Board is responsible for the appointment of the Company Secretary who plays a pivotal role in guiding and assisting the Board in the delivery of its mandate. The Company Secretary is expected to be available to the chairman and individual members at all times. Wilma De Witt is the Company Secretary of SABS.

The Company Secretary is professionally qualified and has experience gained over a number of years. Board members evaluated her performance during the annual Board evaluation process.

The Board is satisfied that the Company Secretary is suitably qualified, competent and experienced to perform her role. All members have access to the advice and services of the Company Secretary, whose appointment and removal are a Board matter.

SABS





INTRODUCTION

The leadership of the SABS recognises that there are unique economic, social and political challenges in South Africa. Amongst others, those with significant implications for the management of human capital 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, and continues to analyse and remove the systemic organisational barriers to the advancement of designated groups to facilitate the achievement of diversity at all levels in the organisation.

The retention of skilled professionals continued to pose challenges in the current economic environment, as these individuals are highly mobile. Furthermore, the recruitment and retention of high quality employees, at a time of significant competition from similar institutions nationally, continued to pose a challenge. A comprehensive approach to personal and professional development is being developed and further refined to create the career opportunities and reward structures that contribute to on-going job satisfaction and retention.

Organisational culture has a major impact on the success of any organisation. Since there is a strong need for the culture of the SABS to develop beyond that of the era when there was no competition for customers and human capital, there is currently a significant focus on the work needed to move the SABS to a more responsive, customer-centric culture.

HUMAN CAPITAL OVERSIGHT STATISTICS

Employment

At the end of the year under review, the organisation had a total of 1 073 employees, including payroll contractors.

Level	2013/14	2014/15
	No. of employees	No. of employees
Top and Senior Management	7	6
Professional Qualified	82	80
Skilled	883	844
Semi-skilled	78	76
Unskilled	0	0
Other	43	67
Total	1 093	1 073

Age distribution

The majority of employees (64%) fall between the ages of 30 and 50 years. An important focus of the organisation remains to ensure effective skills transfer from employees who retire from critical positions.

Level	Under 30	30-50	Over 50
Top and Senior Management	0	6	0
Professional Qualified	1	58	21
Skilled	83	527	172
Semi-skilled	29	75	34
Unskilled	0	0	0
Other	16	19	32
Total	129	685	259

Employee costs

The ratio of employment costs to total administrative and operating costs is relatively high at 61%. This is exacerbated by the implementation of the three-year wage agreement that was finalised in 2012/13.

Division	Total administrative and operating costs (R'000)	Employee costs (R'000)	Employee expenditure as a percentage of total expenditure	No. of employees	Average personnel cost per employee (R'000)
Corporate	147 219	131 208	89%	297	442
Commercial	542 477	287 147	53%	644	446
Standards	88 363	53 486	61%	132	405
Total	778 059	471 840	61%	1 073	440

Employment equity

Mixed progress was made in meeting employment equity (EE) targets during the year under review. Continued difficulties were experienced in meeting the targets for both male and female Coloured people and, to a lesser extent, Indian people, both male and female. Efforts in this regard will be renewed in the new financial year. Targets were met for male disabled staff but not for females, and efforts in this regard will be renewed. The overall decrease in staff numbers adds additional challenges in meeting EE targets.

As part of a new three-year Employment Equity Plan, the SABS conducted diversity management sessions in its core business areas. These sessions have re-vitalised the SABS values and embedded the understanding of its diverse customers and markets.

A new SABS Transformation Forum, diverse in terms of race, gender, age, occupational level, qualifications, length of service and disability status, has also been established.

This Forum is empowered to support and facilitate the successful implementation of EE and Skills Development in the organisation.

Progress against the 2014/15 EE targets was:

- Black (Africans, Coloured and Indian): 75% against a target of 78%;
- Women (of all races): 42% against a target of 43%; and
- Persons with disabilities: 2% against a target of 2%.





Level	MALE									
	African		Coloured		Indian		White		Foreign Nationals	
	Current	Target	Current	Target	Current	Target	Current	Target	Current	Target
Top and Senior Management	2	2	0	0	1	1	0	0	0	0
Professional Qualified	15	15	4	5	6	7	17	14	3	3
Skilled	260	252	15	24	22	25	94	95	7	7
Semi-skilled	110	130	2	2	1	1	1	1	0	0
Unskilled	0	0	0	0	0	0	0	0	0	0
Total	387	399	21	31	30	34	112	110	10	10

Level	FEMALE									
	African		Coloured		Indian		White		Foreign Nationals	
	Current	Target	Current	Target	Current	Target	Current	Target	Current	Target
Top and Senior Management	1	2	0	0	0	0	1	1	0	0
Professional Qualified	19	22	2	2	2	2	10	7	2	2
Skilled	262	264	17	26	16	18	85	92	4	2
Semi-skilled	23	18	0	2	1	1	0	0	0	0
Unskilled	0	0	0	0	0	0	0	0	0	0
Total	305	306	19	30	19	21	96	100	6	4

Level	Disabled staff			
	Male		Female	
	Current	Target	Current	Target
Top and Senior Management	0	0	0	0
Professional Qualified	1	1	1	1
Skilled	9	7	10	13
Semi-skilled	0	1	0	0
Unskilled	0	0	0	0
Total	10	9	11	14

Employee relations

A collective agreement was signed in March 2015 with NEHAWU, the recognised union for employees in the bargaining unit. However, there are structures in place to communicate to both unionised and non-unionised employees.

Misconduct and disciplinary action

During the year under review a total of 16 disciplinary cases were handled, of which 4 cases (25%) resulted in dismissal.

Nature of disciplinary action	Number
Verbal Warning	1
Written Warning	2
Final Written Warning	9
Dismissal	4
Total	16

Appointments and terminations

The number of employees remained relatively stable during the period, starting with 1 093 on 01 April 2014 and ending with 1 073 on 31 March 2015.

Salary Band	Employment at beginning of period	Appointments	Terminations	Employment at end of the period
Top and Senior Management	7	1	2	6
Professional Qualified	82	13	32	80
Skilled	883	23	61	844
Semi-skilled	78	16	3	76
Unskilled	-	-	-	-
Other	43	-	17	67
Total	1 093	53	115	1 073

The main reason for terminations was voluntary resignations, followed by contract terminations and retirement. The majority of the terminations (53%) were among the skilled workforce, which forms the majority of the employee group (79%). Similarly, the professionally skilled workforce, who forms 7% of the workforce, accounted for 28% of terminations.

Reason	Number	Percentage of total no. of staff leaving (%)
Death	4	3
Resignation	64	56
Dismissal	4	3
Retirement	13	11
Ill health	1	1
Expiry of contract	29	25
Total	115	100



Skills and leadership development

Leadership development remains a key imperative for the organisation. To increase leadership capability, the SABS invested in three Leadership Programmes: The Da Vinci and Harvard Leadership Programmes and the Executive Coaching Programme.

Forty-nine managers were enrolled on the Harvard Leadership Programme and 46 successfully completed the course. The two Masters students on the Da Vinci Programme graduated during the year under review. Eight senior level managers are completing a six-month Executive Coaching Programme, intended to enhance leadership capability and personal growth in specific competencies.

A total of R4.2 million was spent on training, representing 0.9% of the total employee cost of R471 million.

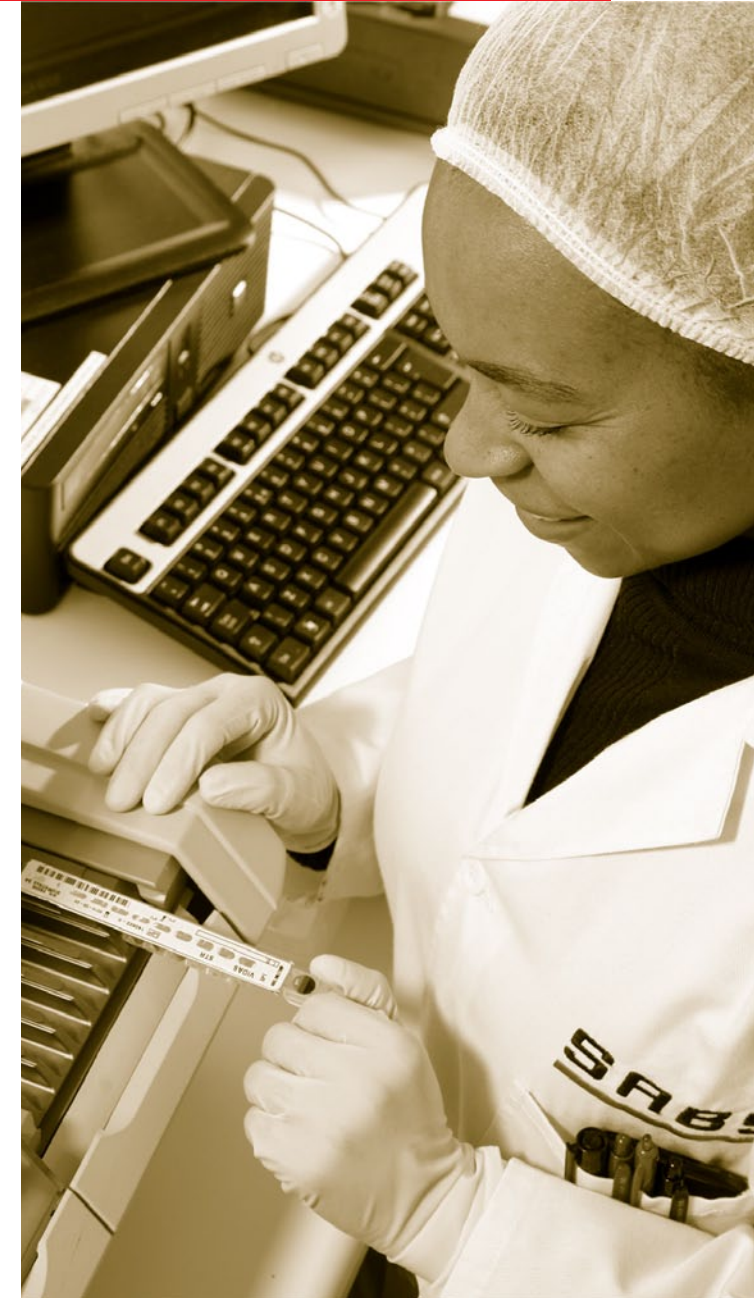
Division	Employee expenditure (R'000)	Training expenditure (R'000)	Training cost as a % of employee expenditure	No. of employees trained	Average training cost per employee (R'000)
Corporate	140 748	1 848	1.3%	169	10.9
Commercial	277 606	2 055	0.7%	389	5.3
Standards	53 486	336	0.6%	20	16.8
Total	471 840	4 239	0.9%	578	7.3

Employee development

Employee development remains a strategic imperative and continues to be reinforced. The learning and development initiatives undertaken highlight the intensified effort in building leadership capability for the future.

