SABS

INTEGRATED ANNUAL REPORT 2011/12

GIVING YOU THE QUALITY EDGE

In the past few years, significant changes in global trade flows have enhanced the role of quality and standards in economic development. These global trade flows have resulted in subdued demand for South African exports to traditional trading partners, including the European Union and the United States of America. This creates the opportunity for South Africa to shift its focus to emerging economies while maintaining its drive towards improving trade within the African continent. This is achieved by developing relevant standards that promote access to markets, while protecting local industry from low quality, cheap imports, The South African Bureau of Standards (SABS) supports government's Industrial Policy Action Plan (IPAP), which promotes the localisation of production and addresses the current economic trends.

The SABS provides the platform for quality services and products which is the key differentiator in an increasingly competitive environment. The SABS strategic objective contributes to the efficient functioning of the economy by:

- Developing standards to advance the socio-economic well-being of South Africa in the global economy
- Delivering relevant conformity assessment services that facilitate access to markets for South African industry, thereby improving its competitiveness in the global trade environment.

The SABS, with its rich history in standardisation, will continue to play a significant role in ensuring that industry is kept abreast of the pace of the dramatic transition of the world economy through standards development and quality assurance services, thereby providing industry with the quality edge.

MANDATE

The SABS is the national standardisation institution in South Africa, mandated by the Standards Act, No. 8 of 2008, to:

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

VISION

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

MISSION

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

CORE VALUES

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

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

Contents

Minister's Foreword

"**The dti** has tasked the SABS with developing standards which enable the up-scaling of key industries, while also contributing to a broader social spectrum and environmental sustainability."

As the Department of Trade and Industry (the dti) continues to build on its industrial development efforts, with the Industrial Policy Action Plan (IPAP) at its core, it is important to reflect on the achievements to date on the IPAP2: 2011/12 – 2013/14.

IPAP is making strides towards expanding production in value-added sectors. The key focus areas of the dti, as reflected in IPAP, place strong emphasis on building a green, sustainable economy by not only supporting major domestic and export industries, but also small, medium and micro-enterprises (SMMEs).

The dti has tasked the SABS with developing standards which enable the up-scaling of key industries, while also contributing to a broader social spectrum and environmental sustainability, all of which are aligned with the IPAP goals. I am pleased to note that, during this financial year, the SABS has published 32 of the required 35 standards in this regard, and achieved 12 of the 14 milestones set out in its IPAP Plan.

As one of the IPAP Technical Infrastructure institutions, the SABS is expected to play an active role in addressing water and energy efficiency imperatives at both household and industrial level. At present, government is in the process of finalising the tax incentive to companies that effectively initiate energy saving projects, based on a new standard published by the SABS, *SANS 50010:2011 Measurement and verification of energy savings*. By publishing standards such as this one, the SABS is contributing to the sustainability of these businesses as well as to the creation of a greener economy in the country.

In support of its focus on the environment, the SABS, with the assistance of the dti, launched its new, state-of-the-art laboratories in October 2011. These laboratories were constructed to achieve a Green Star rating from the South African Green Building Council. The nine laboratories were custom-designed in order to streamline workflow processes and efficiency. The dti allocated R234.5 million to build these laboratories to demonstrate its strong support of the SABS in making South African industry more globally competitive. I look forward to seeing returns on this investment in the next financial year.

SMMEs play a pivotal role in the South African economy and are one of the core focus areas of the dti. I am pleased to note that during this financial year, the SABS established an SMME Department that solely concentrates on serving local businesses, specifically in rural areas. By providing these businesses with access to the SABS testing facilities and developing standards that will protect their interests, the SABS is lending significant support to this growing sector of the economy.

In order to remain competitive, the SABS will have to maintain a pool of competent staff in unique skills areas. It is satisfying to see that various programmes, including a talent audit and preparations towards succession planning for critical positions, have commenced.

The fact that the SABS is making strides in its renewal process leaves me confident that its Board and Executive Committee are dedicated to supporting South African industry and thereby improving global competitiveness which, in turn, will lead to economic and social sustainability for the nation.

Dr Rob Davies (MP)
Minister of Trade and Industry

Chairperson's Foreword

"During this financial year, the SABS continued to actively support IPAP2 as a key driver of industrial development in South Africa"

A year ago, I reported that the SABS was embarking on a new strategy to strengthen our capability to meet our mandate and the challenges we were facing. The pillars of this strategy were growth; customer-centricity; productivity and efficiency; and competent and empowered employees. This strategy was crafted against the backdrop of improving global and South African economies that have since failed to materialise and were instead succeeded by greater uncertainties caused by increasing sovereign debt in the Euro-zone, as well as downgrading of the Chinese economy.

The above challenges in Europe and China will have an impact on developing economies, particularly that of South Africa. Europe remains the biggest export market for South African goods, and the continued strain on Euro-zone economies will result in reduced exports to these markets, slowing down the local economy. The downgrading of the Chinese economy and lower domestic demand will further exacerbate the pressure on developing economies in the short to medium term due to a potential oversupply of Chinese manufactured goods in world markets.

Against this economic background, I present this review of the SABS's performance during the 2011/12 financial year, a year in which our new strategy laid a good foundation to face these challenges.

During this financial year, the SABS continued to actively support Industrial Policy Action Plan 2 (IPAP2) as a key driver of industrial development in South Africa. This was achieved through the development of South African National Standards (SANS) that support key industries emphasised by IPAP2. To ensure that we achieve this important task, we re-organised the Standards division, to create the requisite capacity and competencies.

Our Board, which comprises a majority of non-executive directors, is committed to good corporate governance. The Board is supported by formal Audit and Finance, Human Resources (HR) and Remuneration, Investment and Business Risk committees.

During the year the Board underwent an appraisal by the Institute of Directors SA to assess the effectiveness of the Board and its members. The appraisal assisted in compiling the Board's action plan on performance improvement. In addition to its Board meetings, the Board held its annual Board Lekgotla to discuss various strategic imperatives for the Organisation. During the Lekgotla a drive was initiated to modernise the Information Technology infrastructure to support testing technology in our laboratories.

Through our Risk Committee, the Board was able to establish a governance framework for identifying and managing risks faced by the Organisation and which has been cascaded down throughout the SABS.

In the year ahead, we will continue to implement and monitor our strategy against the backdrop of an uncertain economic climate. Our focus will remain on the market relevance and economic impact of the SABS, in order to sustainably grow its business and support the South African economy. We will also advance the current initiatives to improve our operational efficiencies to meet customers' needs and increase market confidence.

I would like to thank our stakeholders and customers for their on-going support. On behalf of the Board, I would also like to extend my sincere appreciation to the dti for their continued support of the operations of the SABS,

Lastly, to my fellow Board members, the Chief Executive Officer (CEO), Dr Boni Mehlomakulu, and the executive team, I thank you for your continuous hard work in building a stronger, more relevant organisation. I believe that the new strategy will reinforce the SABS Mark as the recognised symbol of quality and trust in South Africa.

Mr Bahle Sibisi
Chairperson

CEO's Report

"Our five-year strategy centres on our renewed commitment to serving our customers, who are the reason we exist."

Global business and political leadership agree that we have passed the nexus where natural resources meet the needs of the growing population. The fact that global economic health and growth continue to be based on consumption exacerbates the problem. Sustainability has assumed new prominence with business and political leadership; positioning companies and countries to face the evident resource constraints. It is clear that a prosperous future for companies depends on innovative new products and business models that achieve transformative efficiency and create new market opportunities. The economic contagion affecting parts of Europe shows little sign of abating, and has a knock-on effect by slowing down the South African economy, as the European Union is one of its principal export regions. Against this background, I am pleased to report that we have made positive strides in the implementation of our five-year strategy in support of socio-economic growth in South Africa.

The 2011/12 financial year saw many firsts for the South African Bureau of Standards as we began in earnest with the implementation of our five-year plan to position our Organisation for a prosperous and sustainable future. For the first time in the celebrated 67-year history of the SABS, the President of South Africa graced our campus and launched the state-of-the-art laboratory complex covering 13 608 square meters, housing nine laboratories and designed to achieve a Green Star rating. In his speech, the President called for standards to play a bigger role in neglected sectors of the economy such as traditional medicine which is used by up to 70% of the population for primary health.

The SABS signed landmark agreements with Massmart, the Department of Communications and the Technology Innovation Agency (TIA), which provided the SABS with a healthy pipeline for conformity assessment services. This is testament that strategies to improve internal business processes to better serve customers are beginning to bear fruit.

We continued to implement the Balanced Scorecard principles at an operational level, focusing on the roadmap for growth that requires that we:

- Drive change for improvement throughout the Organisation
- Build a strong leadership team
- Create a high performance environment
- Put our valued customers at the core of our operations.

We took bold steps to review our capacity to produce value-added standards and completed the recruitment processes to fulfil our skills base requirements.

PERFORMANCE OVERVIEW

STANDARDS DEVELOPMENT

Annual standards sales increased to R19.3 million (2011: R16.7 million). The improvement in performance was accomplished despite interruptions to operations due to change in leadership and reorganisation in the division during the year. A total of 522 standards were developed during the year against a target of 700. The lower overall number resulted from a deliberate focus on home-grown standards and ensuring that new standard work items could be justified in terms of socio-economic benefits for South Africa. In this regard, the target of 135 home-grown standards was exceeded by 124.

SABS COMMERCIAL SOC LTD

SABS Commercial SOC Ltd continued to face challenges in increasing its revenue and profitability. These challenges mostly originated as a result of internal operational gaps. I believe that committed operational improvement projects currently being implemented, such as the Laboratory Information Management Systems (LIMS) and the Mission Directed Work Teams (MDWT) Programme, will play a significant role in countering these challenges.

Revenue from commercial operations grew by 1.0% to R382.2 million (2011: R377.8 million). Attracting new business will be a key focus area for the laboratories in the new year. Certification and Training services, on the other hand, grew by 12% and 59% respectively, due largely to the successful implementation of an accreditation improvement project. Operating profit before taxation exceeded budget (R17.7 million versus R9 million). In line with the strategic objective of reinvesting in the infrastructure, instrumentation and overall capabilities of the Organisation, total expenses for the year amounted to R576.3 million, an 8.9% increase over the previous year.

A number of significant capital investments were made during the year. The new state-of-the-art laboratory complex was completed and is being brought into use in phases. Construction of the new visitors pavilion was completed, providing a modern, seamless interface for visitors to the SABS. New and replacement equipment was procured to upgrade testing capacity in line with the growth strategy and the solar and emissions testing facilities were upgraded to support the implementation of the IPAP Plan.

A clear demonstration of renewed business prospects was the signing of long-term contracts with major private and government partners. The strong pipeline is a clear indication that the new strategy is bearing fruit in terms of business growth and rebuilding confidence in the market.

DESIGN INSTITUTE

The SABS Design Institute is an integral component of the broader standardisation value-chain. Design is an essential aspect of developing technical specifications and standards in commercial production. It is also a dynamic force that inspires a break from the norm toward innovative solutions that thrust individuals and enterprises above their competitors.

A number of emerging economies in Asia have demonstrated the value which design capabilities can play in building new industries and finding new solutions to socio-economic challenges. The SABS initiated a process with stakeholders in the design fraternity to broaden the impact of design. Focussed benchmarking sessions, wide-ranging research and numerous stakeholder consultations, culminated in the development of a new strategic framework to pursue transformational national design capability. The strategy is premised on leveraging public-private partnerships to demonstrate the role of design in achieving socio-economic objectives.

During the set-up phase of the new strategic framework, a number of projects were initiated and will be developed further during 2012/13.

The Design Institute, informed by national policies on re-industrialisation and innovation-led growth, is shifting the emphasis of its functions towards the deployment of design as an instrument for competitiveness, productivity and sustainable solutions.

OPERATIONAL EXCELLENCE AND SUSTAINABILITY

During this financial year, we developed a new, enabling information and communications technology (ICT) strategy that provides a platform for automation and tracking of services for customers at all levels. Our participation in the 17th United Nations Conference of the Parties on Climate Change (COP17) in December 2011 has challenged us to improve our sustainability and performance reporting. The year ahead will bring focus, resource management and reporting in this area. As the Organisation that publishes energy efficiency and energy management related standards, we recognise that we have an exemplary role to play in the implementation of these standards.

Safety in the work environment is one of our concerns, and I am pleased to report that the Group's lost time to injury frequency rate is 0.42 employees per 200 000 hours, which remains well below the industry and market benchmark of 1.0.

Although the SABS made progress during the review period, we must acknowledge where we have not met our expectations or those of others through some regrettable incidents. I wish to reiterate that the responsibility placed on us by the Standards Act requires the highest ethical conduct, and any contravention of this responsibility is condemned by the SABS in the strongest possible terms. The SABS has implemented a Fraud Prevention, Response and Contingency Policy to guide the combating of fraud and corruption across all levels of the Organisation. We see it as our duty to swiftly and effectively deal with cases of fraud and corruption to limit reputational risk to the Organisation and its brand.

CUSTOMER-CENTRICITY AND STAKEHOLDER ENGAGEMENT

The financial year brought with it what has come to be known as the "Arab Spring", fuelled by social media. The social media revolution continues to break down barriers and provide access to information, making "genuine transparency" the new political and corporate reality. Unhappy customers have a new unhindered platform to voice their dissatisfaction. Our five-year strategy centres on our renewed commitment to satisfying our customers' needs, as they are the reason we exist. In this regard, we are in the final stages of implementing the Customer Relations Management Platform. We have put in place stakeholder engagement platforms for various industry associations to ensure that we address customer complaints effectively.

EMPOWERED EMPLOYEES

During the year under review, we continued to invest in our most valued assets, our employees. We have built a strong leadership team and continue to implement various talent management programmes to address gaps in management capabilities. In our drive to continuously build and maintain a competent and relevant talent pool, we revised our competency development programmes and completed the first phase of our talent audit.

We have taken bold steps in empowering and educating people. The SABS gave 12 young interns from the National Research Foundation the opportunity to join the Group in order to create a pipeline of much needed technical skills.

Furthermore, we launched an education programme with the Da Vinci Institute where candidates could apply for studies at Certificate, Masters or PhD level.

LOOKING AHEAD

The ability of our Organisation to meet its long-term service commitments will determine whether we regain our place under the sun and have our star shine brighter than ever or fade into obscurity. We are finalising the implementation of various programmes to streamline our operations, and with that solid platform we are confident of prosperity and growth.

The lower than expected revenue from our commercial operations indicates that we still face major challenges, however, the securing of a strong pipeline of conformity assessments is a strong indication that we have turned the corner. We will continually review our programmes in line with our five-year strategy to better reflect what is important to you, our customers and stakeholders. We are committed to working better together, as it is only with your input that we can consistently deliver excellent service.

ACKNOWLEDGEMENTS

I would like to thank the Board and our supportive and active shareholder, the dti, for their constructive engagement and guidance. In closing I would like to extend my sincere appreciation to the Executive Committee and all dedicated SABS employees for their hard work that has unquestionably set us on the path to sustainable growth.

Dr Boni Mehlomakulu
Chief Executive Officer

SABS Board Members

Mr CB Sibisi
Chairperson
Managing Director, Sangena Investment (Pty) Ltd
BSoc. Sc, MA (Development and Economics)

Dr B Mehlomakulu
Chief Executive Officer
PhD Chemical Engineering

Dr T Demana
Chief Director: Enterprise and Industry Development Division, Department of Trade and Industry
PhD Analytical Chemistry

Ms W Poulton
General Manager: Corporate Sustainability and Innovation, Eskom
MSc Microbiology

Ms B Mosako
Executive Director: Finance and Investment, Triumph Venture Capital
CA (SA)

Mr WK Masvikwa
Director, KTN Property Management
CA (SA), MBL, AMCT (UK)

Dr MJ Ellman
Self-employed
PhD Chemical Engineering, MBA

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

SABS Executive Committee

Dr B Mehlomakulu
Chief Executive Officer
PhD Chemical Engineering

Ms E Lefteris
Chief Financial Officer
CA (SA)

Dr S Bissoon
Executive: Standards
D Tech Biotechnology

Mr S Ratlabala
Executive: SABS Commercial SOC Ltd
MSc Biotechnology

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


GIBS

About the Integrated Report

This integrated report seeks to reflect the fact that the SABS operates in an integrated and sustainable manner, and the King Report on Corporate Governance for South Africa 2009 (King III) was used as a benchmark in its compilation. Reference is made to King III throughout the report to demonstrate the integrated application of the King III principles.

The annual financial statements have been prepared in accordance with the Statements of South African Generally Accepted Accounting Practice (GAAP), the Companies Act, No. 71 of 2008 as amended, and the Public Finance Management Act (PFMA), No. 1 of 1999.

