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The SABS' approach to integrated reporting

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 2015 to 31 March 2016. The SABS endeavours to operate sustainably by integrating its strategy, governance and financial performance, and the social, environmental and economic context in which it operates.

Drawing on best practice, the SABS is transitioning towards integrated thinking and our integrated report is an important step. The aim is to clearly and concisely present the story of the organisation and how it creates value and impacts on society.

Materiality

In the context of accounting to stakeholders, materiality is an important element: It is defined as relevant (or 'material') issues "that have a direct or indirect impact on an organisation's ability to create – over time – economic, environmental and social value for itself, its stakeholders, the environment and society at large."

The SABS is progressing towards an integrated thinking model and adopting a broader materiality reporting framework in line with the above-mentioned guidelines. The following elements were prioritised in determining the relevant topics included in this Integrated Report:

- Alignment with the 2008 legislative review;
- Stakeholder requirements and issues identified through stakeholder engagements;
- Strategic objectives and key performance indicators in the 2015/16–2017/18 Corporate Plan and the 2015/16 Business Plan; and
- Reports considered at Executive, Board committee and Board level.

Reporting on sustainability

Guided by the desire for our reporting to integrate both the sustainability and financial imperatives detailed in these sources and inputs, and to materially reflect the issues that have meaning for our shareholders, we focused on the following areas:

- Organisational (corporate) governance;
- Stakeholder issues and fair operating

practices;

- Alignment with legislative changes and consumer protection obligations;
- Alignment with key economic and industrial policies such as the Industrial Policy Action Plan;
- Economic opportunity and BBBEE;
- Alignment with legislative changes and consumer protection obligations;
- Human resources (employee welfare and labour practices);
- The environment; and
- Corporate social investment (community involvement and development).

We are proud to be progressing on this journey. Guided by best practice, our approaches and reporting will evolve to more clearly articulate, among other matters:

- The risks and opportunities that are material; this will be based on a review of financial, social, environmental, economic and governance issues and trends;
- The company's strategic objectives related to the risks and opportunities identified and an indication as to how we intend to realise the strategic objectives by reference to a list of key performance indicators (KPIs) together with key risk indicators (KRIs);
- Performance in terms of the objectives, and the significant social, environmental, economic and financial impacts in terms of the KPIs and KRIs; and
- An overview of how employees and senior executives are remunerated, as well as factors that could influence future remuneration.



Stakeholder



Productivity



Customer



Growth

The scope and boundary of our integrated report provides an overview of the organisation, its activities and its governance structure as well as our business model and how it currently creates value. We include a brief analytical commentary that reflects our understanding of the organisation's current and anticipated performance in line with strategic objectives.

We look forward to the challenge of meeting our reporting obligations in an innovative way that will have greater relevance for our ever-widening circle of stakeholders. The undertaking of the SABS to our stakeholders is therefore to continually and progressively develop our capability to meaningfully account for our activities in our reporting and our ongoing management.

Reporting framework

The report is compiled in compliance with:

- The Public Finance Management Act, No. 1 of 1999 (PFMA);
- The Companies Act, No. 71 of 2008;
- The South African Statements of Generally Accepted Accounting Practice (SA GAAP); and
- The National Treasury Guide for the Preparation of Annual Reports for Public Entities 2014.

The content of the report also takes into consideration:

- The King Report on Governance for South Africa and the King Code of Governance Principles (King III);
- The International Integrated Reporting Framework (IIRF); and
- Elements of the Global Reporting Initiative's G4 (GRI G4) guidelines.

Cognisance has also been taken of King IV, given its launch scheduled for 2016.

Assurance

The Audit and Risk Committee of the Board has evaluated the Annual Financial Statements for the year ended 31 March 2016 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 IFRS. The Committee has reviewed the Auditor-General's Management Letter and management's response thereto, and has recommended the approval of the Annual Financial Statements to the Board.

Other committees of the Board, including Human Resources and Remuneration, Nominations, Finance and Investments as well as Social and Ethics have considered various non-financial and sustainability matters of the organisation over the

period as reflected in the governance section of this report.

Accounting Authority's responsibility

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

Enquiries

Enquiries regarding this report may be directed to the office of the Executive, Corporate Services, Tel +27 12 428 7778.



Stakeholder



Productivity



Customer



Growth





Highlights

In the year under review, the SABS achieved 82% (9 out of 11) of the key performance indicators to provide the basis on which to improve on the delivery of the mandate in the forthcoming year. Other key highlights over the last financial year are:

- Thought and Industry Leadership – As part of our commitment to strategically influence regional and international standardisation the SABS has Council Board membership in the African Organisation for Standardisation (ARSO), the International Organisation for Standardisation (ISO) and the International Electro-technical Commission (IEC). We are proud to have been appointed by our peers to chair the Conformity Assessment Committee (CASCO) of ISO: the first time in the history of ISO that a standards-setting body from the African continent is appointed to the leadership of this prestigious portfolio;

- The SABS has received a clean audit for four consecutive years and we look forward to continuing in this trend;
- The SABS System Certification compliance continued to be enforced to ensure value add to the companies entrusting the SABS with their quality needs;
- Restoration of the full compliance promise of the SABS Mark – By undertaking to ensure that products that carry the Mark are tested to the full scope of the requirements in the South African National Standards;
- Exceeding all targets in the delivered entrepreneur and enterprise development interventions for SMMEs and co-operatives – This was achieved using Design thinking that is now regarded as the local and international benchmark;
- Recognition of excellence by international consulting firm Bain & Company – This was achieved through the use of the SABS Design Institute studios as a case study in enterprise and entrepreneur development services;
- Ten executives from various countries were hosted to showcase the contribution of the

SABS Design Institute in the development and successes of SMMEs and entrepreneurs;

- Three Deputy Ministers were hosted at the SABS Design Institute to showcase its impact on government programmes. These include the Deputy Minister of the Department of Public Enterprises, Deputy Minister of Economic Development and the Deputy Minister of the Department of Trade and Industry;
- Structured engagement and support for regulators – A partnership between the SABS and the National Home Builders Registration Council (NHBC), resulting in the publication of a book of national standards supporting the National Home Building Regulations, which has opened new opportunities for similar projects with industry associations and regulators; and
- Improved alignment with the Consumer Protection Act – through investment in capacity to perform conformity assessment for full compliance with South African National Standards.









2016

General Information











1 About the SABS

In providing the necessary regulatory and standards assurances for the production of goods and the delivery of services, the establishment of the SABS 70 years ago stands out as a landmark development. Created by the South African Standards Act, No. 24 of 1945, the SABS has a long history in standards development and provision of conformity assessment services in South Africa. Its heritage includes being roped in during the apartheid years to shield the country from sanctions. All these circumstances have bequeathed the SABS a rich legacy that has equipped it today to enable and support South Africa to competitively participate in trade in the era of increasing globalisation.

In the post-2008 legislative reforms the SABS has had to rediscover relevance so as to serve an open economy, with no legislative protection and diminished government support.

The SABS is currently governed by the Standards Act, No. 8 of 2008, which formally split the regulatory functions and powers from the SABS and established the SABS as a national body that focuses on the development and maintenance of standards as well as in the rendering of services related to standards.

SABS Commercial SOC Ltd is a wholly-owned subsidiary of the SABS funded through revenue derived from standardisation services. Provision of conformity assessment services was fundamentally changed by the review of the 2008 legislation.

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	ABSA
	W de Witt

2 Principal activities

The SABS engages in the following principal activities and services in terms of its single mandate provided by the Standards Act:

The SABS is the only entity in South Africa with the legislated mandate to develop, maintain and promote South African **National Standards (SANS)** that contribute to public welfare by improving economic efficiency, improving the health and safety aspects of products and services, addressing market failures and promoting trade.

In addition, the Act allows for the SABS to:

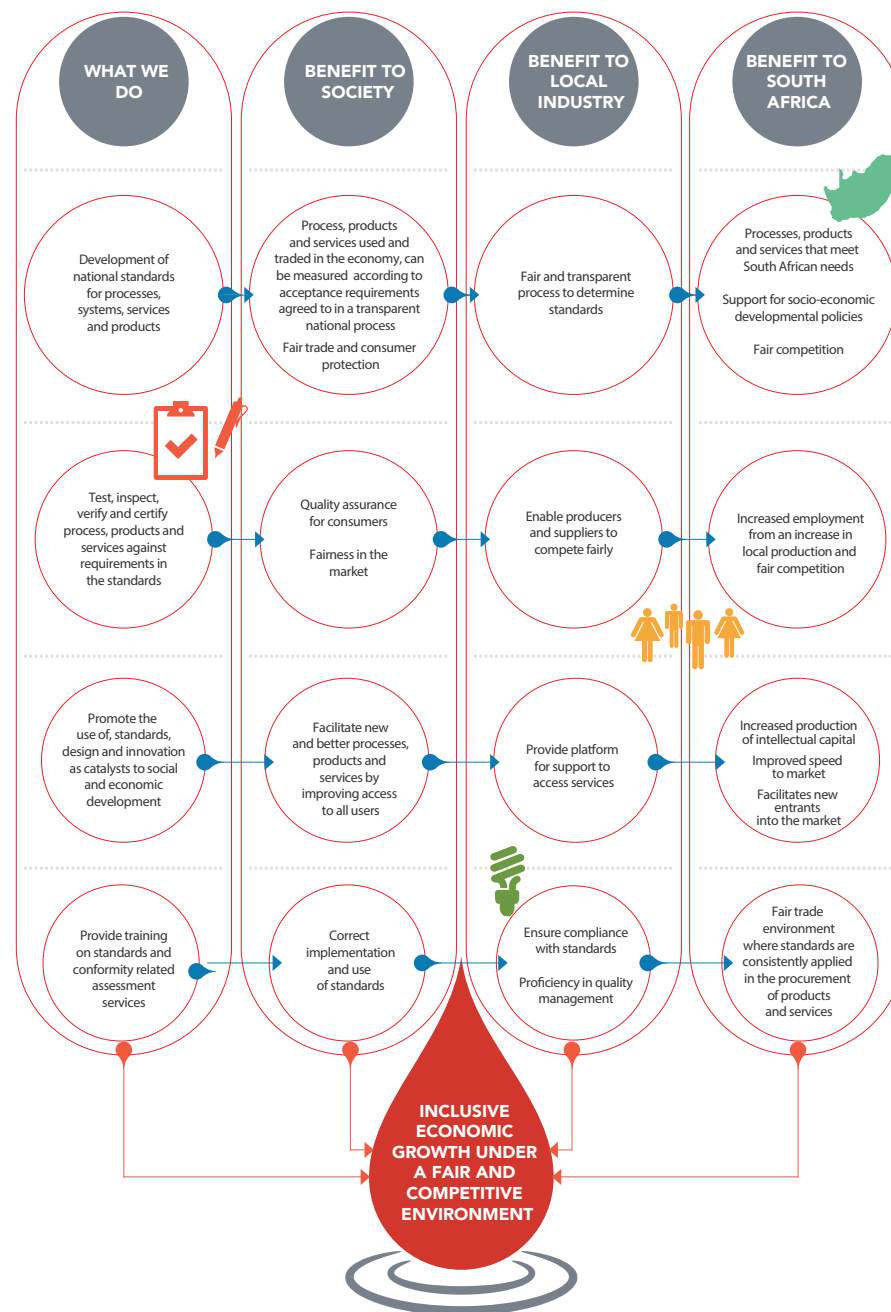
- provide assurance, through **management system certification schemes**, on the effectiveness and validity of a client's management system(s) in terms of quality, safety and good governance;
- provide third-party assurance of quality, safety and reliability of products, through **product certification schemes** (such as the SABS Mark), to the consumer. Products that have met requirements specified in South African National Standards are awarded the **SABS Mark**, which can be used to support claims of conformity to standards; and
- conduct **testing** on a wide spectrum of products across industry sectors and technologies at the 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. The 2008 legislation de-linked this service from the regulators and developing mechanisms to formally align are in progress.



Other services that the SABS provides to support socio-economic growth include:

- the promotion of the value of **design and innovation** as a route to growing competitiveness in the economy, through the dissemination of design knowledge and practice and the demonstration of success from the use of design-based methods and intervention. This function is particularly focused on applying design tools to support the growth of the SMME sector and youth entrepreneurship to create sustainable, competitive jobs;
- appointment by government to conduct **local content verification services** in accordance with Preferential Procurement Policy Framework Act (PPPFA) regulations. This supports government policy to encourage industrial development through increased preferential procurement of products and services designated to be constituted of a specified amount of local content;
- third-party **consignment inspection services** to external purchasing bodies. This assists in their purchasing operations, including the production of item descriptions, the preparation of tender documents, the adjudication of contracts and the inspection of deliverables; and
- developing and offering structured **training courses** for Standards and Specifications.

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





3 Stakeholders

In the highly competitive and ever-changing business environment that the South African Bureau of Standards operates in, it is important to ensure that the organisation remains relevant and provides a value proposition to stakeholders that will support the sustainability of the organisation while achieving its core mandate. The SABS is the custodian of South African National Standards (SANS) and a service provider of standardisation services to the public and private sector. As such, our business is based on effective and focussed engagements with a diverse portfolio of stakeholders in the public and private sector, with the ultimate objective of supporting our country's socio-economic development agenda.

Guided by the Standards Act of 2008, we have focussed on establishing Government and Industry forums, enhancing our regional and international influence on standardisation and strengthening our national representation and participation in the development of relevant SANS.

The national standards published are stakeholder-driven, requiring compliance with good standardisation practices including, amongst others, open and transparent consultation and consensus development.

Participation in standardisation is open to a broad spectrum of interests, including consumer groups, health and environmental professionals, and industry and government representatives. The SABS strives to maintain open and meaningful engagements to build confidence and credibility in our deliverables of national standards. Likewise, the SABS embeds in its processes the necessary, rigorous measures to ensure that the capacity, trust and confidentiality required in providing conformity assessment services, including design and entrepreneurial support, forms the hallmark of quality that our clients may expect: it is what keeps them committed to working with the SABS for our mutual benefit.

It is important that our stakeholders consider the relationship with the SABS as collaborative, with real benefits locally and at the international level. The SABS provides a platform for South African industry to participate in international standards bodies such as the International Organisation for Standardisation (ISO), and influence the development of products and services to international technical requirements, thereby preventing the development of unnecessary barriers to trade. Our conformity assessment infrastructure and processes are vital and enable the SABS to provide reliable and trustworthy quality




assurance services that are consistent with norms and standards.

Our external stakeholders which include consumers, technical professionals, industry and government have expectations of the delivery of SABS services. The management of these expectations requires effective, consultative engagement and implementation of programmes that seek to meet and exceed their expectations.

It is through engaging in rigorous conversations with stakeholders on programmes such as the Industrial Policy Action Plan (IPAP), the National Development Plan (NDP) and other key national policies and initiatives that the SABS demonstrates its commitment to supporting government in addressing socio-economic development. These engagements will further be enhanced in the coming years, with the opportunity to provide guidance on the strategic direction of the SABS, identifying new focus areas, redesigning existing services and modernising infrastructure to meet market requirements. We remain steadfast in our focused endeavour to deepen our value proposition and in strategically positioning the SABS as the premier partner of trust to our stakeholders and society at large.







Stakeholder Engagements

Stakeholder Group	How and why we engage key stakeholders	Expected Outcome
 Shareholder / the dti Legislative Authority (Parliament, and National Treasury)	<p>the dti has quarterly engagement meetings with the SABS to discuss performance, ensure legislative fulfillment and maintain stakeholders trust.</p> <p>For the period under review, the key issues highlighted include:</p> <ul style="list-style-type: none"> Shareholder understanding of challenges facing the SABS; The unintended impact of the Standards Act revision in 2008; and Guidance on requirements. 	<ul style="list-style-type: none"> Confidence that SABS meets its obligations and is sustainable; In-depth understanding of its growth potential and financial performance; and Contribution to socio-economic development.
 Customers	<p>Through interactive stakeholder events, written communication on changes to standards, surveys and promotion and publicity activities.</p> <p>For the period under review, the focus was on refining business processes and initiating automation of customer services to create a positive customer experience at the SABS. During the last quarter of the financial year, a customer survey was conducted for customers who received SABS services in 2015/16 to ascertain the level of customer satisfaction and to understand their expectations. This information will be used to strengthen customer engagements and inform SABS offerings to customers.</p>	<ul style="list-style-type: none"> Reliable and trusted products and services that meet their requirements; and Use the SABS products and services to achieve their objectives.
 Suppliers	<p>Through request for tenders / quotes, contract management processes and supplier performance management, to strategically and timeously source goods and services required to meet operational requirements, at competitive cost of ownership.</p> <p>During the period under review:</p> <ul style="list-style-type: none"> Suppliers were approached to update their details on this SABS database; and 15 tenders were advertised and suppliers were engaged during the tendering process. 	<ul style="list-style-type: none"> To understand the SABS business needs and build dependable long term relationships; Efficient delivery of quality goods and services to the SABS, compliant with applicable SABS policies, PPPFA, PFMA and related national regulations; and Timeous payment for goods and services delivered.





Stakeholder Group	How and why we engage key stakeholders	Expected Outcome
Employees	<p>Employee feedback sessions, transformation forums, and meetings with employees to ensure commitment to achieving the values and goals of the organisation.</p> <p>The last year was focussed on building sound working relationships amongst all stakeholders by creating various platforms to engage, share information and create shared ownership for the transformation journey of the SABS.</p>	<ul style="list-style-type: none"> ▪ Active participation in the initiatives and processes of the organisation; and ▪ Recognition and acknowledgement of their commitment and achievements.
Accreditation bodies (SANAS, FSSC, RVA, etc.)	<p>Through annual assessments and specialist technical meetings, the SABS engages with various accreditation bodies in an impartial, open and transparent manner to obtain and maintain accreditation status to meet stakeholders' need of assurance and trust for using SABS services.</p> <p>During the period under review:</p> <ul style="list-style-type: none"> ▪ Auditors and management attended specialist technical meetings; ▪ Meeting took place between the CEOs of SABS and SANAS; ▪ Executive: Certification and GM: Accreditation met with SANAS Management; and ▪ The launch of workshop for FSSCs new programme was attended. 	<ul style="list-style-type: none"> ▪ Communication about changes to our business and its impact on our accreditation status; and ▪ Compliance with accreditation requirements.

Stakeholder Group	How and why we engage key stakeholders	Expected Outcome
 International, regional, national standards and related bodies (ISO, IEC, ARSO, PASC, ASTM, BSI, etc.)	<p>Annually in General Assemblies and periodically in on-going technical work:</p> <ul style="list-style-type: none"> To ensure open and transparent processes that provide equitable access and participation of all countries; and To influence the outcomes of international and regional standardisation in support of South Africa's developmental goals. 	Active participation and contribution in terms of credibility to the sustainability of these bodies.
 Government/Legislators/Policy Makers/Technical Regulators	<p>Annual SABS Government Consultative Forum, and bilateral meetings on issues of mutual interest:</p> <ul style="list-style-type: none"> To use SABS services to achieve policy and legislative objectives; Provide standards and standardisation services aligned to policy and legislative objectives; and To understand their needs and develop appropriate standards and services to support their objectives. 	Standards, conformity assessment services and other services of the SABS.
 Industry Associations (NAAMSA, SAPIA, Chamber of Mines, BUSA, etc.)	<p>Periodically, though participating in technical committees and SABS Forums to:</p> <ul style="list-style-type: none"> Solicit their feedback and input on experiences and expectation for our services; Advocate the uptake of standardisation activities to the members; Understand their standardisation needs; and Promote the use of standardisation as a strategic tool. 	Meaningful participation in the development of standards and use of SABS services to achieve their business objectives.
 Education Institutions (Universities, Technical Vocational Institutions, Industry-based Training Bodies etc.)	<p>To increase knowledge among the country's youth and leadership about standardisation, the advantages of participation in the development of standards and their use to achieve sustainable development through:</p> <ul style="list-style-type: none"> Including standardisation education in their curricula; Education on Standardisation; Participation in Technical Committees; and Research to support the national standards agenda. 	<ul style="list-style-type: none"> Standardisation expertise and advice on the content of programmes; Access to standards; and Co-operative partners in development in implementing standardisation modules in curricula .

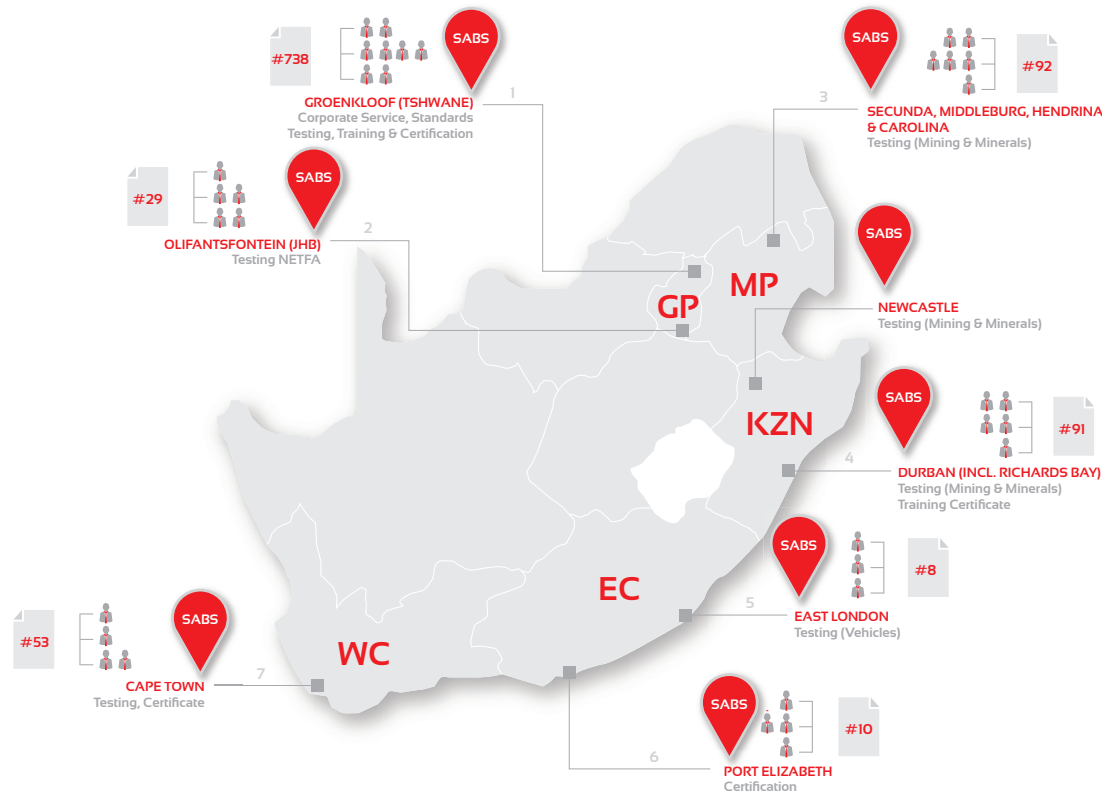




Stakeholder Group	How and why we engage key stakeholders	Expected Outcome
Media (local and international)	<p>Interviews, press conferences and replies to enquiries:</p> <ul style="list-style-type: none"> ▪ To leverage their channels to communicate with customers and the local and international community about the SABS as a brand, its products and services; ▪ To openly engage with the SABS and also be objective in their reporting about the SABS; and ▪ To present our services to their audience. 	<ul style="list-style-type: none"> ▪ To proactively keep them informed about matters arising from the SABS and respond to their enquiries.
Communities	<p>Open and trusting partnerships in the execution of SABS projects and CSI.</p> <p>During the period under review, the SABS engaged members of communities in a number of initiatives, such as:</p> <ul style="list-style-type: none"> ▪ Implementation of Safety Smart Initiative in partnership with Underwriters Laboratories (UL); ▪ Contribution goods to a home for the aged in Mamelodi, Pretoria by employees; and ▪ Various CSI projects on an annual basis. 	<ul style="list-style-type: none"> ▪ To benefit from SABS social corporate investment programmes, in order to develop their communities; ▪ To create partnerships that showcase the contribution of the SABS to the economy through empowering our communities; and ▪ Support communities in improving the quality of life through our services and Corporate Social Investment (CSI).

4 National Footprint

In addition to its Head Office in Groenkloof in the City of Tshwane, offices and laboratories are situated at other sites in Gauteng, Mpumalanga, KwaZulu-Natal, Eastern Cape and Western Cape.