The Harvard and Executive Coaching Programmes will continue in the next financial year to give the organisation an opportunity to assess the impact of the programmes on employee performance in the medium term. These are flagship development programmes intended to support the organisation's talent development initiatives.

Training interventions span both technical and non-technical domains. In addition bursaries are also offered to employees enrolled for undergraduate studies.







SEVEN YEAR GROUP REVIEW FOR THE YEARS ENDED 31 MARCH

	2015	2014	2013	2012	2011	2010	2009
	Rm	Rm	Rm	Rm	Rm	Rm	Rm
Income statement							
Commercial revenue	557.3	516.8	485.8	401.5	394.6	390.7	358.5
Levy revenue	-	-	-	-	-	-	45.2
Parliamentary grant recognised as income	193.1	179.8	163.1	159.2	156.9	134.9	128.8
Expenditure	775.5	741.2	675.7	577.1	529.3	516.6	491.8
Net (loss)/profit on discontinued operations	-	-	(0.1)	(1.5)	(0.1)	(22.2)	2.1
Net investment income/(cost)	22.7	23.2	24.5	17.1	8.5	3.2	(0.6)
Profit for the year	32.2	21.7	27.0	34.1	54.5	46.8	30.7
Operating profit *	22.2	8.5	18.7	22.3	63.7	51.8	44.6
Statement of financial position							
Property, plant and equipment	365.0	345.5	331.9	305.2	253.8	169.9	170.9
Investment properties	9.2	9.6	10.0	10.5	10.9	11.3	11.8
Intangibles	11.7	14.8	14.7	3.3	9.8	17.5	18.0
Total available-for-sale investments	395.9	305.1	336.1	284.3	291.9	201.5	250.1
Deferred taxation	20.4	20.9	20.5	22.7	21.1	23.9	23.7
Non-current assets/disposal group held for sale	-	-	1.2	0.1	1.7	1.9	2.3
Current assets excluding cash	139.2	119.6	97.6	61.4	56.2	53.0	67.5
Net cash and cash equivalents	200.1	283.5	274.3	262.3	190.4	122.2	7.6
Total assets	1 141.4	1 098.9	1 086.2	949.7	835.9	601.2	551.9

* 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.

SEVEN YEAR GROUP REVIEW FOR THE YEARS ENDED 31 MARCH

	2015	2014	2013	2012	2011	2010	2009
	Rm	Rm	Rm	Rm	Rm	Rm	Rm
Capital and reserves	615.6	560.9	520.0	479.5	445.3	384.7	347.3
Interest bearing borrowings	-	-	-	-	14.9	15.7	18.4
Other liabilities	377.1	386.3	406.1	333.2	253.4	100.2	102.2
Current liabilities	148.6	151.8	160.1	137.1	122.3	100.6	83.9
Total equity and liabilities	1 141.4	1 098.9	1 086.2	949.7	835.9	601.2	551.9
Cash flows							
Net cash flow from operating activities	51.4	21.4	55.7	67.1	110.8	90.6	26.2
Net cash flow from investing activities	(137.5)	(12.3)	(109.1)	(62.1)	(194.6)	26.7	(11.3)
Net cash flow from financing activities	2.8	-	65.5	66.8	152.1	(2.7)	(4.3)
Cash and cash equivalents at beginning of year	283.5	274.3	262.3	190.4	122.2	7.6	(3.1)
Cash and cash equivalents at end of year	200.1	283.5	274.3	262.3	190.4	122.2	7.6
Ratio analysis							
Profitability and asset management							
Asset turnover	0.6	0.5	0.5	0.5	0.6	0.8	0.9
Return on net assets	2.8%	1.3%	2.9%	4.1%	12.2%	13.7%	9.7%
Return on equity	3.6%	1.5%	3.6%	4.7%	14.3%	13.5%	12.8%
Current ratio	0.9	0.8	0.6	0.4	0.5	0.5	0.8
Operating margin %	4.0%	1.6%	3.8%	5.6%	16.2%	13.2%	11.0%
Revenue % to total income	74.3%	74.2%	74.9%	67.6%	68.2%	67.1%	70.9%

SEVEN YEAR GROUP REVIEW FOR THE YEARS ENDED 31 MARCH

	2015	2014	2013	2012	2011	2010	2009
Performance							
Revenue per employee (R'000)	539	478	405	358	339	289	262
Operating profit per employee (R'000)	21	8	16	20	55	38	29
Remuneration as a % of total expenditure	60.8%	58.6%	57.7%	58.2%	62.2%	57.9%	64.1%
Average number of employees	1 034	1 081	1 201	1 120	1 163	1 354	1 541 ¹

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

* 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.

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

FINANCIAL REVIEW FOR THE YEAR ENDED 31 MARCH 2015

During the financial year under review SABS continued to deliver on its mandate to provide relevant standardisation solutions that increase market access to industries and enhanced their competitiveness. SABS is the selected agency to conduct local content verification on behalf of the South African government, who is championing and playing a more visible role in localisation.

Government policies and programmes such as the National Development Plan (NDP), the Industrial Policy Action Plan (IPAP) and the massive infrastructure build programme are expected to be a catalyst for socio-economic growth in our country. Our national technical infrastructure institutions have been identified to play a crucial role in supporting growth objectives. The SABS represents the core of the technical support required with the development of relevant South African National Standards (SANS) coupled with an efficient national conformity assessment infrastructure. This makes the organisation a strategic asset that supports government in enabling policy implementation and achieving regulatory objectives in the economy.

The SABS has enjoyed continued support from its shareholder, **the dti**, evidenced by an increase of 7,4% 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.

FINANCIAL RESULTS

Revenue from commercial operations at R557,3 million (2014: R516,8 million) increased by 7,8% on last year. Certification revenue of R310,8 million (2014: R275,7 million) increased by 12,7% (2014: 12,6%). The aggressive drive to obtain new business across all the regions coupled with the increase in product certification audits largely contributed to the increase. Revenue from inspections, tests and services and training of R205,4 million (2014: R202,9 million) remained relatively stable with 1,2% growth versus prior year (2014: decrease of 7,3%).

The base line parliamentary government grant funding allocation of R193,1 million increased by R13,3 million from the previous year allocation of R179,8 million. This represents an increase of 7,4% (2014: 10,2%).

Total expenses for the year were R775,5 million, a 4,6% increase compared to the R741,2 million incurred in the previous year. The main contributing factors for the increase were the three year wage agreement, higher than anticipated international certification activity, local content auditing, ICT support and the outsourcing of the Internal Audit functions. An ICT management company was contracted to assess and report on the ICT best practice standards according to the SABS ICT Governance Framework.

The Group generated an operating profit before taxation, financing and discontinued operations of R10,0 million for the year (2014: loss of R1,8 million). This is testimony to the stable performance and strict expense control measures.

CAPITAL EXPENDITURE

Group capital expenditure for the year amounted to R65,8 million (2014: R57,5 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 R84,3 million (2014: R85,5 million) at 31 March 2015.

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 R142,8 million (2014: R106,5 million) (Refer to note 22 of the financial statements).

BORROWINGS

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

FINANCIAL REVIEW FOR THE YEAR ENDED 31 MARCH 2015



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 evened this out resulting in a net cash in flow from operating activities of R51,4 million (2014: R21,4 million).

INVESTMENTS

During the period under review the available-for-sale investments were increased by R60 million. The average growth on the investment portfolio was 9,4% for the year under review. Assets are invested in a strategy that aims to deliver CPI plus three % per annum over rolling five year periods. The investment strategy consists of multi asset class portfolios to be managed by at least two different asset managers. The overriding focus of the investment strategy is capital preservation.

FINANCIAL MANAGEMENT IMPERATIVES

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

- Continued expense management
- Improvement of management information
- Continued focus on conversion of pipeline revenue.

BBBEE

The SABS supports transformation and the policy objectives of broad based black economic empowerment (BBBEE). SABS and its subsidiaries achieved a level 3 BBBEE rating (2014 - SABS : level 3 and SABS Commercial SOC Ltd : level 3).

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 78 to 133, which comprise the consolidated and separate statement of financial position as at 31 March 2015, the consolidated and separate statement of profit or loss and other comprehensive income, statement of changes in equity, and statement of cash flows 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), the Standards Act, 2008(Act No 8 of 2008) (Standards Act) and the Companies Act, 2008(Act No 71 of 2008) (Companies Act), 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 of 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 unqualified 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 2015 and its financial performance and cash flows for the year then ended, in accordance with SA GAAP and the requirements of the PFMA and Standards Act and the Companies Act.

Additional matter

7. I draw attention to the following matter. My opinion is not modified in respect of this matter.

Unaudited supplementary schedules

8. The supplementary information set out on pages 69 to 73 does not form part of the financial statements and is presented as additional information. I have not audited these schedules and, accordingly, I do not express an opinion thereon.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

9. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) and the general notice issued in terms thereof. I have a responsibility to report

REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE SOUTH AFRICAN BUREAU OF STANDARDS

findings on the reported performance information against predetermined objectives for selected objectives presented in the annual performance report, compliance with legislation and 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

10. 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 2015:

- **Strategic objective 1:** Increase the use of standardisation services by broadening the geographic footprint as well as the scope of services offered
- **Strategic objective 2:** Put the customer at the forefront of everything we do

11. I evaluated the reported performance information against the overall criteria of usefulness and reliability.

12. 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* (FMPPI).

13. I assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

Usefulness and Reliability of reported performance information

14. I did not identify any material findings on the usefulness and reliability of the reported performance information for the selected objectives.

Additional matter

15. Although I identified no material findings on the usefulness and reliability of the reported performance information for the selected objectives, I draw attention to the following matter:

Achievement of planned targets

16. Refer to the annual performance report on pages 31 to 34 for information on the achievement of the planned targets for the year.

COMPLIANCE WITH LEGISLATION

17. I performed procedures to obtain evidence that the entity 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

18. 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

19. As requested by the entity an engagement was conducted on royalty fee payable by the South African Bureau of Standards (SABS) and Human Resources Management section of the integrated report. The report on royalties covered the period 1 January 2014 to 31 December 2014 and was issued on 22 June 2015.