SCOPE OF THE REPORT

The report covers the SABS' operations for the financial year ended 31 March 2012.

The SABS is a statutory body, established in terms of the Standards Act, No. 24 of 1945, and operates in terms of the amendment to this Act, Standards Act, No. 8 of 2008. The Act designates the Minister of Trade and Industry as the executive authority who appoints the SABS Board and Chairperson of the Board.

The SABS also wholly owns a commercial entity, SABS Commercial SOC Ltd, which performs conformity assessments (testing and certification) and training functions. SABS Commercial SOC Ltd operates under the Companies Act, No. 71 of 2008, and is governed by the SABS Board.

ASSURANCE STATEMENT

The Audit and Finance Committee has evaluated the consolidated annual financial statements for the year ended 31 March 2012 and concluded that these comply in all material respects with the requirements of GAAP, which is in all material respects consistent with the International Financial Reporting Standards (IFRS). The committee has reviewed the Auditor-General's management letter and management's response thereto, as well as significant adjustments resulting from the audit, and recommended the approval of the annual financial statements to the Board.

DIRECTOR'S RESPONSIBILITY

The Board acknowledges its responsibility to ensure the integrity of the 2011/12 integrated report. The Board believes that the report addresses all material issues, and presents fairly the integrated performance and impact of the SABS. The Board approved that the Business Risk Committee incorporates the functions of a Social and Ethics Committee to its current Terms of Reference. These will include the monitoring of the Group's activities with regard to social and economic development, corporate citizenship and consumer relationships.


TOILET
SABS

Highlights

OPERATIONAL HIGHLIGHTS

- Developed 522 standards for the year of which 50% were adopted.
- Exceeded the target of 135 home-grown standards and private specifications by 124 to produce a total of 259 standards.
- Developed 32 out of the 35 standards, as required in terms of the Industrial Policy Action Plan (IPAP), aimed at the up-scaling of key industries and contributing to environmental and social sustainability. The remaining three are highly contested and are currently following a process outside the control of the SABS.
- Exceeded expectations by referencing 943 standards in legislation against a target of 700.
- Increased certification revenue by 12%, boosted by strong demand for product certification.
- Increased training revenue by 59%.
- Exceeded the target for number of conformity certificates awarded (11 178) by 8.6% to 12 135 units.
- Launched new, state-of-the-art laboratories in October 2011.
- Attained South African National Accreditation System (SANAS) accreditation for the Richards Bay Laboratory.
- Incorporated a new, embedded security feature on all new certificates, permits and paper on which test reports are printed.
- Achieved a customer satisfaction level of 76% on delivery times and quality of outputs against a target of 70%.
- Completed an organisation-wide talent audit in the last quarter of 2011/12. The programme identified the Organisation's core and critical skills and positions, as well as a talent pool for retention purposes.

FINANCIAL HIGHLIGHTS

	31 MARCH 2012 R'MILLION	31 MARCH 2011 R'MILLION	CHANGE %
Revenue from continuing operations	401.5	394.5	2
Parliamentary core funding	159.2	156.8	2
Revenue % to total income	67.6%	68.2%	-0.6
Secured pipeline of contracts	145.0		
Total income	594.0	578.2	3
Total operating cost	576.9	529.3	9
Profit	34.9	54.5	-36
Revenue from Certification	215.7	192	12
Revenue from Training	13.5	8.5	59


SABS

Operational Overview

The SABS has two distinctive operating divisions, namely Standards and SABS Commercial SOC Ltd. The Standards division develops, promotes and maintains national standards, while SABS Commercial SOC Ltd is a wholly-owned subsidiary that offers testing and certification services to a wide range of economic sectors.

STANDARDS

SABS Standards is responsible for the development, maintenance and promotion of South African National Standards (SANS) and related normative publications that serve the standardisation needs of the South African economy. These form the basis of conformity assessment services offered by SABS Commercial SOC Ltd which includes certification, testing and training services.

PROFILE

INDUSTRY SECTORS SERVED
Engineering and built environment
Natural sciences
Electro-technical
Systems and services

Standards form the basis of quality and are key to creating global confidence. They incorporate all aspects that impact on the quality of a service or product. These include, but are not limited to, the specifications that describe acceptable levels of performance, standard test methods to assess those parameters and quality management system standards to assist organisations in delivering products and services of acceptable quality.

Standards underpin the foundation of sound technical infrastructure and are vital to supporting the competitiveness and growth of South African industries through the delivery of quality solutions, thereby driving sustainable development. Sustainable development is now, more than ever, a major global concern, and the Standards division continues to deliver prioritised standards that are relevant and contribute to the three pillars of sustainable development – environmental, economic and social development.

In addition, the Standards division is committed to delivering on government policies such as IPAP2, with the fundamental objective of developing standards that can create, up-scale and resuscitate certain industries, while simultaneously contributing to broader social benefits. In line with these priorities, the Standards division conducted a detailed study in 2010 to benchmark itself against other national standards bodies. The study resulted in the division reassessing its business model and developing a new five-year strategy, implemented through a reorganisation process in 2011 that will enable the SABS to play a fundamental role in providing South African standardisation solutions that have a socio-economic impact.

In order to achieve the goals set out in its five-year strategy, the Standards division identified five key objectives, namely:

1. Developing and maintaining relevant national standards that support the competitiveness of South African industries and facilitate the protection of health, safety and the environment. This will be achieved by communicating a clear message of the value-add of standards in order to address the priorities of government, regulators, businesses, consumers and other stakeholders
2. Maintaining a transparent, efficient and impartial standard development process that promotes wider participation and consensus by all industry sectors in the development of national standards to ensure national relevance and contribute to the sustainable development of South Africa
3. Acquiring, developing and retaining skilled staff by introducing sector specialists and strengthening the expertise within its technical committees. By broadening its pool of experts, the SABS will improve the sustainability of its technical committees
4. Expanding the understanding, recognition and use of SANS. This will be done by communicating the value of the standards portfolio to end-users through customised product offerings. The SABS will also partner with its wide stakeholder base in order to promote the value of SANS as tools in the effective implementation of public policies and sound governance
5. Maintaining and increasing the influence and role of the SABS in the regional and international standardisation arena by promoting South Africa's views and interests in standards development.

In line with its strategy, the Standards division completed its reorganisation process in the last quarter of 2011/12. This process incorporated the initiation of projects related to the Standards modernisation strategy, some of which include the scoping of the e-Committee Project, development of open plan offices and upgrading of specific Information and Communication Technology (ICT) tools to provide efficient service delivery to its stakeholders.

ACHIEVEMENTS

Standard Sales

Annual standards sales revenue increased by 15% from R16.7 million in 2010/11 to R19.3 million for the year under review. Although the targeted budget of R23.1 million was not achieved, the development of the market segmentation strategy for standards sales has set a platform for proactive sales engagement. The strategy is underpinned by the review of the division's intellectual property commitment to international standards bodies, including the International Organization for Standardization (ISO) and the International Electrotechnical Commission (IEC), and the revision of the pricing strategy. In the new financial year a market segment based approach to standards sales will be implemented to achieve the 2012/13 revenue budget.

Standards Published

The division published a total of 522 new standards against the target of 700. The target was not achieved due to a strategic focus on publishing home-grown standards and delivering on IPAP2 commitments. The SABS did, however, exceed its target for home-grown standards by publishing 259 standards compared to the targeted 135. Through a focussed publication drive, the Standards division aims to maintain this momentum in order to clear other legacy standard development projects from the current programme of work.

The average number of days to publish standards was 407 days compared to 302 days in 2010/11. This increase can be attributed to 14 contentious standards that have been under development for more than four years (i.e. 1 460 days each), nine of which took longer than 3 000 days to produce. This phenomenon is expected to improve in the next financial year.

Among the total of 522 standards published in 2011/12, the following are highlighted due to their importance and impact on industry in general and ultimately on consumers, and their overall support for government's IPAP initiative:

- SANS 1197 *Tourism service excellence:* This document introduces generic standards and practices for planning, developing, implementing, maintaining, improving and recognising service excellence in the sub-sectors and organisations that constitute the tourism value chain. The implementation and application of service standards will position tourism as a service-driven industry and South Africa as a globally competitive service economy.
- SANS 8559 *Garment construction and anthropometric surveys – Body dimensions:* This standard defines the standard method of measuring people for the preparation of garment patterns and garment construction. It covers horizontal (including girth), vertical and other measurements. The document is of importance to the SMME clothing industry because it describes very basic methods of measurement using tape measures and tape rulers, thereby excluding the need for expensive measurement apparatus.
- SANS 10254 (Edition 4) *The installation, maintenance, replacement and repair of fixed electric storage water heating systems:* This standard is one of the key IPAP milestones. It covers requirements for the safe installation of new and replacement fixed electric storage water heaters, complete with all the relevant and applicable safety and hydraulic control units. It also covers the maintenance and repair (excluding repair to the water heater body) of the storage water heating system. It applies to all water heaters that fall within the scope of SANS 151 *Fixed electric storage water heaters*, including the storage tanks of solar water heaters that fall within the scope of SANS 307 *Domestic storage solar water heating system* and the storage tanks for heat pump systems.
- SANS 14066/ISO 14066 *Greenhouse gases – competence requirements for greenhouse gas validation teams and verification teams:* This document forms part of the ISO toolbox of standards intended to assist organisations to

During the week of 27 - 29 February 2012 the SABS, in conjunction with the ISO, hosted the ISO/SABS Regional Workshop for CEOs of African National Standards Bodies (NSBs)

Dr Boni Mehlomakulu and Minister Martinus van Schalkwyk at the SANS 1162 launch event held in Knysna

undertake validation of their own GHG emissions and to assist certification bodies to verify GHG emissions.

- South African Technical Standards (SATS) 1286: 2011 *Local goods, services and works – measurement and verification of local content:* This technical specification supports interventions set out in IPAP2 to support designated sectors through the procurement of domestically manufactured products. The standard will be used directly to support the implementation of revised Preferential Procurement Regulations which came into effect on 7 December 2011, and the attendant new emphasis on enterprise development in the Broad-Based Black Economic Empowerment (BBBEE) scorecard, which promotes Small, Medium and Micro Enterprises (SMMEs) and job creation.
- SANS 50010:2011 *Measurement and verification of energy savings:* The standard includes all inputs from comments received on SATS 50010 and is therefore a rigorous document that can be used in the implementation of SANS 50001 to measure and verify energy savings. This standard was developed at the request of the dti to assist industry to report on their energy savings in order to qualify for the tax rebate system. The SABS has put forward this national standard to be considered for adoption as an international standard.
- SANS 204:2011 *Energy efficiency in buildings:* The main objective of the standard is to reduce operational energy usage in new buildings, without reducing comfort. It will result in lower energy intensive buildings. This standard forms an important link in the management of energy efficiency in buildings with SANS 10400-XA and the associated National Building Regulation.

Standards are ubiquitous in today's world, defining much of the way people, products and processes interact with each other and the environment. South Africa relies on the National Quality Systems to remain competitive in the global economy, and the role of SABS Standards will continue to evolve as the global economic climate continues to evolve. Quality service and speedy delivery, together with proactive stakeholder engagement, will create a foundation for holistic and practical solutions and will allow the division to contribute to socio-economic sustainability.

SABS DESIGN INSTITUTE

The academic community is a valuable stakeholder in the development of standards. If newly trained professionals entering various careers are exposed to the benefits of standards, they will become users and drivers of the standards programme in future. It has become apparent that the SABS needs to engage more effectively with the academic and innovation community. Currently, one of the biggest problems that the SABS faces is that many of the young people are simply not aware of the SABS standards, their benefits, or the possible application of standards in their respective fields of interest. For this reason, the SABS has developed an Academic Strategy to be implemented in 2012/13 that will seek to achieve the following objectives:

- Providing undergraduate training material that is recognised as relevant to standardisation and to the degree being served.

- Improving understanding of the economic relevance of standards among the academic community.
- Increasing the use of standards by students.
- Incorporating new technologies and technological innovation into the current standards programme.
- Improving the participation of academics on current standards committees.

After 40 years of promoting design, the SABS reviewed the strategic purpose, role and approach of the SABS Design Institute. The purpose of the review was to position the institute to play a central role in the national design capability model and as the primary facilitator and national voice of South African design and designers.

A comprehensive Design Capability Model, which is aligned to international best practice to balance design supply, demand, deployment and promotion, forms the basis of the strategy.

The focus of the new strategy will be on linking and deploying South African design talent and capability through effective partnerships. These initiatives will provide valuable impetus to industrial innovation, competitiveness, job creation and sustainable economic growth by advocating a user-centred, holistic design approach that solves real problems and realises opportunities to improve lives and livelihoods.

SABS COMMERCIAL SOC LTD

BACKGROUND

Conformity assessment is fundamental to the delivery of quality products and services. SABS Commercial SOC Ltd offers conformity testing and certification services to both local and international customers through five operating clusters namely Chemical, Materials and Bio; Engineering; Mining and Minerals; Certification and the SABS Training Academy.

The services offered include testing, inspection, certification and training against both national and international standards and specifications. In order to provide a level of assurance as to the competence of these services, SABS Commercial SOC Ltd is committed to accreditation and currently has laboratories and certification schemes which are accredited by the mandated national accreditation body, the South African National Accreditation System (SANAS). SANAS ensures international recognition of competence through a series of recognition agreements and multi-lateral arrangements to meet the objective of a product being "tested once and accepted everywhere".

During the year under review, the SABS voluntarily placed its management system certifications schemes (ISO 9001, ISO 14001, ISO 22000 and SANS 10330) under suspension in order to rectify several system deficiencies in terms of SANAS requirements. During this period, the SABS could not claim to be accredited and new certificates issued in the year could not carry SANAS accreditation. The SABS established a project team to deal with the deficiencies, and following re-assessment, the suspension was lifted. As a result, an improved accreditation management framework was established to ensure the continuous ISO 17021:2011 accreditation of the SABS Certification Management Systems.

SABS Commercial SOC Ltd is the custodian of the principal seal of quality in South Africa, the SABS Mark. The mark has a proud tradition in the local economy and through a combination of standards to set minimum acceptable quality levels; product testing to verify that these requirements are met; production inspection to provide assurance of the quality controls; and aftermarket sampling of the products, the mark provides consumers with assurance that products bearing the SABS Mark are indeed safe, quality products that are "fit for use".

PERFORMANCE OVERVIEW

The division commenced the review year on the back of having lost sizable contracts in the Mining and Minerals Cluster. Despite this, most of the key challenges in increasing revenue and profitability faced by SABS Commercial SOC Ltd continue to be internal. Although there are specific areas in the testing environment that have market-related challenges, these areas are in the minority. Due to these internal challenges, most of the strategic focus in the short to medium term will be on bringing the operations of the SABS to a level where customer requirements, in terms of speed of service, can be met.

Significant progress was made in the last quarter to empower the business to respond to these challenges, including the development of the Laboratory Information Management System (LIMS) and the introduction of the Mission Directed Work Teams (MDWT) Programme.

LIMS is being rolled out to all the SABS laboratories and is in the process of being implemented. The contract with the supplier was signed and the first phase, confirming the User Requirements Specification, has been completed. The aim is for LIMS to improve overall management of the laboratories and form a solid foundation for the automation of operations.

During the financial year under review, SABS Commercial SOC Ltd began implementation of the MDWT Programme, which commenced in the Testing Unit where the most acute internal productivity challenges are located. The programme is modelled on the concept of continuous improvement and is intended to improve quality, speed and cost. The programme will continue into the next reporting period and will be re-enforced by other internal improvement programmes such as LIMS.

One of the highlights of the year was the opening of the new laboratory building in the third quarter by President Jacob Zuma and the Minister of Trade and Industry. In his address, Dr Davies highlighted the challenges faced by South Africa regarding the import of technically inferior and dangerous goods that create unfair competition for local manufacturers of quality products. He sees the role of the SABS as key in keeping inferior goods out of the country, improving the quality of local products and enabling manufacturers to compete on the global market. The opening of the state-of-the-art laboratory facilities laid the foundation for the modernisation of the division to take up the challenge of supporting local manufacturing and advancing the economy of the country.

During the year, the division entered into a number of strategic agreements with key industry partners, the most significant of which was with Massmart. The three-year Quality Assurance Programme commenced with the hosting of the Massmart Supplier Summit in the fourth quarter. Technical details relating to implementation of the SABS Supplier Quality Audit with Massmart have been finalised, while the logistics planning of the audit of the first 500 suppliers is already in progress. The Massmart partnership presents great opportunities for the SABS Testing Unit through its initial focus on high risk products that the Massmart Group identified, as well as the subsequent annual subscriptions to the SANS. Processes to fulfil these opportunities are in advanced stages.