AREA #	NAME	MAIN ACTIVITIES	# OF EMPLOYEES
1	Groenkloof, Tshwane	Standards, Design Institute, Testing, Training and Certification, Corporate Services	738
2	Olifantsfontein, Johannesburg	Testing (NETFA)	29
3	Mpumalanga (Secunda, Middleburg, Hendrina, Carolina)	Testing (Mining and Minerals)	92
4	Ethikwini / Richards Bay	Testing (Mining and Minerals), Training, Certification	91
5	East London	Testing (Vehicles)	8
6	Port Elizabeth	Certification	10
7	Cape Town	Testing, Certification	53



5 Foreword by the Minister

The impact of the shift in trade, where the formerly under-developed countries of Asia such as China and India have effectively become the production hubs of the world and the key destination of exports from many countries – including our own – has become a reality. While Africa is tipped to be next in line, the current reality is that the continent still lags in the pace and depth of development, and remains vulnerable to occasional shocks in commodity prices.

This shift in trade has led to a change in the structure and texture of the rules for international trade, from the hard obvious exclusionary trade barriers (tariffs and quotas) to subtler, softer, hidden technical barriers in the form of standards and technical regulations. These shifts mean that our national technical infrastructure should always be positioned to influence the fluid, evolving international technical infrastructure in support of our economy, and to provide our industries with the necessary capability to make the strategic transitions required to lead an industrialisation revolution on our own continent.

In this, the development and promotion of standards to facilitate trade are paramount.

The SABS is the largest and the oldest of South Africa's technical infrastructure entities (also known as Standards, Quality, Accreditation and Metrology (SQAM)). This places it in a unique position to make a substantial impact on the economic development of the country. The roles played by technical infrastructure institutions in the industrial development of the country have progressively been refined and recognised in the successive iteration of the IPAP to be strategic and critical in ensuring

that socio-economic development is efficient and sustainable. Whilst not losing the focus on the need to continuously modernise our SQAM institutions, we continue to use their current capacity to support localisation of production of higher labour absorbing designated products and services while ensuring that imports that undercut developmental goals and do not meet our national standards are kept in check. The new Standards Act (Act No. 08) of 2008 and the Consumer Protection Act (Act No. 68) of 2008 have fundamentally changed the mandate of the SABS by removing the regulatory powers but kept the expectation for it to retain the capacity to assess compliance of products and services to national standards. The power to enforce compliance with compulsory specifications, also known as technical regulations, is now vested in the National Regulator for Compulsory Specifications (NRCS).

In the period under review the organisation confronted some of the challenges that emanated from a number of legislative reforms since the advent of democracy, especially the 2008 change that led to the separation from and establishment of its regulatory division as a stand-alone government agency. At the time of the split the impact on the operations and sustainability of the SABS was unclear, though the case for such a change was supported by the need to reform the national technical infrastructure to meet developmental needs of a post-apartheid South Africa. The organisation has done well despite these challenges.

I am pleased to note that the SABS is well poised and has begun to assert its strategic role in setting national standards and delivering conformity assessment services. Equally noteworthy is that the SABS has maintained its clean audit obtained in the previous years.



Dr Rob Davies

Minister of Trade and Industry



Stakeholder



Productivity



Customer



Growth



Stakeholder

Standardisation remains a critical driver of economic growth and facilitation of trade. The development of relevant national standards and the implementation of associated quality assurance services has never been more pertinent to South Africa than in our current economic environment. Our standardisation strategies should be crafted to protect consumers and the economy from poor-quality products and services, whilst boosting manufacturing capabilities to support regional and international trade.

The SABS, through its enterprise-developed services in the Design Institute and its standardisation services, addresses technical issues related to capacity and barriers of access to markets by new players in industry sectors that are perceived to be monopolised and closed off to black people and SMMEs.

I am cognisant of the scarcity of strategic procurement skills in government departments and agencies. I appreciate the efforts the SABS is making to reverse their slow uptake of its mandated local content verification services that will help them meet government's goal of 75% local content for its infrastructure spend.



Customer



Growth

I look forward to the SABS embarking on its planned 'quantum leap'; successfully achieving this, and fostering strategic partnerships with regulators to better the service, to help it support South Africa's national development goals, in line with its legislative mandate.

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

Dr Rob Davies

Minister of Trade and Industry





6 Foreword by the Chairperson

Even in an era in which South Africa continues to experience the challenge of a stagnant global economy that further undermines growth in developing economies and negatively affects commodity prices and currencies, the SABS remains a vital cog in our national effort to grow our competitiveness.

South Africa's challenges of unemployment and poverty require a higher and inclusive economic growth in order to be effectively confronted. To minimise this impact, government has continued to drive economic growth through localisation of production and infrastructure development programmes using its NDP-aligned initiatives in IPAP.

The standards and conformity assessment services provided by the SABS remain a critical national asset, a resource upon which a competitive, sustainable economy can be built. These services provide the country with an opportunity to collectively develop relevant practices and market access requirements suitable to its industries' competitive capabilities and ensure alignment to government policy objectives. The organisation continues to be the nerve-centre of interaction by economic players through its open and inclusive standards development committees. It also delivers training, testing and third-party assurance on conformity of process, products and services to South African National Standards.

In the year under review the organisation found a unique opportunity to reflect on its positioning since the 2008 legislative reform. This resulted

in a campaign to re-emphasise the importance of the SABS as the national custodian of quality assurance services in South Africa by setting standards that provide sufficient protection to the consumer and the environment while avoiding the creation of unnecessary barriers to development. Standards development is supported by its conformity assessment services that provide reliable information basis for business practice, purchasing and regulatory decisions.

Notwithstanding the challenges experienced in this reporting period, we are encouraged by our attaining a clean audit once again, and by implementing those measures that give effect to our resolve to strengthen governance. In the short term, our stakeholders can look forward to the organisation exploring new break-out opportunities for future growth, such as new partnerships on subscriptions to standards with organisations that have a large membership, and the use of conformity assessment by regulators to improve their efficiency and effectiveness. We anticipate stronger uptake of the SABS's local content verification services for designated goods and services that will in turn support the government's industrialisation drive through preferential procurement from suppliers that meet specified local content requirements. Our optimism is founded on the expected publication in the forthcoming period of the National Treasury Notice/ Instruction regarding local content requirements.

The SABS has adequately invested in establishing centres of excellence in business intelligence, business process management, enterprise architecture, and technology infrastructure in preparation for the organisation's quantum leap business transformation, without compromising governance and quality. Significant progress



was made in building a robust ICT platform and capability as the springboard and enabler for a sustainable and competitive organisation. We have learnt valuable lessons from the experience of issues related to the issuing and application of the SABS Mark scheme. The SABS has reinvigorated its governance and processes, and drove a campaign to recalibrate the culture of the organisation along its values of trust and customer centricity.

I am pleased to announce that the organisation will go-live with a new automated Certification system that embeds these lessons learnt and will provide customers with an online customer portal to conduct business and engage with the SABS.

We remain confident that most business processes of the SABS will be automated within the next two years to improve customer service and sustainability. Together, these developments affirm our belief that the SABS has the expertise to action its proposed 'quantum leap' at all levels of the organisation.

Reinforcement of strategic relations

As a national standards body with the mandate to ensure competitiveness of the South African economy through sound national standardisation infrastructure, the SABS actively participates in ISO, IEC, SADCSTAN and ARSO, occupying leadership roles in some of these bodies. It is critical for the organisation to be part of regional and international standards and conformity assessment activities. This will safeguard the integrity of the South African economy and ensure market access for South African exports by minimising barriers to trade that emanate from standards. The SABS also continues to engage with standards development organisations in other countries and with regional bodies, to explore and seek support for its vision for the evolution and role of the international and regional standardisation system.

Acknowledgments

That the SABS has yet again achieved a clean audit report from the Auditor-General is due to the efforts of each Board member, management and all employees of the organisation.

To my fellow Board members, the SABS CEO, Dr Boni Mehlomakulu, the Executive team, all employees and customers – thank you for your continued commitment to the SABS.



Jeff Molobela



Stakeholder



Productivity



Customer



Growth



7 Overview by the Chief Executive Officer

The SABS has gone through enormous change since it was formed more than 70 years ago, in line with the political and economic changes in South Africa. Like its counterparts in other countries, the SABS was started out of the need for infrastructure development and inter-operability of products coming from an increasing number of manufacturers and suppliers. It was eventually formally established in 1945 by an Act of Parliament as a home for most of the then-disparate technical infrastructure institutions. It was a substantial part of the evolution and development of the country's physical and economic infrastructure, providing technical support to industry and ensuring that commerce was based on a sustainable footing.

As the economy developed, the role of the SABS has become more complex, and the funding for its sustainability more dependent on the market. Since 2008 when its regulatory function was removed, and in the face of a reduction in government funding, the organisation has embarked on a journey to redefine its relevance and to find a commercially viable business model. Through its renewal strategy it aimed at a step change to increase growth, service its customers, improve productivity and empower its employees. This strategy sought to reposition the organisation for the new realities which were little understood at the time. The sources of external revenue have dramatically changed over the last five years, with certification and standards sales revenue experiencing appreciable growth, while testing services declined. It is this perspective of reduced support from regulatory bodies and

declining government funding that now requires the SABS to review its business model away from a diversified provider of generic testing services, to one that targets specific markets with economies of scale.

Alignment to the legislation became a focus due to continued litigation of failures in the market. This was necessary, as the organisation had silently drifted from its purpose as it struggled to cope with the painful but necessary transition occasioned by the legislative reforms of 2008. During the period under review, the SABS conducted a governance review of its products and services, starting with the development of national standards, testing services and certification to ensure that their economic value and impact is retained and protected. With a view to achieving the desired 'quantum leap' in its re-orientation, the organisation commenced initiating culture change activities.

The objective is to extricate the organisation and employees from a relaxed, unresponsive mind-set, and inculcate instead a culture characterised by a service-oriented ethos and customer-centricity.

These initiatives have started to instil a sense of urgency and awareness that behaviours and actions of employees have consequences for the organisation and all our employees.

We plan to continue on this path in 2016/17 as we increase focus on the following opportunities:

- Customer service;
- Relationships with regulators;
- Increased deployment of ICT solutions to increase the efficiency and effectiveness of the organisation and minimise manual work.



I am proud of the progress that we have made in the last year, despite the key challenges of reduced government funding and the issues related to partial testing. Such fragmented governance and decision-making on the appropriateness of the scope of tests that should be conducted to satisfy requirements to comply with standards had served only to compromise the long-term sustainability of the organisation.

Growth

The potential for growth of the SABS services is huge both in terms of scope of services and market penetration. In the period under review the organisation achieved lower revenue from external sources including a reduction in the government grant. While some of it can be attributed to low demand in the organisation's services, some internal challenges of non-compliance with governance requirements resulted in performance that was below expectations.

However, the SABS focused on resetting its commercial business assumptions and establishing protocols that will set us on a sustainable growth path. It will provide the organisation with a credible base from which to pursue lasting, structured partnerships with regulators and important industry organisations, to ensure the full realisation of its value proposition and achieve its legislative mandate.

Customer Centricity

Customer centricity is critical for transforming the SABS into a trusted and respected partner for stakeholders who pursue quality and inclusive economic development for South Africa. The SABS has therefore prioritised customer centricity as a focus of its culture, processes and employee empowerment. The organisation has successfully implemented its online collaboration system (eCommittees) and standards sales platform (webstore) with assistance from the ISO. The new customer strategy that takes advantage of the new ICT capabilities – which are at various phases of implementation – was developed to ensure that customer experience is improved across all our service offerings and interfaces. An online customer satisfaction survey was conducted and the valuable feedback from customers will also be incorporated into our customer centric transformation plans. It is envisaged that this new capability will enable the organisation to extend access to its services beyond its traditional industry stakeholder groups, and to include SMME's and young entrepreneurs.

Productivity

The SABS has lagged behind in leveraging technology to improve productivity. The organisation has committed to improving its performance through deployment of ICT to automate its operations and business intelligence to enable optimal business decision making. This has already begun to bear fruit as management is beginning to get better at controlling business processes, using data to drive innovation and deliver enhanced value to stakeholders.

Competent and empowered employees

The greatest strength of the SABS is the skills and competencies of its employees. The Knowledge Hub is a capability that is being developed to improve the capacity of the SABS to build and leverage our knowledge assets such as expertise in standards, testing, and training and certification services. Doing so will serve to demonstrate its impact on the economy and ensure its long-term sustainability. In this regard the following achievements were recorded during the year under review:

- the knowledge hub concept was developed and progress was made in sharing knowledge by distributing relevant books and establishing a book blog;
- the Academic Engagement Programme progressed with the finalisation of a management development programme in partnership with the UNISA School of Business Leadership and delivery of lectures to more than 300 students in the Masters and Management Development Programmes;
- the organisational culture was positively impacted by demonstration of the requirement of employees' to be accountable, through high-profile disciplinary inquiries related to infringements of the SABS Mark.



Stakeholder



Productivity



Customer



Growth





Integrated reporting

As a learning organisation, the SABS appreciates the need to modernise its reporting to stakeholders in line with their expectations. To this extent, we are enhancing our integrated reporting template. This is a work-in-progress. Over time, and guided by best practice, our reporting will evolve to more clearly articulate, among other matters:

- the risks and opportunities that are material; this will be based on a review of financial, social, environmental, economic and governance issues and trends;
- the organisation's strategic objectives related to the risks and opportunities identified and an indication as to how it intends to achieve the strategic objectives. This is done by reference to its key performance indicators (KPI's) and key risk indicators (KRI's) for the short-, medium- and long-term;
- performance in terms of the objectives, and the significant social, environmental, economic and financial impacts in terms of the KPIs and KRIs; and

- factors that could influence future remuneration, over and above an overview of how employees and senior executives are remunerated.

This will lead to integrated thinking as well as consistent and transparent application of important principles from Board to Executive Management and the Unit Managers.

Acknowledgements

We style our aspirations for the coming period as the need for a 'quantum leap': a desire for and message about change. It requires of all employees to align with the change to ensure sustainability, and to open themselves to new learnings and opportunities for growth and to strive for new partnerships with regulators and other stakeholders. For our past endeavours, and in pursuing this objective, I thank the Board of the SABS and our shareholder, **the dti**, for their constructive engagement and guidance.

The support and effort of the vast majority of the SABS team have been integral in providing us with a foundation upon which we can build.

Boni Mehlomakulu

Chief Executive Officer



8 Statement of responsibility and confirmation of accuracy for the annual report

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

All information and amounts disclosed in this Integrated 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. Based on careful analysis 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 project 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 2016.



Boni Mehlomakulu

Chief Executive Officer

Date



Jeff Molobela

Chairperson of the Board

Date



Stakeholder



Productivity



Customer



Growth





9 Strategic overview

Vision

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

Mission

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

Values

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

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

Optimising the benefit of the SABS for the economy requires that these values are internalised and embedded in all our engagements with stakeholders. Impartiality and integrity speaks to the organisation's role in ensuring fair competition, enabling new entrants in markets and consumer protection. Innovation and quality encourage the organisation to be mindful that its standardisation services must enable innovation and be compatible with achieving quality, as these are key success factors for the SABS and its customers. Customer centricity relates to the organisation ensuring that all it does is informed by customer needs and that it always aims to create value that exceeds expectations. Accountability is a reminder to every member of the organisation of the responsibilities that the country has placed on each one of us to discharge the mandate of the organisation to the best of our abilities, to take responsibility for, and understand, that our actions will always have consequences for the country, the organisation and ourselves.

10 Legislative and other mandates

10.1 Legislative mandate

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

The SABS was originally established in terms of the South African Standards Act, No. 24 of 1945, and has a long history in standards development and conformity assessment services in South Africa. This rich legacy has enabled South African products and services to enter global markets and to support industrial competitiveness.

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

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

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

10.2 Acts, codes and development plans

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

- **The National Development Plan (NDP)**
Among its nine (9) key priorities the NDP (also referred to as Vision 2030) identifies the reduction of unemployment and improved quality of education as key achievements that will contribute most towards realising the developmental goals of the country. The NDP advocates a shift away from over-dependence on the resources sector which lacks the potential for higher growth. This plan will guide the future work of the SABS.



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

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

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

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

▪ **New Growth Path Framework (NGP)**

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

10.3 Accreditation

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

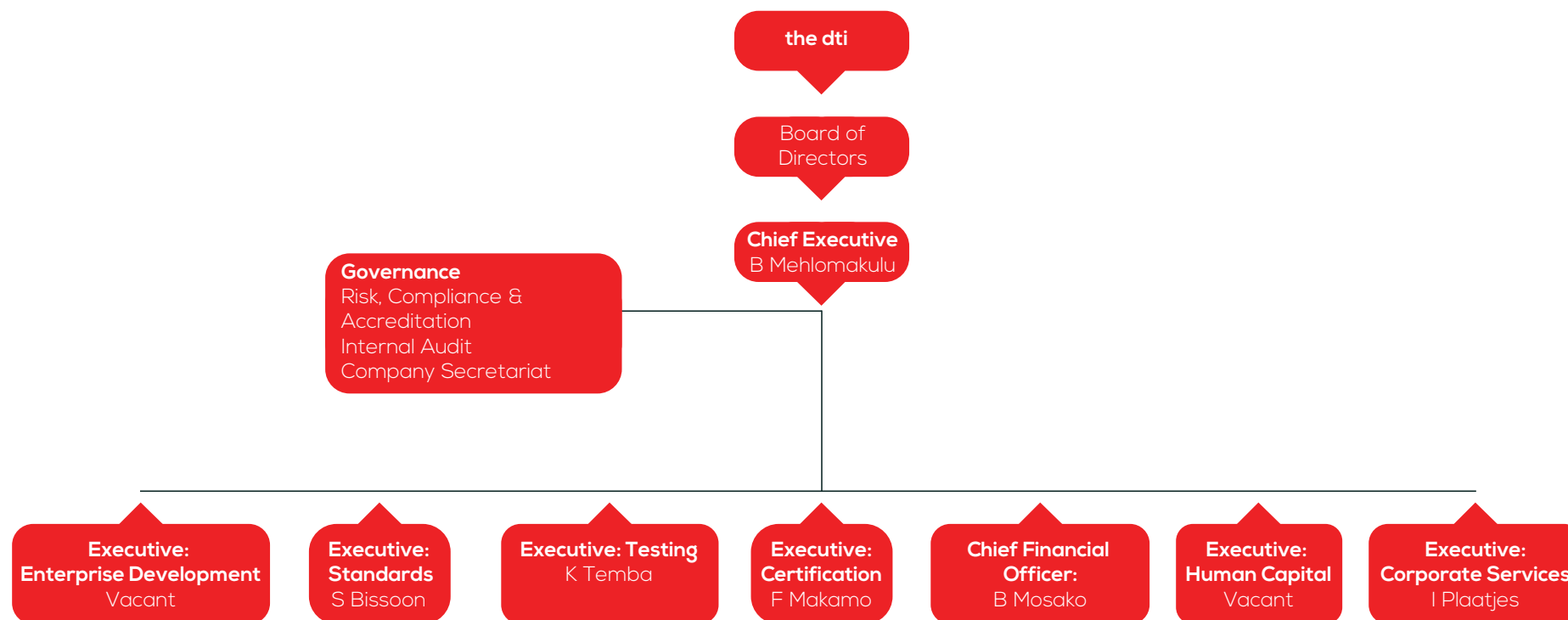
- the Dutch Raad Voor Accreditatie (RVA) for the provision of management system certification to standards OHSAS 18001 and FSSC 22000;
- The South African National Accreditation System (SANAS) for:
 - the provision of management system certification to standards ISO 9001, ISO 14001, SANS 10330 (HACCP) and ISO 22000;
 - Provision of product (SABS Mark Scheme) quality verification;

- the provision of testing and calibration laboratory services that comply with standard ISO/IEC 17025;
- consignment Inspection to standard ISO/IEC 17020; and
- Verband der Automobilindustrie – Qualitäts Management Center VDA-QMC; and
- provision of automotive management system certification to standard ISO/TS 16949.





11 Organisational structure



Stakeholder



Productivity



Customer



Growth



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PART B

Performance Information



2016



Performance Information

1 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 166.

2 Situational analysis

2.1 Service delivery environment

Policy alignment

The SABS, as a national standardisation body that forms part of the government's technical infrastructure organisations, is an enabler of economic growth. The sustainability of the SABS is dependent on its services being used to support regulatory, supply chain and business objectives. The government, as the single largest player in the economy, should be the largest funder and user of national standards to deliver on its policies. The rapid change in national standardisation and quality institutional architecture in South Africa resulted in gaps which threaten to unravel the hitherto revered technical infrastructure necessary for inclusive, sustainable economic development. To develop the South African economy and to enable industry to thrive and government to deliver quality in a cost-effective manner requires objective, robust and technical infrastructure institutions. Such institutions are able to steer stakeholders to consensus on national and international standards. The legislative change of 2008 has fundamentally affected the assumptions of the SABS business model: this situation is aggravated by the arrival of large multinational conformity assessment companies that, unshackled by any legislative mandates, enter the country seeking greener pastures in view of slow growth and intense competition in their traditional markets.

The challenges cited above can be overcome when the SABS aligns its business with national development policies and its value is understood by stakeholders in the country. In recent years it has become apparent that a strong voice from developing countries is necessary on the global standards making bodies whose standards are taken for granted in international trade. With the internal policy review now completed, the SABS has refined its focus to ensure that it maintains the trust of its stakeholders who choose to use its services to achieve their goals. The organisation will therefore ensure that it develops standards and conformity assessment services that align to the direction and structure of the economy, providing support for government policy and private sector programmes.

Technological requirements

The SABS operates in an environment that is undergoing rapid and continuous technological change. Our sustainability requires us to develop standards and conformity assessment services for products and business processes with short life cycles and that are of deepening complexity, resulting from the convergence of technologies and the integration of products and services. These challenges could lead to standards that are obsolete sooner and result in investments in antiquated conformity assessment technologies.

In order to remain relevant, the SABS can no longer rely on manual processes to conduct its businesses and service its customers. To this end the SABS has partnered with the ISO to automate part of its standards development processes, while rolling out its business modernisation to efficiently deliver on its mandate and support its long-term sustainability.





Stakeholder



Productivity



Sustainability



Growth

Products and services

While the SABS brand remains recognised in the South African market, opportunities exist for enhancing its prominence and elevating the SABS Mark into an even more trusted symbol of conformity for a wider range of products. Over the last year emphasis has been placed on protecting the SABS Mark from increasing abuse, through the development and execution of an intellectual property strategy that will guide enforcement activities.

2.2 Organisational environment

The organisation has been through a thorough review of its internal processes to provide a foundation upon which to promote trusted services for companies, regulators and consumers and seek high-level strategic partnerships with regulators and private sector groups to unleash the value of standardisation and enterprise development services.

Employees are being prepared for the changing market expectations of our business, and are encouraged to embrace continuous learning and accountability. Over the course of the financial year, the organisation has made progress in shaping the standardisation knowledge hub agenda.

The SABS employees operate in an environment where external business interest and influence should be acknowledged as part of doing business. Impartiality and technical honesty in the work done in the organisation are the driving factors influencing the internal changes in the organisation.





2.3 Strategic outcome-oriented goals

The SABS provides services that directly impact the performance of companies, industrial sectors and the economy, by lowering the risk of product and service failures while breaking the information asymmetry on market requirements. It is a catalyst for economic growth through relevant standards development and providing locally relevant conformity assessment services. The goals of the SABS are therefore aligned with that of **the dti** and the broader government effort to grow the South African economy, and it remains committed to working to:

- **Provide standardisation and conformity assessment services that support the National Development Plan (NDP) and facilitate development and regional economic activity**

The SABS will align 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 has initiated efforts to primarily align with regulators, policymakers and industry stakeholders.

It will therefore continue to support the development of key economic sectors by developing standards in support of regulations; standards in line with the requirements of NDP priorities, Consumer Protection Act, No. 68 of 2008 (CPA), and various relevant 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 co-operation with other role-players in the South African economy. The quality of a national standard is determined by the extent to which it reflects the true interests of society.

In order to increase participation, the SABS is aiming to strategically engage government departments in the standards agenda.

- **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 unnecessary technical barriers to entry stemming from standards development process are minimised. The Standards Division will focus more on strategic socio-economic alignment.