Pretoria
28 July 2015

Auditor-General



AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

BOARD REPORT FOR THE YEAR ENDED 31 MARCH 2015

INTRODUCTION

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

In the opinion of the SABS Board, which fulfils the role of a board of directors as envisaged by the Companies Act, the financial statements fairly reflect the financial position of the SABS Group as at 31 March 2015 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 2015.

OUR STATUTORY BASIS

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

OUR MANDATE

In terms of the Standards Act, 2008 (Act 8 of 2008), the objects 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
- render conformity assessment services and matters connected therewith

VISION

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

MISSION

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

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

VALUES

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

FINANCES

The Standards Division of the SABS is financed by funds allocated for that purpose via the Department of Trade and Industry (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 R32,2 million (2014: R21,7 million) for the year ended March 2015. The profit for the year from continuing operations after taxation is R32,2 million (2014: R21,7 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 R193,1 million (2014: R179,8 million) which represents an increase of 7,4%.

BOARD REPORT FOR THE YEAR ENDED 31 MARCH 2015



STRATEGIC PLANNING

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 provisions of the Public Finance Management Act.

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 resources to effectively deliver on its mandate.

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

- The development of and provision of National Standards;
- Testing of products;
- Certification of products and systems;
- Protection of the consumer from unsafe or poor quality goods in the South African market place through use of the SABS mark;
- The promotion of design in South Africa; 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, 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 the Performance Against Objectives, 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 three, which are covered in more detail in the attached table on page 31.

EMPLOYEES

The SABS had 354 (2014: 415) permanent employees and 26 (2014: 15) contract workers as at 31 March 2015. The Group had 946 (2014: 1 001) permanent employees and 71 (2014: 49) contract workers as at 31 March 2015.

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 2015

	Notes	GROUP		SABS	
		2015 R'000	2014 R'000	2015 R'000	2014 R'000
Continuing operations					
Revenue	2	557 331	516 766	88 138	91 379
Other income	3	35 135	42 787	116 975	112 150
Government grants	29.6	193 050	179 795	193 051	179 795
		785 516	739 348	398 164	383 324
Other operating expenditure		(775 507)	(741 188)	(394 344)	(403 434)
Employee related expenditure	4	(471 840)	(434 522)	(196 421)	(171 879)
Depreciation	9 & 10	(39 208)	(35 368)	(11 475)	(10 679)
Contract services		(53 448)	(39 523)	(34 981)	(27 424)
Travel expenditure		(38 041)	(43 379)	(8 250)	(11 611)
Advertising expenditure		(12 240)	(15 690)	(6 890)	(11 708)
Repairs and maintenance expenditure		(10 444)	(12 723)	(5 622)	(7 551)
Consulting and technical fees		(21 165)	(20 408)	(6 939)	(10 769)
Other expenditure	5	(129 121)	(139 575)	(123 766)	(151 813)
		10 009	(1 840)	3 820	(20 110)
Operating profit/(loss)					
Finance revenue	6	22 797	23 215	22 797	23 215
Finance cost	7	(113)	(32)	(52)	(30)
Net profit before taxation		32 693	21 343	26 565	3 075
Taxation	8	(488)	400	-	-
Profit for the year from continuing operations		32 205	21 743	26 565	3 075
Discontinued operations					
Loss for the year from discontinued operations	9	-	(19)	-	-
Profit for the year		32 205	21 724	26 565	3 075

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2015

	Note	GROUP		SABS	
		2015 R'000	2014 R'000	2015 R'000	2014 R'000
Profit for the year		32 205	21 724	26 565	3 075
Other comprehensive income					
Net gains on available-for-sale financial assets	21	18 866	13 878	18 866	13 878
Net gains on post-retirement medical aid		3 191	4 405	1 963	2 104
Gains on post-retirement medical aid	22	3 669	5 300	1 963	2 104
Income tax effect on gains on post-retirement medical aid		(478)	(895)	-	-
Total comprehensive income for the year, net of tax		54 262	40 007	47 394	19 057

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2015

	Notes	GROUP		SABS	
		2015 R'000	2014 R'000	2015 R'000	2014 R'000
ASSETS					
Non-current assets					
Property, plant and equipment	10	802 096	695 825	704 034	586 546
Investment properties	11	364 955	345 472	69 324	63 027
Intangible assets	12	9 173	9 604	176 566	182 335
Investment in subsidiaries	13	11 699	14 835	986	590
Available-for-sale investments	14	-	-	1	1
Deferred taxation	15	395 898	305 054	395 898	305 054
Loans to group companies	16	20 371	20 860	-	-
		-	-	61 259	35 539
Current assets					
Inventory	17	339 265	403 104	223 159	303 308
Trade and other receivables	18	1 964	1 939	1 964	1 939
Cash and cash equivalents	19	137 194	117 707	21 171	17 990
		200 107	283 458	200 024	283 379
TOTAL ASSETS		1 141 361	1 098 929	927 193	889 854
EQUITY AND LIABILITIES					
Equity and reserves					
General reserve	20	615 639	560 899	539 869	492 475
Other components of equity	21 & 22	54 282	54 282	54 282	54 282
Accumulated profit		66 834	44 299	65 843	45 014
Reserves of disposal group classified as held for sale	9	494 666	462 461	419 744	393 179
		(143)	(143)	-	-
Non-current liabilities					
Employment benefit obligations	22	376 997	386 110	317 896	323 965
Deferred income	23	102 027	102 530	61 405	61 609
Current liabilities					
Deferred income	23	274 970	283 580	256 491	262 356
Trade and other payables	24	148 582	151 777	69 428	73 414
Employment benefit obligations	22	11 150	10 206	5 797	5 729
VAT liability	25	121 069	127 207	54 705	60 814
Liabilities of disposal group classified as held for sale	9	9 148	8 999	6 294	6 101
		7 215	5 365	2 632	770
TOTAL EQUITY AND LIABILITIES		1 141 361	1 098 929	927 193	889 854

STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2015

		General reserve	Employee benefits	Available- for-sale reserve	Discontinued operations	Accumulated profit	Total equity and reserves
	Notes	R'000	R'000	R'000	R'000	R'000	R'000
GROUP							
Balance at 31 March 2013		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
Other comprehensive income	21 & 22	-	3 669	18 866	-	-	22 535
Net profit for the year		-	-	-	-	32 205	32 205
Balance at 31 March 2015		54 282	3 659	63 175	(143)	494 666	615 639
SABS							
Balance at 31 March 2013		54 282	(1 399)	30 431	-	390 104	473 418
Other comprehensive income	21 & 22	-	2 104	13 878	-	-	15 982
Net profit for the year		-	-	-	-	3 075	3 075
Balance at 31 March 2014		54 282	705	44 309	-	393 179	492 475
Other comprehensive income	21 & 22	-	1 963	18 866	-	-	20 829
Net profit for the year		-	-	-	-	26 565	26 565
Balance at 31 March 2015		54 282	2 668	63 175	-	419 744	539 869

STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2015

	Notes	GROUP		SABS	
		2015 R'000	2014 R'000	2015 R'000	2014 R'000
Cash inflow from operating activities		51 364	21 426	34 656	16 370
Cash received from customers		765 557	715 474	394 991	375 085
Cash paid to suppliers and employees		(736 878)	(717 231)	(383 080)	(381 900)
Cash generated from/(utilised by) operations	26.1	28 679	(1 757)	11 911	(6 815)
Finance revenue	6	22 797	23 215	22 797	23 215
Finance cost	7	(113)	(32)	(52)	(30)
Cash (outflow)/inflow from investing activities		(137 534)	(12 306)	(92 291)	28 230
Purchase of property, plant and equipment	10	(60 622)	(57 298)	(18 625)	(20 819)
Transfer of property, plant and equipment to subsidiary	10	-	-	(637)	3 861
Purchase of intangible assets	12	(5 167)	(204)	(1 030)	(5)
Transfer of intangible assets to subsidiary	12	-	-	(44)	-
Proceeds on disposal of property, plant and equipment	26.2	233	300	23	297
Purchase of available-for-sale investments	14	(71 978)	(16 682)	(71 978)	(16 682)
Disposal of available-for-sale investments	14	-	61 578	-	61 578
Cash inflow/(outflow) from financing activities		2 819	-	(25 720)	(35 477)
Funding for government specific projects	29.6	2 819	-	-	-
Increase of loans to group companies		-	-	(25 720)	(35 477)
(Decrease)/increase in cash and cash equivalents		(83 351)	9 120	(83 355)	9 123
Cash and cash equivalents at beginning of year		283 458	274 338	283 379	274 256
Cash and cash equivalents at end of year	19	200 107	283 458	200 024	283 379

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

1. SIGNIFICANT ACCOUNTING POLICIES

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

1.1 Basis of preparation

The consolidated and stand-alone entity annual financial statements have been prepared in accordance with 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.

STATEMENTS OF CASH FLOW FOR THE YEAR ENDED 31 MARCH 2015

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

1.3 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:

	2015	2014
Euro	13.11	14.56
Pound Sterling	17.92	17.61
US Dollar	12.08	10.58
Swiss Franc	12.53	11.94

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 currency 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 derecognised. 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 repair and maintenance expenditure is recognised as an expense in the year it is incurred.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 program 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.

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and on hand and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the cash flow statement. Cash on hand is initially recognised at fair value and subsequently measured at fair value. Deposits are carried at amortised cost. Due to the short-term nature the amortised cost normally approximates its fair value.

Interest bearing borrowings

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

Trade and other payables

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

Offset

Financial assets and liabilities are offset and the net amount reported in the statement of financial position only when there is a 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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 company of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

1.12 Employee benefits

Pension obligations

The Group contributes towards a group defined contribution

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

Post-employment healthcare benefit obligation

The entitlement to post-employment healthcare benefits is based on employees appointed prior to 1 September 1998, who have ten years membership to the designated medical aid schemes at retirement, remaining in service up to retirement age and retired employees with the benefit.

The liability recognised in respect of post-employment healthcare benefit is the present value of the defined benefit obligation at the reporting date less the fair value of plan assets. 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 SABS. Specifically SABS employees with six to ten years' service are awarded an additional three days leave for the rest of employment and SABS employees with ten completed years or more in service will receive another three days additional leave for the rest of their employment (i.e. six days additional leave). Employees will receive the long service award once they have reached the years of service. The obligation is valued annually by an independent qualified actuary. Any unrecognised actuarial gains and losses and past service costs are recognised immediately.

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 uncertainties

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 Other expenditure

Operating expenses are presented as a combination of function and nature. Significant expenses relating to operating activities of the Group and intended for earning income are presented in separate lines by their nature in the income statement.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1.17 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
- 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.

1.18 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.

1.19 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is accounted for according to the nature of the expense and disclosed separately in the 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.