The SABS has signed a Memorandum of Understanding (MoU) with the Technology Innovation Agency (TIA) to facilitate access to standards, certification and testing services over the next three years for young innovators who have pre-qualified for funding under TIA's Youth Technology Innovation Fund. The services will cover a variety of sectors, including chemicals, electro-technical, food and health, biotechnology, mechanical and materials, mining and minerals, services, as well as transportation.

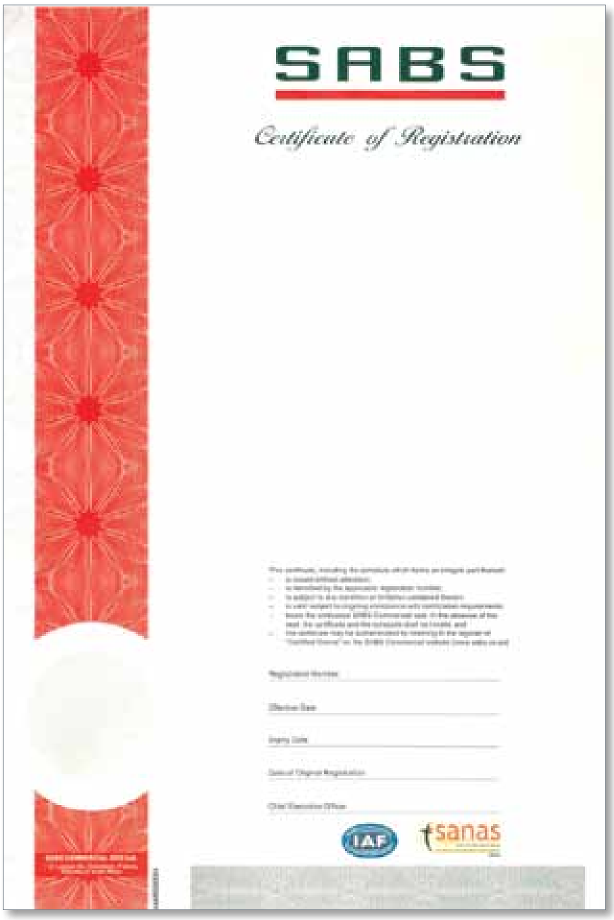
In its quest to be relevant to its stakeholders, SABS Commercial SOC Ltd entered into an agreement with the Eastern Cape Development Corporation (ECDC) to supply SABS services to SMMEs in the Eastern Cape. Since the signing of the agreement, the SABS has successfully undertaken pilot tests on blocks and honey and has provided process mapping and training on ISO 9001 for the corporation.

SABS Commercial SOC Ltd is in the process of fulfilling various newly-awarded commitments in the Certification Cluster, including contracts with the City of Tshwane Metropolitan Municipality and Transnet Port Terminals. The ground-breaking Tshwane Metropolitan Municipality contract gives SABS the opportunity to demonstrate the value that municipalities can derive from acquiring a quality management system such as ISO 9001. The expected impact of the project is that the municipality will be in a better position to deliver services. The success of this project will create a platform for the same concept to be rolled-out to other metropolitan municipalities.

TESTING

The Testing Unit has initiated various projects to address revenue shortfall, improve customer service and decrease turnaround times, including:

- Repositioning its Automotive Laboratories by upgrading them and preparing to offer new services such as battery testing for electric vehicles
- Growing the revenue of Mining and Minerals through new and current clients such as Eskom that have multiple sites and a wide range of testing requirements.



New SABS certificate with improved security features

CHEMICAL, MATERIALS AND BIO LABORATORIES

The Chemical, Material and Bio laboratories service a wide range of customers, the majority of whom require voluntary *ad hoc* testing.

INDUSTRIES SERVED
Health and safety
Petrochemicals
Industrial chemicals
Rubber and plastics
Pharmaceutical
Paints, sealants and coatings
Clothing, footwear and textiles
Pesticide formulations and residues
Food and beverages
Potable and sewage water
Medical devices

The laboratories' revenue for the year was R64.8 million compared to the budgeted R79.1 million, which is attributable to a reduced volume of work due to the negative impact of the prevailing economic climate.

A number of service projects are worth noting, including the provision of services to provincial tender boards, the National and Western Cape Departments of Health and the Ekurhuleni Metropolitan Municipality. The services offered by the Chemical, Materials and Bio laboratories assist these organisations in the evaluation of tender bids by conducting quality testing and surveillance monitoring of prospective bidders.

ENGINEERING LABORATORIES

The Engineering group of laboratories covers a wide scope of testing, ranging from electrical, electronics, civil, plumbing, lighting and mining safety, to automotive. The laboratories placed strong focus on energy efficiency and alternative energy projects, which resulted in an investment in the up-skilling of personnel and in capital equipment. This investment in skills was twofold in nature – one side being the acquisition of additional expertise, and the other the training of in-house test officers.

INDUSTRIES SERVED
Electrical engineering
Electronics and appliances
Civil engineering
Plumbing
Lighting
Mining safety
Automotive

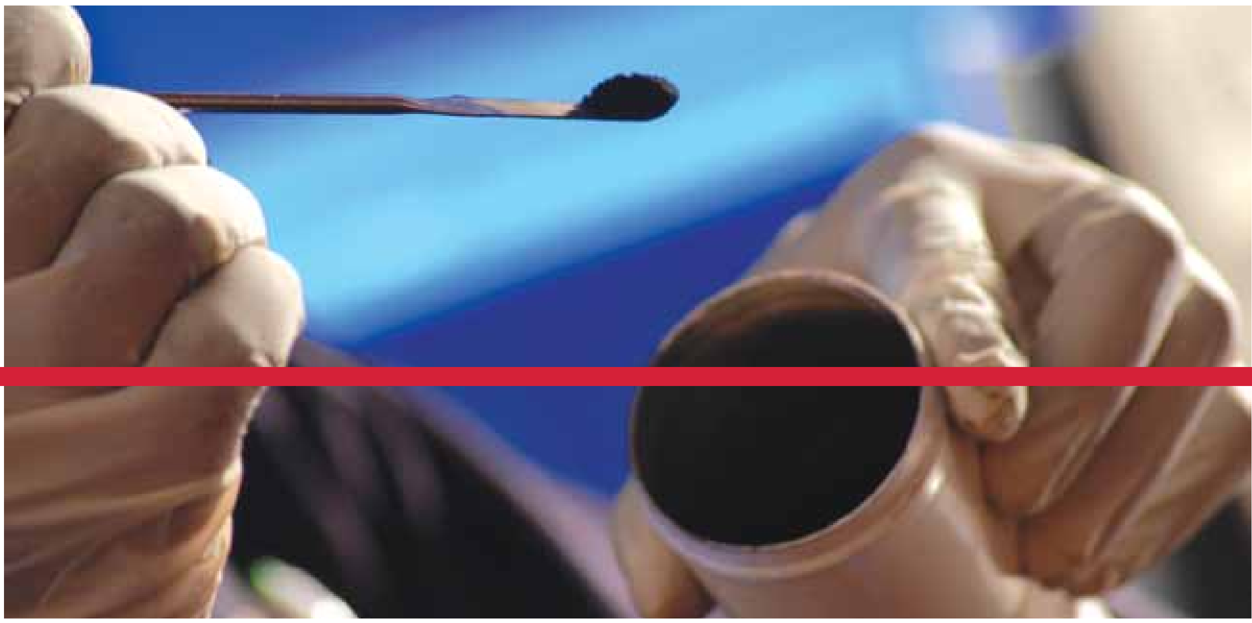
Although its revenue of R66.9 million for the year was 29% below the budgeted R94.0 million, this never-the-less represents a 29% growth year-on-year. The variance in revenue is largely due to the National Home Builder Registration Council contract that did not yield its budgeted revenue.

During the year, the laboratories focused on the strategic repositioning of their Automotive laboratories through the upgrading and installation of new test equipment that included emissions test and seat-belt anchorage equipment. The upgrading of these laboratories allows the SABS to increase its testing services for various vehicle makes and models, namely, Toyota, Ford, BMW, Mercedes and Nissan.

The Fluid Technology Laboratory launched its heat pump test facility during the year to support Eskom's Rebate Programme.

In order to maintain sound relationships with its stakeholders, the Engineering Laboratories implemented the following:

- The review of relevant specifications was ensured through continued engagement with industry committees.
- Various presentations were made at international seminars, including the International Housing and Home Warranty Conference. A number of these presentations were published internationally and are being used by various universities.
- Consumer matters were dealt with through the Consumer Protection Commissioner and the Consumer Goods Council.
- Several roads and road safety matters were dealt with through the South African National Taxi Council and the Road Traffic Management Co-operation and were presented to members of parliament.



- Relationships were built with various government departments, including **the dti**, Department of Environmental Affairs, Department of Mineral Resources and the Department of Communications. These included interactions regarding alternative energy (e.g. solar heat pumps and wind turbines), mine safety insurance and electric vehicles, among others.
- Training support was given to various African countries including Botswana, Rwanda and Uganda.

MINING AND MINERALS LABORATORIES

The Mining and Minerals laboratories provide sampling and analytical services to the mining industry in South Africa, specifically at sites located in major mining areas, export ports and areas of mineral ore utilisation. Although the laboratories can service the broader mining market, the greater part of the business is in sampling and analysis in the coal and iron ore sectors.

INDUSTRIES SERVED
Coal mining
Iron ore mining

The Mining and Minerals laboratories showed a significant reduction in revenue for the reporting period. The laboratories lost a number of contracts in the preceding year to the value of R43 million. The loss of these contracts lead to the lower than budgeted revenue of R21 million against a budgeted revenue of R41 million and corrective action to reposition the SABS as a market leader in this sector is being taken.

The laboratories are in the process of implementing a turnaround strategy focussing on improving their leadership, operational efficiency and growth through market relevance. Through this new strategy, the laboratories aim to ensure business growth and, ultimately, profitability. The laboratories were successful in protecting their current business, but less so in growing new business. This will be addressed by the newly-appointed business development manager and two new senior managers based in KwaZulu-Natal and the Highveld.

The following initiatives were undertaken to help improve the performance of this business unit:

- The new Richards Bay laboratory was successfully commissioned and recommended by SANAS for accreditation. It is expected that this will significantly increase the laboratory's revenue.
- Accreditation to ISO 17025: The Middelburg laboratory was accredited, Richards Bay was recommended for accreditation and the Coal and Mining laboratories still need to address the technical and management gaps identified. A project team was appointed to manage the accreditation project and re-apply for accreditation by August 2012.
- 98% of the refurbishment of the Middelburg laboratory was completed to ensure that it meets accreditation requirements.
- Modernisation of equipment and test methods.
- The development of LIMS was initiated.
- Improvement of processes and the production line concept through MDWT.

CERTIFICATION

The core business activity of Certification is to provide independent third party conformity assessment services to existing and new customers. The main operating business areas are system certification, product certification (SABS Mark scheme) and consignment inspections. Certification's main objective is to provide assurance to organisations that their products and services consistently comply with certain predefined standards.

SECTORS SERVED
Chemical
Electro-technical
Food and health
Mechanical and materials
Mining and minerals
Services
Transportation and automotive

Customers' processes and products are audited and tested to ensure compliance with pre-determined specifications through the SABS quality management systems and product certification services.

Systems certification involves the auditing of organisations to assure compliance with a particular international code of practice, for example ISO 9001: Quality Management or SANS 18001: Health and Safety. Compliance with such codes of practice or standards provides these organisations with the opportunity to continuously improve their processes and management systems.

The consignment inspections offered by Certifications safeguard the interests of organisations that purchase products which do not bear the SABS Mark of approval. Again, these inspections entail compliance with pre-determined specifications.

The Certification division achieved total revenue of R215.7 million (including consignment inspections of R13.3 million) against a budget of R231.1 million, which translates to a negative variance of R15.4 million, but an increase in revenue of 12% compared to the prior year. The reason the budget was not attained is attributable to the voluntary suspension of accreditation in the first two quarters which had a negative impact on new business. The SABS established a project team to deal with the deficiencies that led to the voluntary suspension, and following re-assessment, all accreditations were reinstated. The division hosted a successful Auditor Calibration Workshop to communicate and further reinforce the requirements, processes and lessons learnt.

The Certification division improved its product offerings by introducing a certification scheme that focused on SMMEs. The supplier development audits introduced for SMMEs saw the cluster entering into partnerships with bigger corporations such as Massmart, Santam, the ECDC and the Small Enterprise Development Agency (Seda), to help develop these SMMEs.

The division also introduced new schemes in the food sector that complement and support the stringent regulatory requirements in the sector and enhance trade for local companies. Among these was the introduction of the Food Safety System Certification Scheme.

SABS TRAINING ACADEMY

The SABS Training Academy is registered as a training provider with the Southern African Auditor Training Certification Association, and is certified to give training on auditing modules in environmental management systems, occupational health and safety management systems, and quality management systems. The academy is also registered with the Services Sector Education and Training Authority (SSETA) and certified on both modules of the quality management systems.

MAJOR COURSES PRESENTED
HACCP
ISO 9001
ISO 14001
ISO 22000
OHSAS 18001
SANS 10216

The decentralisation of training to the regional offices and the conducting of on-site training interventions increased the academy's ability to offer courses to a larger community. This resulted in a 59% increase in revenue from R8.5 million to R13.5 million year-on-year. The provision of on-site client courses represented 36% of the courses provided during the year. This initiative will continue to present the academy with growth opportunities as it provides a flexible training model that is not limited by physical space, but rather by the availability of trainers.

New Courses

1. Product certification: SABS Mark Scheme
2. SANS 13485:2004: Medical devices, requirements for regulatory purposes
3. ISO/TS 16949:2009: Introduction to Quality Management Systems Requirements for the application of ISO 9001:2008 for the Automotive Sector.

Achievements

1. The academy was refurbished in 2011 to incorporate the new SABS corporate look and feel.
2. The academy was accredited by the SSETA for its quality training modules. These were accredited at National Qualifications Framework (NQF) level 5 with the understanding and auditing modules valued at 12 and 10 credits respectively.

The SABS received a gold award for training, research and development at the Public Sector Excellence Awards

SABS

PUBLIC STATEMENT OF IMPARTIALITY

In order to provide trusted and independent certification activities that provide confidence, the top management of SABS Commercial SOC Ltd place the utmost importance on the principles of impartiality, conflict of interest and confidentiality when undertaking certification activities.

SABS Commercial SOC Ltd:

- Provides certification services in an open, independent and impartial manner to existing and potential clients. All clients are treated equitably and are expected to achieve the same level of performance and conformance to the appropriate standard;
- Bases certification decisions on objective evidence and conformity obtained through a competent audit process in which decisions are not influenced by other interests or by other parties; and
- Understands the importance of impartiality when carrying out certification activities, thereby managing any conflict of interest and ensuring the objectivity of its certification activities.

Top management, employees, external auditors and technical experts, undertaking certification activities for SABS Commercial SOC Ltd are required to declare and comply with the impartiality requirements at all times.