- **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 technological advancement required for SABS to be sustainable and relevant in the future. The SABS is pursuing a growth strategy to generate a sustainable flow of commercial services in the long term. The services of the SABS cannot simply be substituted by competitors as they often pursue narrow short term profit objectives, while the SABS is part of the state's economic development infrastructure and carries a broader South African brand integrity mandate.



Stakeholder



Productivity



Sustainability



Growth

3 Performance against predetermined objectives

The approved Business Plan for 2015/2016 includes the SABS's Objectives and Key Performance Indicators (KPIs) for the period under review. The objectives and KPIs are designed to support its strategic outcomes as formulated in the five-year Strategic Plan. The specific targets and the performance measured against these targets for the year ended 31 March 2016 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	2015/16			COMMENT ON VARIATION
		ACHIEVEMENT	TARGET	ACHIEVEMENT	VARIANCE	
Increased revenue	Revenue generated from sales (R million) ¹	R570.3m	R622.6m	R554.7m	-10.91%	Target Not Met. Focus was on reviewing Certification and Testing processes to improve governance, taking action against internal contraventions of the SABS Mark rules, engaging with existing customers to communicate the impact and responding effectively to reputational issues that were surfacing in the market.
	Operating profit % across operating divisions	2.40%	0.00%	2.28%	2.28%	Target Exceeded
Alignment of the standardisation programme to IPAP sectors	Completion of the national standardisation roadmap and implementation of action plan	-	25%	26%	1%	Target Exceeded
Increase in services offered	Number of new certificates issued against a new scheme ¹	-	3	3	0%	Target Met

1: Indicators for SABS Commercial SOC (Pty) Ltd.





CUSTOMER/STAKEHOLDER

Put the customer at the forefront of everything we do.

OUTPUT	PERFORMANCE INDICATOR/ MEASURE	2014/15	2015/16			COMMENT ON VARIATION
		ACHIEVEMENT	TARGET	ACHIEVEMENT	VARIANCE	
Improvement in customer satisfaction	Retain 95% of customers in Certification ¹	-	95%	97%	2%	Target met
	Number of SMEs and new and existing entrepreneurs for which design, innovation and standardisation interventions are implemented ¹	-	50	120	140%	Target Exceeded

1: Indicators for SABS Commercial SOC (Pty) Ltd.

PRODUCTIVITY

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

OUTPUT	PERFORMANCE INDICATOR/ MEASURE	2014/15	2015/16			COMMENT ON VARIATION
		ACHIEVEMENT	TARGET	ACHIEVEMENT	VARIANCE	
Maintain accreditations	% of accreditation retained in Certification ¹	-	100%	100%	0%	Target Met
Automation certification business processes	% implementation of a technology solution in Certification ¹	-	20%	30%	10%	Target Exceeded

1: Indicators for SABS Commercial SOC (Pty) Ltd.



COMPETENT AND EMPOWERED EMPLOYEES

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

OUTPUT	PERFORMANCE INDICATOR/ MEASURE	2014/15	2015/16			COMMENT ON VARIATION
		ACHIEVEMENT	TARGET	ACHIEVEMENT	VARIANCE	
The SABS Knowledge Hub programme	% implementation of the Knowledge Hub programme	-	25%	30%	5%	Target Exceeded
Education about standardisation	% implementation of the Academic Engagement Plan (AEP)	-	40%	46%	6%	Target exceeded
Culture transformation	Progress against the implementation of culture programme for customer-centricity	-	100%	0%	-100%	Target not met Changes in Human Capital leadership and other operational challenges resulted in the programme not being signed-off on time. Hence no progress can be measured.



Stakeholder



Productivity

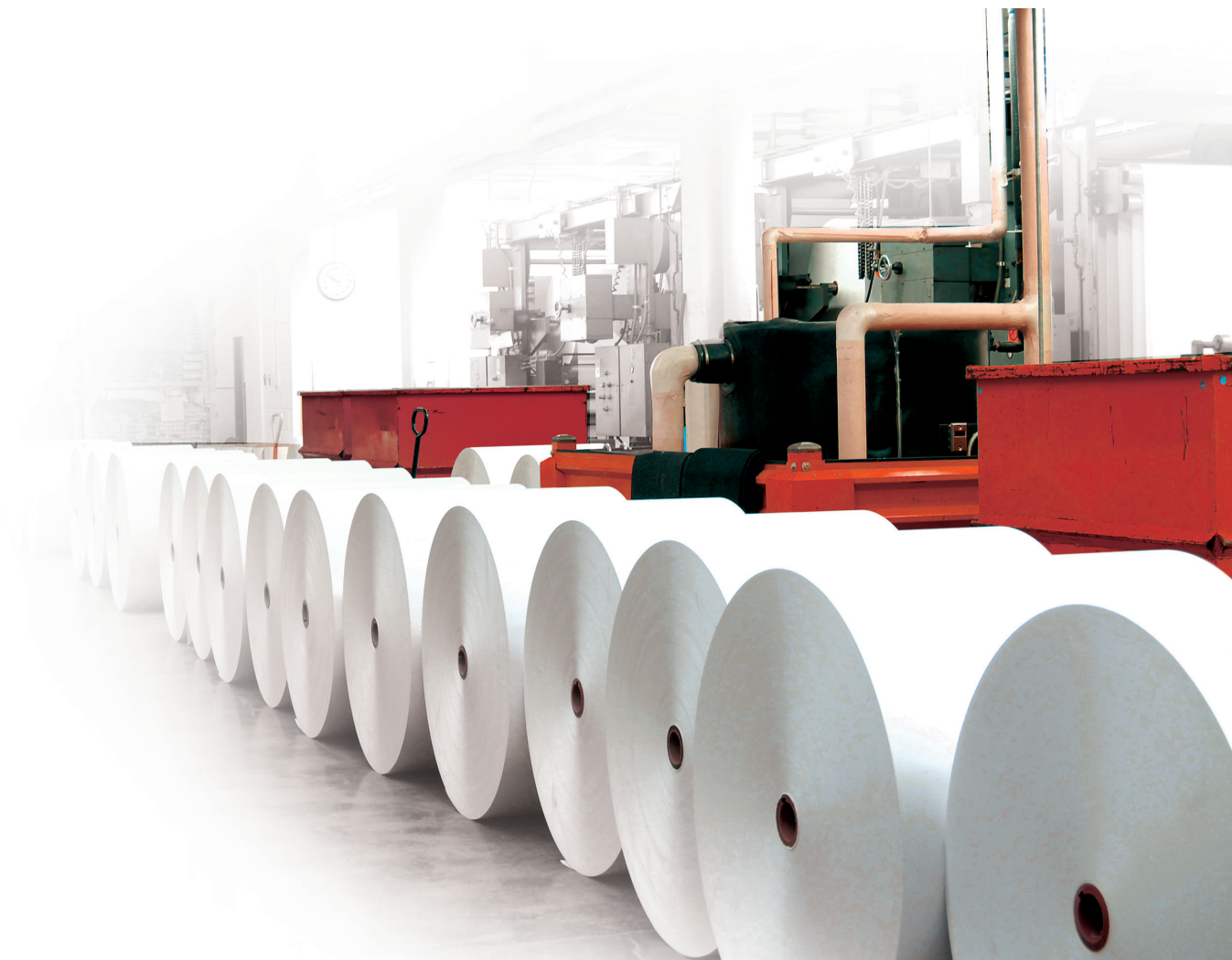


Sustainability



Growth





Stakeholder



Productivity



Sustainability



Growth

4 Divisional overview

4.1 Standards

The Standards Division of the SABS is the key driver of the value proposition for the organisation as it is responsible for the development, maintenance and promotion of South African National Standards (SANS) upon which quality assurance services are rendered. SANS are developed through a process that seeks to involve all the stakeholders in the South African society that are affected by such standards. Therefore governance of due process and stakeholder engagement are the key capabilities for delivering national standards that are relevant to the needs of a diverse portfolio of stakeholders, such as policy-makers, regulators, industry groupings, professional bodies, large businesses, SMMEs, academic institutions, NGOs and a broad range of consumers.

The system of developing SANS is aligned to international best practice to meet the country's obligations under the World Trade Organisation Technical Barriers to Trade Agreement (WTO/TBT) and to fulfil our responsibilities as members of international and regional standards organisations such as ISO, IEC, ARSO and SADCSTAN.

As the only national standardisation body of South Africa the SABS Standards Division is responsible for supporting the development of South Africa's physical and intellectual infrastructure, to enable dynamic economic development and social progress.

The SABS has therefore prioritised human resource capacity, technological platforms and stakeholder engagement opportunities to ensure effective

participation of relevant stakeholders in the development of SANS. This ensures that SANS is able to provide relevant solutions for the challenges of market access and market failure, benefiting industry, government and society as a whole.

The performance of the divisional outputs are as follows:

▪ Process and system modernisation

The divisional programme of modernising our stakeholder collaboration platforms has resulted in the successful installation and application of eCommittees in collaboration with ISO.

This initiative has improved efficiencies in the standards developmental process and enhanced the application of openness and transparency in our engagement with stakeholders.

▪ Alignment of the standardisation programme to national priorities

During the period under review satisfactory progress was made in developing the Standards Development Framework action plan for reviewing the alignment of South African National Standards to the national legislative and policy environment. The Division achieved a 26% completion of the action plan against the annual target of 25%. The progress made includes:

- reviewing standards that contain regulatory requirements;
- reviewing the prioritisation criteria for standards development projects to include alignment of national standards with national developmental policies such as the

National Development Plan (NDP); and

- adopting the ISO guideline on competition law implications for standards development, to minimise the possible hijacking of the standards development process for anti-competitive purposes.

▪ Implementation of the Academic Engagement Programme

The SABS Academic Engagement Programme (AEP) is a further strategic initiative aimed at consolidating the relationships the SABS has with academic institutions to promote awareness and education of standardisation to current and future leaders. The implementation of 46% of the AEP against a target of 40% includes the following highlights:

- delivery of lectures for Masters of Business Leadership (MBL) and Management Development Programme (MDP) students at UNISA School of Business Leadership (UNISA-SBL);
- hosting of the first meeting of the Academic Engagement Forum in March 2016; and
- following a Memorandum of Understanding signed with UNISA-SBL, approval of a Management Development Programme specialising in standardisation, with an anticipated first intake by UNISA-SBL in 2016.





Other performance highlights include:

- As part of our commitment to strategically influence regional and international standardisation the SABS has maintained Council Board membership in the International Organisation for Standardisation (ISO), the African Organisation for Standardisation (ARSO), and the International Electro-technical Commission (IEC). We are proud of the SABS candidate successfully appointed as Chairperson of the Conformity Assessment Committee (CASCO) of the ISO, the first time this prestigious leadership portfolio is held by a representative from the African continent.

A collaborative partnership between the SABS and the National Home Builders Registration Council (NHBRC) has resulted in the publication of a book containing a collection of national standards that support the National Home Building Regulations.

This successful partnership has opened new opportunities of similar projects with Industry Associations and Regulators that is expected to propel the uptake and utilisation of national standards by our stakeholders.

The following are some of the standards that were published during the period under review:

- **new edition of ISO 9001**, Quality Management System – Requirements;
- **new edition of ISO 14001**, Environment Management System – Requirements with guidance for use;
- A new part of the series on fuel cells, **SANS 62282-4-101**, Fuel cell technologies – Part 4-101: Fuel cell power systems for propulsion other than road vehicles and auxiliary power units (APU) – Safety of electrically powered industrial trucks;
- **SANS 1686**, Guidelines for the assessment of crafts for quality and craftsmanship. This will protect the consumer, craftsmen and the market against the influx of possible sub-standard, unsafe or unsound crafts.

Matters that will receive priority in the new financial year include:

- the development of stronger and more focussed relationships with government structures to enhance alignment with the country's growth and socio-economic imperatives;
- the implementation of the ISolutions Webstore as a short-term measure while the organisational ICT strategy designs and implements a holistic e-commerce platform; and
- assisting employees to develop the skills and competencies required for them to align to the divisional mandate.

4.2 SABS Design Institute

The Design Institute of the SABS is responsible for the promotion of design and innovation as key strategic capabilities for the socio-economic development of South Africa. The national focus on these capabilities is rooted in evidence that countries that focus on design and innovation have, in the long run, managed to develop unique capabilities, improve their global competitiveness and make progress toward achieving developmental goals. In the past the Institute was focused on engineering and product design and awarding design excellence through a variety of award schemes. Currently the Institute has undergone strategic repositioning; it is now aligned to national priorities as a national change agent, and is geared towards unlocking the economic value and direct socio-economic contribution that design and innovation can bring to our economy.

Creating youth opportunity – Young people are a key demographic group adversely affected by the reduced availability of economic opportunities. Unlocking economic value is crucial if we are to improve the lives of all South Africa's people, especially our youth; it is they who should be in a position to make a difference to their own futures through participation – both formally and informally – in the South African economy. Through its Design Institute the SABS fosters the internalisation of design thinking approaches in the processes of nurturing entrepreneurship, so as to address youth unemployment. This is especially when youth focus collectively on issues facing their communities.



Stakeholder



Productivity



Sustainability



Growth

Innovation – *The Design Institute has proved that design thinking can lead to the creation and production of a continuous stream of new and innovative processes, products and services to meet the needs of South Africa.*

It can lead to improved terms of trade through the resulting sustainable global competitive advantage of the country's exports. This also fits well within the Institute's mandate to develop South Africa's national design capability. This capability is propagated by linking the public, business and Government's industrial and enterprise development programmes to the Institute's design promotion activities, thereby amplifying the impact of these efforts in creating socio-economic value for South Africa and the world.

Re-designing design – Because of its repositioning, the Design Institute's new and demanding mandate to develop South Africa's design capability requires it to:

- achieve financial autonomy (self-sustainability);
- develop local and global reach through impact programmes;
- acquire world-class design centre status that can compete with global counterparts; and
- become a hub for skills transfer to previously disadvantaged designers.

During the 2015/16 year the SABS Design Institute continued to implement its ambitious strategy of expanding its scope and reach.

The Institute has contributed significantly to the outputs for SMME development, through its focused programmes that assisted in the more than 80 SMMEs for the reporting period.

In the new financial year, focus will also be on:

- increasing the impact of design services by growing the number of new SMMEs serviced;
- developing new product or service offerings to cover the market's need for youth entrepreneurship and supplier development; and
- continuing to take leadership in guiding government policy on the growth and development of South African design capacity.

4.3 Testing

The SABS Testing Division has, arguably, the largest and most unique products testing infrastructure on the continent.

SABS' Testing capability has been in existence for well over 40 years - the 36 SABS laboratories including the Cape Town and East London regional facilities, together boast more than 400 test methods.

This group of laboratories offers screening services mainly under one roof and provides an unmatched, comprehensive service offering in South Africa. The laboratories strive to deliver excellent customer service while continually maintaining laboratory quality systems, increasing the scope of accreditation of test methods, and investing in state-of-the-art instrumentation where necessary and viable. Our

testing capabilities uniquely allow the SABS the ability to offer comprehensive one-stop-shop service unmatched by any other facility in the country.

Specialised, trusted, timeous – The main objective of the Testing Division is to be the service provider of choice in specialised testing; trusted, timeous, and adding value for our customers. Testing processes continuously evolve to keep pace with the fast-moving advancements in materials and innovation across categories such as electro-magnetic compatibility, product performance, and much more. The service thus has to constantly align and adjust to market needs, while striving to remain relevant with ever-changing technological developments.

Partnerships with regulators – With comprehensive knowledge of the regulatory requirements impacting consumer product safety and performance, the SABS Testing Division provides support for a wide range of regulations in the country, including testing for the Department of Health on medical devices, pharmaceuticals products, for other regulators such as Department of Energy in the area of energy efficiency testing programmes, ICASA for electro-magnetic compatibility and interference, and regulators of construction materials, electrical appliances, motor vehicle emissions, food, and water safety.

Quality assurance – The organisation has reinforced its quality promise protocols, with the ultimate aim of enhancing product safety and the performance of products tested at our facilities. These all have direct spinoffs in the consumer protection sphere. The interventions have further revealed that there are areas of infrastructure that require improvements, whereas others will require to be subjected to



Stakeholder



Productivity



Sustainability



Growth





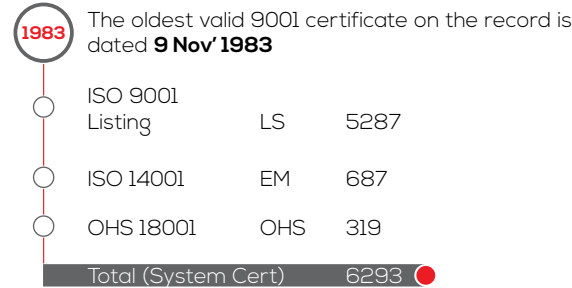
incremental technological adjustments in order to provide suitable services to all our customers. A targeted approach will be pursued in committing to these initiatives, and will largely be informed by market demand.

Our actions to ensure excellent service provision to our customers are guided by the SABS policies aligned to its legislative mandate. The policies describe our commitment to building a trusted service that matches consumer expectations as prescribed in various national standards and regulations.

4.4 Certification

The SABS Certification Division provides independent third-party conformity assessment services to organisations and businesses, assisting them to improve performance, reduce risks and achieve sustainable growth. The main operating business areas of the Division are Quality Management System, Product Certification (SABS Mark), Consignment Inspection and Local Content Verification. The customers of the Certification Division range from large global organisations with very successful brands to local small businesses. SABS' Certification has come a long way since 1983.

No of SABS Certificates issued since its inception



SABS Mark Scheme Permits 16683

The oldest valid SABS MARK Permit on the record is dated 27 January 1950, issued to African Cables (known as CBI Electric African Cables).

Total (Product Cert) 16683

Re-inforcing trust – The provision of certification services is knowledge-based, requiring the highest level of credibility, trust and commitment to customer service. During the year under review the Division strengthened its certification and governance processes to ensure the integrity of certificates and SABS Mark permits issued to customers.

In particular, the Division invested considerable resources in automating its processes to keep up with ever-changing technology. This is expected to improve service delivery, communication and provision of information to customers.

Additional controls were also introduced to the division's approval processes to ensure full compliance to all conformity assessment requirements.

Internationally-benchmarked – The Division continues to be assessed against internationally-recognised standards by various accreditation bodies such as SANAS, RvA, FSSC and IATF, to confirm that the Division operates to the highest levels of quality and service. These measures provide further assurance to our customers that the certificates we issue are both credible and impartial. Accreditation provides customers and consumers alike with the assurance that the Division has the required competencies and performance capabilities.

The uptake of Local Content Verification (LCV) was lower than expected, especially from state-owned enterprises (SOEs), which has also had a negative impact on the revenue and profitability of the organisation.

Local Content Verification remains a key area for the Division in support of government policy to stimulate the economy by procuring locally-manufactured goods and services from the designated sectors. The introduction of the Energy Efficiency Management Scheme (ISO 50001) however was well received by the industry, and saw the certification of three companies against ISO 50001. This is good news for the country: the uptake of this standard ensures better management of scarce energy resources.



Stakeholder



Productivity



Sustainability



Growth



Stakeholder



Productivity



Sustainability



Growth

4.5 Training

The SABS Training Academy is an important bridge that makes the value of standards a reality. The Training Academy educates the public and employees of companies and government to understand the content of South African National Standards. The success of the academy will be in ensuring that standards are correctly applied so that public, business and government economic activities conform to agreed national standards. This will lead to realisation of economic benefits for the country.

Growing commercial potential – The period under review coincided with a five-year cycle of revising key revenue-generating courses based on ISO 9001 and ISO 14001 for the SABS Training Academy. This led to potential candidates opting to wait for the two standards to be published so that they could be trained on the new standards.

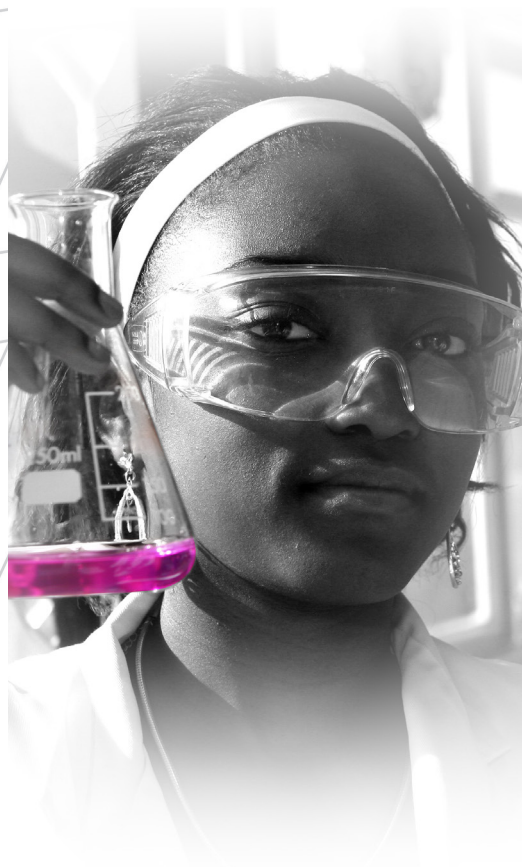
The SABS continues to regard the Academy as having high commercial potential and capable of increasing volumes because of the scope of its courses, its large geographical footprint, and the ability to leverage technology for remote delivery.

The following priorities are identified for 2016/17:

- new leadership at a strategic level;
- revising and modernising course material on ISO 9001 and ISO 14001 and increasing training services in these standards; and
- growing services to new customers and signing new strategic partnership contracts to deliver training solutions.

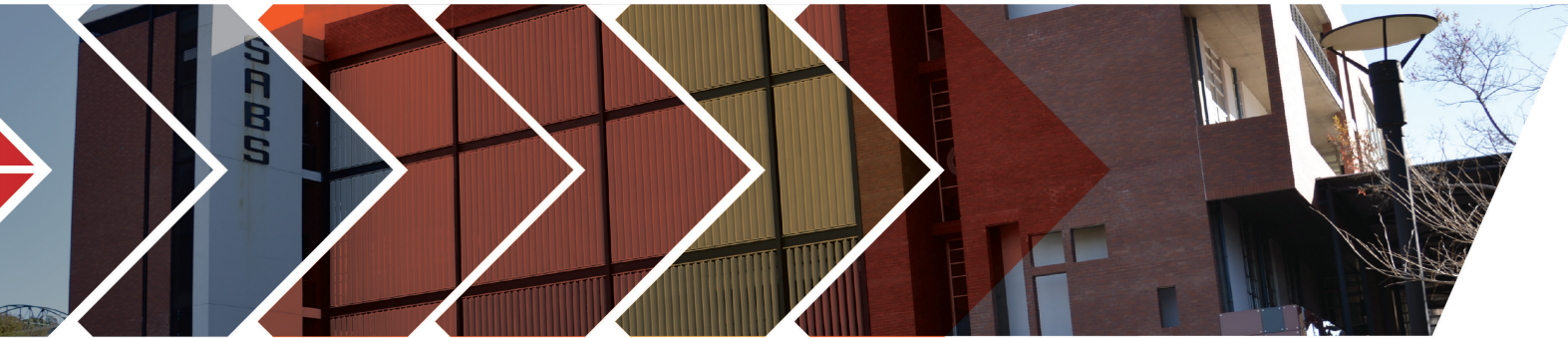


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PART C

Sustainability



2016



Sustainability

1 Impact of the SABS on the economy and society

1.1 Inherent in our work

The SABS continues to play an active role as a technical infrastructure institution, contributing to achieving industrial development objectives through development and maintenance of national standards that support the priority sectors under the annual Industrial Policy Action Plan (IPAP). In the Electro-technical and ICT sector, for instance, new standards on light-emitting diode (LED) lamps were published (i.e. SANS 62031 and SANS 61347-2-13). LED is the latest advancement in lighting, and standards will benefit the industry through increased demand for these energy efficient lighting alternatives. Safety standards on household and similar electrical appliances were revised and these standards contribute towards the compulsory specifications enforced by the NRCS to improve the health and safety of consumers.

The standards will benefit the electronics manufacturing sector by ensuring that harmful, sub-standard electrical appliances are locked out of the local market.

In the automotive sector a new standard on electric vehicles' conductive and charging systems was published (SANS 62196-3). The incremental uptake of electric vehicles in South Africa still warrants that the SABS ensure that the economy keep up with technological and performance advancements in this area.

A new home-grown standard on olive oil and pomace oil (SANS 1377) was published and is likely to positively impact the agro-processing sector by curbing the importation of poor-quality olive oil products. The import of olive oil into the country is increasing in response to demand for these products locally. The new standard will contribute towards increased production locally in response to consumer demand and help lock out poor quality products from the market.