1.20 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 Department of Trade and Industry and transactions not carried out on an arm's length basis are disclosed. Key personnel are limited to the Board and the executives only.

1.21 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.

1.22 Comparative figures

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1.23 New accounting standards and interpretations

The SABS is categorised as a 3B public entity in terms of the Public Finance Management Act, 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 cease 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 (2014)

The IASB recently released IFRS 9 'Financial Instruments' (2014), representing the completion of its project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. The new standard introduces extensive changes to IAS 39's guidance on the classification and measurement of financial assets and introduces a new 'expected credit loss' model for the impairment of financial assets. IFRS 9 also provides new guidance on the application of hedge accounting.

The Group's management have yet to assess the impact of IFRS 9 on these consolidated financial statements. The new standard is required to be applied for annual reporting periods beginning on or after 1 January 2018.

- IFRS 15 - Revenue from Contracts with Customers

IFRS 15 presents new requirements for the recognition of revenue, replacing IAS 18 'Revenue', IAS 11 'Construction Contracts', and several revenue-related Interpretations. The new standard establishes a control-based revenue recognition model and provides additional guidance in many areas not covered in detail under existing IFRSs, including how to account for arrangements with multiple performance obligations, variable pricing, customer refund rights, supplier repurchase options, and other common complexities. IFRS 15 is effective for reporting periods beginning on or after 1 January 2017. The standards will not have any impact on the Group.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

2. REVENUE

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.

Revenue comprises:

Investigations, tests and services and training
 Product and system certification
 Sale of standards
 Design institute services
 Services - group

	GROUP		SABS	
	2015	2014	2015	2014
	R'000	R'000	R'000	R'000
	205 397	202 881	-	450
	310 799	275 730	-	-
	25 588	23 043	25 588	23 043
	15 547	15 112	15 547	15 112
	-	-	47 003	52 774
	557 331	516 766	88 138	91 379
	10 485	11 597	5 797	7 301
	3 905	5 776	3 905	5 776
	1 248	569	111	116
	10 704	6 602	10 704	6 602
	-	-	80 296	72 432
- Land and buildings	-	-	33 143	30 035
- Equipment	-	-	47 153	42 397
Royalties received	-	-	10 807	9 558

3. OTHER INCOME

Includes:

Deferred income in respect of government grants recognised during the year for plant and equipment
 Dividends received
 Foreign exchange gains
 Rental income from investment property
 Rentals in respect of operating leases (minimum lease payments)
 - Land and buildings
 - Equipment
 Royalties received

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

4. EMPLOYEE RELATED EXPENDITURE

Salaries and wages

Medical aid and other employment benefits

Pension contributions

Board emoluments (note 29.5)

Post-employment healthcare benefits (note 22)

Long service leave benefits (note 22)

	GROUP		SABS	
	2015	2014	2015	2014
	R'000	R'000	R'000	R'000
Salaries and wages	395 842	368 143	161 968	143 727
Medical aid and other employment benefits	29 839	25 124	10 335	8 245
Pension contributions	29 686	27 080	12 133	10 577
Board emoluments (note 29.5)	4 270	3 791	4 104	3 632
	459 637	424 138	188 540	166 181
Post-employment healthcare benefits (note 22)	8 155	7 594	5 318	4 814
Long service leave benefits (note 22)	4 048	2 790	2 563	884
	471 840	434 522	196 421	171 879

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

5. OTHER EXPENDITURE

Includes:

Amortisation of intangible assets (note 12)

Auditors' remuneration

- Audit fees - current year

Bad debts

- Bad debts written-off

- Bad debts recovered

- Impairment of receivables/(reversal of impairment)

Computer software and license fees

Consumables

Depreciation on investment properties (note 11)

Direct operating expenses relating to investment properties that:

- Generated rental income

- Did not generate rental income

Impairment of equity loan in subsidiary

Insurance

Legal costs

Loss on disposal of property, plant and equipment

Membership fees

Municipal services

Postal services

Realised foreign exchange losses

Rentals in respect of operating leases (minimum lease payments)

- Land and buildings

- Equipment

Training

	GROUP		SABS	
	2015 R'000	2014 R'000	2015 R'000	2014 R'000
	8 302	6 389	678	621
	3 190	3 456	2 333	2 638
	5 146	11 022	18	(153)
	6 254	8 695	26	11
	(1 581)	(300)	-	(300)
	473	2 627	(8)	136
	9 131	8 950	9 082	8 905
	20 690	16 229	4 278	1 324
	431	431	7 094	7 021
	10 335	6 578	36 508	46 216
	1 688	1 136	6 920	7 211
	-	-	-	15 401
	2 458	2 956	2 320	2 772
	2 437	2 760	2 318	2 410
	208	2 233	90	361
	3 551	3 235	3 064	3 036
	40 417	39 908	39 133	38 733
	2 676	3 385	337	333
	1 062	1 054	334	772
	6 116	14 671	28 037	34 642
	3 366	12 029	-	9 045
	2 750	2 642	28 037	25 597
	4 105	7 332	2 233	4 282

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

	GROUP		SABS	
	2015 R'000	2014 R'000	2015 R'000	2014 R'000
6. FINANCE REVENUE				
Bank balances	1 234	1 028	1 234	1 028
Money market investments, short-term deposits and available-for-sale investments	21 563	22 187	21 563	22 187
	22 797	23 215	22 797	23 215
7. FINANCE COST				
Interest on banking facilities	40	82	4	80
Interest on PAYE	73	-	48	-
Interest on VAT/(over accrued interest)	-	(50)	-	(50)
	113	32	52	30
8. TAXATION				
Deferred taxation - current year	488	(400)	-	-
The charge for the year can be reconciled to the profit per the income statement as follows:				
Profit before taxation				
- Continuing operations	32 693	21 343	26 565	3 075
- Discontinuing operations	-	(19)	-	-
	32 693	21 324	26 565	3 075
Taxation at 28%	9 154	5 971	7 438	861
Non-taxable/non-deductible differences				
Exempt income and expenses	(8 750)	(6 371)	(7 438)	(861)
Non-deductible expenditure	84	-	-	-
Taxation expense	488	(400)	-	-

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

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 Standards Act, No 8 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 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 SABS, SABS Commercial SOC Ltd, GCS Namibia (Pty) Ltd and the NSI in accordance with which the movable assets in Namibia were transferred to the NSI on 31 March 2010. The SABS has a property in Luderitz and permission was granted for the disposal of the property. SABS has sold the property and the transfer of the property is currently in progress.

The results of the discontinued operations are as follows:

Expenses

Loss for the year from discontinued operations

Liabilities

Trade and other payables

Intercompany loans

Liabilities of disposal group classified as held for sale

Net liabilities directly associated with assets classified as held for sale

Reserves

Reserve of disposal group classified as held for sale

The net cash flows incurred are as follows:

Operating

Net cash outflow

GROUP		SABS	
2015	2014	2015	2014
R'000	R'000	R'000	R'000
-	(19)	-	-
-	(19)	-	-
94	100	-	-
49	43	-	-
143	143	-	-
(143)	(143)	-	-
(143)	(143)	-	-
(143)	(143)	-	-
(23)	(23)	-	-
(23)	(23)	-	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

10. PROPERTY, PLANT AND EQUIPMENT

GROUP	Land	Buildings	Laboratory equipment	Furniture and office equipment	Vehicles	Artwork	Work-in-progress	Total
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
2015								
Opening carrying value	4 304	211 485	78 769	32 089	734	6	18 085	345 472
Cost	4 304	278 291	200 573	100 288	1 075	6	18 085	602 622
Accumulated depreciation	-	(66 806)	(121 804)	(68 199)	(341)	-	-	(257 150)
Additions	-	-	-	-	63	-	65 726	65 789
Work-in-progress transfers	-	2 390	30 399	6 493	-	1 000	(40 282)	-
Category transfers	-	13	(7)	(6)	-	-	-	-
Assets transferred to intangible assets	-	-	-	-	-	-	(5 167)	(5 167)
Work-in-progress expensed	-	-	-	-	-	-	(1 490)	(1 490)
Disposals	-	(42)	(247)	(150)	-	(2)	-	(441)
Depreciation	-	(9 109)	(17 474)	(12 440)	(155)	(30)	-	(39 208)
Closing carrying value	4 304	204 737	91 440	25 986	642	974	36 872	364 955
Cost	4 304	280 292	228 847	99 033	1 138	1 004	36 872	651 490
Accumulated depreciation	-	(75 555)	(137 407)	(73 047)	(496)	(30)	-	(286 535)
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 to non-current held for sale	151	930	-	-	-	-	-	1 081
Work-in-progress expensed	-	-	-	-	-	-	(628)	(628)
Disposals	(8)	(614)	(1 670)	(239)	(2)	-	-	(2 533)
Depreciation	-	(9 146)	(15 042)	(11 009)	(108)	-	-	(35 305)
Closing carrying value	4 304	211 485	78 769	32 089	734	6	18 085	345 472
Cost	4 304	278 291	200 573	100 288	1 075	6	18 085	602 622
Accumulated depreciation	-	(66 806)	(121 804)	(68 199)	(341)	-	-	(257 150)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

10. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

SABS	Land	Buildings	Laboratory equipment	Furniture and office equipment	Vehicles	Artwork	Work-in-progress	Total
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
2015								
Opening carrying value	3 243	24 317	887	23 381	-	-	11 199	63 027
Cost	3 243	41 812	3 330	81 040	-	-	11 199	140 624
Accumulated depreciation	-	(17 495)	(2 443)	(57 659)	-	-	-	(77 597)
Additions	-	-	-	-	-	-	19 655	19 655
Work-in-progress transfers	-	1 535	163	4 003	-	1 000	(6 701)	-
Assets transferred to subsidiary *	-	638	682	(127)	-	-	(556)	637
Assets transferred to intangible assets	-	-	-	-	-	-	(1 030)	(1 030)
Assets transferred to investment properties	-	(1 325)	-	-	-	-	-	(1 325)
Work-in-progress expensed	-	-	-	-	-	-	(52)	(52)
Disposals	-	(12)	-	(101)	-	-	-	(113)
Depreciation	-	(1 819)	(428)	(9 198)	-	(30)	-	(11 475)
Closing carrying value	3 243	23 334	1 304	17 958	-	970	22 515	69 324
Cost	3 243	42 348	4 335	78 741	-	1 000	22 515	152 182
Accumulated depreciation	-	(19 014)	(3 031)	(60 783)	-	(30)	-	(82 858)
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)	-
Work-in-progress expensed	-	-	-	-	-	-	(628)	(628)
Assets transferred to investment properties	-	-	-	-	-	-	(623)	(623)
Assets transferred to subsidiary *	-	(997)	(506)	(935)	-	-	(1 423)	(3 861)
Disposals	(8)	(548)	(3)	(96)	(3)	-	-	(658)
Depreciation	-	(1 909)	(341)	(8 429)	-	-	-	(10 679)
Closing carrying value	3 243	24 317	887	23 381	-	-	11 199	63 027
Cost	3 243	41 812	3 330	81 040	-	-	11 199	140 624
Accumulated depreciation	-	(17 495)	(2 443)	(57 659)	-	-	-	(77 597)

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015



10. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Work in progress for the Group includes R13,6 million for new laboratory equipment, R14,3 million for infrastructure and refurbishment projects, R6,4 million for ICT equipment and R1,3 million for security equipment and upgrades.