S Ratlabala
Executive
SABS Commercial SOC Ltd
2 March 2012

SABS COMMERCIAL SOC Ltd. - Reg. No. 2000/013581/07
Directors: Mr CB Sibisi, Dr B Mehlomakulu, Dr T Demana, Dr MJ Ellman,
Mr WK Masvikwa, Ms B Mosako, Mr ME Mkwanazi, Ms WIJ Poulton,
Ms W de Witt (Company Secretary)
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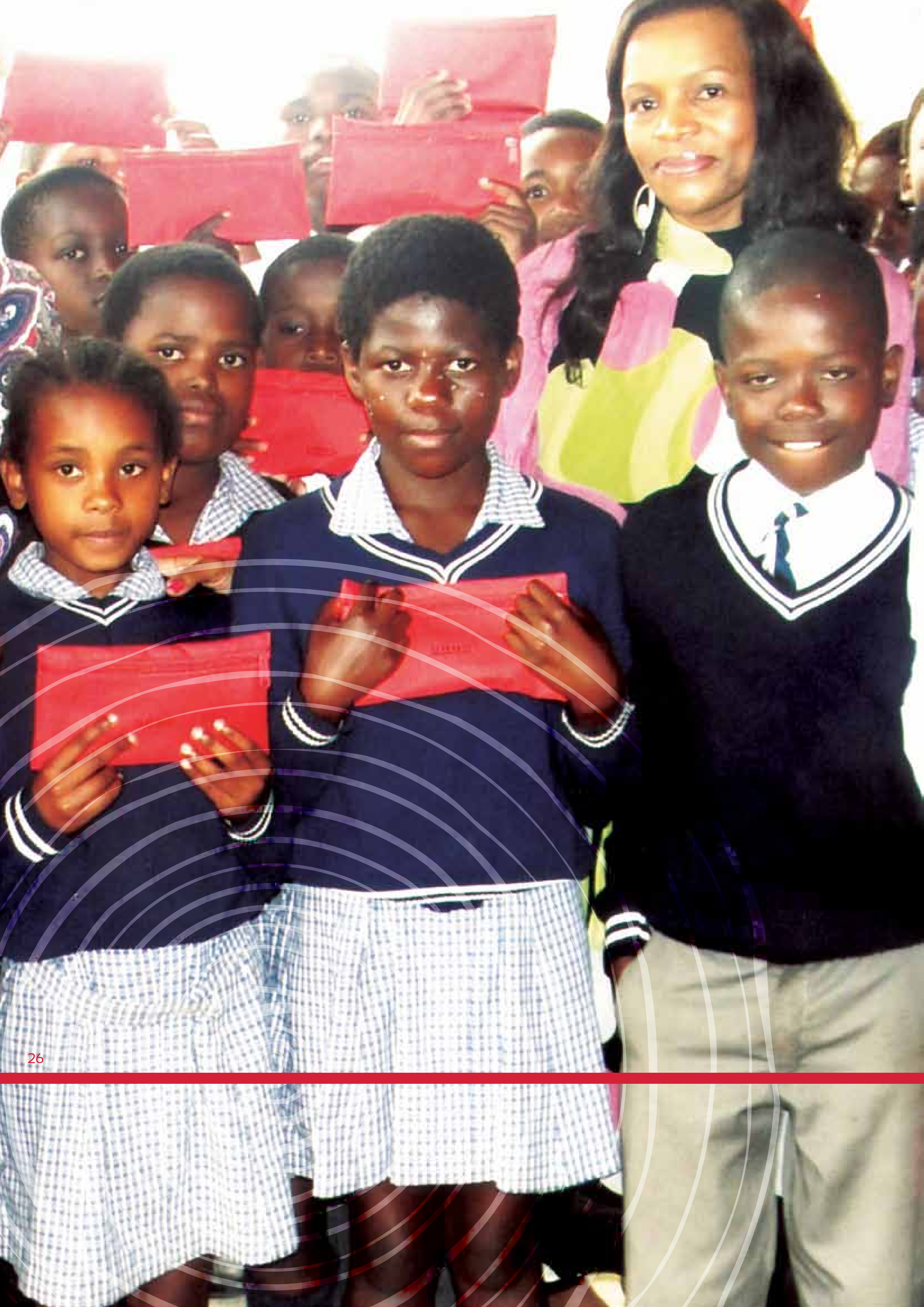


Corporate Governance Report

Corporate Governance is formally concerned with the measures that have been put in place to provide an appropriate set of checks and balances within which the Organisation operates.

The SABS is committed to the highest standards of integrity and ethical conduct, and to open and transparent governance that gives its shareholder and other stakeholders the assurance that it is being managed ethically in line with best practice, applicable legislation and pre-determined risk parameters.

The SABS reports to its stakeholders through the integrated report. As a further measure to encourage open communication between itself and the shareholder, the Board holds discussions with the shareholder on matters of common interest in order to align, as far as possible, its strategies with those of the shareholder, the South African government, through the Minister of Trade and Industry.

King III supports the integration of sustainability and financial reporting and places greater importance on leadership, sustainability and corporate citizenship. The Board is responsible for effective corporate governance and ensuring compliance with the applicable laws, codes, standards and best practices. The Board has analysed the recommendations in King III and is overseeing the implementation of the necessary changes to enhance its governance standards. Throughout this report, reference is made to King III to demonstrate the integrated application of these principles and not to limit reference or explanation to the governance and compliance portion of this report.

BOARD

COMPOSITION

The size of the Board is prescribed by Section 6 (2) of the Standards Act, No. 8 of 2008 which requires a minimum of seven (7) and a maximum of nine (9) members appointed by the shareholder. As at 31 March 2012 there were eight (8) Board members of whom seven (7) were non-executive members. 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 contained in King III were applied.

The Board is responsible for the appointment of the Chief Executive Officer (CEO) and there is a clear division of roles between the Chairman and CEO. The Chairman oversees the effective functioning of the Board, and the CEO and executive team are answerable for the day-to-day affairs of the Organisation, which 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 sub-committees. The meetings follow a formal agenda to ensure that all substantive matters are addressed and information relevant to the meetings is supplied to Board members in advance so that they can make informed and reasoned decisions. 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.

The members of the Board were as follows as at 31 March 2012:

NAME	GENDER	DATE OF APPOINTMENT	TERM	EXPIRY OF TERM	QUALIFICATIONS
Mr Bahle Sibisi	M	26 August 2009	2	24 August 2014	BSoc Sc MA Development Economics
Dr Bonakele Mehlomakulu	F	7 September 2009	1	6 September 2014	PhD Chemical Engineering
Dr Tshenge Demana	M	26 August 2009	2	24 August 2014	PhD Analytical Chemistry
Dr Michael Ellman	M	26 August 2009	1	24 August 2014	PhD Chemical Engineering. MBA
Mr Webster Masvikwa	M	26 August 2009	1	24 August 2014	CA (SA), MBL (SA), AMCT (UK)
Mr Mafika Mkwanazi	M	26 August 2009	1	24 August 2014	BSc Mathematics and Applied Mathematics BSc Electrical Engineering
Ms Boitumelo Mosako	F	26 August 2009	2	24 August 2014	CA (SA)
Ms Wendy Poulton	F	26 August 2009	2	24 August 2014	MSc Microbiology

MEETINGS

The Board meets at least four (4) times per annum or as circumstances necessitate. During the year under review the Board met five (5) times and a Board Lekgotla also took place to discuss strategic matters. All documents submitted to the Board are reviewed by the Executive Committee and approved by the CEO to ensure completeness and relevance. Non-executive members have unfettered access to members of the executive team and any other employee to seek explanations and clarification on any matter 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 year under review was as follows:

MEMBERS	MEETING DATES				
	26 MAY 2011	28 JULY 2011	24 OCTOBER 2011	24 NOVEMBER 2011	23 FEBRUARY 2012
Mr Bahle Sibisi (Chairman)	A	√	√	√	√
Dr Bonakele Mehlomakulu	√	√	√	√	√
Dr Tshenge Demana	√	√	√	A	√
Dr Michael Ellman	√	√	√	A	√
Mr Webster Masvikwa	√	√	√	√	√
Mr Mafika Mkwanazi	√	√	A	A	√
Ms Boitumelo Mosako	√	√	√	√	A
Ms Wendy Poulton	√	√	√	√	√

√ Present
A Apologies

INDUCTION

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

PERFORMANCE ASSESSMENT

During the year under review, an appraisal of the Board was undertaken by the Institute of Directors SA, in collaboration with the Company Secretary. The assessment covered a review of seven main areas that are key to the effectiveness of the Board, namely, composition, responsibilities, corporate culture, Board committees, relationship with management, Board meetings and key corporate governance role players. The outcome of the assessment was that all seven key attributes were rated "satisfactory" with scores of between 3.1 and 3.2. (on a scale 1-4). The report included suggestions that could move the overall rating to "best practice", and an action plan to address improvement initiatives was shared with the Board.

CONFLICTS OF INTEREST

All members are required to declare all conflicts of interest that may exist as a result of their association with any other company at every Board meeting. 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 discussions and is precluded from voting on conflicted matters.

REMUNERATION

Non-executive members receive remuneration based on meetings attended and as annually set by the National Treasury. However, 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 to the annual financial statements.

BOARD COMMITTEES

The Board established four (4) committees to assist in discharging its responsibilities, namely the Audit and Finance Committee, Investment Committee, Business Risk Committee and Human Resources (HR) and Remuneration Committee. Delegating authority to committees or management does not in any way release the Board of its duties and responsibilities, and there is always transparency and full disclosure from the Board committees to the Board.

INVESTMENT COMMITTEE

The committee comprises four (4) non-executive members and one independent external member. The CEO and the Chief Financial Officer (CFO) attend all meetings. During the year under review, the committee revised the SABS' Investment Policy and updated its Terms of Reference to comply with King III. The committee's mandate as set out in the Investment Policy includes:

- Meeting the daily operational cash flow needs of the SABS
- Allowing for any unforeseen expenses or other cash flow needs
- Providing for medium- and long-term capital expenditure, the post-retirement medical liability and any other specific liabilities.

The attendance record of members for the year under review was as follows:

MEMBERS	MEETING DATES					
	12 MAY 2011	8 JULY 2011	4 AUGUST 2011	5 OCTOBER 2011	10 NOVEMBER 2011	9 FEBRUARY 2012
Ms Boitumelo Mosako (Chairperson)	√	√	√	√	√	√
Dr Tshenge Demana	√	√	√	√	√	√
Mr Webster Masvikwa	A	√	√	√	√	√
Mr Mafika Mkwanazi	√	A	√	A	√	A
Mr John Oliphant	A	√	√	√	A	A

√ Present
A Apologies

BUSINESS RISK COMMITTEE

The committee comprises three (3) non-executive members. The CEO, the CFO, the Head of Internal Audit and the Chief Risk Officer have a standing invitation to attend all meetings of this committee. The committee's duties include setting out the nature, role, responsibility and authority of the risk management function within the Group; outlining the scope of risk management; reviewing and assessing the integrity of the risk control systems; ensuring that risk policies and strategies are effectively managed; and providing independent and objective oversight.

During the year under review, the Board approved the inclusion of the responsibility for the overseeing and monitoring of legal compliance, safety, health and environmental matters into the committee's Terms of Reference. The Board approved that the Business Risk Committee incorporates the functions of a social and ethics committee to its current Terms of Reference. These will include the monitoring of the Group's activities with regard to social and economic development, corporate citizenship and consumer relationships. The attendance record of members for the year under review was as follows:

MEMBERS	MEETING DATES			
	12 MAY 2011	14 JULY 2011	22 NOVEMBER 2011	9 FEBRUARY 2012
Ms Wendy Poulton (Chairman)	√	√	√	√
Mr Mafika Mkwanazi	√	A	√	A
Dr Michael Ellman	√	√	A	√

√ Present
A Apologies

HR AND REMUNERATION COMMITTEE

The committee comprises three (3) members appointed by the Board. The CEO and the Executive for Human Capital Development attend all meetings, but recuse themselves when their remuneration and performance are discussed. The committee assists the Board in the development of compensation policies, plans and performance goals, as well as specific compensation levels for the SABS. The committee annually manages the Board's evaluation of the performance of the executive team.

The current Terms of Reference of the committee will soon be revised in order to include responsibilities relating to recommendations on succession planning, nominations, the composition of the Board and Board committees, procedures for Board appointments and the Board's Annual Training Programme.

The attendance record of members for the year under review was as follows:

MEMBERS	MEETING DATES				
	12 MAY 2011	21 JULY 2011	9 NOVEMBER 2011	10 NOVEMBER 2011	9 FEBRUARY 2012
Dr Tshenge Demana (Chairman)	√	√	√	√	√
Dr Michael Ellman	√	√	√	A	√
Mr Mafika Mkwanazi	√	A	√	√	A

√ Present
A Apologies

AUDIT AND FINANCE COMMITTEE

The Audit and Finance Committee report, in accordance with King III, is included in the financial statements set out on pages 54 to 55, and includes details that relate to the mandate of the committee, members, meeting dates and duties performed.

EXECUTIVE COMMITTEE

The Board has delegated a wide range of matters to the Executive Committee, including the effective implementation of financial, strategic, operational, governance, risk and functional issues. Management is responsible for the day-to-day affairs 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 with the Organisational Scorecard, which is annually recommended by the HR and Remuneration Committee for approval by the Board. At the time of reporting, the Executive Committee comprised the following members:

- CEO: Bonakele Mehlomakulu
- CFO: Elis Lefteris
- SABS Commercial SOC Ltd Executive: Sylvester Ratlabala
- Standards Executive: Sadhvir Bissoon
- Human Capital Executive: Mercy Mathibe.

SHAREHOLDER'S COMPACT

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

The Shareholder's Compact document covers, in detail, sections that relate to the objectives of the SABS, roles and responsibilities, budgets, reporting structure, strategic plans and 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 on pages 50 to 117 have been prepared in accordance with the Statements of South African Generally Accepted Accounting Practice, which is in material respects consistent with the International Financial Reporting Standards (IFRS), the Companies Act, No. 71 of 2008 as amended, and the PFMA. They are based on appropriate accounting policies and are supported by reasonable and prudent judgments and estimates.

The external auditor is the Auditor-General who is responsible for carrying out an independent examination of the financial statements in accordance with the International Standards of Auditing and reporting their findings thereon. The Auditor-General's report is set out on pages 57 to 58.

Dr Jacob Zuma, President of South Africa, Dr Boni Mehlomakulu, CEO of the SABS and Dr Rob Davies, Minister of Trade and Industry at the launch of the new SABS laboratories

A SABS test officer at work

GOING CONCERN

The SABS Board reviewed and approved the Group's financial budgets for the period 1 April 2012 to 31 March 2013 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 as per Section 54(2) of the PFMA have been confirmed by the Board. Losses through criminal conduct and irregular, fruitless and wasteful expenditure, which are identified, are disclosed as prescribed in terms of relevant legislation.

INTERNAL AUDIT

The SABS Board is ultimately accountable for the Group's systems of internal controls. These controls are designed to provide reasonable assurance regarding the achievement of the Group's objectives concerning the effectiveness and efficiency of operations, reliability of financial reporting and compliance with applicable laws and regulations.

Internal Audit operates under the direction of the Audit and Finance Committee, which approves the Internal Audit Plan. The Internal Audit Plan is informed by strategy and key risks that may impair the realisation of strategic objectives and goals. The plan is updated annually to ensure that it is responsive to changes in the business. Significant findings on internal audits are reported to the Audit and Finance Committee at each scheduled meeting. In addition, follow-up audits are conducted in areas where significant control weaknesses are found, to ensure that mitigating strategies are adequately and effectively implemented by management.

Furthermore, Internal Audit provides assurance to the Board through the Business Risk Committee on the effectiveness of the risk management process.

RISK MANAGEMENT

In order for the Organisation to achieve its strategic, financial and operating objectives, the effective management of identified risks is key to providing greater certainty and to add value to its employees, customers, partners and all stakeholders through this process. During the year under review, there was an increased focus on risk management, which resulted in the integration of the risk management process into the activities of the Organisation. Identified risks are continuously monitored across the business areas, which provide the basis for regular and exceptional reporting to the Business Risk Committee and ultimately the Board.

The strategic risk register is shown on page 33 of this annual report.

SUSTAINABILITY REPORTING

Management is responsible for reporting to the Board and its stakeholders on all aspects of its economic, social, transformation, ethical, safety, health and environmental practices. In this regard, the operations are still at an infancy stage. The new financial year will see a focussed agenda on integrated reporting.

ETHICS

The Ethics Policy commits Board members, executive management, employees and service providers to high standards of ethical conduct in their dealing with clients and all other stakeholders. The principles in the policy have been communicated throughout the Group, and employees are encouraged to report any suspected fraudulent, unethical or corrupt practices. A fraud and corruption hotline is being managed by an independent external service provider, and the source of information and the reports received are kept strictly confidential and are referred to appropriate line mangers for resolution.

LEGAL AND REGULATORY COMPLIANCE

Legal and regulatory compliance forms an important component of the SABS' corporate governance structure. The Chief Risk Officer is responsible for advising and assisting the Board and management in:

- Designing and implementing appropriate compliance management policies and procedures
- Awareness training
- Assessing, monitoring and reporting on the compliance programmes and practices
- Implementing strategies that reinforce a safe, transparent and ethical working environment
- Ensuring consistent enforcement of policies, standards and procedures.

In furtherance of its commitment to legal and regulatory compliance, a Compliance Policy will be submitted for Board approval. The policy seeks to establish, promote and maintain values based on compliance and an ethical culture within the spirit of applicable laws, regulations, codes and standards and in the context of the organisation's values, internal policies and procedures.

COMPANY SECRETARY

The Board is responsible for the appointment of the Company Secretary who plays a pivotal role in guiding and assisting the Board on the delivery of its mandate, and is expected to be available to the Chairman and individual members. The Company Secretary is required to bring to the immediate attention of the Board any changes to legislation which may impact on the organisation, its directors, management and employees. The Company Secretary also administers and records the business of the directorate and ensures that the Board Charter and the Terms of Reference of the Board committees are kept up to date. In addition, the Company Secretary is responsible for ensuring that the Board's procedures and applicable rules are fully observed and comply with legislation and corporate governance tenets as set out in King III.