In responding to national imperatives for Broadband and Telecommunications, over 20 project proposals on broadband and telecommunications networks were approved for development into national

standards. These standards will have a positive impact in the telecommunications sector by supporting technological advancements in mobile communication. The advancements are likely to optimise usage of allocated spectrum to operators, as well as allow them to offer more and better services to their customers. Furthermore, in line with the country's rural development strategy, improved efficiency in broadband is critical to the integration of services for the development of rural areas and ensuring that communities are not left out of the knowledge economy.

In supporting procurement in the construction industry, a series of construction procurement standards were approved for development into national standards. The series will contribute to the promotion of good governance in public procurement and offer practical tools to ensure fair competition in the local market. It will also improve transparency in procurement outcomes. Other projects approved for the construction industry include the revision of SANS 10400-XA that will contribute to the reduction of energy used in buildings. This, in turn, will result in direct savings in the running costs of buildings and relieve pressure on the South African national electricity grid.



Customer



Social
Impact



Reputation



Sustainability

1.2 Distribution of added value

VALUE ADDED STATEMENT FOR THE YEAR ENDED 31 MARCH 2016

Adding value for stakeholders

	GROUP			
	2016 R'000	%	2015 R'000	%
Revenue	544,650	104	557,331	110
Other income	81,433	16	35,135	7
Government grants	189,663	36	193,050	38
	815,746	156	785,516	155
Less: Cost of generating revenue	318,381	61	303,667	60
Value added	497,365	95	481,849	95
Finance income	25,581	5	22,797	5
Wealth created	522,946	100	504,646	100
Wealth distributed				
Employees – Salaries, wages and other benefits	500,438	96	471,840	94
Finance cost	153	–	113	–
	500,591	96	471,953	94
Wealth reinvested				
Reinvested in the Group	22,355	4	32,693	6
	22,355	4	32,693	6
Total wealth distributed and invested	522,946	100	504,646	100

Employee statistics

	2016	2015
Number of employees at year end	1,001	1,017
Revenue per employee (R'000)	544	548
Value added per employee (R'000)	497	474
Wealth created per employee (R'000)	522	496
Average cost per employee (R'000)	500	464



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1.3 Broad-Based Black Economic Empowerment

The SABS complies with the Codes of Good Practice for Broad-Based Black Economic Empowerment (B-BBEE) gazetted in 2009. The annual verification process is undertaken by an independent agency, accredited by the SANAS. The SABS currently holds a Level 3 B-BBEE contributor status against **the dti's** Generic Scorecard. The SABS has maintained the B-BBEE level 3 rating for the past 3 financial years.

The results for the year ended 31 March are as follows:

DESCRIPTION	WEIGHTING	SABS CONSOLIDATED		
		2015/16	2014/15	2013/14
Overall BEE Score	100	78.2	78.6	77.8
Direct Empowerment	15.0	16.0	16.0	16.0
Equity Ownership	–	–	–	–
Management Control	15.0	16.0	16.0	16.0
Human Resources	35.0	16.5	16.9	23.4
Employment Equity	15.0	11.9	12.6	12.6
Skills Development	20.0	4.6	4.3	10.8
Indirect Empowerment	35.0	30.7	34.4	23.4
Preferential Procurement	20.0	19.3	19.2	20.0
Enterprise Development	15.0	11.3	15.0	3.4
Residual	15.0	15.0	11.5	15.0
Socio- Economic Development	15.0	15.0	11.5	15.0
		LEVEL 3	LEVEL 3	LEVEL 3

The SABS is measured in accordance with the Generic Scorecard which contains seven B-BBEE indicators. It is not measured on the element of Ownership as it is a State-Owned Entity. A Specialised Enterprise Scorecard is used to measure such entities and the points allocated for Ownership are distributed to other elements to make up the 100%.

Management Control and Preferential Procurement have remained stable in the last three financial years. Employment Equity targets were achieved in some categories and the effective average representation of black people in the senior, middle and junior management levels of the company remains at 78% compared to 2014/15. To align to the amended codes, emphasis will be placed on the Employment Equity fulfilment as well as recruitment of disabled people.

The organisation focused on an overhaul of the Skills Development Programmes to ensure continuous development of its employees and to improve organisational performance. Programmes such as the Knowledge Hub concept and Graduate Development Programmes were introduced and will be implemented from 2016/17.

Enterprise development remains a priority, with the Design Institute and the SMME department geared to fast-track SMME development aligned to the SABS B-BBEE action plan.



Customer



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Sustainability

2 Social impact

2.1 Corporate social responsibility

The SABS is a State-Owned Entity that is partially dependent on a fiscal grant to sustain its operations. There is therefore no statutory or corporate obligation for the SABS to commit resources towards social investment. However, in addition to carrying out its mandate, it also delivers value to the communities by promoting standards that contribute to their immediate benefit. Executives champion the use of the fund by identifying and supporting a cause in education and SMME development.

The SABS has also established a small fund to support the development of learners in the fields of science and technology. During 2015/16, the SABS continued to pay full bursaries for two students studying at the University of Cape Town (UCT) and the University of Witwatersrand (Wits). The SABS has committed to support the students until completion of their studies, and also provided them with workplace experience by hosting them during the June 2015 vacation at the SABS headquarters in Groenkloof. Some of the fund's resources have been committed to completing an upgrade to Grade R classrooms at Ithongasi primary school in Munster-Port Edward, Kwa-Zulu Natal.

During the reporting year, in commemoration of Mandela Month in July 2015, SABS employees contributed goods to a home for the aged in Mamelodi, Pretoria.

Over the past year the SABS has engaged closely with the Underwriters Laboratory (UL) in

establishing a partnership for the implementation of the SABS-UL Safety Smart programme in schools.

This is a lesson-based programme focussed on primary scholars and aims to improve children's awareness and understanding of safety, health and environmental issues and ultimately impact their behaviour. This represents an exciting chapter in our social outreach portfolio, and we look forward to implementing the programme in the coming year.

2.2 Safety and health

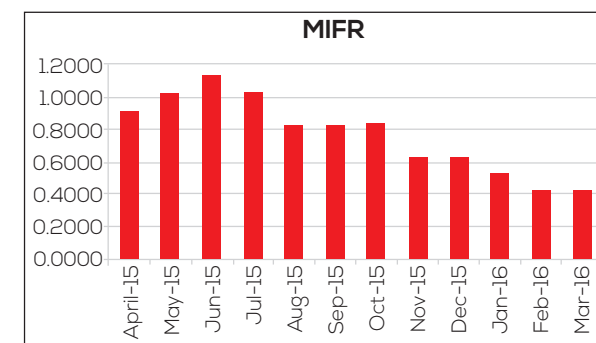
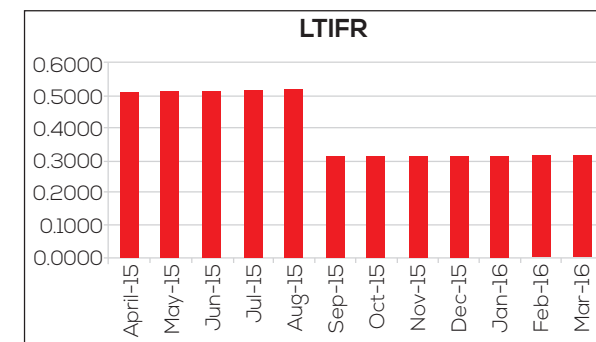
The SABS is committed to the health and safety of its employees, customers and the public, and to reducing the impact of its operations on the environment.

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.



- 1) LTIFR = No. of LTIs for the past 12 months × 200 000 hours worked for the 12 months
- 2) MIFR = No. of MIs for the past 12 months × 200 000 hours worked for the past 12 months





2.3 Environment

Energy consumption

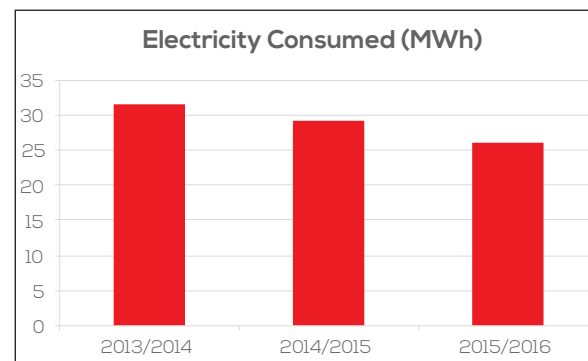
SABS energy management focuses on the following:

- Organisation, having clear accountability and responsibility for energy management;
- Education and awareness, assuring behavioural and attitudinal changes to the use of energy;
- Managed input cost, reviewing and pursuing more advantageous tariff structures;
- Elimination of 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;
- Optimised energy mix, eventual diversification of SABS's energy requirements to renewable energy sources.

Electricity

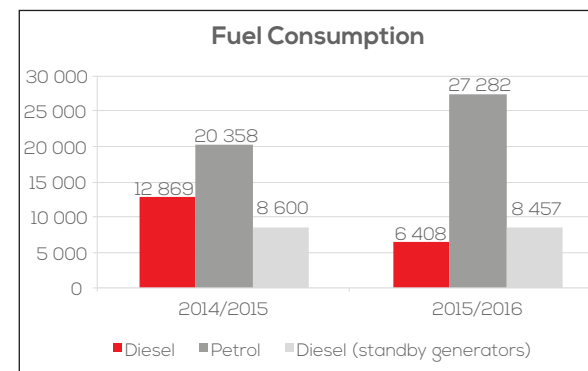
As a government agency the role of the SABS is required not only to support the country's economic growth, but also to support national initiatives such as energy conservation. The SABS is a significant energy consumer and during the year under review committed to reducing energy consumption.

The total electricity consumed by the SABS during the year under review was 26.0 megawatt hours (MWh), a reduction of 3.1 MWh (5.6%) from the 29.1 MWh of 2014/15. The reduction was achieved through the installation of real-time measurement and monitoring of consumption and demand thereby improving localised control over energy waste. A significant contributor is the operations of the central utilities plant room being operated in a more efficient manner by, for example, operating at reduced hot water temperatures without adversely affecting environmental conditions.



Fuel

During the period under review a total of 6 408 litres of diesel and 27 282 litres of petrol was consumed, representing a 33.5% decrease and 14.5% increase respectively from the previous period. The decrease in generator diesel was marginally lower at 0.8%. The increase in petrol consumption was related to an increase in kilometres travelled by SABS vehicles to service clients during the reporting period.





Customer



Social
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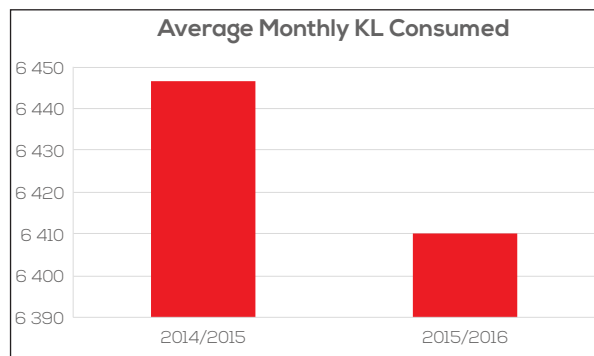
Reputation



Sustainability

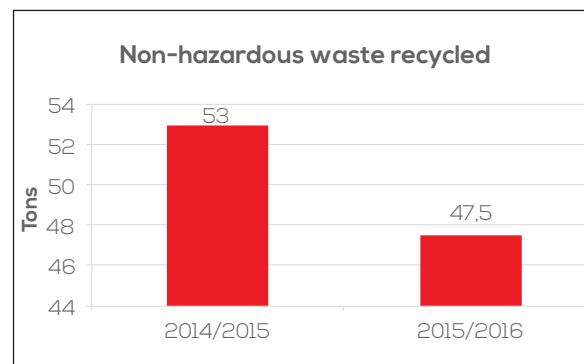
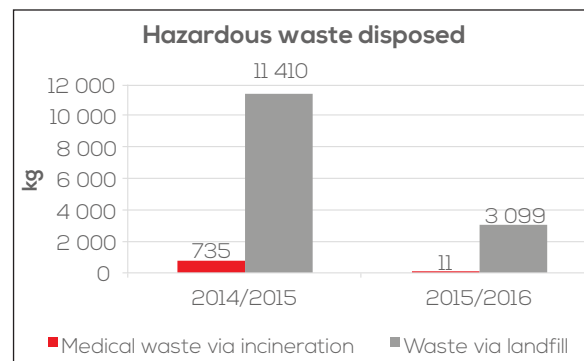
Water consumption

With South Africa being a water scarce country and 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 monitoring its water consumption to ensure that saving measures are effectively implemented where possible. The average monthly water consumption reduced marginally by 1% from 6 447 kilolitres (KL) in the 2014/15 period to 6 410 KL in the current reporting period. The reduction is attributable to leak detection intervention and replacement of aged pipework. A further intervention planned is to install zone metering to monitor and manage water usage by various operations, and to provide a rapid response to leak or losses.



Waste recycling

Further initiatives were undertaken to improve the waste management system, including the accurate quantifying of waste to enable effective waste reduction. During the year under review, hazardous waste generation reduced by 73% and non-hazardous waste recycling reduced by 19%, attributable to a reduction in the quantity of waste generated. Reduced waste generation is directly related to sample testing operations throughput and management.



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PART D

Corporate Governance



2016

Corporate Governance

1 Introduction

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

The SABS endorses and supports the Code of Corporate Practices and Conduct contained in the King Report on Corporate Governance (King III). While adherence to King III recommendations can be viewed as good practice and not a regulatory requirement, the group recognises its responsibility and the benefits that can flow from good 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.

2 Portfolio committees

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

DATE OF MEETING	PORTFOLIO COMMITTEE	REASON FOR ENGAGEMENT
18 August 2015	Trade and Industry	Briefing on the 4 th quarterly report of the SABS
26 August 2015	Trade and Industry	Presentation on innovation in the SABS Design Institute
02 March 2016	Trade and Industry	Presentation of Local Content Verification

3 Executive Authority

The Department of Trade and Industry (the dti) is the Executive Authority of the SABS. In order to encourage open communication, the SABS Board regularly submits quarterly reports to the Minister to discuss matters of common interest and to ensure that the strategies of the SABS remain in line with those of the Department and government as a whole.

QUARTER	DATE SUBMITTED	COMMENTARY
1	31 July 2015	<ul style="list-style-type: none"> Stated concerns on achievement of 50% of KPIs and cash flow challenges because of 66% of 2014/15 budget spent on compensation Requested update on resolving issues related to NEHAWU.
2	31 October 2015	Noted improvement of achievement of KPIs, which was 60%
3	31 January 2016	Expressed concern with lower achievement of KPIs compared to Q1 and Q2 result.
4	30 April 2016	None



Customer



Reputation



Governance



Sustainability



Customer



Reputation



Governance



Sustainability

4 Shareholder's Compact

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

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

5 Board of Directors

Introduction

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

The Board believes the Group has achieved a suitable level of maturity in relation to governance, its processes, policies and structures are continually reviewed and modified to align with internal requirements and with the aim of ensuring on-going adherence with legislation, regulation and best governance practices.

Board composition

The size of the Board is prescribed by section 6 (2) of the Standards Act, 2008 which requires a minimum of 7 and a maximum of 9 members appointed by the Shareholder; members are not allowed to serve more than two terms.

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

Role of the Board

The executive authority is responsible for the appointment of the Chief Executive Officer and there is a clear division of roles between the Chairman and Chief Executive Officer. The Chairman oversees the effective functioning of the Board and the

Chief Executive Officer together with her Executive Team are responsible for the day-to-day affairs of the organisation which amongst others include the implementation and monitoring of the strategy in a responsible manner.

The non-executive members provide the Board with advice and experience that is independent of the executive and play a critical role on the various Board committees. The Board and Committee meetings follow formal agendas to ensure that all substantive matters are addressed and information relevant to the meetings is supplied to Board members in advance so that they can make informed and reasoned decisions.

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. As at the date of this report, the board comprised the following members:





Composition of the Board

NAME	GENDER	DATE OF APPOINTMENT/ REAPPOINTMENT	TERM	EXPIRY OF TERM	QUALIFICATIONS	AREA OF EXPERTISE	BOARD MEMBERSHIP (INCL. SABS)
Jeff Molobela (Board Chairman)	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 (Chairman Audit and Risk Committee)	M	25 August 2014	2	24 August 2019	BCom Hona CA (SA)	Manufacturing Finance	8
Michael Ellman (Chairman HR and Remuneration Committee)	M	25 August 2014	2	24 August 2019	PhD Chemical Engineering MBA	Mining Petroleum and Gas Standards Development Chemicals and Polymer Research and Development	9



Customer



Reputation



Governance



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NAME	GENDER	DATE OF APPOINTMENT/ REAPPOINTMENT	TERM	EXPIRY OF TERM	QUALIFICATIONS	AREA OF EXPERTISE	BOARD MEMBERSHIP (INCL. SABS)
Webster Masvikwa (Acting Chairperson Finance and Investment Committee)	M	25 August 2014	2	24 August 2019	CA (SA) MBL (SA) AMCT (UK)	Finance	7
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 (Chairperson Social and Ethics Committee)	F	25 August 2014	1	24 August 2019	BSc (Electrical Engineering)	Electrical Engineering Technical Infrastructure and Governance Risk Management Strategy Development	5
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 Members



Jeff Molobela
(Board Chairman)



Bonakele Mehloakulu
Chief Executive Officer



Guy Harris
(Chairman Audit and Risk Committee)



Michael Ellman
(Chairman HR and Remuneration Committee)



Webster Masvikwa
(Chairman Finance and Investment Committee)



Anna-Marie Lötter



Elekanyani Ndlovu
(Chairperson Social and Ethics Committee)



Nivashnee Naraindath



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Board Charter

The primary objective of the Board Charter is to set out the role and responsibilities of the Board as well as the requirements for its composition and meetings. The Board Charter is subject to the provisions of the Standards Act, 2008 and any other applicable law or regulatory provision. The role and responsibilities of the Board as set out in the Board Charter are to:

- Act as the focal point for, and custodian of, corporate governance by managing its relationship with management, the shareholder and other stakeholders along sound corporate governance principles;
- Appreciate that strategy, risk, performance and sustainability are inseparable;
- Provide effective leadership on an ethical foundation;
- Ensure that the organisation is and is seen to be a responsible corporate citizen by having regard to 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;
- Commence business rescue proceedings as soon as the organisation is financially distressed; and
- Evaluate the performance of the Chief Executive Officer.

Delegation of Authority

The Board has delegated a wide range of matters to the Executive Committee, including financial, strategic, operational, governance, risk and functional issues. The group's Chief Executive Officer (CEO) is responsible for the execution of the company's strategy and reports to the Board.

The CEO chairs the six member Executive Committee which oversees and manages the day-to-day running of the organisation and ensures that the relevant legislation and regulations are adhered to and that adequate internal financial control systems are in place to provide reasonable certainty in respect of the completeness and accuracy of the accounting records, integrity and the reliability of financial statements and the safeguarding of assets.

The performance of members of the Executive Committee is evaluated against their agreed performance contracts which are aligned to the Organisational Scorecard and which are annually recommended by the HR and Remuneration Committee for approval by the Board. At the time of this report, the Executive Committee comprised the following members:

Chief Executive Officer :	Bonakele Mehlomakulu
Chief Financial Officer:	Boitumelo Mosako
Executive: Certification	Frank Makamo
Executive: Testing	Katima Temba
Executive: Standards	Sadhvir Bissoon
Executive: Corporate Services	Ian Plaatjes

Board Meetings

The Board meets at least six times per annum or as circumstances necessitate. During the period under review the Board met eight times; these meetings included 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 Chief Executive Officer to ensure completeness and relevance. Non-executive members have unfettered access to members of the Executive Team and any other employee to seek explanations and clarification on any matter prior to or following meetings. Members of the Executive Committee are regular attendees at Board meetings and report to the Board on their respective operational areas. The attendance record for meetings during the period under review was as follows:





SABS Board Attendance Record

NUMBER OF MEETINGS	8
Mr Jeff Molobela (Chairman)	8/8
Dr Michael Ellman	7/8
Mr Guy Harris	7/8
Ms Venete Klein*	4/5
Ms Anna-Marie Lötter	8/8
Mr Webster Masvikwa	8/8
Dr Boni Mehlomakulu	7/8
Ms Nivashnee Naraindath	7/8
Ms Elekanyani Ndlovu	8/8

*resigned 2 November 2015

Induction and Development

On appointment, new members have the benefit of an induction programme, aimed at deepening their understanding of the business environment and markets in which the SABS operates. As part of the induction programme, newly appointed members meet with executive and senior management to be inducted on products and services as well as the organisational structure. The Company Secretary, in consultation with members, sources relevant

seminars and conferences which members could attend, funded by the SABS.

Following the board's and members' performance evaluation process, any training needs are communicated to the Company Secretary who ensures these needs are addressed in the continuous development programme approved by the Chairman of the Board.

Performance Assessment

An appraisal of the Board is currently being undertaken by the Chairman of the Board in collaboration with the Company Secretary. The review takes the form of a detailed questionnaire as well as a series of structured interviews which will be held individually with each member.

Conflict of Interest

Members are required to annually declare all direct and indirect material interests that 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 the relevant discussions, and is precluded from voting on conflicted matters. The Board has adopted a Conflict of Interest Policy.

Remuneration

Non-executive members receive remuneration based on meetings attended; the fees are set annually by National Treasury, but payment thereof is subject to approval by the shareholder based on the outcome of the Board's performance assessment. The remuneration of Board members 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 confirm that they are responsible for preparing financial statements that fairly present the state of affairs of the Group as at the end of the financial year. The Annual Financial Statements contained in Part from page 80 have been prepared in accordance with the Statements of South African Generally Accepted Accounting Practice, the Companies Act (as amended) and the PFMA:

They are based on appropriate accounting policies and are supported by reasonable and prudent judgments and estimates. The external auditor is the Auditor-General who is responsible for carrying out an independent examination of the financial statements in accordance with the International Standards of Auditing and reporting their findings thereon. The Auditor-General's report is set out on page 166.

Going Concern

The SABS Board reviewed and approved the Group's financial budgets for the period 1 April 2015 to 31 March 2016 and is satisfied that adequate resources exist to continue business for the foreseeable future. The Board confirms that there is no reason to believe that the Group's operations will not continue as going concerns in the year ahead.

Significance and Materiality Framework

The significance and materiality framework for reporting losses through criminal conduct and irregular, fruitless and wasteful expenditure, as well as significant transactions envisaged in accordance with section 54(2) of the PFMA has been confirmed by the Board. Losses through criminal conduct and



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irregular, fruitless and wasteful expenditure which are identified are disclosed as prescribed in terms of relevant legislation.

Company Secretary

The Company Secretary plays a pivotal role in guiding and assisting the Board on the delivery of its mandate and is available to the Chairman and individual members at all times. Wilma De Witt is the Company Secretary of the SABS. The Company Secretary is professionally qualified and has gained the required experience over a number of years.

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.

5.1 Committees assisting the Board

Executive Committee

Management is responsible for the day-to-day affairs of the organisation, including financial, strategic, operational, governance, risk and functional issues. The executive team ensures that relevant legislation and regulations are adhered to and that adequate internal financial control systems are in place to provide reasonable certainty in respect of the completeness and accuracy of the accounting records, integrity and the reliability of financial statements and the safeguarding of assets. At the time of this report, the Executive Committee comprised the following members:



Bonakele Mehloakulu
Chief Executive Officer



Boitumelo Mosako
Chief Financial Officer



Frank Makamo
Executive Certification



Katima Temba
Executive Testing



Sadhvir Bissoon
Executive Standards



Ian Plaatjes
Executive Corporate Services





Board Committees

The Board established five (5) committees to assist in discharging its responsibilities, namely the Audit and Risk Committee, Finance and Investment Committee, Social and Ethics Committee, HR and Remuneration Committee and the Nominations Committee.

Delegating authority to Committees or management does not in any way release the Board of its duties and responsibilities. There is always transparency and full disclosure from the Board committees to the Board.