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

11. INVESTMENT PROPERTIES

Opening carrying value
 Cost
 Accumulated depreciation
 Reclassification of buildings to investment properties
 Depreciation
Closing carrying value
 Cost
 Accumulated depreciation

	GROUP		SABS	
	2015	2014	2015	2014
	R'000	R'000	R'000	R'000
Opening 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)
Reclassification of buildings to investment properties	-	-	1 325	623
Depreciation	(431)	(431)	(7 094)	(7 021)
Closing carrying value	9 173	9 604	176 566	182 335
Cost	13 667	13 667	231 231	229 911
Accumulated depreciation	(4 494)	(4 063)	(54 665)	(47 576)

Investment properties and significant components thereof are stated at the costs thereof. Management assessment of the investment properties amounts to R23,3 million for the Group and R1 212 billion for SABS (2014: R24,9 million for the Group and R718,8 million for SABS).

Investment properties for 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 employee parking located on the Groenkloof Campus

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

12. INTANGIBLE ASSETS

Computer software

Opening carrying value

Cost

Accumulated amortisation

Additions

Work in progress transfers

Assets transferred from property, plant and equipment

Amortisation

Closing carrying value

Cost

Accumulated amortisation

	GROUP		SABS	
	2015 R'000	2014 R'000	2015 R'000	2014 R'000
Opening carrying value	14 834	14 652	590	1 206
Cost	61 299	54 945	38 891	39 039
Accumulated amortisation	(46 465)	(40 293)	(38 301)	(37 833)
Additions	-	199	-	-
Work in progress transfers	5 167	5	1 030	5
Assets transferred from property, plant and equipment	-	6 368	44	-
Amortisation	(8 302)	(6 389)	(678)	(621)
Closing carrying value	11 699	14 835	986	590
Cost	63 943	61 299	37 474	38 891
Accumulated amortisation	(52 244)	(46 464)	(36 488)	(38 301)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

13. INVESTMENT IN SUBSIDIARIES

The entity's principal subsidiaries are:

Name	Ownership %	SABS	
		2015 R'000	2014 R'000
SABS Commercial SOC Ltd	100%	65 661	65 661
Less: impairment of equity loan		(65 660)	(65 660)
		1	1
Equity loan			
Opening balance		65 660	50 259
Increase in equity loan from loans to group companies		-	15 401
Closing balance		65 660	65 660

The Group results and position comprise of 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:

	2015 R'000	2014 R'000
Revenue	516 196	478 161
Other income	9 262	12 610
Expenditure	(519 267)	(487 903)
Operating profit	6 191	2 868
Net finance cost	(61)	(1)
Taxation	(488)	400
Profit for the year	5 642	3 267

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

14. AVAILABLE-FOR-SALE INVESTMENTS

	GROUP		SABS	
	2015 R'000	2014 R'000	2015 R'000	2014 R'000
Opening balance	305 054	277 784	305 054	277 784
Additions (net of costs)	71 978	13 357	71 978	13 357
Gains on investments transferred to equity (Refer to note 21)	18 866	13 913	18 866	13 913
Non-current portion	395 898	305 054	395 898	305 054
Available-for-sale investments comprises:				
Equities	395 898	305 054	395 898	305 054

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 or disposed off during the year under review (2014: None).

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 (2014: None).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

15. DEFERRED TAXATION

	GROUP		SABS	
	2015 R'000	2014 R'000	2015 R'000	2014 R'000
Accelerated wear and tear for tax purposes on property, plant and equipment	(9 917)	(9 832)	-	-
Intangible assets	(155)	-	-	-
Assessed losses	9 087	8 211	-	-
Other deductible temporary differences	21 356	22 481	-	-
Employee related provisions	16 505	17 299	-	-
Doubtful debts allowance	1 306	1 162	-	-
Income received in advance	3 910	4 186	-	-
Other	(365)	(166)	-	-
Deferred tax asset	20 371	20 860	-	-
The movement for the year in the Group's deferred tax positions was as follows:				
Opening balance	20 860	20 460	-	-
Temporary differences on property, plant and equipment	(85)	(27)	-	-
Temporary differences on intangible assets	(155)	33	-	-
Temporary differences on employee related provisions	(796)	749	-	-
Temporary differences on tax losses	876	5 008	-	-
Reversing temporary differences on other deductible temporary differences	(329)	(5 363)	-	-
Closing balance	20 371	20 860	-	-

At the balance sheet date the Group has unutilised tax losses of R32,5 million (2014: R29,3 million) available for offset against future taxable profits. A deferred tax asset has been recognised in respect of all losses which the Group anticipates being able to utilise.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

16. LOANS TO GROUP COMPANIES

GCS Namibia (Pty) Ltd
SABS Commercial SOC Ltd

Loans to SABS Commercial SOC Ltd

Opening balance
Increase in loan by SABS Commercial SOC Ltd
Closing balance

SABS	
2015	2014
R'000	R'000
52	44
61 207	35 495
61 259	35 539
35 495	-
25 712	35 495
61 207	35 495

SABS Commercial SOC Ltd was a subsidiary throughout the year and was directly held. GCS Namibia (Pty) Ltd is registered in Namibia. The holding company's interest in profit after tax earned by subsidiary is:

SABS Commercial SOC Ltd

SABS	
Profit	Profit
2015	2014
R'000	R'000
5 643	3 267

The interest on the loan is rated by mutual agreement and the loan is repayable 367 days after demand, but no later than 31 March 2050.

17. INVENTORY

Consumable stores
Obsolete stock written-off

GROUP		SABS	
2015	2014	2015	2014
R'000	R'000	R'000	R'000
2 009	1 973	2 009	1 973
(45)	(34)	(45)	(34)
1 964	1 939	1 964	1 939

There were no inventories recognised as an expense during the year under review (2014: Nil)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

18. TRADE AND OTHER RECEIVABLES

	GROUP		SABS	
	2015	2014	2015	2014
Trade receivables	138 906	118 630	18 867	15 782
Less: Impairment of trade and other receivables	(6 153)	(5 680)	(139)	(147)
	132 753	112 950	18 728	15 635
Other receivables	4 441	4 757	2 443	2 355
Straightlining of operating leases	677	596	-	-
Deposits and payments in advance	2 689	2 788	2 066	2 102
Employee related debtors	1 075	1 373	377	253
	137 194	117 707	21 171	17 990

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 9.25% (2014: 9,0%). 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	(5 680)	(3 053)	(147)	(11)
(Increase)/decrease in impairment provision	(473)	(2 627)	8	(136)
Closing balance	(6 153)	(5 680)	(139)	(147)

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

18. TRADE AND OTHER RECEIVABLES (CONTINUED)

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

GROUP			Total	Not past due	Past due			
					> 30 days	> 60 days	>90 days	>120 days
2015								
Carrying value	(R'000)		137 194	65 153	24 483	12 417	4 230	30 911
	%		100%	47%	18%	9%	3%	23%
Impairment	(R'000)		6 153	1 106	761	522	320	3 444
	%		100%	18%	12%	8%	5%	56%
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%
SABS								
2015								
Carrying value	(R'000)		21 171	16 609	3 904	375	99	184
	%		100%	78%	18%	2%	-	1%
Impairment	(R'000)		139	3	24	1	4	107
	%		100%	2%	17%	1%	3%	77%
2014								
Carrying value	(R'000)		17 990	10 483	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%

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

**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 of the following:

	GROUP		SABS	
	2015	2014	2015	2014
	R'000	R'000	R'000	R'000
Bank balances	16 717	22 719	16 700	22 702
Short-term deposits	137 828	148 629	137 828	148 629
Money Market investments	45 537	112 095	45 487	112 045
Cash on hand	25	15	9	3
Net cash and cash equivalents used in cash flow statement	200 107	283 458	200 024	283 379

The Group has cash management facilities, resulting in all bank balances being swept daily into the account held by 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 and the respective short-term deposit dates. 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 get 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 is 6,24% at 31 March 2015 (2014: 5,71%).

20. GENERAL RESERVE

Ministerial approval has been granted to build up a general reserve to a maximum of 50% of one year's operational expenses, to provide for aspects such as replacement of assets and other contingencies. No funds have been transferred to the reserve during the year under 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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

21. OTHER COMPONENTS OF EQUITY

Available-for-sale reserve

Opening balance
Gains on revaluation of available-for-sale investments
Closing balance

GROUP		SABS	
2015	2014	2015	2014
R'000	R'000	R'000	R'000
44 309	30 431	44 309	30 431
18 866	13 878	18 866	13 878
63 175	44 309	63 175	44 309

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 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 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 R142,8 million (2014: R106,5 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 2015.

Key assumptions used (expressed as weighted averages):

	2015	2014
Gross discount rate	8.10%	8.65%
Salary inflation	7.60%	8.25%
Healthcare cost inflation	5.60%	6.25%
Pre-retirement mortality	SA85-90 (Light) rated down 1 year for males and females	SA85-90 (Light) rated down 1 year for males and females
Expected retirement age - Males and females	60/65 years*	60/65 years*

* 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

22. EMPLOYMENT BENEFIT OBLIGATIONS (CONTINUED)

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 431 (2014: 445) pensioners and 166 (2014: 179) actives and SABS had 377 (2014: 393) pensioners and 55 (2014: 54) actives entitled to the benefit.

The total outstanding liability amounts to R84,3 million per the valuation performed during March 2015 (2014: R85,5 million).