Risk Report

The effective management of risk is key to the achievement of the SABS strategic objectives. Through the understanding and management of risk, the SABS can provide greater certainty and add value to its employees, customers, partners and all stakeholders.

The SABS Board, through the Business Risk Committee (see page 25 for further information on the Risk Committee) is responsible for governance of risk, setting the risk appetite and for monitoring the relevance and effectiveness of the risk management process. The Chief Risk Officer is in the process of implementing a formal risk reporting process guided by King III, while BarnOwl is being used as a risk management tool.

The Business Risk Committee also reviews the status of residual risk levels. The risk management plan, as prepared by management, is reviewed to ensure that it adequately supports the SABS objectives.

The SABS Risk and Compliance Team, led by the Chief Risk Officer, engages with management on a monthly basis to review the risk register. The top material risks, together with their impact on the SABS, are identified with supporting mitigating actions and reported to the Business Risk Committee on a quarterly basis.

The responsibility for risk management resides with the executive and line management of all business units, regions and projects. Those accountable for the management of risks also ensure that the necessary controls remain in place and are effective at all times. Risk assessments are being performed at departmental, business unit, regional and project level and are reported on up to executive level.

During the year under review, there was an increased focus on risk management which resulted in risk management being proactively integrated into the activities of the SABS. Consequently, the risks identified during the year under review were continuously monitored across the business areas, which provided the basis for regular and exceptional reporting to all lines of management, including the Board.

This reporting structure provides an assessment of the likelihood and impact of the risk materialising, as well as the risk mitigation initiatives and the effectiveness thereof. Hence the SABS experienced no undue, unexpected, emerging or unusual risks, nor were any limits of the risk appetite exceeded or any material deviations recorded. Furthermore, the SABS, through its Board and Business Risk Committee, envisages no risks that threaten its sustainability.

To ensure alignment with King III, and as part of its risk management plan, the SABS conducted a risk assessment in February and March 2012 after which it updated its risk register. The strategic risk register is set out below:

STRATEGIC RISK REGISTER

STRATEGIC RISK	MITIGATING CONTROLS
Capacity and capability to deliver services	Implementation of LIMS to manage work orders in the laboratories Generation of new business through the sales pipeline project Implementation of capacity-sourcing strategies
Demonstration of SABS value proposition to the market	Repositioning of the SABS brand (mark) in the market Appointment of a dedicated project team to monitor and retain accreditation Launch of high profile standards to increase awareness and build the SABS brand in the market Implementation of MDWT to improve services from laboratories

STRATEGIC RISK REGISTER (CONTINUED)

STRATEGIC RISK	MITIGATING CONTROLS
Competitive costing model to cost all services	Implementation of new pricing model Implementation of LIMS in all laboratories Monthly variance reporting to budget Identification of cost drivers and appropriate cost ratios
Management of critical skills	Identification of, and succession planning for, critical positions
Corruption, theft and fraud prevention	Independently monitored Tip-offs Anonymous Hotline is in place for anonymous reporting of suspected fraud, corruption or unethical behaviour Tightened system security control across all ICT systems Upgrade of physical security systems was undertaken Implementation of security enhanced SABS certificates Rollout of Fraud Awareness Programme Instilling a zero-tolerance policy Implementation of continuous auditing
Income generation	Negotiation of long-term accounts Annual market analysis surveys
Innovation	Implementation of innovation project Annual client surveys
Service delivery	Various projects to improve turnaround times and service delivery to be implemented Implementation of a marketing and customer services plan Implementation of LIMS
Ageing infrastructure	Repositioning of the Instrucal Department to modernise infrastructure and improve performance Completion of new, state-of-the-art laboratory complex
Relationship management with external stakeholders	Stakeholder engagement is an inherent part of management processes Quarterly meetings are held between the executive team and the shareholder

This register is continuously updated and reviewed as emerging risks are identified.

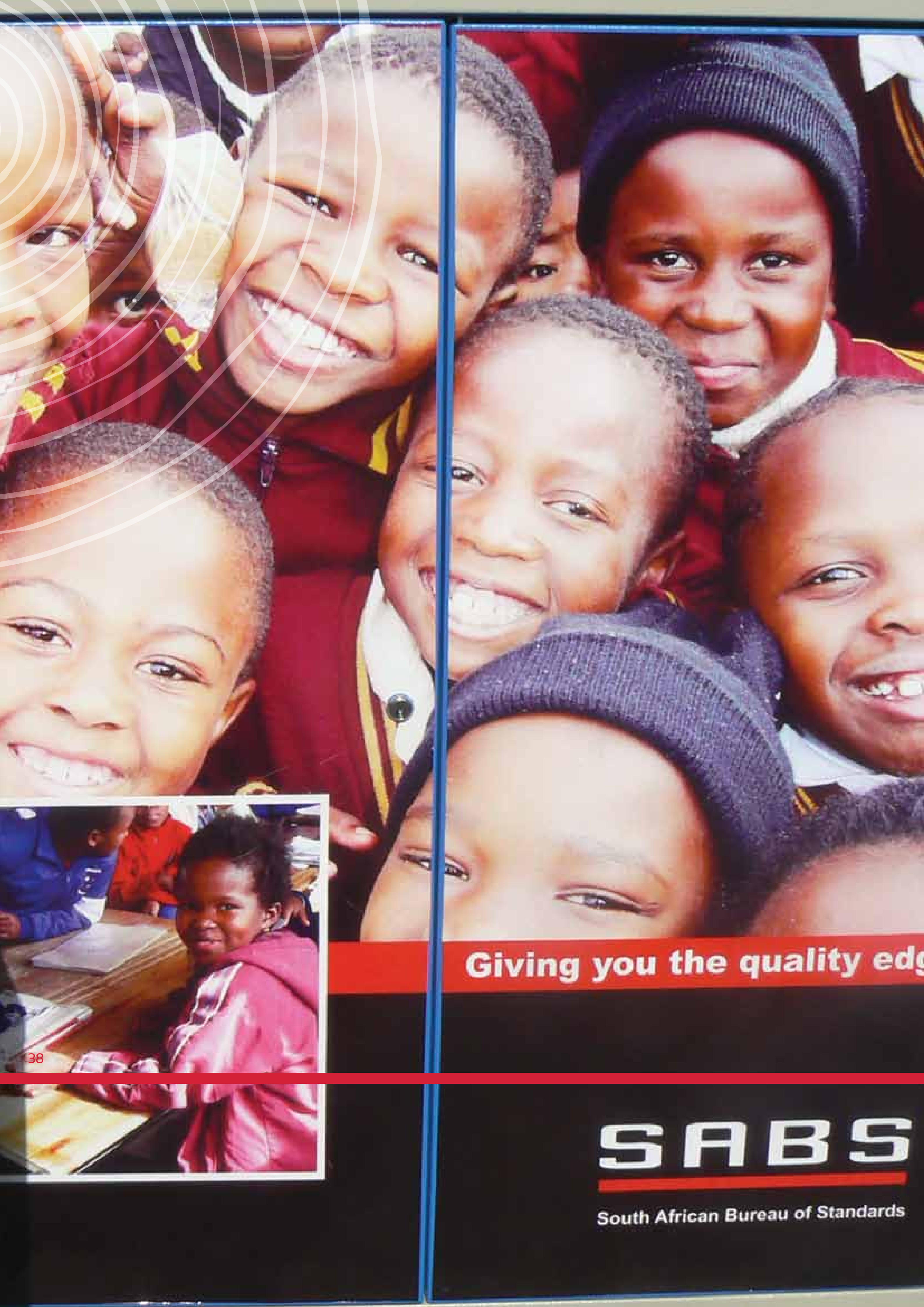
Remuneration Report

The SABS human resources statistics are based on the guidelines of the National Treasury and are reported in:

- Annexure 1 on pages 119 to 137.

Other remuneration matters such as those that relate to the Board are covered in:

- The corporate governance report on pages 27 to 33; and
- The financial statements on pages 50 to 117.


Giving you the quality edg
SABS
South African Bureau of Standards

Sustainability Report

ECONOMIC SUSTAINABILITY

VALUE-ADDED STATEMENT FOR THE YEAR ENDED 31 MARCH 2012

Adding value to stakeholders

	GROUP			
	2012 R'000	2012 %	2011 R'000	2011 %
Revenue	**401 482**	109	394 553	100
Other income	**30 671**	8	24 991	6
Government grants	**159 207**	43	156 881	40
	591 360	160	576 425	146
Less: Cost of generating revenue	**241 801**	65	200 349	50
Value added from operations	**349 559**	95	376 076	96
Finance income	**17 731**	4	15 646	4
Dividend income	**2 626**	1	1 815	-
Wealth created	**369 916**	100	393 537	100
Wealth distributed				
Employees – Salaries, wages and other benefits	**335 949**	91	329 037	83
Finance cost	**651**	-	7 193	2
	336 600	91	336 230	85
Wealth reinvested				
Reinvested in the Group	**33 316**	9	57 307	15
Total wealth distributed and invested	**369 916**	100	393 537	100

	2012	2011
Employee statistics		
Number of employees at year end	**1 031**	1 131
Revenue per employee (R'000)	**389**	349
Value added per employee (R'000)	**339**	333
Wealth created per employee (R'000)	**359**	348
Average cost per employee (R'000)	**326**	291

REVENUE GROWTH FOR THE FUTURE

Despite the low revenue growth in the current year, which was impacted by the loss of significant contracts in the Mining and Minerals laboratories, the SABS is confident that it will achieve its strategic objective of significant revenue growth over the remaining four years of its five-year strategy. This is evidenced by the pipeline of contracts secured during the current year amounting to R145 million.

BROAD-BASED BLACK ECONOMIC EMPOWERMENT VERIFICATION

The annual Broad-Based Black Economic Empowerment (BBBEE) evaluation of the SABS was undertaken by an independent agency, accredited by SANAS. The BBBEE verification is based on the Codes of Good Practice for Broad-Based Black Empowerment as gazetted on 9 February 2009, and include the following elements:

- Management control;
- Employment equity;
- Skills development;
- Preferential procurement;
- Enterprise development; and
- Socio-economic development.

Both the SABS and SABS Commercial SOC Ltd were assessed as Level 4 contributors with BBBEE procurement recognition levels of 125 in the current financial year. The previous year's assessment was Level 3 and Level 4 respectively, prompting the formation of a task team to ensure an acceptable and sustainable BBBEE rating in future.

INFORMATION AND COMMUNICATION TECHNOLOGY

The ICT performance of the SABS received renewed focus during the year under review, and several initiatives were implemented to ensure the sustainability of the ICT infrastructure going forward. These initiatives include:

- Providing a stable systems and network infrastructure through the implementation of a newly-designed Virtual Private Network (VPN) solution. This solution will ensure connectivity to previously disconnected SABS offices, improve response times, allow for transmission of high volumes of data and will allow for improved IT services. The solution incorporates redundancy in most areas, which will result in cost savings and will permit the SABS to seize business opportunities.
- The implementation of a new e-commerce system (Webstore) will go a long way in ensuring that SABS publications are readily available to stakeholders. This will in turn increase revenue generation for the Organisation.
- The Customer Relationship Management (CRM) and LIMS initiatives commenced during the year under review, and will ensure that the SABS improves its customer interaction as well as SABS Commercial SOC Ltd testing services.
- The appointment of managers in critical positions within the ICT Department was approved and key positions have been filled.
- An assessment of the ICT environment was conducted and recommendations from the report are being implemented. An ICT strategy has been approved and will be implemented through a phased approach.
- The review of, among others, ICT contracts, policies, standards and procedures was completed and new standards and polices are being developed.

SOCIAL SUSTAINABILITY

The SABS prides itself in taking responsibility for, and investing in, its human capital through various programmes that emanate from the Organisation's three-year human capital strategy. The implementation of most of these programmes commenced during 2011, including projects designed to effectively manage the Organisation's talent pool, employee well-being and safety, performance management, rewards and recognition, culture and inculcation of its values.

HUMAN RESOURCES

The SABS has a three-year human capital strategy that sets out its plans to ensure the recruitment, development, reward and retention of suitably qualified and skilled employees in order to ensure that its vision, mission, strategic imperatives and objectives are met. The strategy is underpinned by the principle of continuous improvement, which means that it is reviewed on a regular basis to remain relevant and adequately meet the needs of the SABS as it evolves.

2011 was declared the year in which most of the programmes under this strategy needed to be implemented. Among the programmes rolled out during the year, building sustainable change management capability and leadership development were prioritised.

While management was trained on change management, selected employees from across all levels were trained as change champions in order to cascade change management capability through to the rest of the Group. Change management as a strategic imperative will continue through various projects aimed at fostering manager and employee engagement with the Organisation's strategic goals and will be championed by the CEO and the Executive Committee.

The Organisation's leadership capability was assessed through various assessment tools, after which a special leadership programme was designed to address various challenges. This programme will be rolled out during the course of 2012.

In a continuous effort to build and enhance its leadership capability, and as part of its Leadership Development Programme, the SABS partnered with the Da Vinci Institute to provide training to approximately 40 SABS employees that enrolled in three of Da Vinci's programmes.

EMPLOYEE TRAINING

Leadership Development Programme

A SABS Leadership Development Programme was presented to the HR and Remuneration Board Committee in November 2011. The programme will address interventions such as executive coaching through online leadership modules that are aligned to the SABS Leadership Model and SABS customised classroom interventions. The first intake for the Leadership Development Programme will be in the second quarter of 2012/13.

Da Vinci Programme

In June 2011, the SABS launched a further education programme with the Da Vinci Institute. Candidates could apply for studies at three levels, namely Certificate, Masters or PhD level. Masters and PhD candidates were required to present their dissertation topics to the SABS executive team, Da Vinci lecturers and their external mentors to ensure that their research areas are in line with the strategic objectives of the Organisation. The performance of the students exceeded expectations, and the first group from the Certificate programme will graduate in December 2012.

The continuous training and development of employees ensures the relevance of their competencies to changing business needs. A number of training initiatives took place during the year, and the SABS prides itself in the relationship it continues to enjoy with ISO and the resulting training opportunities. Eight employees were trained on various ISO courses both locally and abroad during the period.

Various technical skills gaps were identified as priority development areas for 2011, and were included in the laboratory test officers' individual development plans. These skills include laboratory testing and the calibration of testing equipment. Courses such as the ISO 17025 course were offered to address skills gaps. The ISO 17025 course equips test officers with skills such as good laboratory practices, good testing methods and other laboratory-specific competencies required to retain the accreditation of the SABS laboratories. Other non-technical skills, which were identified as critical for the Organisation, include, but are not limited to, project management skills, planning and organising, emotional intelligence, conflict management, assertiveness skills and negotiation and customer service. Courses addressing these skills were offered to a number of employees across all levels.

The SABS continues to foster a culture of inclusiveness and diversity through its Employment Equity (EE) Programme. The new Group EE Programme, supported by divisional EE Plans, was developed during the period under review, and the recruitment and placement policies were designed to support and ensure the achievement of the Group's diversity imperatives. Head office and the regional offices have all established EE forums that work in collaboration with management to ensure that the SABS successfully addresses and inculcates a diverse, all inclusive culture.

The Organisation met its black people and women numerical targets during the year under review. The target for people with disabilities was not met and management continues to focus on this area to meet and surpass the 2012/13 target for this category.

The table below gives a summary of the overall EE employee numerical targets achieved during the year under review.

KEY PERFORMANCE INDICATOR	ACTUAL PERFORMANCE CRITERIA	WEIGHTING	NUMERICAL TARGET 2011/12	ACTUAL AS AT MARCH 2012	PROGRESS SCORE	RATED SCORE	CONTRIBUTION TO FINAL EE PERFORMANCE SCORE	FINAL EE PERFORMANCE SCORE
					PROGRESS/ TARGET *100 = PROGRESS SCORE		SCORE* 33.33% = X	
Improved representation of designated group: Black	3 – Progress score of 100% 4 – Progress score of 115% 5 – Progress score of more than 115%	63%	72%	72%	100%	3.00	1.89	
Improved representation of designated group: Women	3 – Progress score of 100% 4 – Progress score of 115% 5 – Progress score of more than 115%	35%	43%	43%	100%	3.00	1.05	3.0
Improved representation of designated group: Persons with disability	3 – Progress score of 100% 4 – Progress score of 115% 5 – Progress score of more than 115%	2%	2.50%	2%	80%	2.50	0.05	

Employee Health and Wellness

Health and Wellness Day

The SABS Occupational Health Care Centre (OHCC), together with Discovery Health and Best Med, co-ordinated a successful Health and Wellness Day at both head office and the various regional offices, providing a variety of healthcare services to employees. The excellent response was a clear indication that this event had a positive impact on health awareness among SABS employees.