Committee Attendance Record: 1 April 2015 to 31 March 2016

	AUDIT AND RISK	FINANCE AND INVESTMENT	SOCIAL AND ETHICS	HR AND REMUNERATION
Michael Ellman	4/6		4/4	5/5
Guy Harris	6/6	4/4		5/5
Venete Klein*	4/4	2/2		3/3
Anna-Marie Lötter		4/4	4/4	
Nivashnee Naraindath			3/4	3/5
Elekanyani Ndlovu		4/4	4/4	
Webster Masvikwa	6/6	4/4		

* Resigned 2 November 2015

AUDIT AND RISK COMMITTEE:

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 Committee comprised three (3) independent non-executive directors; the majority have the requisite financial skills and experience to fulfil the committee's duties. In addition to the Committee members, the Chief Executive Officer, the Chief Financial Officer, representatives of internal audit as well as the group's external auditors attend all meetings by invitation.

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. The Committee's mandate is, amongst others, to review the effectiveness of internal controls, ensure satisfactory standards of governance and compliance; maintain oversight for 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 has oversight of financial reporting risks, internal financial risks, and fraud and IT risks as they relate to financial reporting.

FINANCE AND INVESTMENT COMMITTEE:

The Committee comprises four (4) non-executive members. The Chief Executive Officer and the Chief Financial Officer attend all meetings by invitation. The Committee's mandate as set out in the Investment Policy is to, amongst others, meet the daily operational cash flow needs of the SABS; allow for any unforeseen expenses or other cash flow



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needs; provide for medium- and long-term capital expenditure and the post-retirement medical liability and any other specific liabilities; and to review all material capital investments relating to property and the IT strategy.

SOCIAL AND ETHICS COMMITTEE:

The Committee comprises four (4) non-executive members. As required by the Companies Act, No. 71 of 2008 (as amended) and King III, this committee oversees and monitors the SABS activities in relation to social and economic development, corporate citizenship and ethical behaviour, stakeholder and consumer relations, and safety, health and environmental issues.



Reputation

HR AND REMUNERATION COMMITTEE:

The Committee comprises three (3) non-executive members appointed by the Board. The Chief Executive Officer and the Executive Corporate Services attend all meetings but recuse themselves when their remuneration and performance are discussed.



Governance

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 also manages the Board's annual evaluation of the performance of the Executive Team.



Sustainability

NOMINATIONS COMMITTEE:

The Committee comprises two (2) non-executive members and is chaired by the Chairman of the Board. The mandate of the Committee is, amongst others, to oversee the implementation of a formal

induction programme for new members; ensure that succession plans are developed for the CEO and executive management; and consider the structure and mandates of Board committees – including the selection and rotation of committee members and chairpersons – as well as the development and implementation of a continuous development programme for members.

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 Committee responsible for both SABS and SABS Commercial SOC Ltd with each having their own regulatory requirements. The Audit and Risk Committee is an independent committee constituted to review the control, governance and risk management of the SABS Group. In terms of regulation 27(1) of the Public Finance Management Act (1999) (PFMA), as amended; the Audit and Risk Committee reports that it has discharged its responsibilities as contained in the Audit and Risk Committee Charter. The Audit and Risk Committee meets at least four times per annum, and has the authority to convene additional meetings as and when necessary. Critical issues were discussed and minutes were recorded. The minutes of the Audit and Risk Committee meetings were made available

to the Board as a whole on request.

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

Composition

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

Summary of conclusions reached by the Audit and Risk Committee for the year ended 31 March 2016:

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

- The finance function of the SABS is adequately skilled, resourced and experienced;
- The Chief Financial Officer, B Mosako, 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 for the year ended 31 March 2016:

- Considered the risk areas of the SABS Group's operations covered in the scope of internal and external audits;
- Reviewed the effectiveness of internal control systems;
- Considered accounting and auditing concerns identified as a result of internal and external audits;
- Assessed the adequacy, reliability and accuracy of financial information provided by management;
- Considered all factors and risks that may affect the integrity of integrated reporting, including factors that may predispose management to present a misleading picture, significant judgements and reporting decisions made, monitoring or enforcement actions by a

regulatory body, any evidence that brings into question previously published information and forward looking statements or information;

- Reviewed the financial statements and reporting for proper and complete disclosure of timely, reliable and consistent information and confirmed that accounting policies used are appropriate;
- Reviewed the expertise, resources and experience of the SABS Group's finance function;
- Received regular reporting from each of the above functions and monitored timely resolutions of issues or concerns raised by management;
- Liaised with the Board Committees and met as required with the regulators and separately with internal and external auditors;
- Performed such other functions as required from time to time by the National Treasury in the regulations relating to public entities;

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;

- Engaged an external service provider to provide assurance on the tables in the human resources section of the integrated report.

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

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 six times. Attendance of meetings held during the year under review is presented on page 60:

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. The appointment of a chief audit executive during the year assisted the internal control process substantially. Internal audit provides assurance that the entity operates in a responsibly governed manner by performing the following functions:



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- objectively assuring effectiveness of risk management and the internal control framework;
- analysing and assessing business processes and associated controls;
- reporting audit findings and recommendations to management and the audit committee;
- analysing and assessing business processes and associated controls; and
- reporting audit findings and recommendations to management and the audit committee.

Having considered, analysed and reviewed the information provided by management, Internal Audit and External Audit, the Audit Committee confirms that:

- The internal controls of the SABS Group were effective in most material aspects throughout the year under review;
- Appropriate policies, supported by reasonable and prudent judgements and estimates were applied;
- Proper accounting records were maintained;
- The adequacy and effectiveness of controls that are in place safeguarded the SABS Group's assets;
- The financial statements comply, in all material respects, with the relevant provisions of the PFMA and SA GAAP; and
- The skills, independence, audit plan reporting and overall performance of the external auditors were acceptable.

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.

Annual financial statements

The Audit and Risk Committee has evaluated the annual financial statements for the year ended 31 March 2016 and concluded that they comply, in all material aspects, with the requirements of the South African Generally Accepted Accounting Practice. The committee has reviewed the Auditor-General 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

5.2 Remuneration

The SABS remuneration framework comprises the following key elements:

- Guaranteed remuneration (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.

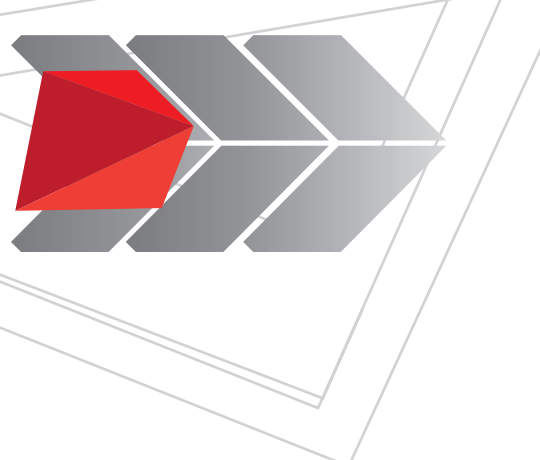
Average increases on guaranteed pay for the financial year 2015/16 were as follows:

- Management and Specialists – 7.6%; and
- Bargaining Unit (3-year agreement) – between 8% and 8.5%.

Short-term incentives

For the year under review, performance bonuses were paid to Management and Specialists on Performance levels 1 to 7. Performance bonuses are paid in arrears, i.e. performance bonuses paid in 2015/16 were for the financial year 2014/15. Performance bonuses are payable on a scale that recognises the level of the employee and are in accordance with the structure of their remuneration which includes the allocated amount to compensate for different levels of risk of tenure.





Based on the organisational performance for the 2014/15 financial year, no additional bonuses were paid in the review period. However, in accordance with the three-year wage 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 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.

6 Risk management

As the custodian of national standards and the provision of relevant standardisation services to industry and government, the SABS is confronted with a plethora of risks that requires strategic focus and committed attention on mitigation initiatives that support the attainment of our organisational objectives.

We operate in a dynamic and competitive business environment. Together with our diverse portfolio of stakeholders, this presents a risk profile that incorporates changes to the legal and regulatory framework, technology-enabled modernisation of processes and systems, articulating value for our stakeholders, competitive pressures, talent management, the political and economic climate, our brand reputation, changes relating to product and services, accessing new markets and enhancing infrastructure that supports long term sustainability.

In alignment with the reinforcement of our legislative mandate, the organisation has comprehensively reviewed its risk profile and finalised its strategic Risk Register for implementation in the 2016/17 financial period. The organisational risk management portfolio encompasses various initiatives to be implemented in the coming year: finalising the Enterprise Risk Management (ERM) Framework and associated policies and procedures; implementing fraud and compliance plans, operational risk management; and using systems and tools to efficiently manage the organisational risk portfolio.

Our governance measures present an adequate platform for responding to the various risks that are inherent in our business. They include the continued commitment of the executive committee to prioritise

ERM on its agenda, and the steadfast engagement of the Audit and Risk Committee and the SABS Board in overseeing and advising on SABS ERM practices. These measures set the tone at the SABS uppermost leadership echelon.

7 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 a member 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 interests of employees in performance of services of the SABS

All employees are required to avoid conflicts of interest, as stipulated in the Standards Act, on joining the company. They give effect to this by signing the conditions of employment (CSP 611A) and are further required to submit a declaration of conflict of interest form on an annual basis. Additionally, the services of the organisation are delivered through processes that allow complaints by both external and internal stakeholders, and appeals to higher authority in the organisation. The following key services have reinforced their protocols to minimise employees' conflicts of interest:

Procurement Department and in the procurement process

- All procurement employees are required to complete a declaration of interest annually. Employees are required to recuse themselves



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from any situation in which a conflict of interest may exist. No employees had to recuse themselves from processes during the reporting period;

- Procurement employees are further required to sign the SABS Code of Ethics, and the Zero Tolerance of Fraud and Corruption policy and confirm that they will adhere to the policies in all their dealings with suppliers;
- SABS employees involved in the procurement process and 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;
- 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 tender committee are required to sign a declaration of interest at the commencement of committee sittings and adjudication of tenders.

The above measures go some way in helping to ensure that conflicts of interest are minimised, and persons involved in the procurement process understand the necessity for their conduct to be beyond reproach.

Certification services

- The Approval Board responsible for checking and approving all work and activities of the Certification Division operates independently and reports directly to the SABS CEO to manage conflicts of interest;
- The Certification Division has a well-established Impartiality Committee constituted by external members who are independent of the SABS. The role of the committee is to review the activities of the Certification Division, and to manage conflicts of interest and ensure impartiality.

Testing

The Testing Division recently strengthened the governance of its processes with the introduction of the Testing Approval Committee to provide quality assurance of test reports from laboratories. The committee consists of an internal team and serves as a buffer in ensuring that the test reports issued to our customers are of the right standard. Test reports are important to manufacturers and importers of products to access markets, therefore it is important to ensure integrity in the testing process by minimising the risk of conflict of interests between our testing engineers and our customers through eliminating their direct contact.

Standards development

The SABS is the custodian of and provides the governance for the development of national standards, while the standards' technical content is contributed by the diverse portfolio of stakeholders participating

in our technical committees. This environment has the perceived potential for stakeholders to unlawfully collude and influence standards content that may contribute to anti-competitive behaviour in the development of standards.

The SABS acknowledges this perceived weakness in the system that could compromise the integrity of the standards development process. The coming year will see the implementation of initiatives with relevant authorities, including the Competition Commission, to address such.

8 ICT governance

The SABS has adopted the view of the King Report and the IT Governance Institute (ITGI) that IT governance should be an integral part of the overall governance structures within a company, to ensure that the company's IT sustains and extends its strategy and objectives. The Board must set the direction and management should follow. In order to do this, the Board, its members and sub-committees and all executives should assume a more significant role in IT governance. The Board should insist that a management framework for IT governance is established, based on a common approach. This could encompass, for example Control Objectives for Information and related Technology (COBIT).

Following the delegation of mandate to the SABS IT governance team by the Board and Executive team, a gap analysis was conducted. The objective was to assess the extent to which known governance reference models, frameworks and standards address the specific governance requirements of the





SABS ICT department. ICT also developed a COBIT and ITIL Roadmap to support the IT governance maturity. Phase I of the COBIT and ITIL process development and implementation was executed.

The SABS IT governance team is focused on four key areas:

- **Strategic alignment with the business** and collaborative solutions, including the focus on sustainability and the implementation of 'green IT' principles;
- **Value delivery** – concentrating on optimising expenditure and proving the value of IT;
- **Risk management** – addressing the safeguarding of IT assets, disaster recovery and continuity of operations; and
- **Resource management** – optimising knowledge and IT infrastructure.

As in many other organisations, the implementation of IT governance is an ongoing process, and the SABS continues to focus on this area to ensure it contributes to us delivering on our mandate.

9 Internal Audit Services

In the 2015/16 financial year, the SABS Internal Audit Services successfully conducted its internal audit assignments based on a 'risk-based' audit approach, which is outlined in the approved internal audit plan and the ad-hoc audit assignments as requested by those charged with governance.

The success of the SABS Internal Audit Services is evident in the notable improvement in the effectiveness of internal controls, good governance and improved compliance of the SABS Group and its subsidiaries. The improvement is mainly due to the commitment to good governance by the leadership of the SABS.

The risk-based Internal Audit plan was focused on the following, which are fundamental to the SABS as required by Treasury Regulation 27.2:

- the information technology system environment;
- the reliability and integrity of financial and operational performance information;
- the effectiveness of operations and performance of the SABS;
- the adequacy of safeguarding of the SABS assets;
- compliance with relevant laws and regulations.

The success of the SABS Internal Audit Services is informed by the following key strategies:

- consistent quality improvement assurance initiatives on the internal audit activities;
- adherence to the professional code of conduct and International Standards for the Professional Practice of Internal Auditing;

- effective risk management that is accurate and complete, focusing on those risks that may negatively affect the sustainability of the SABS and its subsidiaries;
- effective stakeholder management and provision of proactive assurance services;
- adequate continuous professional development of the audit team.

SABS Internal Audit Services' effective stakeholder management ensured efficiencies in the internal audit activities. Some of the assurance gaps and duplications by the SABS assurance providers were circumvented through integrated assurance (Combined Assurance) activities by the Internal Audit Services and external auditors.

10 Compliance with laws and regulations

The Audit and Risk Committee of the Board has oversight of the Risk and Compliance function of the SABS. Among the key risks monitored are the organisation's compliance with governing legislation, the Standards Act No. 8 of 2008, and other legislation and regulations that apply to it. In addition, the SABS has a well-resourced internal Legal Services Department that ensures compliance by the organisation so as to minimise exposure to potential litigation from aggrieved stakeholders.

11 Fraud and corruption

The SABS is committed to 'zero tolerance' of any fraudulent and unethical behaviour. Its Fraud Policy, Fraud Prevention Plan and Code of Ethics Policy are effectively implemented. The SABS has embarked



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on the following activities as part of fraud awareness and fraud management:

- robust fraud risk assessment and fraud risk management;
- the CEO's campaign of 'Town Halls' focuses on the role of the SABS in the economy, fraud implication and ethical business operations;
- publication of posters and banners clarifying SABS ethical values, its mandate, and its Vision and Mission;
- presentation on ethics tips and ethical governance to Board Members and management by the South African Ethics Institute;
- prompt and transparent communication on corrective actions taken against wrong-doing.

To promote a culture of whistle-blowing, an independent external service provider independently manages the SABS Whistle-Blowing Hotline, and logged calls are managed by SABS Internal Audit Services to guarantee anonymity of whistle-blowers.

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

- consequence management procedures;
- referrals to relevant agencies such as the Consumer Commission and the NRCS;
- institution of criminal proceedings;
- civil litigation; and
- recovery of losses.

The Whistle-Blowing Hotline recorded a total of 16 calls (27 in 2014/15) during the year under review, of

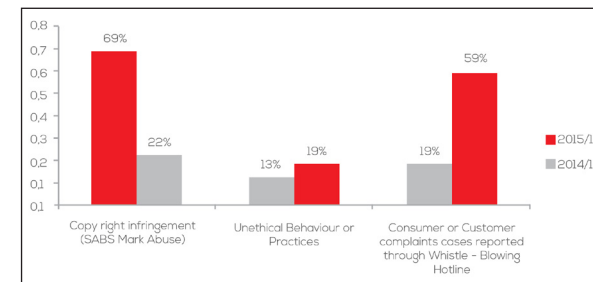
which 11 (69%) calls (6 in 2014/15) related to abuse of the SABS Mark. This reflects a decrease of 41% in total calls logged and an increase of 83% in terms of SABS Mark abuse-related calls, compared to the previous financial year. The increase in SABS Mark abuse calls demonstrates the value of the service in helping to promote the organisation's Brand Reputation Management strategy.

Abuse of the SABS Mark has become a key area of focus and the SABS has put procedures and measures in place to ensure that each incident of Mark abuse is dealt with adequately and effectively in order to maintain credibility of the Mark. SABS Intellectual Property policy statement approved by the Board and the zero-tolerance approach to abuse of the SABS Mark will assist the Bureau to ensure that the SABS remains a trusted brand.

Cases classified as 'Unethical Behaviour or Practices' relate to complaints raised about the conduct of SABS employees, which comprised 2 (13%) of the total cases reported through the hotline. This is a decrease of 60% compared to 2014/15 and indicates that the fraud awareness campaign by management is effective.

The remaining 3 (19%) comprise customer complaints calls, whereby customers opted to use Whistle-Blowing rather than the SABS Customer Complaints platform. The customer complaints received through Whistle-Blowing Hotline are addressed in line with SABS Customer Complaints process and procedures.

Analysis of Whistle-Blowing Hotline Cases



12 Code of Ethics

The SABS has a Code of Ethics which commits Board members, Executive Management and employees to high standards of ethical conduct, both in their work and in their dealings with 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 revised Code was presented to the Board during the year. The principles embodied in the Code of Ethics have been emphasised during the year through a number of employee sessions held by the CEO.

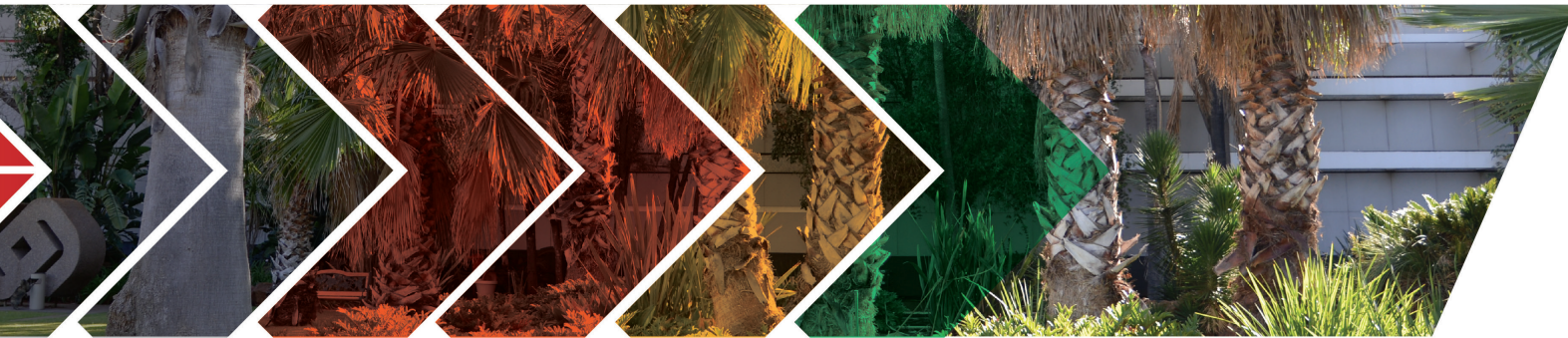


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PART E

Human Resources Management



2016



Human Resource Management

Introduction

The modern workplace is a dynamic and competitive environment which calls for employees and managers at all levels to constantly improve and achieve objectives. The leadership of the SABS recognises that there are unique economic, social and political challenges in South Africa that require continual investment in the development of its human capital. As they impact the SABS, these challenges are met by improving personal and management skills, by shaping and implementing the ethics and norms that characterise the organisation's culture and which set it apart, and by managing and leading change.

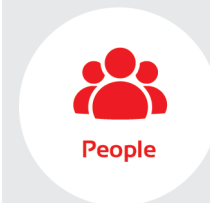
The SABS will continue to ensure that its workforce is representative of the South African population demographics and will strive to continuously eradicate systemic organisational barriers, replacing them with more amenable systems that promote and advance designated groups. This will further assist in achieving true diversity and transformation at all levels of the organisation, in line with relevant labour legislation and organisational policies and strategies. The SABS acknowledges the significance of the human capital value chain in ensuring the successful execution of its organisational strategy

Having shed its regulatory mindset, the SABS now operates in a service environment. The challenge before it is to transform its former culture to one that is high-performing and customer-centric.

Human Resources oversight statistics

Employment

At the end of the year under review, the organisation had a total of 1 021 employees, including payroll contractors.



Employee Costs

The ratio of employment costs to total administrative and operating costs is fairly high at 61%, exacerbated by the further implementation of the three-year wage agreement finalised in the 2012/13 year. This continues to pose a challenge to the objective of bringing down employee costs. A lower total number of employees has however assisted in partially offsetting the increased costs per employee.

DIVISION	TOTAL ADMINISTRATIVE AND OPERATING COSTS (R'000)	EMPLOYEE COSTS (R'000)	EMPLOYEE EXPENDITURE AS A % OF TOTAL EXPENDITURE	NO. OF EMPLOYEES	AVERAGE PERSONNEL COST PER EMPLOYEE (R'000)
Corporate	259 312	146 569	18%	624	235
Commercial	481 259	299 336	37%	263	1 138
Standards	78 248	54 533	7%	107	510
TOTAL	818 819	500 438	61%	994	628

Progress against the 2015/16 EE targets was:

- Black (Africans, Coloured and Indian): 77% against a target of 79%;
- Women (of all races): 43% against a target of 45%; and
- Persons with disabilities: 2% against a target of 2%.

The current three-year EE plan will lapse in March 2017, as required by section 19 of the EE Act, the SABS will conduct an EE workplace analysis which will inform the new EE Plan.

Employment Equity

Limited progress was made in meeting employment equity (EE) targets during the year under review. Efforts need to be made to achieve targets for Coloured Males and Females at an organisational level in the new financial year. The target for people was achieved for males, but not for female employees. The overall decrease in staff numbers adds additional challenges in meeting EE targets.

The SABS subscribes to the Employment Equity Act, No. 55 of 1998; annually the EE report is submitted to the Department of Labour to report on the progress against the SABS EE Plan.

The SABS Transformation Forum plays an active role to facilitate and track implementation of EE and Skills Development targets in the organisation.



Operation Gears



Reputation



People



Growth





LEVELS	MALE									
	AFRICAN		COLOURED		INDIAN		WHITE		FOREIGN NATIONALS	
	CURRENT	TARGET	CURRENT	TARGET	CURRENT	TARGET	CURRENT	TARGET	CURRENT	TARGET
Top Management	0	0	0	0	0	0	0	0	0	0
Senior Management	2	2	2	0	1	1	0	0	0	0
Professionally Qualified	16	15	4	7	6	8	16	15	3	2
Skilled	250	250	16	24	23	24	84	97	7	8
Semi-Skilled	136	110	2	3	1	2	1	2	0	0
Unskilled	0	0	0	0	0	0	0	0	0	0
TOTAL	404	377	24	34	31	35	101	114	10	10



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Reputation



People



Growth

LEVELS	FEMALE									
	AFRICAN		COLOURED		INDIAN		WHITE		FOREIGN NATIONALS	
	CURRENT	TARGET	CURRENT	TARGET	CURRENT	TARGET	CURRENT	TARGET	CURRENT	TARGET
Top Management	1	1	0	0	0	0	0	0	0	0
Senior Management	1	1	0	0	0	0	1	1	0	0
Professionally Qualified	14	22	1	4	2	2	8	8	1	2
Skilled	251	256	17	30	15	16	78	89	2	2
Semi-Skilled	29	24	0	2	2	2	1	0	0	0
Unskilled	0	0	0	0	0	0	0	0	0	0
TOTAL	296	304	18	36	19	20	88	98	3	4

LEVELS	DISABLED STAFF			
	MALE		FEMALE	
	CURRENT	TARGET	CURRENT	TARGET
Top Management	0	0	0	0
Senior Management	0	0	0	0
Professionally Qualified	1	0	1	1
Skilled	8	7	9	13
Semi-Skilled	1	1	0	1
Unskilled	0	0	0	0
TOTAL	10	8	10	15





Employee Relations

The current multi-year (three-year) wage agreement with NEHAWU will lapse in June 2016. The SABS as an organisation will always strive to maintain suitable remuneration levels that are comparable with the market rates. Remuneration will be reviewed, in accordance with the SABS' approved policy. The overall aim and guiding principles are to continually manage the job and pay range within approved pay scales, and wage agreement with the union will be approached bearing in mind the principles of market relatedness, internal equity and affordability.