Post-employment healthcare benefit

Opening balance

Provisions made

Benefits paid

Remeasurements (OCI)

Total liability

Current portion

Total non-current portion

The amount recognised in the other comprehensive income is determined as follows:

Actuarial gain - change in financial assumptions

Actuarial loss - change in demographic assumptions

Experience gain/(loss)

	GROUP		SABS	
	2015	2014	2015	2014
	R'000	R'000	R'000	R'000
Opening balance	85 515	88 784	59 953	62 116
Provisions made	8 155	7 594	5 318	4 814
Benefits paid	(5 710)	(5 563)	(4 933)	(4 873)
Remeasurements (OCI)	(3 669)	(5 300)	(1 963)	(2 104)
Total liability	84 291	85 515	58 375	59 953
Current portion	(5 889)	(5 821)	(5 103)	(5 105)
Total non-current portion	78 402	79 694	53 272	54 848
Actuarial gain - change in financial assumptions	374	6 085	107	3 408
Actuarial loss - change in demographic assumptions	-	(123)	-	(45)
Experience gain/(loss)	3 295	(662)	1 856	(1 259)
	3 669	5 300	1 963	2 104

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

22. EMPLOYMENT BENEFIT OBLIGATIONS (CONTINUED)

Post-employment healthcare benefit obligation (Continued)

The amount recognised in the income statement is determined as follows:

Current service cost

Interest cost

Present value of the obligation

Opening balance

Current service cost

Interest cost

Benefits paid

Actuarial loss - change in financial assumptions

Actuarial gain - change in demographic assumptions

Experience (loss)/gain

Closing balance

	GROUP		SABS	
	2015	2014	2015	2014
	R'000	R'000	R'000	R'000
Current service cost	936	1 013	317	290
Interest cost	7 219	6 581	5 001	4 524
	8 155	7 594	5 318	4 814
Present value of the obligation				
Opening balance	85 515	88 784	59 953	62 116
Current service cost	936	1 013	317	290
Interest cost	7 219	6 581	5 001	4 524
Benefits paid	(5 710)	(5 563)	(4 933)	(4 873)
Actuarial loss - change in financial assumptions	(374)	(6 085)	(107)	(3 408)
Actuarial gain - change in demographic assumptions	-	123	-	45
Experience (loss)/gain	(3 295)	662	(1 856)	1 259
Closing balance	84 291	85 515	58 375	59 953

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

22. EMPLOYMENT BENEFIT OBLIGATIONS (CONTINUED)

Sensitivity analysis - Post-employment healthcare benefit obligation

Below 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%	94 219	11.8%	63 955	9.6%
	Central	84 291	-	58 375	-
	-1%	75 939	(9.9%)	53 550	(8.3%)
Discount rate	+1%	76 185	(9.6%)	53 695	(8.0%)
	Central	84 291	-	58 375	-
	-1%	94 068	11.6%	63 871	9.4%
Post-retirement mortality improvements	0,50%	87 306	3.6%	60 353	3.4%
	Central	84 291	-	58 375	-
	-0,50%	81 415	(3.4%)	56 489	(3.2%)
	2015	2014	2013	2012	2011
	R'000	R'000	R'000	R'000	R'000
Present value of obligation	84 291	85 515	88 784	79 202	74 771
Actuarial gains/(losses)	3 669	5 300	(5 310)	3 786	(853)

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

The contributions expected to be paid during the next reporting is R5,9 million for the Group and R5,1 million for SABS.

Long service leave award obligation

The Group provides employees employed before 1 March 2008 with three additional leave days after five years of service and another three days after ten years of services. Employees annual leave entitlement is increased with these days. The Group's net obligation in this regards is the amount of future benefit that employees have earned in return for their services in current and prior periods. The obligation is valued annually by independent qualified actuaries. Any unrecognised actuarial gains or losses and past service costs are recognised immediately. There are no plan assets for this liability. At the reporting date, the Group and SABS had 442 (2014: 466) and 162 (2014: 152) employees entitled to the benefit respectively.

Key assumptions used (expressed as weighted averages):

	2015	2014
Discount rate per annum	7.60%	8.35%
Salary inflation	7.60%	8.25%
Inflation	5.60%	6.25%

The total outstanding liability amounts to R26,9 million per the valuation performed during March 2015 (2014: R26,0 million).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

22. EMPLOYMENT BENEFIT OBLIGATIONS (CONTINUED)

Long service leave award obligation (Continued)

	GROUP		SABS	
	2015 R'000	2014 R'000	2015 R'000	2014 R'000
Opening balance	26 014	26 182	7 757	7 800
Provisions made	4 048	2 790	2 563	884
Benefits paid	(3 178)	(2 958)	(996)	(927)
Net liability in statement of financial position	26 884	26 014	9 324	7 757
Current portion	(3 259)	(3 178)	(1 191)	(996)
Total non-current portion	23 625	22 836	8 133	6 761
Present value of funded obligations	26 884	26 014	9 324	7 757
The amount recognised in the income statement is determined as follows:				
Current service cost	1 993	2 150	614	659
Interest cost	2 168	1 758	651	527
Actuarial gain/(loss) - change in financial assumptions	104	(2 350)	34	(661)
Actuarial gain/(loss) - change in demographic assumptions	-	94	-	26
Experience (loss)/gain	(217)	1 138	1 264	333
	4 048	2 790	2 563	884

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

22. EMPLOYMENT BENEFIT OBLIGATIONS (CONTINUED)

Long service leave award obligation (Continued)

	GROUP		SABS	
	2015	2014	2015	2014
	R'000	R'000	R'000	R'000
Present value of the obligation				
Opening balance	26 014	26 182	7 757	7 800
Current service cost	1 993	2 150	614	659
Interest cost	2 168	1 758	651	527
Actuarial gain/(loss) - change in financial assumptions	104	(2 350)	34	(661)
Actuarial gain - change in demographic assumptions	-	94	-	26
Experience (loss)/gain	(217)	1 138	1 264	333
Benefits paid	(3 178)	(2 958)	(996)	(927)
Closing balance	26 884	26 014	9 324	7 757

Sensitivity analysis - Long service leave award obligation

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

		GROUP		SABS	
		Liability	Change in liability	Liability	Change in liability
		R'000	%	R'000	%
Discount rate	+1%	28 521	6.1%	9 862	5.8%
	Central	26 884	-	9 324	-
	-1%	25 412	(5.5%)	8 839	(5.2%)
Salary inflation	+1%	28 584	6.3%	9 881	6.0%
	Central	26 884	-	9 324	-
	-1%	25 934	(3.5%)	9 012	(3.3%)
Expected retirement age	+1 year	28 567	6.3%	9 991	7.2%
	Central	26 884	-	9 324	-
	-1 year	25 191	(6.3%)	8 648	(7.3%)

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

	2015	2014	2013	2012	2011
	R'000	R'000	R'000	R'000	R'000
Present value of obligation	26 884	26 014	26 182	24 985	19 612
Actuarial (losses)/gains	(113)	(1 118)	402	3 176	(3 053)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

23. DEFERRED INCOME

Opening balance - Plant and equipment
Recognised in deferred income (Refer to note 3)
Recognised in other income
Grants received to be recognised in future accounting periods
Closing balance
Less: Deferred grant income to be recognised in the following year:
Plant and equipment
Non-current portion
Current portion

GROUP		SABS	
2015	2014	2015	2014
R'000	R'000	R'000	R'000
293 786	306 194	268 085	275 386
(10 485)	(11 597)	(5 797)	(7 301)
-	(811)	-	-
2 819	-	-	-
286 120	293 786	262 288	268 085
(11 150)	(10 206)	(5 797)	(5 729)
274 970	283 580	256 491	262 356
274 970	283 580	256 491	262 356
11 150	10 206	5 797	5 729
286 120	293 786	262 288	268 085

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

Bio fuel	5 years
Laboratories	30 years
Set top boxes project	3 to 10 years
Netfa short circuit laboratory	3 to 10 years

24. TRADE AND OTHER PAYABLES

Trade payables
Other payables
- Salary deductions

113 686	120 443	51 423	57 802
7 383	6 764	3 282	3 012
121 069	127 207	54 705	60 814

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

25. VAT LIABILITY

March 2015 VAT to be paid over to SARS

GROUP		SABS	
2015	2014	2015	2014
R'000	R'000	R'000	R'000
7 215	5 365	2 632	770

26. NOTES TO CASH FLOW STATEMENTS**26.1 Reconciliation of profit/(loss) before taxation and interest to cash generated from/ (utilised by) operations**

Profit/(loss) before interest and taxation from continuing operations	10 009	(1 840)	3 820	(20 110)
Loss before taxation from discontinued operations	-	(19)	-	-
Profit/(loss) before interest and taxation	10 009	(1 859)	3 820	(20 110)
Adjustments for :	40 123	37 961	15 536	12 043
Depreciation on property, plant and equipment	39 208	35 368	11 475	10 679
Depreciation on investment properties	431	431	7 094	7 021
Plant and equipment related government grants amortised	(10 485)	(11 597)	(5 797)	(7 301)
Amortisation of intangible assets	8 302	6 389	678	621
Loss on disposal of property, plant and equipment	208	2 233	90	361
Discontinued operations	-	1 163	-	-
Provision for employment benefit obligations	12 203	10 384	7 881	5 698
Employment benefits paid from provision	(8 888)	(8 521)	(5 929)	(5 800)
Non-current asset held for sale	-	(1 144)	-	-
Increase/(decrease) in impairment of trade receivables	473	2 627	(8)	136
Expense transferred out of work-in-progress	1 490	628	52	628
Funding for government specific projects	(2 819)	-	-	-
Operating cash flows before working capital changes	50 132	36 102	19 356	(8 067)
Changes in working capital	(21 453)	(37 859)	(7 445)	1 252
Increase in inventory	(25)	(847)	(25)	(847)
(Increase)/decrease in trade and other receivables	(19 959)	(23 874)	(3 173)	(8 239)
Increase/(decrease) in asset related government grants	2 819	(811)	-	-
(Decrease)/increase in trade and other payables	(6 138)	(14 553)	(6 109)	10 454
Increase/(decrease) in vat liability	1 850	2 226	1 862	(116)
Cash generated from/(utilised by) operations	28 679	(1 757)	11 911	(6 815)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

26. NOTES TO CASH FLOW STATEMENTS (CONTINUED)

26.2 Proceeds on disposal of property, plant and equipment

Carrying value of disposals

Net loss on disposal

	GROUP		SABS	
	2015	2014	2015	2014
	R'000	R'000	R'000	R'000
Carrying value of disposals	441	2 533	113	658
Net loss on disposal	(208)	(2 233)	(90)	(361)
	233	300	23	297

27. COMMITMENTS

Capital commitments

Commitments for the acquisition of property, plant and equipment

Contracted

Capital projects approved in respect of which orders will be placed

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

Up to 1 year

1 to 5 years

None of the lease agreements contain any contingent rent clauses and it is assumed that there are no contingent rent payments. The Group does not have the option to purchase the property. Escalation clauses vary from contract to contract averaging 8,62% (2014: 9%).