Employee Assistance Programme (EAP)

A total of two hundred and eighty nine (289) employee engagement cases were recorded using the new EAP, implemented through Independent Counselling and Advisory Services (ICAS).

The EAP aims to aid employees with the daily struggles they may encounter, and includes psychological counselling, life management, substance abuse counselling and dealing with troubled employees, among others.

HIV/AIDS

On 1 December 2011, the SABS OHCC and Marketing Department hosted a World AIDS Day event to promote HIV/AIDS awareness among SABS employees. After communicating the importance of knowing one's HIV/AIDS status, employees were encouraged to voluntarily undergo testing through the confidential service provided. Employees, including those from the regional offices, received SABS caps and AIDS ribbons as a thank you gesture for undertaking the voluntary testing.

Employee Safety

Safety and Occupational Health

During the year, the SABS recorded a total of four lost time injuries and 31 minor injuries. All four employees resumed duty within three working days. The current SABS lost time injury frequency rate is 0.42 employees per 200 000 hours. Incident investigations showed that the corrective actions put in place during the previous financial year had a positive effect, with a significant drop in lost time injuries during the year under review (four compared to eight in 2010/11).

The SABS, through the OHCC, conducted medical examinations on all its laboratory employees during the year. These examinations included general physical examinations, as well as specialised testing pertaining to lung function (spirometry), audiometric testing, eye testing and other biological tests. All tests were aligned with the risks employees are exposed to and will be continuously monitored in future.

Emergency Planning

During the year under review, both announced and unannounced emergency evacuation drills were successfully conducted. Employees, contractors, as well as visitors responded appropriately.

Security

SABS security underwent several changes and improvements during the year. One of the most noteworthy changes was the adoption of the Physical Security Policy and Procedure, which makes the SABS compliant with relevant national acts and regulations, as well as Minimum Physical Security Standards (MPSS). Furthermore, the security function now falls under the Risk and Compliance Department.

Retirement Fund

As a means of providing financial security and stability for its employees at retirement age and in cases of emergencies such as death and disability, the SABS established its Retirement Fund in 1994. The fund is administered by Alexander Forbes, and a Board of Trustees ensures that the fund's fiduciary duties are performed in the best interests of its members.

The fund allows for both a life stage model and a member level investment approach, and consists of five investment portfolios ranging from high to low risk investment with a multi-manager approach. The fund also provides death and disability benefits and funeral cover.

Members have 24-hour access to an online Alexander Forbes facility to view the value of their portfolios, or utilise the financial tools available on the website to calculate projected values at retirement.

The different portfolios aim to deliver the following returns:

- Performer Portfolio (high risk and trustee default portfolio): Consumer Price Index (CPI) plus 5% over a rolling five-year period
- 50/50 Performer/Conserver Portfolio: CPI plus 4% over a rolling four-year period
- Conserver Portfolio: CPI plus 3% over a rolling three-year period
- Stable Focus Portfolio: CPI plus 2% over a rolling one-year period
- Cash Portfolio: Capital preservation.

The cumulative returns on the portfolios for the rolling period ending 31 March 2012 were as follows:

- Performer Portfolio: 9.13%
- 50/50 Portfolio: 9.91%
- Conserver Portfolio: 13.55%
- Stable Focus Portfolio: 8%
- Banker Portfolio: 6.67%.

The fund's external audit report declared the fund financially sound and confirmed that its operations are in accordance with best accounting practices for South African retirement funds, as prescribed by the Pension Funds Act.

As at 31 March 2012, 938 SABS employees (excluding National Regulator for Compulsory Specifications employees) were members of the fund, eight of whom have been declared medically unfit.

STAKEHOLDER RELATIONS

Standards development is a stakeholder engagement-intensive programme as it involves encouraging diverse interest groups to agree on requirements for conformity of products, services and systems. In 2011/12, several stakeholder engagement activities were undertaken as highlighted in the tables below. The first table highlights local stakeholder engagement, while the second summarises regional and international stakeholder meetings hosted by the SABS.

Sylvester Ratlabala, Executive: SABS Commercial (on the right) with Kedi Mabotja from Kedi Mabotja & Associates and Tim Tebeila, Chairman of Sekoko Resources

Dr Boni Mehlomakulu and Dr Rob Davies at a press conference answering questions about energy efficiency and management at the SABS Annual Convention

HIGHLIGHTS OF LOCAL STAKEHOLDER ENGAGEMENTS

DATE	EVENT
12 September 2011	Launch of SANS 1162 Responsible tourism – requirements
12 October 2011	Parliamentary Portfolio Committee briefing on the SABS Annual Report
28 November – 9 December 2011	Attendance of COP17
27 March 2012	Launch of SANS 1197 Tourism service excellence
19 January 2012	Workshop on SANS 10240 The installation of replacement auto glass in motor vehicles by the direct glazing method
16 February 2012	Workshop on Smart Grids
1 March 2012	SABS SMME Workshop
2 March 2012	SABS Academic Open Day
12 March 2012	Workshop on SANS 19011 Guidelines for auditing of management systems
22 March 2012	Establishment of Expert Technical Committee on Medicinal Plants

REGIONAL AND INTERNATIONAL STAKEHOLDER MEETINGS HOSTED BY THE SABS

DATE	EVENT
6 – 10 June 2011	Regional Workshop on ISO 50001 energy management systems – requirements with guidance for use
22 June 2011	ISO/TC 137 Footwear sizing designations and marking systems
19 – 23 July 2011	ISO/TC 133 Sizing systems and designations for clothes
14 – 18 November 2011	ISO/TC 229 Nanotechnology
14 – 18 November 2011	ISO/TC 211 Geographic information/geomatics
21 – 25 November 2011	ISO/TC98 Bases for design of structures
28 November – 9 December 2011	Attendance of COP17
6 – 10 February 2012	ISO/ PC 251 Asset management
13 – 15 February 2012	JTC1/SC17/WG10 Motor vehicle driver licence and related documents
20 – 24 February 2012	ISO/PC 241 Road traffic safety management systems

SABS/ISO National Standards Body CEO Workshop

During the week of 27 – 29 February 2012 the SABS, in conjunction with ISO, hosted the ISO/SABS Regional Workshop for CEOs of African National Standards Bodies (NSBs) at Kwa Maritane Bush Lodge in the North West. The workshop was facilitated by the ISO Secretary General, Mr Rob Steel and Mr Nocholas Fleury, ISO Director of Marketing, Communication and Information. CEOs of Angola, Botswana, Kenya, Lesotho, Rwanda, Swaziland, Mauritius, Namibia, Mozambique, Zambia and Zimbabwe attended the meeting, together with a number of invited SABS staff members.

Topics discussed include ISO's copyright, commercial policies, objectives and problems in protecting the copyright and copyright exploitation. Learning and development in national standards bodies and the implementation of a Balanced Scorecard to monitor and evaluate performance of staff members employed by NSBs were also discussed.

Standards Convention

The SABS hosted the annual Standards Convention on 13 October 2011 at the Gallagher Convention Centre. The theme was International Standards – Creating Confidence Globally.

The convention, attended by approximately 300 delegates, created the platform for the launch of four key standards that support government's IPAP imperatives. SANS 204 and SANS 10400-XA are both referenced in the National Building Regulations administered by the National Regulator for Compulsory Specifications (NRCS) under the auspices of the dti; and SANS 50001 and SANS 50010 support the Department of Energy's Energy Reduction Policy, including future tax incentives for energy savings.

IEC General Assembly

The SABS Standards Executive attended the International IEC General Assembly in Melbourne, Australia in October 2011. South Africa serves on the IEC Council Board, and the Chairman of the South African National Committee of the IEC was re-elected for a second three-year term of office.

The ISO General Assembly

The ISO General Assembly was held in New Delhi from 19 – 23 September 2011. The SABS was re-elected to the ISO Technical Management Board and retained its membership on the ISO Council.

STAKEHOLDER AWARDS AND RECOGNITION

On 14 October 2011, the SABS announced the winners of its coveted annual awards at the SABS gala dinner and convention held at the Gallagher Convention Centre.

The highlight of the awards ceremony was the President's Award, presented to Nampak DivFood, manufacturers of plain and decorated metal packaging. This company has implemented a world-class manufacturing strategy in order to maximise its market share and product quality, and is compliant with both ISO 9001 and ISO 14001.

The winners of the other SABS awards were as follows:

- SABS Essay Award: The theme of this competition was International Standards Provide Global Confidence, and the winner was Albert Monteith of the University of Pretoria
- Standards Development Award: This award recognises the exceptional contribution to standardisation through participation in technical committee work by an individual in the development of standards. The winner, Lisa Reynolds, played a leading role in the revision of SANS 204 and SANS 10400-XA, both very important standards
- SABS Media Award: Verelene de Koker, through the publications *Civil Engineering* and *Journal of the South African Institution of Civil Engineering,* made an important contribution to creating awareness of new standards development among more than 9 000 local civil engineers, and was a worthy winner of this award
- Outstanding Student in Standardisation and Quality Award: This award for meritorious performance by a student in a formal standardisation and quality training course was awarded to Vanessa Pather who obtained a 90.75% average in her Total Quality Management Course
- Eskom NRS Award: Rens Bindeman from the South African Revenue Protection Association was presented with the Eskom NRS Award which recognises exceptional contributions to standardisation through participation in the National Rationalised Specifications (NRS).

SABS Board Member, Webster Masvikwa and Dr Sadhvir Bissoon, Standards Executive, presenting the outstanding student in standardisation and quality award to Ms Vanessa Pather

Pupils from Modiri Technical High School in the Tshwane South District attending the SABS Saturday School

CORPORATE SOCIAL RESPONSIBILITY

The SABS Corporate Social Investment Programme consists of two types of investment in the community, namely through community support and enterprise development.

On the enterprise development front, the SABS placed a lot of focus on SMMEs that meet the BBBEE qualifying criteria for funding. When a SABS Commercial SOC Ltd business unit provides a service to one of the qualifying SMMEs, the CSI fund pays 50% of the service expense to that unit.

The community support projects undertaken during the year were focused on education support to various schools in the area. Letters of confirmation of donations received, as well as the racial demographics of the beneficiaries, have been obtained for all projects funded.

COMMUNITY SUPPORT

Education Support Projects

During the year under review, the SABS made donations towards the building of a school hall for the Ithongasi Public Primary School in Munster, KwaZulu-Natal. Money was also donated to the School for the Deaf in Pretoria West for the refurbishment of their occupational therapy room.

In 2011 the SABS visited the Motswatemeng High School in the rural Moretele District in North West. It handed over library books in order to assist Grade 10 – 12 learners with mathematics and science. In 2012 the SABS will focus on establishing a science laboratory at the school.

Saturday School Project

In a drive to improve the mathematics and science pass rate of matric pupils, the SABS continued with the second year of its three-year Saturday School Project in 2011 with pupils from the Modiri Technical High School in the Tshwane South District. SABS runs this Saturday School on its premises and Grade 11 and 12 learners from the school receive additional lessons in mathematics and physical science. The Saturday School Project resulted in significant improvements in the pass rate of mathematics and physical science for the 2011 intake. Future efforts are geared towards extending bursaries to learners who pass Grade 12 with exceptional results.

ENTERPRISE DEVELOPMENT

During the year under review, the SABS implemented the SMME Unit to deal with all SMME-related services. The objective of this business unit is to make the services and products offered by the SABS more accessible to SMMEs and to ensure that standards-related knowledge is passed on through workshops, training and other means.

Through the SABS, this business unit partnered with various government institutions such as Seda, TIA, ECDC and the dti in order to reach the SMME market. These partnerships help the SABS to ensure that SMMEs have access to its services, allowing them to play a meaningful role in the South African economy.

The goal is to continue to work hand-in-hand with government and other stakeholders to aid the development and sustainability of these small businesses. The SABS also plans to create a database of compliant SMMEs for public use.

ENVIRONMENTAL SUSTAINABILITY

The SABS is committed to reducing its impact on the environment. Although certain initiatives were implemented during the year under review, the SABS is in the process of developing a comprehensive, focused strategy to reduce its impact on the environment. Significant initiatives to be implemented in the year ahead include projects to conserve both water and energy usage.

ENVIRONMENTAL MANAGEMENT PLANNING, STATISTICS AND WASTE MANAGEMENT

One of the highlights of the year was the launch of the new, state-of-the-art SABS laboratory complex. This 13 608 m^2 building, funded by the dti, houses nine new laboratories, built according to the standards of both the South African Green Star rating tool (still under development at the commencement of this project) of the South African Green Building Council and international rating and guidance tools.

During the year, the SABS finalised its Environmental Management Plan, and commenced with regular environmental hygiene surveys at all regional offices/sites. These surveys will look at pollution, ventilation and indoor air quality contaminants, dust, ergonomics, illumination/lighting, noise and asbestos.

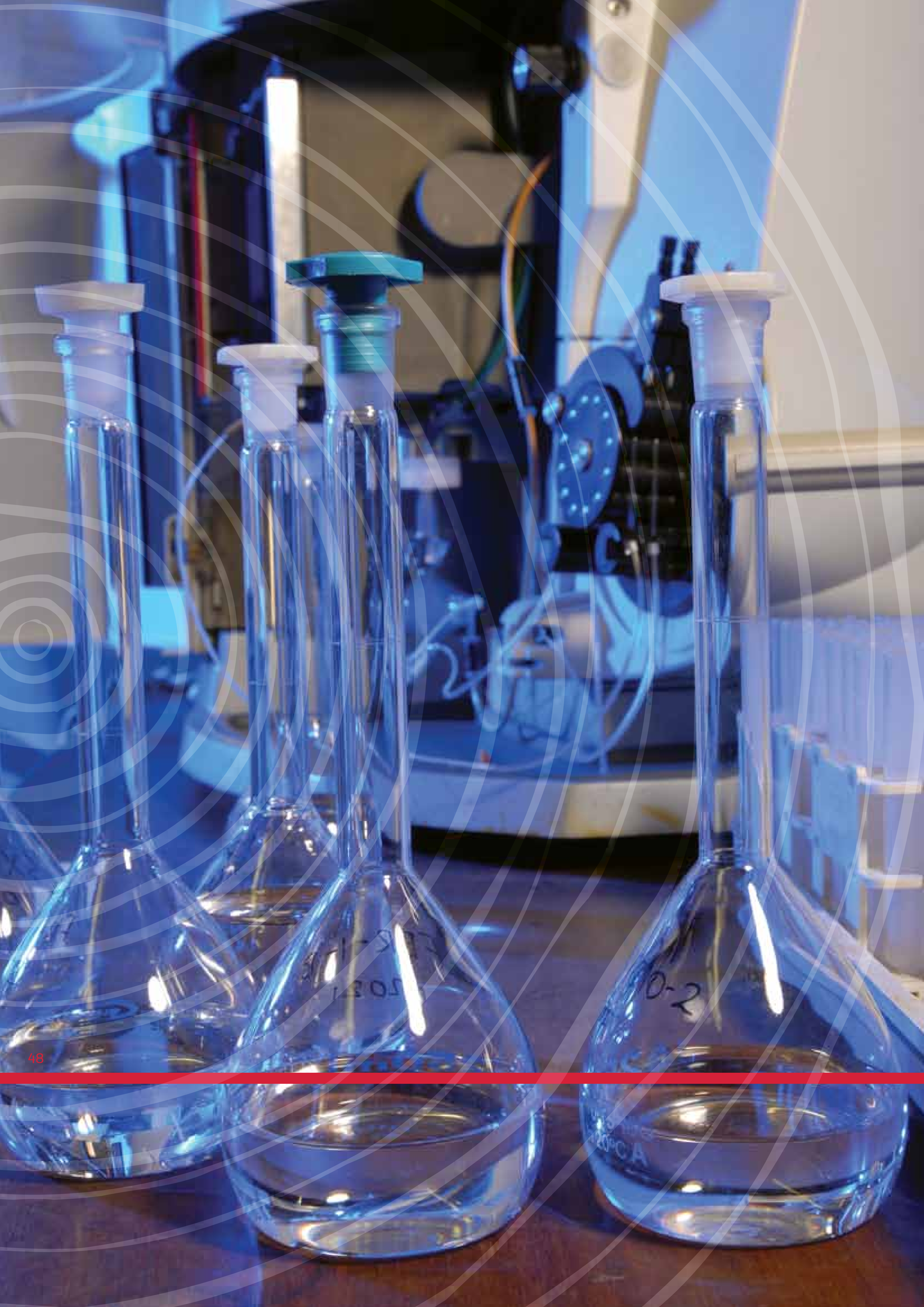
The Health Safety and Environmental Department introduced monthly electricity and water consumption reports during the 2011/12 financial year. The SABS used an average of 32 615 kilolitres of water and an average of 2 521 842 kilowatts per hour of electricity per month.