Misconduct and Disciplinary Action

During the period under review a total of 35 disciplinary cases were handled, of which 6 cases (17%) resulted in dismissal.

NATURE OF DISCIPLINARY ACTION	NUMBER
Verbal Warning	3
Written Warning	10
Final Written Warning	16
Dismissal	6
TOTAL	35

Appointments and Terminations

At the end of March 2016 the organisation had 1 021 employees. The total number of employees decreased by 52 (5%) since March 2015.

SALARY BAND	EMPLOYMENT AT BEGINNING OF PERIOD	APPOINTMENTS	TERMINATIONS	EMPLOYMENT AT END OF THE PERIOD
Top Management	0	0	0	1
Senior Management	6	3	3	6
Professionally Qualified	80	5	15	71
Skilled	844	25	75	745
Semi-Skilled	76	39	8	171
Unskilled	0	0	0	0
Other	67	0	6	27
TOTAL	1 073	72	107	1 021

The main reason for terminations was voluntary resignations, followed by contract terminations and retirements. The majority of the terminations (69%) were among the skilled workforce which forms the majority of the employee group (75%). Similarly, the professionally skilled workforce that forms 7% of the workforce accounted for 16% of terminations.





Operation Gears



Reputation



People



Growth

REASON	NUMBER	% OF TOTAL NO. OF STAFF LEAVING
Death	2	2%
Resignation	52	49%
Dismissal	6	5%
Retirement	14	13%
Ill Health	2	2%
Expiry of Contract	31	29%
Other	0	0%
TOTAL	107	100%

Skills and Leadership Development

A total of R2.4 million was spent on training, representing 0.5% of the total employee costs of R500 million. On average, approximately R10 000 was spent on each of the 251 employees who completed formal training during the year under review.

DIRECTORATE/ BUSINESS UNIT	EMPLOYEE EXPENDITURE (R'000)	TRAINING EXPENDITURE (R'000)	TRAINING COSTS AS A % OF EMPLOYEE EXPENDITURE	NO. OF EMPLOYEES TRAINED	AVG TRAINING COST PER EMPLOYEE (R'000)
Corporate	146,569	1,334	0.9%	69	19
Commercial	299,336	838	0.3%	123	7
Standards	54,533	246	0.5%	59	4
TOTAL	500,438	2,419	0.5%	251	10



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PART F

Annual Financial Statements



2016



Operation Gears



Reputation



Governance



Growth

SEVEN YEAR GROUP REVIEW FOR THE YEARS ENDED 31 MARCH

	2016 R'm	2015 R'm	2014 R'm	2013 R'm	2012 R'm	2011 R'm	2010 R'm
Income statement							
Commercial revenue	544.7	557.3	516.8	485.8	401.5	394.6	390.7
Parliamentary grant recognised as income	189.7	193.1	179.8	163.1	159.2	156.9	134.9
Expenditure	818.8	775.5	741.2	675.7	577.1	529.3	516.6
Net loss on discontinued operations	–	–	–	(0.1)	(1.5)	(0.1)	(22.2)
Net investment income	25.4	22.7	23.2	24.5	17.1	8.5	3.2
Profit for the year	22.4	32.2	21.7	27.0	34.1	54.5	46.8
Operating profit *	9.6	22.2	8.5	18.7	22.3	63.7	51.8
Statement of financial position							
Property, plant and equipment	366.4	365.0	345.5	331.9	305.2	253.8	169.9
Investment properties	8.8	9.2	9.6	10.0	10.5	10.9	11.3
Intangibles	10.4	11.7	14.8	14.7	3.3	9.8	17.5
Total available-for-sale investments	407.2	395.9	305.1	336.1	284.3	291.9	201.5
Deferred taxation	20.4	20.4	20.9	20.5	22.7	21.1	23.9
Non-current assets/disposal group held for sale	–	–	–	1.2	0.1	1.7	1.9
Current assets excluding cash	140.9	139.2	119.6	97.6	61.4	56.2	53.0
Net cash and cash equivalents	162.8	200.1	283.5	274.3	262.3	190.4	122.2
Total assets	1,116.9	1,141.4	1,098.9	1,086.2	949.7	835.9	601.2

SOUTH AFRICAN BUREAU OF STANDARDS

Seven year Group Review

for the year ended 31 March 2016



Operation Gears



Reputation



Governance



Growth

Capital and reserves
Interest bearing borrowings
Other liabilities
Current liabilities
Total equity and liabilities

Cash flows

Net cash flow from operating activities
Net cash flow from investing activities
Net cash flow from financing activities
Cash and cash equivalents at beginning of year
Cash and cash equivalents at end of year

Ratio analysis

Profitability and asset management

Asset turnover
Return on net assets
Return on equity
Current ratio
Operating margin %
Revenue % to total income

	2016 R'm	2015 R'm	2014 R'm	2013 R'm	2012 R'm	2011 R'm	2010 R'm
Capital and reserves	594.1	615.6	560.9	520.0	479.5	445.3	384.7
Interest bearing borrowings	-	-	-	-	-	14.9	15.7
Other liabilities	365.3	377.1	386.3	406.1	333.2	253.4	100.2
Current liabilities	157.5	148.6	151.8	160.1	137.1	122.3	100.6
Total equity and liabilities	1,116.9	1,141.4	1,098.9	1,086.2	949.7	835.9	601.2
Net cash flow from operating activities	33.0	51.4	21.4	55.7	67.1	110.8	90.6
Net cash flow from investing activities	(70.4)	(137.5)	(12.3)	(109.1)	(62.1)	(194.6)	26.7
Net cash flow from financing activities	-	2.8	-	65.5	66.8	152.1	(2.7)
Cash and cash equivalents at beginning of year	200.1	283.5	274.3	262.3	190.4	122.2	7.6
Cash and cash equivalents at end of year	162.8	200.1	283.5	274.3	262.3	190.4	122.2
Asset turnover	0.6	0.6	0.5	0.5	0.5	0.6	0.8
Return on net assets	1.2%	2.8%	1.3%	2.9%	4.1%	12.2%	13.7%
Return on equity	1.6%	3.6%	1.5%	3.6%	4.7%	14.3%	13.5%
Current ratio	0.9	0.9	0.8	0.6	0.4	0.5	0.5
Operating margin %	1.8%	4.0%	1.6%	3.8%	5.6%	16.2%	13.2%
Revenue % to total income	74.2%	74.3%	74.2%	74.9%	67.6%	68.2%	67.1%





SOUTH AFRICAN BUREAU OF STANDARDS

Seven year Group Review

for the year ended 31 March 2016

Performance

	2016 R'm	2015 R'm	2014 R'm	2013 R'm	2012 R'm	2011 R'm	2010 R'm
Revenue per employee	540	539	478	405	358	339	289
Operating profit per employee	9.5	21.49	8	16	20	55	38
Remuneration as a % of total expenditure	61.1%	60.8%	58.6%	57.7%	58.2%	62.2%	57.9%
Remuneration as a % of value added	100.6%	101.1%	100.4%	100.0%	96.3%	87.5%	86.3%
Average number of employees	1,009	1,034	1,081	1,201	1,120	1,163	1,354

Ratio definitions

Asset turnover

Return on net assets

Current ratio

Operating margin %

Revenue divided by assets less current liabilities

Operating profit as a percentage of net assets excluding cash resources

Current assets (excluding cash resources) to current liabilities

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 debtors and assets.



Operation Gears



Reputation



Governance



Growth



Operation Gears



Reputation



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Growth

Economic environment

The South African economy continues to be beset by a number of challenges, amongst others, the continuing budget deficit, downgrading by credit rating agencies, civil and student protests, industrial action, high unemployment rate, skills shortages, weak demand from trading partners, lack of innovation, low GDP growth rates and an increase in interest rates to manage inflation. While the government continues to look at systematic challenges hampering economic growth, public entities have been aligning themselves to national policies and plans. At the SABS, a good foundation has been laid and achievements over the last five years include, amongst others, the development of capabilities to test new products in line with key government programmes, implementation of new schemes such as Local Content Verification and developing the SABS Design Institute into a national centre of excellence that improves the competitiveness of South African products as well as growing entrepreneurship and industrialisation. The organisation has had three successive years of clean financial audit by the Auditor-General.

This review is intended to provide our stakeholders with further insight into the financial performance and position of the Group and how the economic environment that the group is operating in, affected the results.

Operating results

Revenue from commercial operations at R544,7 million (2015: R557,3 million) decreased by 2,3% on last year. Certification revenue of R304,5 million (2015: R310,8 million) decreased by 2,0% (2015: increased by 12,7%). Certification revenue has been affected by competition and the slow up take of local content verification services by state owned entities and government departments. Revenue from inspections, tests and services and training of R179,4 million (2015: R205,4 million) decreased by 12,6% due to the economic climate and increased competition. Testing revenue also showed a downwards trend, driven by the enforcement of full specification testing and slow economic growth. The Training Division struggled to achieve high attendance numbers for their courses due to changes to key standards that were implemented only towards the end of the financial year due to ISO updating of the standards.

The base line parliamentary government grant funding allocation recognised as income of R189,7 (2015: R193,1 million) million decreased by R3,4 million. The original grant allocation was reduced by R45 million for this financial period.

Total expenses for the year were R818,9 million, a 5,6% increase compared to the R775,5 million incurred in the previous year. The main contributing factors for the increase were employee benefits, contract services and legal services. The increase in fuel and municipal charges also impacted negatively on the expenses of the Group. The Group increased its doubtful debt impairment to R23,0 million due to long outstanding significant accounts and economic outlook.

The Group generated an operating loss before taxation and financing of R3,0 million for the year (2015: Profit of R10 million). The Group made a net profit of R22,4 million (2015: R32,2 million) for the year ended March 2016.

Capital expenditure

Group capital expenditure for the year amounted to R52,2 million (2015: R65,7 million). Investments were made into new laboratory equipment, building improvements for laboratories and ICT equipment.





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 R83,2 million (2015: R84,3 million) at 31 March 2016.

Borrowings

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

Cash and cash equivalents

Operational cash resources were placed under pressure due to the utilisation of cash for increased operating expenditure. The positive inflow of cash from the investment portfolio continues to strengthen the cash position resulting in a net cash in flow from operating activities of R33,0 million (2015: R51,4 million).

Investments

During the financial year, in order to realise gains, the SABS sold a portion of its investments that realised gains of R41,4 million.

Financial management priorities

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

- Revenue generation – Assisting and enabling business to ensure revenue generation that will result in positive cash flow and increased market share.

SOUTH AFRICAN BUREAU OF STANDARDS Financial Review for the year ended 31 March 2016

- Governance – Includes reflecting on the current policies and procedures and their appropriateness to the current state of the SABS.
- Cost Containment – Cost management and the implementation of innovative solutions to lower costs.
- Asset Management Strategy – Return on investment and evaluation against the competitive landscape will be the key considerations of this implementation.
- Working Capital Management – The early disbursement of the parliamentary grant and the drive on cost containment are very important factors that will assist with the management of the cash resources to ensure that the SABS will have sufficient resources to fund its operational activities.

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 (2015: level 3). While the SABS is committed to transformation we expect our rating to drop when measured against the new codes.



Operation Gears



Reputation



Governance



Growth

SOUTH AFRICAN BUREAU OF STANDARDS
Notes to the Financial Statements
for the year ended 31 March 2016



Operation Gears



Reputation



Governance



Growth

Revenue

Other income
Government grants

Other operating expenditure

Employee benefit expenditure
Depreciation
Contract services
Travel expenditure
Advertising expenditure
Repairs and maintenance expenditure
Consulting and technical fees
Other expenditure

Operating (loss)/profit

Finance revenue
Finance cost

Net profit before taxation

Taxation

Profit for the year

Notes	GROUP		SABS	
	2016 R'000	2015 R'000	2016 R'000	2015 R'000
2	544,650	557,331	72,477	88,138
3	81,433	35,135	163,732	116,975
29.6	189,663	193,050	189,663	193,051
	815,746	785,516	425,872	398,164
	(818,819)	(775,507)	(411,131)	(394,344)
4	(500,438)	(471,840)	(201,298)	(196,421)
9 & 10	(43,471)	(39,208)	(13,052)	(11,475)
	(47,432)	(53,448)	(37,299)	(34,981)
	(34,941)	(38,041)	(8,431)	(8,250)
	(9,890)	(12,240)	(8,491)	(6,890)
	(9,303)	(10,444)	(5,816)	(5,622)
	(24,045)	(21,165)	(2,190)	(6,939)
5	(149,299)	(129,121)	(134,554)	(123,766)
	(3,073)	10,009	14,741	3,820
6	25,581	22,797	25,580	22,797
7	(153)	(113)	(167)	(52)
	22,355	32,693	40,154	26,565
8	-	(488)	-	-
	22,355	32,205	40,154	26,565





SOUTH AFRICAN BUREAU OF STANDARDS
Statements of Comprehensive Income
for the year ended 31 March 2016

Profit for the year

Other comprehensive income

Net (losses)/gains on available-for-sale financial assets

Net gains on post-retirement medical aid

Gains on post-retirement medical aid

Income tax effect on gains on post-retirement medical aid

Total comprehensive income for the year, net of tax

Note	GROUP		SABS	
	2016 R'000	2015 R'000	2016 R'000	2015 R'000
	22,355	32,205	40,154	26,565
21	(6,776)	18,866	(6,776)	18,866
	4,312	3,191	2,257	1,963
22	4,312	3,669	2,257	1,963
	–	(478)	–	–
	19,891	54,262	35,635	47,394



Operation Gears



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SOUTH AFRICAN BUREAU OF STANDARDS
Notes to the Financial Statements
for the year ended 31 March 2016



Operation Gears



Reputation



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ASSETS

Non-current assets

Property, plant and equipment
Investment properties
Intangible assets
Investment in subsidiaries
Available-for-sale investments
Deferred taxation
Loans to group companies

Current assets

Inventory
Trade and other receivables
Cash and cash equivalents

Total assets

Notes	GROUP		SABS	
	2016 R'000	2015 R'000	2016 R'000	2015 R'000
	813,266	802,096	734,835	704,034
10	366,421	364,955	86,572	69,324
11	8,803	9,173	169,617	176,566
12	10,427	11,699	2,040	986
13	–	–	1	1
14	407,244	395,898	407,244	395,898
15	20,371	20,371	–	–
16	–	–	69,361	61,259
	303,648	339,265	184,554	223,159
17	1,563	1,964	1,563	1,964
18	139,310	137,194	20,293	21,171
19	162,775	200,107	162,698	200,024
	1,116,914	1,141,361	919,389	927,193





SOUTH AFRICAN BUREAU OF STANDARDS
Statements of Financial Position
as at 31 March 2016



EQUITY AND LIABILITIES

Equity and reserves

General reserve
Other components of equity
Accumulated profit
Reserves of disposal group classified as held for sale

Non-current liabilities

Employment benefit obligations
Deferred income

Current liabilities

Deferred income
Trade and other payables
Employment benefit obligations
VAT liability

Group disposable liabilities classified as held for sale

Total equity and liabilities

Notes	GROUP		SABS	
	2016 R'000	2015 R'000	2016 R'000	2015 R'000
	594,133	615,639	534,107	539,869
20	54,282	54,282	54,282	54,282
21 & 22	22,973	66,834	19,927	65,843
	517,021	494,666	459,898	419,744
9	(143)	(143)	-	-
	365,172	376,997	311,252	317,896
22	101,263	102,027	60,434	61,405
23	263,909	274,970	250,818	256,491
	157,466	148,582	74,030	69,428
23	11,009	11,150	5,735	5,797
24	131,458	121,069	58,173	54,705
22	9,219	9,148	6,354	6,294
25	5,780	7,215	3,768	2,632
9	143	143	-	-
	1,116,914	1,141,361	919,389	927,193

SOUTH AFRICAN BUREAU OF STANDARDS
Statements of Changes in Equity
for the year ended 31 March 2016



Operation Gears



Reputation



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GROUP

	Notes	GENERAL RESERVE R'000	EMPLOYEE BENEFITS R'000	AVAIL- ABLE- FOR-SALE RESERVE R'000	DISCON- TINUED OPERA- TIONS R'000	ACCUMU- LATED PROFIT R'000	TOTAL EQUITY AND RESERVES R'000
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
Other comprehensive income	21 & 22	-	4,312	(6,776)	-	-	(2,464)
Gains on investments realised	21	-	-	(41,397)	-	-	(41,397)
Net profit for the year		-	-	-	-	22,355	22,355
Balance at 31 March 2016		54,282	7,971	15,002	(143)	517,021	594,133

SABS

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
Other comprehensive income	21 & 22	-	2,257	(6,776)	-	-	(4,519)
Gains on investments realised	21	-	-	(41,397)	-	-	(41,397)
Net profit for the year		-	-	-	-	40,154	40,154
Balance at 31 March 2016		54,282	4,925	15,002	-	459,898	534,107





SOUTH AFRICAN BUREAU OF STANDARDS

Statements of Cash Flows

for the year ended 31 March 2016

Cash inflow from operating activities

Cash received from customers
Cash paid to suppliers and employees
Cash generated from/(utilised by) operations
Finance revenue
Finance cost

Cash outflow from investing activities

Purchase of property, plant and equipment
Transfer of property, plant and equipment from/(to) subsidiary
Purchase of investment properties
Purchase of intangible assets
Transfer of intangible assets to subsidiary
Proceeds on disposal of property, plant and equipment
Purchase of available-for-sale investments
Disposal of available-for-sale investments

Note	GROUP		SABS	
	2016 R'000	2015 R'000	2016 R'000	2015 R'000
	33,030	51,364	21,700	34,656
	796,416	765,557	416,322	394,991
	(788,814)	(736,878)	(420,035)	(383,080)
26.1	7,602	28,679	(3,713)	11,911
6	25,581	22,797	25,580	22,797
7	(153)	(113)	(167)	(52)
	(70,362)	(137,534)	(50,924)	(92,291)
10	(46,021)	(60,622)	(32,327)	(18,625)
10	–	–	1,550	(637)
11	(63)	–	(82)	–
12	(6,156)	(5,167)	(1,943)	(1,030)
12	–	–	–	(44)
26.2	–	233	–	23
14	(298,792)	(71,978)	(298,792)	(71,978)
14	280,670	–	280,670	–



Operation Gears



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SOUTH AFRICAN BUREAU OF STANDARDS

Statements of Cash Flows

for the year ended 31 March 2016

Cash inflow/(outflow) from financing activities

Funding for government specific projects
Increase of loans to group companies

Decrease in cash and cash equivalents

Cash and cash equivalents at beginning of year

Cash and cash equivalents at end of year

Note	GROUP		SABS	
	2016 R'000	2015 R'000	2016 R'000	2015 R'000
	-	2,819	(8,102)	(25,720)
29.6	-	2,819	-	-
	-	-	(8,102)	(25,720)
	(37,332)	(83,351)	(37,326)	(83,355)
	200,107	283,458	200,024	283,379
19	162,775	200,107	162,698	200,024



Operation Gears



Reputation



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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 Public Finance Management Act (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 a regular 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.



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SOUTH AFRICAN BUREAU OF STANDARDS
Notes to the Financial Statements
for the year ended 31 March 2016



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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 as at the acquisition date, irrespective of the extent of any minority interest.

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

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

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

1.3 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:

	2016	2015
Euro	17.01	13.11
Pound Sterling	21.64	17.92
US Dollar	15.04	12.08
Swiss Franc	15.58	12.53

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.

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	3 – 50
Laboratory equipment	3 – 20
Furniture and office equipment	3 – 20
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



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a period shall not exceed the amount of borrowing costs it incurred during that period. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that the Group incurs in connection with the borrowing of funds.

1.6 Investment properties

Investment property is recognised as an asset when it is probable that the future economic benefits that are associated with the property will flow to the entity, and the cost of the property can be reliably measured. Investment properties comprise real estate held for earning rental income or for capital appreciation or both. This does not include real estate held for the supply of services or for administrative purposes. Investment properties are initially recorded at cost including transaction costs. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and accumulated impairment losses, and are accounted for in line with the policy on property, plant and equipment (refer accounting policy note 1.4).

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

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

1.7 Intangible assets (excluding goodwill)

Intangible assets (excluding goodwill) are initially measured at cost and subsequently carried at cost less accumulated amortisation and accumulated impairment losses. Subsequent expenditure on capitalised intangible assets is capitalised only when it meets the criteria for recognition, namely reliable measurement and probable future economic benefits of the specific asset to which it relates. All other subsequent expenditure is expensed as incurred.

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

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

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

1.8 Non-current assets held for sale and discontinued operations

Non-current assets or disposal groups are classified as held for sale if their carrying value will be recovered principally through a sale transaction rather than through continuing use. The asset or disposal group must be available for immediate sale in its present condition and the sale should be highly probable, with an active 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

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period.

- Investments that are designated at fair value through profit or loss are measured at subsequent reporting dates at fair value. gains and losses arising from changes in fair value of investments designated as measured at fair value through profit or loss are recognised in the income statement in the period in which they arise.

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

Cash and cash equivalents

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

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



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Interest bearing borrowings

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

Trade and other payables

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

Offset

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

Derecognition

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

- The rights to receive cash flows from the asset have expired;

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

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

Impairment of financial assets

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

of the financial asset, the estimated future cash flows of the investment have been impacted.

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

1.10 Inventories

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





1.11 Impairment of non-financial assets

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

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

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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.



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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 per annum for the rest of employment and SABS employees with ten completed years or more in service will receive another three days additional per annum leave for the rest of their employment (i.e. six days additional leave per annum). 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 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.

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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.



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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. Any 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 arms' 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.

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 GBEs 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. Following an evaluation process the appropriate reporting framework for the Group will be IFRS.





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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 16 - Leases

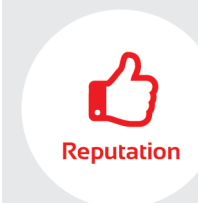
IFRS 16 was published in January 2016. It sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, ie the customer ('lessee') and the supplier ('lessor'). IFRS 16 replaces the previous leases Standard, IAS 17 Leases, and related Interpretations. IFRS 16 has one model for lessees which will result in almost all leases being included on the Statement of Financial position. No significant changes have been included for lessors. The standard is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted only if the entity also adopts IFRS 15.

The transitional requirements are different for lessees and lessors. The group shall

assess the potential impact on the financial statements resulting from the application of IFRS 16.

The following new or amended standards are not expected to have significant impact on the Group's financial statements.

- IFRS 14 - Regulatory Deferral accounts;
- IFRS 10, IFRS 12 and IAS 28 - Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28);
- IAS 1 -Disclosure Initiative (Amendments to IAS 1 Presentation of Financial Statements)
- IFRS 11 - Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11);
- IAS 16 and IAS 41 - Agriculture: Bearer Plants (Amendments to IAS 16 and IAS 41) ;
- IAS 16 and IAS 38 - Clarification of Acceptable Methods of Depreciation and Amortisation; and
- IAS 27 - Equity Method in Separate Financial Statements (Amendments to IAS 27) Various Annual Improvements to IFRSs 2012-2014 Cycle.