Contracted	20 547	29 025	8 729	7 529
Capital projects approved in respect of which orders will be placed	419 582	295 130	352 053	252 949
	3 281	3 919	-	-
Up to 1 year	2 946	1 118	-	-
1 to 5 years	335	2 801	-	-

Other equipment

Up to 1 year

1 to 5 years

Total

	1 837	2 608	878	2 150
Up to 1 year	1 196	1 004	429	992
1 to 5 years	641	1 604	449	1 158
Total	5 118	6 527	878	2 150

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015



28. FINANCIAL RISK

28.1 Foreign currency risk

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 2015 (2014: 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

Great Britain Pounds

United States Dollar

Euro

Swiss Franc

GROUP	
2015	2014
Foreign amount 000	Foreign amount 000
-	7
10	9
76	14
82	11

Foreign currency sensitivity

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

28. FINANCIAL RISK (CONTINUED)

28.2 Interest rate risk

The Group is exposed to interest rate risk as it places funds in the money market floating interest rates. Interest rate risk is managed through effective cash management. The net interest income at 31 March 2015 was R22,7 million (2014: R23,2 million).

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

	2015			2014		
	Interest bearing financial assets	Non-interest bearing financial assets	Total	Interest bearing financial assets	Non-interest bearing financial assets	Total
	Floating rate R'000	Other R'000	Total R'000	Floating rate R'000	Other R'000	Total R'000
GROUP						
Cash and cash equivalents	200 107	-	200 107	283 458	-	283 458
Trade and other receivables	-	137 194	137 194	-	117 707	117 707
Financial asset exposure to interest rate risk	200 107	137 194	337 301	283 458	117 707	401 165
SABS						
Cash and cash equivalents	200 024	-	200 024	283 379	-	283 379
Trade and other receivables	-	21 171	21 171	-	17 990	17 990
Financial asset exposure to interest rate risk	200 024	21 171	221 195	283 379	17 990	301 369

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

28. FINANCIAL RISK (CONTINUED)

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

	2015			2014		
	Interest bearing financial assets	Non-interest bearing financial assets		Interest bearing financial assets	Non-interest bearing financial assets	
	Floating rate R'000	Other R'000	Total R'000	Floating rate R'000	Other R'000	Total R'000
GROUP						
Trade and other payables	-	121 069	121 069	-	127 207	127 207
SABS						
Trade and other payables	-	54 705	54 705	-	60 814	60 814

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

28. FINANCIAL RISK (CONTINUED)

28.3 Liquidity risk

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

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

	Within 1 month	1 - 3 months	3 - 12 months	1 - 5 years	Total
	R'000	R'000	R'000	R'000	R'000
GROUP					
2015					
Financial assets					
<i>Loans and receivables</i>					
Trade and other receivables	137 194	-	-	-	137 194
Cash and cash equivalents	200 107	-	-	-	200 107
<i>Available-for-sale investments</i>					
Other financial assets	-	-	-	395 898	395 898
Financial liabilities					
Trade and other payables	106 541	14 528	-	-	121 069
2014					
Financial assets					
<i>Loans and receivables</i>					
Trade and other receivables	96 460	-	-	-	96 460
Cash and cash equivalents	274 338	-	-	-	274 338
<i>Available-for-sale investments</i>					
Other financial assets	-	-	58 288	277 784	336 072
Financial liabilities					
<i>Financial liabilities amortised at cost</i>					
Trade and other payables	66 483	75 277	-	-	141 760

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

28. FINANCIAL RISK (CONTINUED)**28.3 Liquidity risk (Continued)**

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

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

	Within 1 month	1 - 3 months	3 - 12 months	1 - 5 years	Total
SABS	R'000	R'000	R'000	R'000	R'000
2015					
Financial assets					
<i>Loans and receivables</i>					
Trade and other receivables	21 171	-	-	-	21 171
Cash and cash equivalents	200 024	-	-	-	200 024
<i>Available-for-sale investments</i>					
Other financial assets	-	-	-	395 898	395 898
Financial liabilities					
<i>Financial liabilities amortised at cost</i>					
Trade and other payables	48 140	6 565	-	-	54 705
2014					
Financial assets					
<i>Loans and receivables</i>					
Trade and other receivables	9 887	-	-	-	9 887
Cash and cash equivalents	274 256	-	-	-	274 256
<i>Available-for-sale investments</i>					
Other financial assets	-	-	58 288	277 784	336 072
Financial liabilities					
<i>Financial liabilities amortised at cost</i>					
Trade and other payables	9 302	41 058	-	-	50 360

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

28. FINANCIAL RISK (CONTINUED)

28.4 Credit risk

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. 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 2015, the Group did not consider there to be any significant concentration of credit risk which had not been insured or adequately provided for.

The maximum exposure to credit risk is as follows:

Cash and cash equivalents
Trade and other receivables

	GROUP		SABS	
	2015	2014	2015	2014
	R'000	R'000	R'000	R'000
Cash and cash equivalents	200 107	274 338	200 024	274 256
Trade and other receivables	137 194	96 460	21 171	9 887
	337 301	370 798	221 195	284 143

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

South Africa
Other
Total

	GROUP		SABS	
	2015	2014	2015	2014
	%	%	%	%
South Africa	92,0	91,0	99,0	100,0
Other	8,0	8,0	1,0	-
Total	100,0	99,0	100,0	100,0

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

28. FINANCIAL RISK (CONTINUED)

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 financials is set out below:

	Carrying amount		Estimated fair value			Carrying amount		Estimated fair value	
	2015	2014	2015	2014		2015	2014	2015	2014
GROUP	R'000	R'000	R'000	R'000	SABS	R'000	R'000	R'000	R'000
Financial assets					Financial assets				
Trade and other receivables	137 194	117 707	137 194	117 707	Trade and other receivables	21 171	17 990	21 171	17 990
Available-for-sale investments	395 898	305 054	395 898	305 054	Available-for-sale investments	395 898	305 054	395 898	305 054
Cash and short-term deposits	200 107	283 458	200 107	283 458	Cash and short-term deposits	200 024	283 379	200 024	283 379
	733 199	706 219	733 199	706 219		617 093	606 423	617 093	606 423
Financial liabilities					Financial liabilities				
Trade and other payables	121 069	127 207	121 069	127 207	Trade and other payables	54 705	60 814	54 705	60 814

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

28. FINANCIAL RISK (CONTINUED)

28.6 Fair value of financial instruments (Continued)

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 2015 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 2015, the Group held the following financial instruments measured at fair value:

GROUP

2015

Available-for-sale financial assets - Equities and bonds

2014

Available-for-sale financial assets - Equities and bonds

SABS

2015

Available-for-sale financial assets - Equities and bonds

2014

Available-for-sale financial assets - Equities and bonds

	Level 1	Level 2	Level 3	Total
	R'000	R'000	R'000	R'000
Available-for-sale financial assets - Equities and bonds	395 898	-	-	395 898
Available-for-sale financial assets - Equities and bonds	336 072	-	-	336 072
Available-for-sale financial assets - Equities and bonds	395 898	-	-	395 898
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 2015 (2014: None).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

28. FINANCIAL RISK (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	
	2015 R'000	2014 R'000	2015 R'000	2014 R'000
Trade and other payables	(121 069)	(127 207)	(54 705)	(60 814)
Cash and cash equivalents	200 107	283 458	200 024	283 379
	79 038	156 251	145 319	222 565
Equity	615 639	560 899	539 869	492 475

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 South African Bureau of Standards (incorporated in South Africa under section 2 of the Standards Act, 1945 which was superseded by the Standards Act, 1993 (Act 29 of 1993) and subsequently superseded by the Standards Act, 2008 (Act 8 of 2008)) which reports to the Department of Trade and Industry.

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

29. RELATED PARTY DISCLOSURE (CONTINUED)

	SABS	
	2015	2014
	R'000	R'000
29.1 Loans receivable from related parties - SABS		
SABS Commercial SOC Ltd	61 207	35 495
GCS Namibia (Pty) Ltd	52	44
Net loan receivable from group companies	<u>61 259</u>	<u>35 539</u>
29.2 Other group transactions - income		
Royalties receivable	<u>10 807</u>	<u>9 558</u>

The following transactions were carried out with related parties:

29.3 Purchases from related parties	2015				2014			
	GROUP		SABS		GROUP		SABS	
	Purchases	Balance outstanding	Purchases	Balance outstanding	Purchases	Balance outstanding	Purchases	Balance outstanding
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
National Regulator for Compulsory Specifications	-	7	-	-	116	4	53	-
National Metrology Institute of South Africa	38	2	38	-	163	3	-	-
South African National Accreditations System	(20)	1	-	-	1 472	-	32	-
	<u>18</u>	<u>10</u>	<u>38</u>	<u>-</u>	<u>1 751</u>	<u>7</u>	<u>85</u>	<u>-</u>

29.4 Sales to related parties

	2015				2014			
	Sales	Impairment of debt	Bad debt written-off	Balance outstanding	Sales	Impairment of debt	Bad debt written-off	Balance outstanding
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
GROUP								
National Metrology Institute of South Africa	36	-	-	14	40	-	-	5
National Regulator for Compulsory Specifications	11 576	-	35	4 860	13 343	-	-	2 629
South African National Accreditations System	288	-	-	27	181	-	-	11
Department of Trade and Industry	49	-	-	37	296	-	-	296
	<u>11 949</u>	<u>-</u>	<u>35</u>	<u>4 938</u>	<u>13 860</u>	<u>-</u>	<u>-</u>	<u>2 941</u>
SABS								
SABS Commercial SOC Ltd	96 192	-	-	-	80 596	-	-	-
National Metrology Institute of South Africa	11	-	-	4	16	-	-	1
National Regulator for Compulsory Specifications	7 881	-	-	4 254	8 567	-	-	1 296
South African National Accreditations system	261	-	-	27	173	-	-	3
Department of Trade and Industry	2	-	-	-	-	-	-	-
	<u>104 347</u>	<u>-</u>	<u>-</u>	<u>4 285</u>	<u>89 352</u>	<u>-</u>	<u>-</u>	<u>1 300</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

29. RELATED PARTY DISCLOSURE (CONTINUED)**29.5 Key management personnel compensation**

The following emoluments were paid to the Board members:

BOARD

2015	Committee fees	Salary / directors' fees	Bonus / performance payments	Retirement and medical fund	Other	Total
	R'000	R'000	R'000	R'000	R'000	R'000
GROUP						
Executive						
B Mehlomakulu (CEO)	-	2 381	806	145	-	3 332
Non-executive						
T Demana	-	-	-	-	-	-
C B Sibisi	49	-	-	-	-	49
W Poulton	48	-	-	-	-	48
B Mosako	70	-	-	-	-	70
M J Ellman	127	-	-	-	-	127
W K Masvikwa	122	-	-	-	-	122
V K Klein	111	-	-	-	-	111
G P Harris	156	-	-	-	-	156
J Molobela	128	-	-	-	-	128
N Naraindath	55	-	-	-	-	55
D E Ndlovu	72	-	-	-	-	72
A Lötter	-	-	-	-	-	-
	938	2 381	806	145	-	4 270

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 - resigned August 2014
2. Resigned August 2014
3. Appointed August 2014
4. 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 - appointed August 2014

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

29. RELATED PARTY DISCLOSURE (CONTINUED)

29.5 Key management personnel compensation (continued)

BOARD

2015	Committee fees	Salary / directors' fees	Bonus / performance payments	Retirement and medical fund	Other	Total
	R'000	R'000	R'000	R'000	R'000	R'000
SABS						
Executive						
B Mehlomakulu (CEO)	-	2 381	806	145	-	3 332
Non-executive						
T Demana	-	-	-	-	-	-
C B Sibisi	41	-	-	-	-	41
W Poulton	36	-	-	-	-	36
B Mosako	58	-	-	-	-	58
M J Ellman	108	-	-	-	-	108
W K Masvikwa	97	-	-	-	-	97
V K Klein	99	-	-	-	-	99
G P Harris	122	-	-	-	-	122
J Molobela	110	-	-	-	-	110
N Naraindath	42	-	-	-	-	42
D E Ndlovu	59	-	-	-	-	59
A Lötter	-	-	-	-	-	-
	772	2 381	806	145	-	4 104

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 - resigned August 2014
2. Resigned August 2014
3. Appointed August 2014
4. 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 - appointed August 2014

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

29. RELATED PARTY DISCLOSURE (CONTINUED)**29.5 Key management personnel compensation (Continued)**

The following emoluments were paid to the Board members (Continued):

2014	Committee fees	Salary / directors' fees	Bonus / performance payments	Retirement and medical fund	Other	Total
	R'000	R'000	R'000	R'000	R'000	R'000
GROUP						
Executive						
B Mehlomakulu (CEO)	-	2 003	786	131	-	2 920
Non-executive						
C B Sibisi	164	-	-	-	-	164
T Demana	-	-	-	-	-	- ¹
W Poulton	113	-	-	-	-	113
B Mosako	151	-	-	-	-	151
M J Ellman	126	-	-	-	-	126
W K Masvikwa	105	-	-	-	-	105
J R Oliphant	1	-	-	-	-	1 ³
V K Klein	103	-	-	-	-	103 ²
G P 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. Appointed 1 May 2013
3. Appointed 1 May 2013

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

29. RELATED PARTY DISCLOSURE (CONTINUED)

29.5 Key management personnel compensation (Continued)

The following emoluments were paid to the Board members (Continued):

2014	Committee fees	Salary / directors' fees	Bonus / performance payments	Retirement and medical fund	Other	Total
	R'000	R'000	R'000	R'000	R'000	R'000
SABS						
Executive						
B Mehlomakulu (CEO)	-	2 003	786	131	-	2 920
Non-executive						
C B Sibisi	131	-	-	-	-	131
T Demana	-	-	-	-	-	-
W Poulton	89	-	-	-	-	89
B Mosako	133	-	-	-	-	133
M J Ellman	102	-	-	-	-	102
W K Masvikwa	87	-	-	-	-	87
J R Oliphant	1	-	-	-	-	1
V K Klein	85	-	-	-	-	85
G P Harris	84	-	-	-	-	84
	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. Appointed 1 May 2013

3. Appointed 1 May 2013

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

29. RELATED PARTY DISCLOSURE (CONTINUED)

29.5 Key management personnel compensation (Continued)

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

2015	Salary / directors' fees	Bonus / performance payments	Retirement and medical fund	Other	Total	
	R'000	R'000	R'000	R'000	R'000	
SABS						
Executive management						
E E Lefteris (CFO)	1 664	507	158	-	2 329	1
M Mathibe (Human Capital Development)	861	436	56	78	1 431	2
Dr S Bissoon (Standards)	1 385	439	191	61	2 076	
S L Maluleke (Corporate Services)	1 233	145	165	77	1 620	3
W de Witt (Company Secretary)	907	76	106	-	1 089	
B Mona (Senior Audit Manager)	157	-	10	54	221	4
J Gubeon (Human Capital Development)	166	-	-	-	166	5
M A Pyoos (Corporate Services)	191	-	-	-	191	6
	6 564	1 603	686	270	9 123	
Subsidiary						
F Makamo	1 649	482	259	-	2 390	
K J Temba	1 448	-	190	-	1 638	
	9 661	2 085	1 135	270	13 151	

1. Resigned 31 March 2015
2. Resigned 31 October 2014
3. Resigned 25 February 2015
4. Resigned 31 May 2014
5. Appointed 16 February 2015
6. Appointed Acting Executive 18 February 2015

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

29. RELATED PARTY DISCLOSURE (CONTINUED)

29.5 Key management personnel compensation (Continued)

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

2014	Salary / directors' fees	Bonus / performance payments	Retirement and medical fund	Other	Total
	R'000	R'000	R'000	R'000	R'000
SABS					
Executive management					
E E Leteris (CFO)	1 553	500	234	-	2 287
M Mathibe (Human Capital Development)	1 393	431	146	-	1 970
Dr S Bissoon (Standards)	1 295	421	247	-	1 963
S L Maluleke (Corporate Services)	530	-	156	-	686 ¹
W de Witt (Company Secretary)	854	110	134	-	1 098
B Mona (Senior Audit Manager)	929	130	97	-	1 156
	6 554	1 592	1 014	-	9 160
Subsidiary					
L S Ratlabala	163	-	-	117	280 ²
F Makamo	1 575	320	299	24	2 218 ³
H Williams	185	-	48	21	254 ⁴
K J Temba	228	-	67	-	295 ⁵
	8 705	1 912	1 428	162	12 207

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

29. RELATED PARTY DISCLOSURE (CONTINUED)

29.6 Government grants

Received from Department of Trade and Industry
- Government grants

Received from Department of Science and Technology
- Funding for the Nefta short circuit laboratory

The Nefta short circuit laboratory funds have been earmarked specifically and exclusively for that purpose

	GROUP		SABS	
	2015	2014	2015	2014
	R'000	R'000	R'000	R'000
Received from Department of Trade and Industry - Government grants	193 050	179 795	193 051	179 795
Received from Department of Science and Technology - Funding for the Nefta short circuit laboratory	2 819	-	-	-
	195 869	179 795	193 051	179 795
	8 505	9 715	8 505	8 948

30. CONTINGENT LIABILITIES

Third parties in respect of services rendered.

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:

During the year it was discovered that receipts to the amount of R14 932 received in cash at one of the regional offices have not been banked. The cashier has been dismissed on a charge of gross negligence. Controls have been implemented to prevent any future losses. This amount is not recoverable.

Interest of R32 045 charged on delayed payments to municipal, telecommunication and supplier companies. The amount is not recoverable.

List of abbreviations

ABNT	Associação Brasileira de Normas Técnicas	NDP	National Development Plan
AFSEC	African Electrotechnical Standardisation Committee	NEHAWU	National Education, Health and Allied Workers' Union
ARSO	African Regional Standards Organisation	NGP	New Growth Path
BBBEE	Broad-Based Black Economic Empowerment	NIPF	National Industry Policy Framework
CPA	Consumer Protection Act	NRCS	National Regulator for Compulsory Specifications
CRM	Customer Relationship Management	PFMA	Public Finance Management Act
CSI	Corporate Social Investment	PPE	Personal Protective Equipment
DST	Department of Science and Technology	PR	Public Relations
EE	Employment Equity	PTB	Physikalisch-Technische Bundesanstalt - National institute for science and technology for the field of metrology and physical safety engineering in Germany
EME	Exempt Micro Enterprises	QSE	Qualifying Small Enterprise
EVP	Employee Value Proposition	RvA	Raad voor Accreditatie
GRI	Global Reporting Initiative	SA GAAP	South African Statements of Generally Accepted Accounting Practice
HR	Human Resources	SABS	South African Bureau of Standards
ICAS	Independent Counselling and Advisory Services	SADCSTAN	Southern Africa Development Community Co-operation on Standardisation
ICT	Information Communication Technology	SANAS	South African National Accreditation System
IEC	International Electrotechnical Commission	SANS	South African National Standards
IFRS	International Financial Reporting Standards	SIP	Strategic Infrastructure Programmes
IPAP	Industrial Policy Action Plan	SMME	Small, Medium and Micro Enterprise
ISO	International Organization for Standardization	SOC	State Owned Company
King III	King Report on Governance for South Africa and the King Code of Governance Principles	SOE	State Owned Entity
LIMS	Laboratory Information Management System	the dti	The Department of Trade and Industry
LTIFR	Lost Time Injury Incident Frequency Rate	TBC	To be confirmed
MCC	Medical Controls Council	TI	Technical Infrastructure
MDWT	Mission Directed Work Team	TMB	Technical Management Board
MIIFR	Minor Injury Incident Frequency Rate	TSE	Turkey Standards Institute
MTEF	Medium Term Strategic Framework		

THE SABS DEVELOPED THE STANDARD FOR THE NATIONAL FLAG

The South African National Flag is a potent symbol of unity and progress and the only six-coloured national flag in the world. It is also one of the youngest, yet whatever shape it takes - and it's taken more than any other national symbol - it's instantly recognisable to South Africans everywhere.

SANS 1212, The National Flag, covers three types of the National Flag: an external flag for flying from a flagpole; a desk flag with a pole and a base; and a flag with a pole to be held in the hand. Requirements for the component materials, the colours and the make are laid down and test methods are included. Reference is made to the flying and use of the flag"

The new South African national flag first flew on 10 May 1994 - the day Nelson Mandela became president, two weeks after the country's first democratic elections on 27 April 1994. The national flag was designed by Fred Brownell, at the time he served as the State Herald, and was first agreed upon on 27 April 1994. The central design of the flag, beginning at the flagpost in a "V" form and flowing into a single horizontal band to the outer edge of the fly, can be interpreted as the convergence of diverse elements within South African society, taking the road ahead in unity.

Specific instructions with regard to the use of the national flag can be found in the Government Gazette 22356, Notice 510 of 8 June 2001 (pdf document).

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SABS