This significant consumption of water and electricity is a major concern to the SABS and going forward an energy saving committee will be formed to conduct a regular energy audit. The committee will also involve the City of Tshwane to provide some insight into resource conservation.

The appointed occupational hygiene service provider conducted water sampling and was busy with the SABS surveys at the time of reporting. By conducting water sampling, the SABS is able to evaluate the quality of its water and confirm that there are no existing pollutants or traces of legionella.

The SABS has launched its Waste Management Programme which ensures the responsible management of all waste in compliance with relevant waste management legislation.

Planting a tree at Ithongasi Primary school at their centenary celebration



Annual Financial Statements

for the year ended 31 March 2012

Preparation of Financial Results

The preparation of the annual financial statements for the year ended 31 March 2012 has been supervised by EE Lefteris, Chief Financial Officer of the SABS.

Seven Year Group Review

for the years ended 31 March 2012

	2012 R'000	2011 R'000	2010 R'000	2009 R'000	2008 R'000	2007 R'000	2006 R'000
INCOME STATEMENT							
Commercial revenue	**401 482**	394 553	390 743	358 509	318 350	304 134	279 425
Levy revenue	**-**	-	-	45 245	104 013	102 439	81 169
Parliamentary grant recognised as income	**159 207**	156 881	134 852	128 785	125 273	110 695	96 754
Expenditure	**576 257**	529 275	516 577	491 831	437 251	407 861	456 525
Net (loss)/profit on discontinued operations	**(1 493)**	(111)	(22 244)	2 061	11 323	44 772	-
Net investment income/(cost)	**17 080**	8 453	3 223	(596)	530	2 925	3 408
Profit for the year	**34 932**	54 518	46 818	30 749	35 043	66 636	20 257
Operating profit*	**23 115**	63 745	51 753	44 601	46 552	72 493	34 524
STATEMENT OF FINANCIAL POSITION							
Property, plant and equipment	**305 908**	253 825	169 901	170 936	169 511	154 239	131 570
Investment properties	**10 466**	10 896	11 337	11 761	2 547	2 681	-
Intangibles	**2 538**	9 845	17 542	17 982	6 244	374	-
Total available-for-sale investments	**284 308**	291 900	201 465	250 088	289 144	207 251	153 429
Deferred taxation	**22 732**	21 116	23 905	23 732	22 085	19 317	15 085
Non-current assets/disposal group held for sale	**66**	1 653	1 894	2 342	15 673	13 410	17 000
Current assets excluding cash	**61 413**	56 180	52 968	67 459	64 209	85 414	69 008
Net cash and cash equivalents	**262 311**	190 447	122 162	7 565	(3 065)	27 010	25 875
TOTAL ASSETS	**949 742**	835 862	601 174	551 865	566 348	509 696	411 967
Capital and reserves	**481 970**	445 246	384 679	347 320	339 854	292 348	194 965
Interest bearing borrowings	**-**	14 914	15 703	18 441	22 726	23 509	23 675
Other liabilities	**333 162**	253 437	100 204	102 191	117 049	101 616	103 829
Current liabilities	**134 610**	122 265	100 588	83 913	86 719	92 223	89 498
TOTAL EQUITY AND LIABILITIES	**949 742**	835 862	601 174	551 865	566 348	509 696	411 967
CASH FLOWS							
Net cash flow from operating activities	**67 128**	110 807	90 618	26 192	40 640	80 517	37 217
Net cash flow from investing activities	**(62 087)**	(194 575)	26 717	(11 277)	(70 483)	(79 216)	(54 098)
Net cash flow from financing activities	**66 823**	152 053	(2 738)	(4 285)	(232)	(166)	8 675
Cash and cash equivalents at beginning of year	**190 447**	122 162	7 565	(3 065)	27 010	25 875	34 081
Cash and cash equivalents at end of year	**262 311**	190 447	122 162	7 565	(3 065)	27 010	25 875

RATIO ANALYSIS

	2012 R'000	2011 R'000	2010 R'000	2009 R'000	2008 R'000	2007 R'000	2006 R'000
PROFITABILITY AND ASSET MANAGEMENT							
Asset turnover	**0.5**	0.6	0.8	0.9	0.9	1.0	1.1
Return on net assets	**4.2%**	12.2%	13.7%	9.7%	9.6%	18.6%	11.6%
Return on equity	**4.8%**	14.3%	13.5%	12.8%	13.7%	24.8%	17.7%
Current ratio	**0.5**	0.5	0.5	0.8	0.7	0.9	0.8
Operating margin %	**5.8%**	16.2%	13.2%	11.0%	11.0%	17.8%	9.6%
Revenue % to total income	**67.6%**	68.2%	67.1%	70.9%	74.1%	76.1%	76.3%
PERFORMANCE							
Revenue per employee	**376**	339	289	262	287	298	296
Operating profit per employee	**22**	55	38	29	32	53	23
Remuneration as a % of total expenditure	**58.3%**	62.2%	57.9%	64.1%	62.1%	61.3%	59.1%
Average number of employees	**1 068**	1 163	1 354	1 541[1]	1 470	1 364	1 219

RATIO DEFINITIONS

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

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

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

Financial Review

for the year ended 31 March 2012

The past financial year has seen some global recovery from the economic crisis, although the debt crisis in the Eurozone suggests that recovery is still shaky. The slow recovery negatively affects demand for most of the SABS services, as the majority of the SABS customers are in the production sectors of the economy. The SABS also faced a number of challenges, including changing market conditions, pricing pressure and technology shifts. To respond to these challenges, the SABS has renewed its customer focus and adopted a new business strategy to become more relevant, agile, resilient and geared towards economic impact services.

OPERATING RESULTS

Revenue from commercial operations at R401.5 million (2011: R394.6 million) increased by 2.0% on last year. Certification revenue increased by 12.1% compared to the prior year, boosted by strong demand for product certification. More systems certification work was done for local government authorities and will remain a focus area in the new year. Revenue from inspections, tests and services was 9% lower than the prior year mainly due to depressed sample volumes in the mining and mineral, as well as the automotive sections of the business. The alternative energy and the electro-technical business performed extremely well as a number of energy efficiency projects were undertaken in support of the national efforts to manage energy demand.

The base line parliamentary core funding allocation of R159.2 million increased by R2.3 million from the previous year's allocation of R156.9 million. Additional funding of R6.1 million (excluding VAT) was received for the upgrading of the vehicle testing facility which was allocated to capital projects.

Total expenses for the year were R576.3 million, an 8.9% increase compared to the R529.3 million incurred in the previous year. The increase in spending was driven by the need to improve implementation capacity in order to provide relevant standardisation and conformity assessment services. In addition, spending was targeted at new market development and the rejuvenation of the SABS brand.

Operating profit before taxation, financing and discontinued operations decreased by R31.3 million to R17.7 million (2011: R49.0 million). The decrease in the operating profit can mainly be attributed to increased spend on implementation capacity.

CAPITAL EXPENDITURE

Group capital expenditure for the year amounted to R78.4 million (2011: R110.4 million). The Group received funding from the dti to the value of R93.2 million (including VAT) (2011: R174.2 million) during the year under review to fund the construction of the new laboratory complex and the upgrade of the C block on the Groenkloof Campus. The construction of the new laboratory complex on the Groenkloof Campus commenced during February 2010 and was completed in 2011. The complex was officially launched by President Jacob Zuma in October 2011. An additional R42.1 million is expected during the next financial year for the refurbishment of existing buildings on the Groenkloof Campus. In addition, new and replacement laboratory equipment was procured to upgrade testing capacity in line with the new growth strategy. The solar and emissions testing facilities were upgraded to support implementation of the IPAP strategy of the dti.

POST-EMPLOYMENT HEALTHCARE BENEFITS

The Group provides post-employment medical aid contribution subsidies to qualifying retirees. Employees who meet set criteria are entitled to this benefit when they retire. The expected liability has been determined by an actuary. The post-employment healthcare benefit obligation amounted to R79.2 million (2011: R74.8 million) at 31 March 2012. The Board approved that this liability will be funded through 75% of a specific long-term investment. The value of the investment notionally allocated to cover this liability was R86.2 million (2011: R81.6 million) (Refer to note 23 of the financial statements).

BORROWINGS

The Group settled its interest bearing borrowing of R15 million when it became due during the year under review. There are no immediate plans to borrow.

CASH AND CASH EQUIVALENTS

Cash generated from operating activities decreased by 51% to R50.0 million (2011: increase of 17%). This is mainly due to an increase in operating expenditure.

The Group received R93.2 million (2011: R174.2 million) (including VAT) in the year ended 31 March 2012 from the shareholder for the construction of the new laboratory complex and the upgrade of the C block on the Groenkloof Campus. As at 31 March 2012 R94.8 million (2011: R58.3 million) was included in cash and cash equivalents in respect of this project which will continue over the next financial year.

The Group has embarked on an initiative to invest in infrastructure and capacity building to improve customer-centricity and reduce turnaround times. This includes investing in ICT to enhance the customer experience and achieve operational efficiency and excellence, and investing in human capital to execute the SABS mandate. Capital projects amounting to R72.0 million have been included in the plans for the 2012/13 years and provision has been made to fund these out of the cash and cash equivalents.

INVESTMENTS

The SABS revisited its Investment Policy during the year under review to align it to the requirements of King III. There has been no change in the investments held with two investment managers. The investment with Liberty, that secured the R15 million loan with Standard Bank, matured during the period under review. The annualised long-term investment returns were between 5% and 7%. The targeted returns over a rolling period longer than three years are CPI plus 3% per annum after cost.

The quantum of the short-term investment portfolio was determined in line with the Investment Policy and the funds were invested in money market products. On average an annualised return of 6% per annum was achieved since the inception of the short-term investments.

FINANCIAL MANAGEMENT IMPERATIVES

The SABS financial management practices remain sound despite adverse changes in the economic environment, as well as the continuous threat of competition. The priorities for the year ahead are informed by the strategic imperatives and include:

- A complete review of pricing and billing practices to ensure accuracy and completeness of revenue. The implementation of LIMS in the laboratories will complete the automation of billing for all services
- The automation of billing has also necessitated a revamp of the ICT security architecture to prevent fraud. General IT and application controls will remain priorities for the year ahead
- Prudent management of cash resources has been one of the successes of the past, hence there has been no need for an overdraft facility. In the year ahead, SABS intends to invest significant resources in revamping laboratory and ICT infrastructure.

BBBEE

The SABS supports transformation and the policy objectives of BBBEE. SABS achieved a level 4 (2011: level 3) BBBEE rating and SABS Commercial SOC Ltd a level 4 (2011: level 4) rating. Action plans are being implemented to improve the ratings.

Report of the Audit and Finance Committee of the Board

for the year ended 31 March 2012

The committee is pleased to present its report for the financial year ended 31 March 2012.

The Audit and Finance Committee is constituted as a statutory committee of the Group, as well as a committee of the Board, and among others its mandate includes:

- Overseeing integrated reporting
- Monitoring and reviewing the effectiveness of the Group's internal audit function
- Annually reviewing the expertise, appropriateness and experience of the finance function
- Ensuring that a combined assurance model is applied to provide a co-ordinated approach to all assurance activities.

COMPOSITION

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

FREQUENCY AND ATTENDANCE OF MEETINGS

In addition to the committee members, the CEO, the CFO, the head of internal audit and the external auditors attend all committee meetings by invitation. During the year under review, the committee met five (5) times. Attendance of meetings held during the year under review is presented in the following table:

MEMBERS	MEETING DATES				
	12 MAY 2011	23 MAY 2011	21 JULY 2011	10 NOVEMBER 2011	9 FEBRUARY 2012
Ms Boitumelo Mosako (Chairperson)	√	√	√	√	√
Dr Michael J Ellman	√	√	√	√	√
Mr Webster K Masvikwa	A	√	√	√	√
Ms Wendy Poulton	√	√	A	A	√

√ - Present

A - Apology

RISK MANAGEMENT OVERSIGHT

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

INTERNAL AUDIT

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

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

The committee is of the opinion that the Group's system of internal financial controls is effective and provides reasonable assurance that the financial records may be relied upon for the preparation of the annual financial statements.

DUTIES DURING THE PERIOD UNDER REVIEW

During the financial year ended 31 March 2012 the committee carried out its duties as required in terms of Section 94(2) of the South African Companies Act, No. 71 of 2008, the King III Report and the committee's terms of reference.

Statutory duties:

- Evaluated the independence and effectiveness of the external auditors and approved their terms of engagement after consideration of the timing and scope of the audit
- Considered and approved the audit fee payable to the external auditors for the year ended 31 March 2012.

The committee performed the following duties, among others:

- Reviewed the Group financial statements and declaration of compliance with statutory requirements
- Reviewed the quality, independence and effectiveness of the internal audit process, as well as the positive assurance opinion of the internal auditor on internal financial controls
- Reviewed its terms of reference
- Reviewed the external auditor's management letters and management responses
- Reviewed significant judgments and unadjusted differences resulting from the audit, as well as any reporting decisions made
- Recommended the reappointment of the external auditor to the shareholder.

ANNUAL FINANCIAL STATEMENTS

The Audit and Finance Committee has evaluated the consolidated annual financial statements for the year ended 31 March 2012 and concluded that these comply, in all material respects, with the requirements of the International Financial Reporting Standards. The committee has reviewed the Auditor-General's management letter and management's response thereto, as well as significant adjustments resulting from the audit and recommended the approval of the annual financial statements to the Board.

CONCLUSION

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

Ms Boitumelo Mosako
Audit and Finance Committee Chairperson

Statement of Responsibility of the Board

for the year ended 31 March 2012

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

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

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

The Annual Financial Statements presented on pages 63 to 117, have been prepared in terms of South African Statements of Generally Accepted Accounting Practice and supported by reasonable and prudent judgments and estimates.

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

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

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

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

The Board report and financial statements for the year ended 31 March 2012, which appear on pages 59 to 117 were approved by the Board on 26 July 2012 and signed on its behalf by:

Mr Bahle Sibisi
Chairperson

Dr Boni Mehlomakulu
Chief Executive Officer

Report of the Auditor-General

REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE FINANCIAL STATEMENTS OF SOUTH AFRICAN BUREAU OF STANDARDS SOC FOR THE YEAR ENDED 31 MARCH 2012

REPORT ON THE CONSOLIDATED 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 63 to 117 , which comprise the consolidated and separate statement of financial position as at 31 March 2012 the consolidated and separate statement of comprehensive income, statement of changes in equity and the statement of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Director's responsibility for the consolidated financial statements

2. The board of directors which constitutes 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 Statements of GAAP) and the requirements of the Public Finance Management Act of South Africa, Act 1 of 1999 (PFMA), and for such internal control as the accounting authority determines is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

Auditor-General's responsibility

3. My responsibility is to express an opinion on these consolidated and separate financial statements based on my audit. I conducted my audit in accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), the *General Notice* issued in terms thereof and International Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated and separate financial statements are free from material misstatement.

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

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

Opinion

6. In my opinion, the consolidated and separate financial statements present fairly, in all material respects, the financial position of the South African Bureau of Standards and its subsidiaries as at 31 March 2012, and their financial performance and cash flows for the year then ended in accordance with SA Statements of GAAP and the requirements of the PFMA.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

7. In accordance with the PAA and the *General Notice* issued in terms thereof, I report the following findings relevant to performance against predetermined objectives, compliance with laws and regulations and internal control, but not for the purpose of expressing an opinion.

Predetermined objectives

8. I performed procedures to obtain evidence about the usefulness and reliability of the information in the annual performance report as set out on pages 61 to 62 of the annual report.

9. The reported performance against predetermined objectives was evaluated against the overall criteria of usefulness and reliability. The usefulness of information in the annual performance report relates to whether it is presented in accordance with the National Treasury annual reporting principles and

Report of the Auditor-General (continued)

whether the reported performance is consistent with the planned objectives. The usefulness of information further relates to whether indicators and targets are measurable (i.e. well defined, verifiable, specific, measurable and time bound) and relevant as required by the *National Treasury Framework for managing programme performance information.*

The reliability of the information in respect of the selected objectives is assessed to determine whether it adequately reflects the facts (i.e. whether it is valid, accurate and complete).

10. There were no material findings on the Performance against pre-determined objectives report concerning the usefulness and reliability of the information.

Additional matter

11. Although no material findings concerning the usefulness and reliability of the performance information were identified in the annual performance report, I draw attention to the following matter below. This matter does not have an impact on the predetermined objectives audit findings reported above.