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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

3. OTHER INCOME

Includes:

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

GROUP		SABS	
2016	2015	2016	2015
R'000	R'000	R'000	R'000
179,443	205,397	-	-
304,452	310,799	-	-
39,741	25,588	39,741	25,588
21,014	15,547	21,014	15,547
-	-	11,722	47,003
544,650	557,331	72,477	88,138
11,202	10,485	5,735	5,797
5,945	3,905	5,945	3,905
4,508	1,248	421	111
41,397	-	41,397	-
10,787	10,704	10,787	10,704
-	-	82,703	80,296
-	-	39,220	33,143
-	-	43,483	47,153
-	-	9,663	10,807





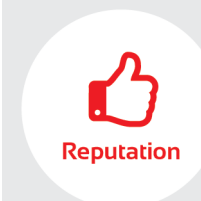
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4. EMPLOYEE BENEFIT EXPENDITURE

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	
2016	2015	2016	2015
R'000	R'000	R'000	R'000
419,139	395,842	165,798	161,968
33,226	29,839	11,147	10,335
30,273	29,686	11,895	12,133
5,112	4,270	4,945	4,104
487,750	459,637	193,785	188,540
9,003	8,155	6,145	5,318
3,685	4,048	1,368	2,563
500,438	471,840	201,298	196,421



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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

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	
2016	2015	2016	2015
R'000	R'000	R'000	R'000
7,428	8,302	889	678
3,030	3,190	2,162	2,333
19,849	5,146	10,459	18
2,809	6,254	31	26
(174)	(1,581)	-	-
17,214	473	10,428	(8)
7,347	9,131	7,234	9,082
27,347	20,690	9,716	4,278
433	431	7,031	7,094
13,465	10,335	26,054	36,508
2,038	1,688	7,463	6,920
2,468	2,458	2,420	2,320
4,271	2,437	3,623	2,318
289	208	67	90
4,279	3,551	3,719	3,064
41,938	40,417	40,509	39,133
2,364	2,676	395	337
1,673	1,062	-	334
7,486	6,116	26,543	28,037
4,371	3,366	-	-
3,115	2,750	26,543	28,037
2,377	4,105	1,555	2,233





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6. FINANCE REVENUE

Bank balances
Money market investments, short-term deposits and available-for-sale investments

7. FINANCE COST

Interest on banking facilities and late payments
SARS (reversal of interest)/interest

GROUP		SABS	
2016	2015	2016	2015
R'000	R'000	R'000	R'000
<hr/>			
864	1,234	863	1,234
24,717	21,563	24,717	21,563
25,581	22,797	25,580	22,797
<hr/>			
207	40	198	4
(54)	73	(31)	48
153	113	167	52
<hr/>			



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8. TAXATION

Deferred taxation - current year

The charge for the year can be reconciled to the profit per the income statement as follows:

Profit before taxation

Taxation at 28%

Non-taxable/non-deductible differences

Exempt income and expenses

Non-deductible expenditure

Unrecognised deferred tax portion

Taxation expense

	GROUP		SABS	
	2016 R'000	2015 R'000	2016 R'000	2015 R'000
	-	488	-	-
Profit before taxation	22,355	32,693	40,154	26,565
Taxation at 28%	6,259	9,154	11,243	7,438
Non-taxable/non-deductible differences				
Exempt income and expenses	(12,773)	(8,750)	(11,243)	(7,438)
Non-deductible expenditure	(84)	84	-	-
Unrecognised deferred tax portion	6,598	-	-	-
Taxation expense	-	488	-	-

Exempt income and expenses relate to the deferred income on government related grants and the expenditure incurred on earmarked projects. The Group did not recognise an increase in the deferred tax asset of R6,6 million due to current year losses incurred.

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





9. DISCONTINUED OPERATIONS

The shareholder benchmarked the regulatory systems with others globally and it was evident that the practice of having a standards body as a regulatory body is not optimal or advantageous. After careful consideration of the practice, the benchmarking results and public input the shareholder decided that the Regulatory Division should be a separate agency reporting to the Department of Trade and Industry. The National Regulator for Compulsory Specifications Act and the new Standards Act, No. 5 of 2008, were signed by the President in July 2008. The effective date was 1 September 2008.

Previously the Regulatory Division, through the Global Conformity Services (GCS) Namibia (Pty) Ltd was the responsible inspection body for the European Union in Namibia. The split of the SABS into two entities was agreed with the Namibian authorities and the Namibian Standards Institute (NSI) took over the operations of the GCS Namibia (Pty) Ltd. The activities of GCS Namibia (Pty) Ltd have been accounted for as a discontinued operation. Ministerial approval was granted to transfer the Walvis Bay immovable property and the movable assets in Namibia to the NSI. An agreement was entered into between the SABS, SABS Commercial SOC Ltd, GCS Namibia (Pty) Ltd and the NSI in accordance with which the movables assets in Namibia were transferred to the NSI on 31 March 2010. The SABS has a property in Luderitz and permission was granted for the disposal of the property. The SABS sold the property and the transfer of the property is finalised.



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9. 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	
2016 R'000	2015 R'000	2016 R'000	2015 R'000
94	94	-	-
49	49	-	-
143	143	-	-
(143)	(143)	-	-
(143)	(143)	-	-
(143)	(143)	-	-
(23)	(23)	-	-
(23)	(23)	-	-





10. PROPERTY, PLANT AND EQUIPMENT

GROUP

	Land	Buildings	Laboratory equipment	Furniture and office equipment	Vehicles	Artwork	Capital work-in-progress	Total
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
2016								
Opening 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)
Additions	–	–	–	–	–	–	52,240	52,240
Work-in-progress transfers	–	3,026	10,707	9,094	–	–	(22,827)	–
Category transfers	–	(72)	(53)	125	–	–	–	–
Assets transferred to intangible assets	–	–	–	–	–	–	(6,156)	(6,156)
Assets transferred to investment properties	–	–	–	–	–	–	(63)	(63)
Work-in-progress expensed	–	–	–	–	–	–	(795)	(795)
Disposals	–	(13)	(145)	(131)	–	–	–	(289)
Depreciation	–	(9,651)	(18,878)	(14,750)	(152)	(40)	–	(43,471)
Closing carrying value	4,304	198,027	83,071	20,324	490	934	59,271	366,421
Cost	4,304	283,171	238,693	101,276	1,138	1,016	59,271	688,869
Accumulated depreciation	–	(85,144)	(155,622)	(80,952)	(648)	(82)	–	(322,448)



10. PROPERTY, PLANT AND EQUIPMENT (Continued)

GROUP

	Land	Buildings	Laboratory equipment	Furniture and office equipment	Vehicles	Artwork	Capital 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)





10. PROPERTY, PLANT AND EQUIPMENT (Continued)

SABS

	Land	Buildings	Laboratory equipment	Furniture and office equipment	Vehicles	Artwork	Capital work-in-progress	Total
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
2016								
Opening 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)
Additions	–	–	–	–	–	–	34,352	34,352
Work-in-progress transfers	–	2,838	90	6,051	–	–	(8,979)	–
Assets transferred to subsidiary *	–	(84)	6	215	–	–	(1,687)	(1,550)
Assets transferred to intangible assets	–	–	–	–	–	–	(1,943)	(1,943)
Assets transferred to investment properties	–	(19)	–	–	–	–	(63)	(82)
Work-in-progress expensed	–	–	–	–	–	–	(410)	(410)
Disposals	–	–	–	(67)	–	–	–	(67)
Depreciation	–	(2,309)	(242)	(10,461)	–	(40)	–	(13,052)
Closing carrying value	3,243	23,760	1,158	13,696	–	930	43,785	86,572
Cost	3,243	44,999	4,392	79,468	–	1,000	43,785	176,887
Accumulated depreciation	–	(21,239)	(3,234)	(65,772)	–	(70)	–	(90,315)



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10. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Land	Buildings	Laboratory equipment	Furniture and office equipment	Vehicles	Artwork	Capital 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)	-
Work-in-progress expensed	-	-	-	-	-	-	(52)	(52)
Assets transferred to investment properties	-	(1,325)	-	-	-	-	-	(1,325)
Assets transferred to intangible assets	-	-	-	-	-	-	(1,030)	(1,030)
Assets transferred to subsidiary *	-	638	682	(127)	-	-	(556)	637
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)

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





10. PROPERTY, PLANT AND EQUIPMENT

Capital work in progress for the Group includes R11,1 million for new laboratory equipment, R44,3 million for infrastructure, refurbishment projects and security equipment and upgrades and R3,8 million for ICT equipment.

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

	GROUP		SABS	
	2016 R'000	2015 R'000	2016 R'000	2015 R'000
Opening 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)
Reclassification of buildings to investment properties	–	–	19	1,325
Work in progress transfers	63	–	63	–
Depreciation	(433)	(431)	(7,031)	(7,094)
Closing carrying value	8,803	9,173	169,617	176,566
Cost	13,731	13,667	231,313	231,231
Accumulated depreciation	(4,928)	(4,494)	(61,696)	(54,665)



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11. INVESTMENT PROPERTIES (Continued)

Investment properties and significant components thereof are stated at the costs thereof. Management assessment of the investment properties amounts to R25,2 million for the Group and R1,309 billion for SABS (2015: R23,3 million for the Group and R1,212 billion 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 parking located on the Groenkloof Campus.

12. INTANGIBLE ASSETS

Computer software

Opening carrying value

Cost

Accumulated amortisation

Work in progress transfers

Assets transferred from property, plant and equipment

Amortisation

Closing carrying value

Cost

Accumulated amortisation

	GROUP		SABS	
	2016	2015	2016	2015
	R'000	R'000	R'000	R'000
Opening carrying value	11,699	14,834	986	590
Cost	63,943	61,299	37,474	38,891
Accumulated amortisation	(52,244)	(46,465)	(36,488)	(38,301)
Work in progress transfers	6,156	5,167	1,943	1,030
Assets transferred from property, plant and equipment	-	-	-	44
Amortisation	(7,428)	(8,302)	(889)	(678)
Closing carrying value	10,427	11,699	2,040	986
Cost	68,693	63,943	39,221	37,474
Accumulated amortisation	(58,266)	(52,244)	(37,181)	(36,488)





13. INVESTMENT IN SUBSIDIARIES

The entity's principal subsidiaries are:

Name	Ownership %
SABS Commercial SOC Ltd	100%
Less: impairment of subordinated shareholder loan	

Subordinated shareholder loan

Opening balance
 Increase in subordinated shareholder loan

Closing balance

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.

SABS	
2016 R'000	2015 R'000
65,661	65,661
(65,660)	(65,660)
1	1
65,660	65,660
-	-
65,660	65,660

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13. INVESTMENT IN SUBSIDIARIES (Continued)

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

	2016 R'000	2015 R'000
Revenue	483,895	516,196
Other income	10,067	9,262
Expenditure	(511,778)	(519,267)
Operating (loss)/profit	(17,816)	6,191
Net finance cost	14	(61)
Taxation	-	(488)
(Loss)/profit for the year	(17,802)	5,642

14. AVAILABLE-FOR-SALE INVESTMENTS

	GROUP		SABS	
	2016 R'000	2015 R'000	2016 R'000	2015 R'000
Opening balance	395,898	305,054	395,898	305,054
Additions (net of costs)	298,792	71,978	298,792	71,978
Disposals	(280,670)	-	(280,670)	-
(Losses)/gains on investments transferred to equity (Refer to note 21)	(6,776)	18,866	(6,776)	18,866
Non-current portion	407,244	395,898	407,244	395,898
Available-for-sale investments comprises:				
Equities	407,244	395,898	407,244	395,898





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14. AVAILABLE-FOR-SALE INVESTMENTS (Continued)

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.

During the financial period the SABS disposed of a portion of its investment which resulted in a gain of R41,4 million. The proceeds were re-invested.

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 (2015: None).



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15. DEFERRED TAXATION

Accelerated wear and tear for tax purposes on property, plant and equipment
Intangible assets
Assessed losses
Other deductible temporary differences

Employee related provisions
Doubtful debts allowance
Income received in advance
Other

Unrecognised portion of deferred tax asset

Deferred tax asset

The movement for the year in the Group's deferred tax positions was as follows:

Opening balance
Temporary differences on property, plant and equipment
Temporary differences on intangible assets
Temporary differences on employee related provisions
Temporary differences on tax losses
Reversing temporary differences on other deductible temporary differences

Closing balance

GROUP		SABS	
2016 R'000	2015 R'000	2016 R'000	2015 R'000

(9,974)	(9,917)	-	-
(148)	(155)	-	-
14,865	9,087	-	-
22,227	21,356	-	-
17,101	16,505	-	-
2,731	1,306	-	-
2,542	3,910	-	-
(147)	(365)	-	-
(6,598)	-	-	-
20,371	20,371	-	-
20,371	20,860	-	-
(57)	(85)	-	-
7	(155)	-	-
596	(796)	-	-
5,778	876	-	-
(6,324)	(329)	-	-
20,371	20,371	-	-

At the balance sheet date the Group has unutilised tax losses of R53,1 million (2015: R32,5 million) available for offset against future taxable profits. A deferred tax asset has not been recognised in respect of all losses which the Group anticipates being able to utilise.





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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 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 (loss)/profit after tax earned by subsidiary is:

SABS Commercial SOC Ltd

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.

SABS	
Loss 2016 R'000	Profit 2015 R'000
52	52
69,309	61,207
69,361	61,259

61,207	35,495
8,102	25,712
69,309	61,207

SABS	
Loss 2016 R'000	Profit 2015 R'000
(17,801)	5,643



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17. INVENTORY

Consumable stores
Obsolete stock written-off

There were no inventories recognised as an expense during the year under review (2015: Nil)

18. TRADE AND OTHER RECEIVABLES

Trade receivables
Less: Impairment of trade and other receivables

Other receivables

Straightlining of operating leases
Deposits and payments in advance
Employee related debtors

	GROUP		SABS	
	2016 R'000	2015 R'000	2016 R'000	2015 R'000
	1,619	2,009	1,619	2,009
	(56)	(45)	(56)	(45)
	1,563	1,964	1,563	1,964
	157,289	138,906	26,622	18,867
	(23,367)	(6,153)	(10,567)	(139)
	133,922	132,753	16,055	18,728
	5,388	4,441	4,238	2,443
	57	677	-	-
	4,465	2,689	3,996	2,066
	866	1,075	242	377
	139,310	137,194	20,293	21,171

The impairment of debtors has been determined by reference to past default experience and the current economic environment. Affected trade receivables are discounted at an effective rate of 10.50% (2015: 9.25%). 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.





18. TRADE AND OTHER RECEIVABLES (Continued)

Impairment of trade and other receivables:

Opening balance
(Increase)/decrease in impairment provision

Closing balance

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

	GROUP		SABS	
	2016 R'000	2015 R'000	2016 R'000	2015 R'000
Opening balance	(6,153)	(5,680)	(139)	(147)
(Increase)/decrease in impairment provision	(17,214)	(473)	(10,428)	8
Closing balance	(23,367)	(6,153)	(10,567)	(139)

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	> 30 DAYS	PAST DUE > 60 DAYS	> 90 DAYS	> 120 DAYS
2016								
Carrying value	(R'000)		139,310	47,080	24,322	17,698	1,354	48,856
	%		100%	34%	17%	13%	1%	35%
Impairment	(R'000)		23,367	823	684	1,184	120	20,556
	%		100%	4%	3%	5%	1%	88%
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%
SABS								
			TOTAL	NOT PAST DUE	> 30 DAYS	PAST DUE > 60 DAYS	> 90 DAYS	> 120 DAYS
2016								
Carrying value	(R'000)		20,293	15,226	893	251	294	3,629
	%		100%	75%	4%	1%	1%	18%
Impairment	(R'000)		10,567	8	33	3	12	10,511
	%		100%	-	-	-	-	100%
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%



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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	
	2016 R'000	2015 R'000	2016 R'000	2015 R'000
Bank balances	15,031	16,717	15,014	16,700
Short-term deposits	96,273	137,828	96,273	137,828
Money Market investments	51,446	45,537	51,396	45,487
Cash on hand	25	25	16	9
Net cash and cash equivalents used in cash flow statement	162,775	200,107	162,698	200,024

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

Short-term deposits are made for varying periods between one day and three months, depending on the immediate operational cash requirements of the Group, and earn interest 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 7.21% at 31 March 2016 (2015: 6.24%).

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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

Amount transferred to general reserve

Closing balance

21. OTHER COMPONENTS OF EQUITY

Available-for-sale reserve

Opening balance

Movements during year

Gains on investments realised in income statement (Refer to note 3)
(Losses)/gains on revaluation of available-for-sale investments

Closing balance

	GROUP		SABS	
	2016 R'000	2015 R'000	2016 R'000	2015 R'000
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
Opening balance	63,175	44,309	63,175	44,309
Movements during year	(48,173)	18,866	(48,173)	18,866
Gains on investments realised in income statement (Refer to note 3) (Losses)/gains on revaluation of available-for-sale investments	(41,397) (6,776)	- 18,866	(41,397) (6,776)	- 18,866
Closing balance	15,002	63,175	15,002	63,175





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 the SABS. All employees employed by the SABS before 1 September 1998 who belong to Bestmed or Discovery for at least ten years and retire after the age of 60 are entitled to a post-retirement medical subsidy. There are no plan assets for this liability.

75% of the Investment Solutions investment disclosed as part of available-for-sale investment portfolio (note 14) which amounts to R142,4 million (2015: R142,8 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 2016.

Key assumptions used (expressed as weighted averages):

	2016	2015
Gross discount rate	9.45%	8.10%
Salary inflation	8.85%	7.60%
Healthcare cost inflation	6.85%	5.60%
Pre-retirement mortality	SA85-90 (Light) rated down 1 year for males and females 60/65 years*	SA85-90 (Light) rated down 1 year for males and females 60/65 years*
Expected retirement age - Males and females		

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 421 (2015: 431) pensioners and 146 (2015: 166) actives and the SABS had 368 (2015: 377) pensioners and 47 (2015: 55) actives entitled to the benefit.



22. EMPLOYMENT BENEFIT OBLIGATIONS (Continued)

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

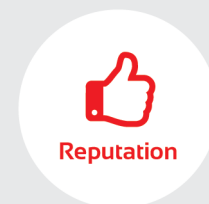
The total outstanding liability amounts to R83,2 million per the valuation performed during March 2016 (2015: R84,3 million).

	GROUP		SABS	
	2016 R'000	2015 R'000	2016 R'000	2015 R'000
Post-employment healthcare benefit				
Opening balance	84,291	85,515	58,375	59,953
Provisions made	9,003	8,155	6,145	5,318
Benefits paid	(5,810)	(5,710)	(4,976)	(4,933)
Remeasurements (Other component of equity)	(4,312)	(3,669)	(2,257)	(1,963)
Total liability	83,172	84,291	57,287	58,375
Current portion	(5,960)	(5,889)	(5,163)	(5,103)
Total non-current portion	77,212	78,402	52,124	53,272
The amount recognised in the other comprehensive income is determined as follows:				
Actuarial gain - change in financial assumptions	579	374	325	107
Experience gain	3,733	3,295	1,932	1,856
	4,312	3,669	2,257	1,963





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22. EMPLOYMENT BENEFIT OBLIGATIONS (Continued)

Post-employment healthcare benefit obligation (Continued)

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

	GROUP		SABS	
	2016 R'000	2015 R'000	2016 R'000	2015 R'000
Current service cost	931	936	334	317
Interest cost	6,620	7,219	4,529	5,001
Membership data error	1,452	-	1,282	-
	9,003	8,155	6,145	5,318
Present value of the obligation				
Opening balance	84,291	85,515	58,375	59,953
Current service cost	931	936	334	317
Interest cost	6,620	7,219	4,529	5,001
Membership data error	1,452	-	1,282	-
Benefits paid	(5,810)	(5,710)	(4,976)	(4,933)
Actuarial loss - change in financial assumptions	(579)	(374)	(325)	(107)
Experience loss	(3,733)	(3,295)	(1,932)	(1,856)
Closing balance	83,172	84,291	57,287	58,375

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	Change in	Liability	Change in
		R'000	liability	R'000	liability
			%		%
Healthcare cost inflation	+1%	92,672	11.4%	62,683	9.4%
	Central	83,172	-	57,287	-
	-1%	75,164	(9.6%)	52,640	(8.1%)
Discount rate	+1%	75,405	(9.3%)	52,781	(7.9%)
	Central	83,172	-	57,287	-
	-1%	92,519	11.2%	62,597	9.3%
Post-retirement mortality improvements	0.50%	86,256	3.7%	59,314	3.5%
	Central	83,172	-	57,287	-
	-0.50%	80,227	(3.5%)	55,351	(3.4%)



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22. EMPLOYMENT BENEFIT OBLIGATIONS (Continued)

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

	2016 R'000	2015 R'000	2014 R'000	2013 R'000	2012 R'000
Present value of obligation	83,172	84,291	85,515	88,784	79,202
Actuarial gains/(losses)	4,312	3,669	5,300	(5,310)	3,786

The contributions expected to be paid during the next reporting is R6,0 million (2015: R5,9 million) for the Group and R5,2 million (2015: R5,1 million) for the 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 the SABS had 409 (2015: 442) and 147 (2015: 162) employees entitled to the benefit respectively.

Key assumptions used (expressed as weighted averages):

	2016	2015
Discount rate per annum	8.95%	7.60%
Salary inflation	8.85%	7.60%
Inflation	6.85%	5.60%

The total outstanding liability amounts to R27,3 million per the valuation performed during March 2016 (2015: R26,9 million).



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22. EMPLOYMENT BENEFIT OBLIGATIONS (Continued)

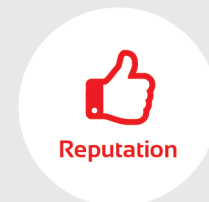
Long service leave award obligation (Continued)

	GROUP		SABS	
	2016 R'000	2015 R'000	2016 R'000	2015 R'000
Opening balance	26,884	26,014	9,324	7,757
Provisions made	3,685	4,048	1,368	2,563
Benefits paid	(3,259)	(3,178)	(1,191)	(996)
Net liability in statement of financial position	27,310	26,884	9,501	9,324
Current portion	(3,259)	(3,259)	(1,191)	(1,191)
Total non-current portion	24,051	23,625	8,310	8,133
Present value of funded obligations	27,310	26,884	9,501	9,324
The amount recognised in the income statement is determined as follows:				
Current service cost	1,922	1,993	686	614
Interest cost	2,043	2,168	712	651
Actuarial (loss)/gain - change in financial assumptions	(58)	104	(21)	34
Experience (loss)/gain	(222)	(217)	(9)	1,264
	3,685	4,048	1,368	2,563





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22. EMPLOYMENT BENEFIT OBLIGATIONS (Continued)

Present value of the obligation

	GROUP		SABS	
	2016 R'000	2015 R'000	2016 R'000	2015 R'000
Opening balance	26,884	26,014	9,324	7,757
Current service cost	1,922	1,993	686	614
Interest cost	2,043	2,168	712	651
Actuarial (loss)/gain – change in financial assumptions	(58)	104	(21)	34
Experience (loss)/gain	(222)	(217)	(9)	1,264
Benefits paid	(3,259)	(3,178)	(1,191)	(996)
Closing balance	27,310	26,884	9,501	9,324



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22. EMPLOYMENT BENEFIT OBLIGATIONS (Continued)

Sensitivity analysis - Long service leave award obligation

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

	GROUP		SABS	
	Liability R'000	Change in liability %	Liability R'000	Change in liability %
Discount rate				
+1%	25,875	(5.3%)	9,027	(5.0%)
Central	27,310	-	9,501	-
-1%	28,898	5.8%	10,023	5.5%
Salary inflation				
+1%	28,962	6.0%	10,043	5.7%
Central	27,310	-	9,501	-
-1%	25,790	(5.6%)	8,997	(5.3%)
Expected retirement age				
+1 year	29,104	6.6%	10,221	7.6%
Central	27,310	-	9,501	-
-1 year	25,495	(6.6%)	8,775	(7.6%)

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

	2016 R'000	2015 R'000	2014 R'000	2013 R'000	2012 R'000
Present value of obligation	27,310	26,884	26,014	26,182	24,985
Actuarial (losses)/gains	(280)	(113)	(1,118)	402	3,176





23. DEFERRED INCOME

Opening balance - Plant and equipment
Recognised in deferred income (Refer to note 3)
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	
	2016 R'000	2015 R'000	2016 R'000	2015 R'000
Opening balance - Plant and equipment	286,120	293,786	262,288	268,085
Recognised in deferred income (Refer to note 3)	(11,202)	(10,485)	(5,735)	(5,797)
Grants received to be recognised in future accounting periods	-	2,819	-	-
Closing balance	274,918	286,120	256,553	262,288
Less: Deferred grant income to be recognised in the following year: Plant and equipment	(11,009)	(11,150)	(5,735)	(5,797)
	263,909	274,970	250,818	256,491
Non-current portion	263,909	274,970	250,818	256,491
Current portion	11,009	11,150	5,735	5,797
	274,918	286,120	256,553	262,288

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

National Electrical Test Facility (Netfa) short circuit laboratory - 3 to 10 years

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24. TRADE AND OTHER PAYABLES

Trade payables

Other payables

Salary deductions

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

25. VAT LIABILITY

March 2016 VAT to be paid over to SARS

	GROUP		SABS	
	2016 R'000	2015 R'000	2016 R'000	2015 R'000
Trade payables	123,813	113,686	54,899	51,423
Other payables				
Salary deductions	7,645	7,383	3,274	3,282
	131,458	121,069	58,173	54,705
March 2016 VAT to be paid over to SARS	5,780	7,215	3,768	2,632





26. NOTES TO CASH FLOW STATEMENTS

26.1 Reconciliation of (loss)/profit before taxation and interest to cash generated from/(utilised by) operations

	GROUP		SABS	
	2016 R'000	2015 R'000	2016 R'000	2015 R'000
(Loss)/profit before interest and taxation	(3,073)	10,009	14,741	3,820
Adjustments for:	20,650	40,123	(13,909)	15,536
Depreciation on property, plant and equipment	43,471	39,208	13,052	11,475
Depreciation on investment properties	433	431	7,031	7,094
Plant and equipment related government grants amortised	(11,202)	(10,485)	(5,735)	(5,797)
Amortisation of intangible assets	7,428	8,302	889	678
Loss on disposal of property, plant and equipment	289	208	67	90
Realised gain on available-for-sale investment	(41,397)	-	(41,397)	-
Provision for employment benefit obligations	12,688	12,203	7,513	7,881
Employment benefits paid from provision	(9,069)	(8,888)	(6,167)	(5,929)
Increase/(decrease) in impairment of trade receivables	17,214	473	10,428	(8)
Expense transferred out of work-in-progress	795	1,490	410	52
Funding for government specific projects	-	(2,819)	-	-
Operating cash flows before working capital changes	17,577	50,132	832	19,356



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26. NOTES TO CASH FLOW STATEMENTS (Continued)

Changes in working capital

Decrease/(increase) in inventory

Increase in trade and other receivables

Increase in asset related government grants

Increase/(decrease) in trade and other payables

(Decrease)/increase in vat liability

Cash generated from/(utilised by) operations

26.2 Proceeds on disposal of property, plant and equipment

Carrying value of disposals

Loss on disposal

	GROUP		SABS	
	2016 R'000	2015 R'000	2016 R'000	2015 R'000
Changes in working capital	(9,975)	(21,453)	(4,545)	(7,445)
Decrease/(increase) in inventory	401	(25)	401	(25)
Increase in trade and other receivables	(19,330)	(19,959)	(9,550)	(3,173)
Increase in asset related government grants	-	2,819	-	-
Increase/(decrease) in trade and other payables	10,389	(6,138)	3,468	(6,109)
(Decrease)/increase in vat liability	(1,435)	1,850	1,136	1,862
Cash generated from/(utilised by) operations	7,602	28,679	(3,713)	11,911
26.2 Proceeds on disposal of property, plant and equipment				
Carrying value of disposals	289	441	67	113
Loss on disposal	(289)	(208)	(67)	(90)
	-	233	-	23





27. COMMITMENTS

Capital commitments

Commitments for the acquisition of property, plant and equipment
Contracted

	GROUP		SABS	
	2016 R'000	2015 R'000	2016 R'000	2015 R'000
	33,787	20,547	22,256	8,729

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

	4,138	3,281	-	-
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Up to 1 year

	2,284	2,946	-	-
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1 to 5 years

	1,854	335	-	-
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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 7.83% (2015: 8.62%).



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27. COMMITMENTS (Continued)

Vehicles

Up to 1 year
1 to 5 years

Total

	GROUP		SABS	
	2016 R'000	2015 R'000	2016 R'000	2015 R'000
	2,071	1,837	1,454	878
	1,234	1,196	839	429
	837	641	615	449
	6,209	5,118	1,454	878

28. FINANCIAL RISK MANAGEMENT

28.1 Foreign currency risk management

Foreign currency exposures arise from the sale and purchase of standards from overseas clients and purchase of capital equipment, consumables and airfare costs. The Group does 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 2016 (2015: 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.





28. FINANCIAL RISK MANAGEMENT (Continued)

Foreign currency

Great Britain Pounds
United States Dollar
Euro
Swiss Franc

Foreign currency sensitivity

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

	GROUP	
	2016 Foreign amount 000	2015 Foreign amount 000
	58	-
	57	10
	88	76
	20	82



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28. FINANCIAL RISK MANAGEMENT (Continued)

28.2 Interest rate risk management

The Group is exposed to interest rate risk as it places funds in the money market floating interest rates. Interest rate risk is managed through effective cash management. The net interest income at 31 March 2016 was R25,5 million (2015: R22,7 million).

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

	Interest bearing financial assets	2016 Non-interest bearing financial assets	Total	Interest bearing financial assets	2015 Non-interest bearing financial assets	Total
	Floating rate R'000	Other R'000	R'000	Floating rate R'000	Other R'000	R'000
GROUP						
Cash and cash equivalents	162,775	-	162,775	200,107	-	200,107
Trade and other receivables	-	139,310	139,310	-	137,194	137,194
Financial asset exposure to interest rate risk	162,775	139,310	302,085	200,107	137,194	337,301
SABS						
Cash and cash equivalents	162,698	-	162,698	200,024	-	200,024
Trade and other receivables	-	20,293	20,293	-	21,171	21,171
Financial asset exposure to interest rate risk	162,698	20,293	182,991	200,024	21,171	221,195





28. FINANCIAL RISK MANAGEMENT (Continued)

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

	Interest bearing financial assets Floating rate R'000	2016 Non-interest bearing financial assets Other R'000	Total R'000	Interest bearing financial assets Floating rate R'000	2015 Non-interest bearing financial assets Other R'000	Total R'000
GROUP						
Trade and other payables	-	131,458	131,458	-	121,069	121,069
SABS						
Trade and other payables	-	58,173	58,173	-	54,705	54,705



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28. FINANCIAL RISK MANAGEMENT (Continued)

28.3 Liquidity risk management

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

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

	Within 1 month R'000	1 - 3 months R'000	3 - 12 months R'000	1 - 5 years R'000	Total R'000
GROUP					
2016					
Financial assets					
Loans and receivables					
Trade and other receivables	139,310	-	-	-	139,310
Cash and cash equivalents	162,775	-	-	-	162,775
Available-for-sale investments					
Other financial assets	-	-	-	407,244	407,244
Financial liabilities					
Trade and other payables	124,885	6,573	-	-	131,458





28. FINANCIAL RISK MANAGEMENT (Continued)

	Within 1 month R'000	1 - 3 months R'000	3 - 12 months R'000	1 - 5 years R'000	Total R'000
2015					
Financial assets					
Loans and receivables					
Trade and other receivables	137,194	-	-	-	137,194
Cash and cash equivalents	200,107	-	-	-	200,107
Available-for-sale investments					
Other financial assets	-	-	-	395,898	395,898
Financial liabilities					
Financial liabilities amortised at cost					
Trade and other payables	106,541	14,528	-	-	121,069



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28. FINANCIAL RISK MANAGEMENT (Continued)

	Within 1 month R'000	1 - 3 months R'000	3 - 12 months R'000	1 - 5 years R'000	Total R'000
SABS					
2016					
Financial assets					
Loans and receivables					
Trade and other receivables	20,293	-	-	-	20,293
Cash and cash equivalents	162,698	-	-	-	162,698
Loans to group companies	-	-	-	69,361	69,361
Available-for-sale investments					
Other financial assets	-	-	-	407,244	407,244
Financial liabilities					
Financial liabilities amortised at cost					
Trade and other payables	55,264	2,909	-	-	58,173





28. FINANCIAL RISK MANAGEMENT (Continued)

	Within 1 month R'000	1 - 3 months R'000	3 - 12 months R'000	1 - 5 years R'000	Total R'000
2015					
Financial assets					
Loans and receivables					
Trade and other receivables	21,171	-	-	-	21,171
Cash and cash equivalents	200,024	-	-	-	200,024
Loans to group companies	-	-	-	61,259	61,259
Available-for-sale investments					
Other financial assets	-	-	-	395,898	395,898
Financial liabilities					
Financial liabilities amortised at cost					
Trade and other payables	48,140	6,565	-	-	54,705





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28. FINANCIAL RISK MANAGEMENT (Continued)

28.4 Credit risk management

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

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

As at 31 March 2016, 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:

	GROUP		SABS	
	2016 R'000	2015 R'000	2016 R'000	2015 R'000
Cash and cash equivalents	162,775	200,107	162,698	200,024
Trade and other receivables	139,310	137,194	20,293	21,171
	302,085	337,301	182,991	221,195





28. FINANCIAL RISK MANAGEMENT (Continued)

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

	GROUP		SABS	
	2016 %	2015 %	2016 %	2015 %
South Africa	93.0	92.0	100.0	99.0
Other	7.0	8.0	-	1.0
Total	100.0	100.0	100.0	100.0

28.5 Equity price risk

The SABS investments are invested in accordance with 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. FINANCIAL RISK MANAGEMENT (Continued)

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:

GROUP

Financial assets

Trade and other receivables
Available-for-sale investments
Cash and short-term deposits

Carrying amount		Estimated fair value	
2016	2015	2016	2015
R'000	R'000	R'000	R'000
139,310	137,194	139,310	137,194
407,244	395,898	407,244	395,898
162,775	200,107	162,775	200,107
709,329	733,199	709,329	733,199

Financial liabilities

Trade and other payables

131,458	121,069	131,458	121,069
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28. FINANCIAL RISK MANAGEMENT (Continued)

28.6 Fair value of financial instruments (Continued)

SABS

Financial assets

Trade and other receivables
Available-for-sale investments
Cash and short-term deposits

	Carrying amount		Estimated fair value	
	2016 R'000	2015 R'000	2016 R'000	2015 R'000
Trade and other receivables	20,293	21,171	20,293	21,171
Available-for-sale investments	407,244	395,898	407,244	395,898
Cash and short-term deposits	162,698	200,024	162,698	200,024
	590,235	617,093	590,235	617,093

Financial liabilities

Trade and other payables

	58,173	54,705	58,173	54,705
--	---------------	--------	---------------	--------

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

Financial instruments not traded in an active market

As at 31 March 2016 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.





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28. FINANCIAL RISK MANAGEMENT (Continued)

28.6 Fair value of financial instruments (Continued)

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, and

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





28. FINANCIAL RISK MANAGEMENT (Continued)

28.6 Fair value of financial instruments (Continued)

As at 31 March 2016, the Group held the following financial instruments measured at fair value:

GROUP 2016	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total R'000
Available-for-sale financial assets - Equities and bonds	407,244	-	-	407,244
2015				
Available-for-sale financial assets - Equities and bonds	395,898	-	-	395,898
SABS 2016				
Available-for-sale financial assets - Equities and bonds	407,244	-	-	407,244
2015				
Available-for-sale financial assets - Equities and bonds	395,898	-	-	395,898

There were no transfers between level 1 and level 2 in the year ended 31 March 2016 (2015: None).





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28. FINANCIAL RISK MANAGEMENT (Continued)

28.7 Capital management

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

	GROUP		SABS	
	2016 R'000	2015 R'000	2016 R'000	2015 R'000
Trade and other payables	(131,458)	(121,069)	(58,173)	(54,705)
Cash and cash equivalents	162,775	200,107	162,698	200,024
	31,317	79,038	104,525	145,319
Equity	594,133	615,639	534,107	539,869

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.

Principal related parties

Related party

SABS Commercial SOC Ltd

GCS Namibia (Pty) Ltd

Country of incorporation

South Africa

Namibia

Nature of relationship

Subsidiary

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.

29.1 Loans receivable from related parties - SABS

SABS Commercial SOC Ltd

GCS Namibia (Pty) Ltd

Net loan receivable from group companies

SABS	
2016 R'000	2015 R'000
69,309	61,207
52	52
69,361	61,259
9,663	10,807

29.2 Other group transactions - income

Royalties receivable



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29. RELATED PARTY DISCLOSURE (Continued)

The following transactions were carried out with related parties:

29.3 Purchases from related parties

	2016				2015			
	GROUP		SABS		GROUP		SABS	
	Balance		Balance		Balance		Balance	
	Purchases	outstanding	Purchases	outstanding	Purchases	outstanding	Purchases	outstanding
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
National Regulator for Compulsory Specifications	-	-	-	-	-	7	-	-
National Metrology Institute of South Africa	15	-	15	-	38	2	38	-
South African National Accreditations System	(6)	10	-	-	(20)	1	-	-
	9	10	15	-	18	10	38	-





29. RELATED PARTY DISCLOSURE (Continued)

29.4 Sales to related parties

	Sales R'000	Impairment of debt R'000	Bad debt written-off R'000	Balance outstanding R'000		Sales R'000	Impairment of debt R'000	Bad debt written-off R'000	Balance outstanding R'000
GROUP									
National Metrology Institute of South Africa	66	-	-	22		36	-	-	14
National Regulator for Compulsory Specifications	12,468	-	-	2,650		11,576	-	35	4,860
South African National Accreditations System	168	-	-	16		288	-	-	27
Department of Trade and Industry	-	-	3	-		49	-	-	37
	12,702	-	3	2,688		11,949	-	35	4,938
SABS									
SABS Commercial SOC Ltd	60,111	-	-	-		96,192	-	-	-
National Metrology Institute of South Africa	35	-	-	7		11	-	-	4
National Regulator for Compulsory Specifications	8,530	-	-	763		7,881	-	-	4,254
South African National Accreditations system	159	-	-	16		261	-	-	27
Department of Trade and Industry	-	-	-	-		2	-	-	-
	68,835	-	-	786		104,347	-	-	4,285





29. RELATED PARTY DISCLOSURE (Continued)

29.5 Key management personnel compensation

The following emoluments were paid to the Board members for attendance of meetings and services beyond the attendance of meetings:

BOARD 2016

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 Mehloakulu (CEO)	-	2,724	1,021	180	-	3,925
--------------------	---	-------	-------	-----	---	-------

Non-executive

M J Ellman	191	-	-	-	-	191
W K Masvikwa	140	-	-	-	-	140
V K Klein	112	-	-	-	-	112
G P Harris	204	-	-	-	-	204
J Molobela	263	-	-	-	-	263
N Naraindath	119	-	-	-	-	119
D E Ndlovu	158	-	-	-	-	158
A Lotter	-	-	-	-	-	-
	1,187	2,724	1,021	180	-	5,112

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

2. Resigned 2 November 2015.



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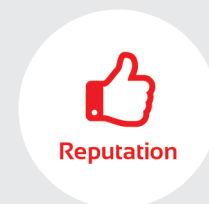


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29. RELATED PARTY DISCLOSURE (Continued)

29.5 Key management personnel compensation (Continued)

SABS	Committee fees R'000	Salary / directors' fees R'000	Bonus / performance payments R'000	Retirement and medical fund R'000	Other R'000	Total R'000
Executive						
B Mehlomakulu (CEO)	-	2,724	1,021	180	-	3,925
Non-executive						
M J Ellman	165	-	-	-	-	165
W K Masvikwa	114	-	-	-	-	114
V K Klein	99	-	-	-	-	99 ²
G P Harris	184	-	-	-	-	184
J Molobela	228	-	-	-	-	228
N Naraindath	99	-	-	-	-	99
D E Ndlovu	131	-	-	-	-	131
A Lotter	-	-	-	-	-	- ¹
	<u>1,020</u>	<u>2,724</u>	<u>1,021</u>	<u>180</u>	<u>-</u>	<u>4,945</u>

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

2. Resigned 2 November 2015.



29. RELATED PARTY DISCLOSURE (Continued)

29.5 Key management personnel compensation (Continued)

The following emoluments were paid to the Board members for attendance of meetings and services beyond the attendance of meetings (Continued):

2015	Committee fees	Salary / directors' fees	Bonus / performance payments	Retirement and medical fund	Other	Total
GROUP	R'000	R'000	R'000	R'000	R'000	R'000
Executive						
B Mehlomakulu (CEO)	-	2,381	806	145	-	3,332
Non-executive						
T Demana	-	-	-	-	-	- 1
C B Sibisi	49	-	-	-	-	49 2
W Poulton	48	-	-	-	-	48 2
B Mosako	70	-	-	-	-	70 2
M J Ellman	127	-	-	-	-	127
W K Masvikwa	122	-	-	-	-	122
V K Klein	111	-	-	-	-	111
G P Harris	156	-	-	-	-	156
J Molobela	128	-	-	-	-	128 3
N Naraindath	55	-	-	-	-	55 3
D E Ndlovu	72	-	-	-	-	72 3
A Lotter	-	-	-	-	-	- 4
	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.





29. RELATED PARTY DISCLOSURE (Continued)

29.5 Key management personnel compensation (Continued)

	Committee fees	Salary / directors' fees	Bonus / performance payments	Retirement and medical fund	Other	Total
	R'000	R'000	R'000	R'000	R'000	R'000
SABS						
Executive						
B Mehlomakulu (CEO)	-	2,381	806	145	-	3,332
Non-executive						
T Demana	-	-	-	-	-	- 1
C B Sibisi	41	-	-	-	-	41 2
W Poulton	36	-	-	-	-	36 2
B Mosako	58	-	-	-	-	58 2
M J Ellman	108	-	-	-	-	108
W K Masvikwa	97	-	-	-	-	97
V K Klein	99	-	-	-	-	99
G P Harris	122	-	-	-	-	122
J Molobela	110	-	-	-	-	110 3
N Naraindath	42	-	-	-	-	42 3
D E Ndlovu	59	-	-	-	-	59 3
A Lotter	-	-	-	-	-	- 4
	772	2,381	806	145	-	4,104



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29. RELATED PARTY DISCLOSURE (Continued)

29.5 Key management personnel compensation (Continued)

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.

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

2016

	Salary	Bonus/ performance payments	Retirement and medical fund	Other	Total
	R'000	R'000	R'000	R'000	R'000
Executive management					
SABS					
E E Lfteris (Interim CFO)	300	535	-	71	906 1
Z Moosa (Human Capital Development)	767	-	121	-	888 2
Dr S Bissoon (Standards)	1,483	449	205	-	2,137
I C Plaatjes (Corporate Services)	737	-	99	-	836 3
W de Witt (Company Secretary)	723	80	84	89	976 4
F Mithcell (Group Audit Manager)	902	-	148	-	1,050 5
J Gubeon (Human Capital Development)	1,100	-	-	317	1,417 6
M A Pyoos (Corporate Services)	824	218	10	2	1,054 7
B Mosako (CFO)	1,148	-	135	-	1,283 8
	7,984	1,282	802	479	10,547
Subsidiary					
F Makamo	1,782	580	282	97	2,741
K J Temba	1,553	474	206	-	2,233
	11,319	2,336	1,290	576	15,521





29. RELATED PARTY DISCLOSURE (Continued)

29.5 Key management personnel compensation (Continued)

1. Contract appointment 1 April 2015 - 31 July 2015.
2. Appointed 25 September 2015.
3. Appointed 1 January 2016.
4. Resigned 31 December 2015.

5. Appointed 1 July 2015.
6. Contract ended 31 January 2016.
7. Appointed 18 February - 18 August 2015.
8. Appointed 11 August 2015.

	Salary R'000	Bonus/ performance payments R'000	Retirement and medical fund R'000	Other R'000	Total R'000
2015					
Executive management					
SABS					
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	483	259	-	2,391
K J Temba	1,448	-	190	-	1,638
	9,661	2,086	1,135	270	13,152





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29. RELATED PARTY DISCLOSURE (Continued)

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.

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.

GROUP		SABS	
2016 R'000	2015 R'000	2016 R'000	2015 R'000
189,663	193,050	189,663	193,051
-	2,819	-	-
189,663	195,869	189,663	193,051
1,490	8,505	-	8,505

30. CONTINGENT LIABILITIES

¹ 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 and employee disputes.

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:

Interest incurred due to late payments to suppliers of R200 832.73. The amount is not recoverable.





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 2016 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 2016.

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 new Act, 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

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

Values

As the SABS transforms and moves towards a culture of high performance in delivering standardisation services, it is guided by the following 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 (**the dti**). Inspections and tests, which are carried out for the private sector, industry, national government, provincial and local authorities as well as the certification of products and systems, are funded on a commercial basis by fees charged for services rendered.

The Group made a net profit of R22,4 million (2015: R32,2 million) for the year ended March 2016. The financial review provides further details regarding financial performance.



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Government grants relating to income

The government grant recognised as income by the SABS for the financial year under review amounted to R189,7 million (2015: R193,1 million) which represents a decrease of 1,8%. The grant income recognised is R45 million lower than the amount originally allocated to the Group.

Strategic planning

The corporate and business plans which are developed by management in conjunction with the Board, are approved by the Board and the Executive Authority, and contains 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 we operate 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 our biggest challenges. Informed by this analysis, the SABS developed a five year growth plan 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;
- The promotion of design thinking 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, the SABS has decided to pursue the following strategic objectives:

- Increase the use of standardisation services by broadening the geographic footprint as well as the scope of services offered.
- Put the customer at the forefront of everything we do.
- Improve the operational performance of the SABS to enable delivery of quality outputs for customers and the South African economy.
- Retain and develop 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 nine of its objectives.

Employees

The SABS had 308 (2015: 354) permanent employees and 16 (2015: 26) contract workers as at 31 March 2016. The Group had 908 (2015: 946) permanent employees and 93 (2015: 71) contract workers as at 31 March 2016.

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.





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 85 to 163, which comprise the consolidated and separate statement of financial position as at 31 March 2016, the consolidated and separate income statement and statement of comprehensive income, statement of changes in equity, and statement of cash flows for the year then ended, 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 (Act No. 1 of 1999) (PFMA), the Standards Act (Act No 8 of 2008) and the Companies Act of South Africa, 2008 (Act No. 71 of 2008) 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.

SOUTH AFRICAN BUREAU OF STANDARDS

Report of the auditor-general to parliament on the South African Bureau of Standards

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated and separate financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated and separate financial statements.

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

Opinion

6. In my opinion, the consolidated and separate financial statements present fairly, in all material respects, the financial position of the South African Bureau of Standards and its subsidiaries as at 31 March 2016 and its financial performance and cash flows for the year then ended, in accordance with SA GMP and the requirements of the PFMA, Standards Act and the Companies Act of South Africa.

Additional matter

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



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Unaudited supplementary schedules

8. The supplementary information set out on pages 80 to 84 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 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 2016:

- 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 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).

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

13. I did not raise any material findings on the usefulness and reliability of the reported performance information for the following selected objectives:

- 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.

Additional matter

14. 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:





Internal control

17. 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.

Pretoria
29 July 2016

Auditor-General



Achievement of planned targets

15. Refer to the annual performance report on pages 35 to 37 for information on the achievement of the planned targets for the year.

Compliance with legislation

16. 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.



List of abbreviations



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AFSEC	African Electro-technical Standardisation Committee
ARSO	African Regional Standards Organisation
BBBEE	Broad-Based Black Economic Empowerment
BCM	Business Continuity Management
CPA	Consumer Protection Act
DRP	Disaster Recovery Plan
DST	Department of Science and Technology
ECSA	Engineering Council of Southern Africa
EE	Employment Equity
EME	Exempted Micro-enterprise
EVP	Employee Value Proposition
EWP	Employee Wellness Programme
GRI	Global Reporting Initiative
HR	Human Resources
ICAS	Independent Counselling and Advisory Services
ICT	Information Communication Technology
IEC	International Electro-technical Commission
IFRS	International Financial Reporting Standards
IPAP	Industrial Policy Action Plan
ISO	International Organisation for Standardisation
King III	King Report on Governance for South Africa and the King Code of Governance Principles LCV local content verification
LIMS	Laboratory Information Management System
LTIFR	Lost Time Injury Incident Frequency Rate
MDWT	Mission Directed Work Team
MIIFR	Minor Injury Incident Frequency Rate

NDP	National Development Plan
NEHAWU	National Education, Health and Allied Workers' Union
NGP	New Growth Path
NIPF	National Industry Policy Framework
NRCS	National Regulator for Compulsory Specifications
NSI	National System of Innovation
PFMA	Public Finance Management Act
PRP	Prerequisite Programme
QSE	Qualifying Small Enterprise
RvA	Raad voor Accreditatie
SA GAAP	South African Statements of Generally Accepted Accounting
SABS	South African Bureau of Standards
SADCSTAN	Southern Africa Development Community Co-operation on
SANAS	South African National Accreditation System
SANS	South African National Standards
Seda	Small Enterprise Development Agency
SIP	Strategic Infrastructure Programmes
SMC	Standards Management Committee
SMME	Small, Medium and Micro Enterprise(s)
SOC	State Owned Company
SQAM	Standards, Quality, Accreditation and Metrology
the dti	The Department of Trade and Industry
TIA	Technology Innovation Agency
TLIU	Technology Localisation Implementation Unit