Achievements of planned targets

12. Of the total number of 13 planned targets, only 6 were achieved during the year under review. This represents 54% of total planned targets that were not achieved during the year under review.

This was due to the fact that indicators and targets were not suitably developed during the strategic planning process. The reasons for the non-achievement of targets are disclosed in pages 61 to 62 of the annual report.

Compliance with laws and regulations

13. I performed procedures to obtain evidence that the entity has complied with applicable laws and regulations regarding financial matters, financial management and other related matters. I did not identify any instances of material non-compliance with specific matters in key applicable laws and regulations as set out in the *General Notice* issued in terms of the PAA.

Internal control

14. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with laws and regulations. I did not identify any deficiencies in internal controls which we considered sufficiently significant for inclusion in this report.

OTHER REPORTS

Agreed-upon procedures engagements

15. As requested by the entity, two engagements were conducted during the year under review on royalties' fees payable by the South African Bureau of Standards. The first report covered the period January 2010 to December 2010 and was issued on 29 November 2011. The second report covered the period January 2011 to December 2011 and has not yet been issued.

Investigation

16. An investigation was conducted by an independent consulting firm on request of the entity. The investigation was initiated based on the allegation of possible fraud by the employee in the previous financial year. The investigation resulted in criminal proceedings being instituted against one employee.

Auditor-General

Pretoria
31 July 2012

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

Board Report

for the year ended 31 March 2012

INTRODUCTION

In terms of the Standards Act, No. 8 of 2008, and the Public Finance Management Act (PFMA), No. 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, No. 71 of 2008, the financial statements fairly reflect the financial position of the SABS Group as at 31 March 2012 and the results of its operations and cash flows for the year 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 2012.

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, No. 29 of 1993 and subsequently superseded by the Standards Act, No. 8 of 2008. The organisation is listed as a Schedule 3B Public Entity in terms of the PFMA.

OUR MANDATE

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

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

VISION

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

MISSION

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

VALUES

As we transform our Organisation and move towards a culture of high performance and quality service provision, we are guided by the following values:

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

FINANCES

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

The Group made a net profit of R34.9 million (2011: R54.5 million) for the year ended March 2012. The profit for the year from continuing operations after taxation is R36.4 million (2011: R54.6 million). The financial review provides further detail regarding financial performance.

GOVERNMENT GRANTS RELATING TO INCOME

The government grant allocated to the SABS for the financial year under review amounted to R159.2 million (2011: R156.9 million) which represents an increase of 1.47% (2011: 16.3%).

The SABS has received R81.7 million (2011: R152.8 million) during the year under review for the building of the new laboratories. The SABS will receive R42.1 million (excluding VAT) during the 2012/13 financial year for the upgrading of the C block on the Groenkloof Campus.

STRATEGIC PLANNING POLICY

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

The SABS has analysed the environment within which it operates and has identified the continuous upgrading of laboratory infrastructure, retention of core technical skills and the mounting competition from international conformity assessment bodies as some of its biggest challenges faced. Informed by this analysis, the SABS developed a five-year growth plan (up to March 2016) focusing on growth, customer-centricity, operational efficiency and competent human resources to effectively discharge its mandate. The 2011/12 financial year marks the first year of the strategy's implementation.

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

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

Board report (continued)

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:

- Grow total annual revenue to R1 billion by 2016 by increasing the uptake of SABS offerings through a customer-centred operating model, and by producing standards of specified national economic impact
- Improve the relationships with customers and ensure that the organisation is focused on meeting customer expectations and its mandate
- Improve the operational performance of the SABS to deliver quality outputs within the cost and time expectations of customers and other stakeholders
- Develop and maintain a pool of competencies for the standardisation and conformity assessment services and provide training to benefit industry and the technical infrastructure institutions.

In this report, the achievements of the SABS are highlighted against pre-determined objectives for the year in the Performance Against Pre-determined Objectives Report on page 61 to 62. The SABS managed to achieve the majority of its objectives for the year.

EMPLOYEES

The SABS had 299 (2011: 345) permanent employees and 29 (2011: 9) contract workers in its employ as at 31 March 2012. The Group had 937 (2011: 1 105) permanent employees and 94 (2011: 26) contract workers in its employ as at 31 March 2012.

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.

Performance Against Pre-determined Objectives

for the year ended 31 March 2012

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

the dti GOALS	SABS OBJECTIVES
Facilitate transformation of the economy to promote industrial development, investment and employment creation	To ensure there is a pool of competent staff in the skills areas unique to the SABS
Promote a professional, ethical, dynamic, competitive and customer-focused working environment that ensures effective and efficient service delivery	Improve the relationships with customers and ensure that the Organisation is focused on meeting customer expectations and its mandate
Facilitate broad-based economic participation through targeted interventions to achieve more inclusive growth	Grow annual total revenue to R651.8 million per annum in 2011/12 by increasing the uptake of SABS offerings through a customer-centred operating model and by producing standards of economic impact

The approved Business Plan for 2011/12 includes the SABS objectives and the performance indicators for the period. The specific targets and the performance measured against these targets for the year ended 31 March 2012 are as follows:

SABS OBJECTIVES	PERFORMANCE INDICATOR	TARGETS/OUTPUTS TO BE DELIVERED BY MARCH 2012	PERFORMANCE RESULTS
Grow annual total revenue to R651.8 million per annum in 2011/12 by increasing the uptake of SABS offerings through a customer-centred operating model and by producing standards of economic impact	Revenue from operations plus government grant	R651.8 million	Revenue of R567 million achieved (see footnote 1) due to the impact of lost contracts in Mining and Minerals and new business only materialising at the end of the year. SABS has procured an audit book of R144 million for the 2013 financial year
	Number of home-grown standards and private specifications published	135	259 – Exceeded target as a result of the change in focus due to priority given to IPAP and development of the South African industry
	Total number of new and revised national standards	700	522 – Target was not achieved due to a focus on home-grown standards and ensuring that new work items could be justified in terms of socio-economic benefits
Improve the relationships with customers and ensure that the Organisation is focused on meeting customer expectations and its mandate	Meet agreed milestones in the SABS IPAP Plan	Achieve all milestones for the year	12 out of 14 milestones achieved – SANS 10252-1, SANS 1307 and SANS 1346 were delayed during development by differences among committee members. 32 out of the estimated 35 required standards were published
	Number of standards referenced in legislation	700	943 – Exceeded target which indicates the importance of standards and the role being played and relevance to the regulatory environment

[1] Revenue of R567 million is calculated by taking revenue excluding other revenue and rental income

Performance against pre-determined objectives (continued)

SABS OBJECTIVES	PERFORMANCE INDICATOR	TARGETS/OUTPUTS TO BE DELIVERED BY MARCH 2012	PERFORMANCE RESULTS
Improve the relationships with customers and ensure that the Organisation is focused on meeting customer expectations and its mandate	Number of international committees on which South Africa serves as chairperson or on secretariat	18	17 – SABS has submitted a proposal to host two ISO Committee secretariats. ISO will be making the allocation decision in June 2012
	Hold positions in governance structures	Maintain membership of the ISO Council and TMB	SABS retained membership of both the ISO Council and Technical Management Board
Improve the operational performance of the SABS to deliver quality outputs for customers and other stakeholders	Employee benefit cost as a percentage of the total revenue of the Group	54.7%	57% – The percentage remains consistent with last year, even though revenue targets were not achieved
	Average number of days to develop home-grown standards	280	407 – Internationally, this target is set to manage operational effectiveness in the standards arena. The standards process is a consultative process that requires stakeholder consensus on technical issues
	Percentage improvement in turn-around time for each product and service	10% from 2010/11 baseline	Baseline can only be established once LIMS is operational. Expected implementation is March 2013
Develop and maintain a pool of competencies for the standardisation and conformity assessment services, and provide training to benefit industry and the technical infrastructure institution	The number of outstanding Competency Development Programme (CDP) modules, as well the number of revised CDP modules	Approved SABS core and technical competencies	15% – All CDP programmes were revised during the year and as a result delayed registration resulted in a lower number than anticipated
		Revised and fully established CDP for technical employees	The CDP programme has been developed, however due to reprioritising of projects the implementation has been delayed
	The number of employees identified to participate in the various programmes and the actual number that participate in each programme	Implementation of the Succession Management Plan	Sensitisation sessions for the entire SABS were conducted and the talent audit was successfully completed by the end of March 2012. This means that core skills, critical positions, scarce positions and people eligible for retention have all been identified organisation-wide

Income Statements
for the year ended 31 March 2012

	NOTES	GROUP 2012 R'000	GROUP 2011 R'000	SABS 2012 R'000	SABS (RESTATED) 2011 R'000
CONTINUING OPERATIONS					
Revenue	2	**401 482**	394 553	**109 305**	78 114
Other income	3	**33 297**	26 806	**69 883**	63 782
Government grants	29.6	**159 207**	156 881	**139 755**	138 940
		593 986	578 240	**318 943**	280 836
Employee benefit expenditure	4	**(335 949)**	(329 037)	**(130 209)**	(115 884)
Depreciation	10	**(26 227)**	(24 543)	**(12 775)**	(12 160)
Contract services		**(32 040)**	(17 164)	**(25 172)**	(12 520)
Travel expenditure		**(27 419)**	(24 324)	**(4 673)**	(5 582)
Advertising expenditure		**(17 355)**	(7 710)	**(12 555)**	(5 882)
Repairs and maintenance expenditure		**(10 744)**	(10 152)	**(6 843)**	(5 295)
Consulting and technical fees		**(17 981)**	(15 209)	**(8 951)**	(8 428)
Other expenditure	5	**(108 542)**	(101 136)	**(113 954)**	(75 101)
OPERATING PROFIT		**17 729**	48 965	**3 811**	39 984
Finance revenue	6	**17 731**	15 646	**17 730**	15 645
Finance cost	7	**(651)**	(7 193)	**(643)**	(6 938)
NET PROFIT BEFORE TAXATION		**34 809**	57 418	**20 898**	48 691
Taxation	8	**1 616**	(2 789)	**-**	-
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		**36 425**	54 629	**20 898**	48 691
DISCONTINUED OPERATIONS					
Loss for the year from discontinued operations	9	**(1 493)**	(111)	**-**	-
PROFIT FOR THE YEAR		**34 932**	54 518	**20 898**	48 691

Statements of Comprehensive Income

for the year ended 31 March 2012

	NOTES	GROUP 2012 R'000	GROUP 2011 R'000	SABS 2012 R'000	SABS 2011 R'000
PROFIT FOR THE YEAR		**34 932**	54 518	**20 898**	48 691
OTHER COMPREHENSIVE INCOME					
Net gains on available-for-sale financial assets	21	**8 712**	6 246	**8 712**	6 246
TOTAL COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**43 644**	60 764	**29 610**	54 937

Statements of Financial Position

as at 31 March 2012

	NOTES	GROUP 2012 R'000	GROUP 2011 R'000	SABS 2012 R'000	SABS 2011 R'000
ASSETS					
NON-CURRENT ASSETS		**570 824**	535 468	**469 765**	445 933
Property, plant and equipment	10	**305 908**	253 825	**227 580**	185 406
Investment properties	11	**10 466**	10 896	**10 466**	10 896
Intangible assets	12	**2 538**	9 845	**2 538**	9 845
Investment in subsidiaries	13	**-**	-	**1**	-
Available-for-sale investments	14	**229 180**	239 786	**229 180**	239 786
Deferred taxation	15	**22 732**	21 116	**-**	-
CURRENT ASSETS		**378 852**	298 741	**327 521**	266 901
Inventory	16	**1 128**	1 524	**1 128**	1 524
Trade and other receivables	17	**60 285**	54 656	**5 637**	10 763
Loans to Group companies	18	**-**	-	**3 412**	12 145
Available-for-sale investments	14	**55 128**	52 114	**55 128**	52 114
Cash and cash equivalents	19	**262 311**	190 447	**262 216**	190 355
ASSETS OF DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE	9	**66**	1 653	**-**	-
TOTAL ASSETS		**949 742**	835 862	**797 286**	712 834
EQUITY AND LIABILITIES					
EQUITY AND RESERVES		**481 970**	445 246	**460 508**	437 818
General reserve	20	**54 282**	54 282	**54 282**	54 282
Other components of equity	21	**14 710**	12 918	**14 710**	12 918
Accumulated profit		**412 981**	376 560	**391 516**	370 618
Reserves of disposal group classified as held for sale	9	**(3)**	1 486	**-**	-
NON-CURRENT LIABILITIES		**333 093**	253 270	**284 110**	207 297
Employment benefit obligations	23	**93 867**	95 193	**52 197**	53 274
Deferred income	24	**239 226**	158 077	**231 913**	154 023
CURRENT LIABILITIES		**134 610**	137 179	**52 668**	67 719
Deferred income	24	**8 315**	7 498	**5 434**	4 585
Trade and other payables	25	**118 919**	107 617	**41 310**	57 350
Interest bearing borrowings	22	**-**	14 914	**-**	9
Employment benefit obligations	23	**7 376**	7 150	**5 924**	5 775
LIABILITIES OF DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE	9	**69**	167	**-**	-
TOTAL EQUITY AND LIABILITIES		**949 742**	835 862	**797 286**	712 834

Statements of Changes in Equity

for the year ended 31 March 2012

	NOTES	GENERAL RESERVE R'000	AVAILABLE-FOR-SALE RESERVE R'000	DISCONTINUED OPERATIONS R'000	ACCUMULATED PROFIT R'000	TOTAL EQUITY AND RESERVES R'000
GROUP						
BALANCE AT 31 MARCH 2010		54 282	6 869	1 598	321 930	384 679
Other comprehensive income		-	12 098	-	-	12 098
Discontinued operations	9	-	-	(112)	112	-
Net profit for the year		-	(6 049)	-	54 518	48 469
BALANCE AT 31 MARCH 2011		54 282	12 918	1 486	376 560	445 246
Other comprehensive income		-	8 712	-	-	8 712
Discontinued operations	9	-	-	(1 489)	1 489	-
Net profit for the year		-	(6 920)	-	34 932	28 012
BALANCE AT 31 MARCH 2012		**54 282**	**14 710**	**(3)**	**412 981**	**481 970**
SABS						
BALANCE AT 31 MARCH 2010		54 282	6 869	-	321 927	383 078
Other comprehensive income		-	12 098	-	-	12 098
Net profit for the year		-	(6 049)	-	48 691	42 642
BALANCE AT 31 MARCH 2011		54 282	12 918	-	370 618	437 818
Other comprehensive income		-	8 712	-	-	8 712
Net profit for the year		-	(6 920)	-	20 898	13 978
BALANCE AT 31 MARCH 2012		**54 282**	**14 710**	**-**	**391 516**	**460 508**

Statements of Cash Flows

for the year ended 31 March 2012

		GROUP		SABS	
	NOTES	2012 R'000	2011 R'000	2012 R'000	2011 R'000
CASH INFLOW FROM OPERATING ACTIVITIES		**67 128**	110 807	**28 048**	83 594
Cash received from customers		**587 848**	576 415	**324 113**	277 556
Cash paid to suppliers and employees		**(537 800)**	(474 061)	**(313 152)**	(202 669)
Cash generated from operations	26.1	**50 048**	102 354	**10 961**	74 887
Finance revenue	6	**17 731**	15 646	**17 730**	15 645
Finance cost	7	**(651)**	(7 193)	**(643)**	(6 938)
CASH OUTFLOW FROM INVESTING ACTIVITIES		**(62 087)**	(194 575)	**(38 705)**	(188 909)
Purchase of property, plant and equipment	10	**(78 392)**	(110 385)	**(56 511)**	(106 906)
Transfer of property, plant and equipment to subsidiary	10	**-**	-	**1 501**	2 186
Proceeds on disposal of property, plant and equipment	26.2	**75**	(1)	**75**	-
Purchase of available-for-sale investments	14	**(5 912)**	(251 387)	**(5 912)**	(251 387)
Disposal of available-for-sale investments	14	**22 142**	167 198	**22 142**	167 198
CASH INFLOW FROM FINANCING ACTIVITIES		**66 823**	152 053	**82 518**	173 600
Repayment of interest bearing borrowings		**(14 914)**	(789)	**(9)**	(803)
Core funding received for infrastructure project	29.6	**81 737**	152 842	**81 737**	152 842
Net decrease in loans to Group companies		**-**	-	**790**	21 561
INCREASE IN CASH AND CASH EQUIVALENTS		**71 864**	68 285	**71 861**	68 285
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**190 447**	122 162	**190 355**	122 070
CASH AND CASH EQUIVALENTS AT END OF YEAR	19	**262 311**	190 447	**262 216**	190 355

Notes to the Financial Statements

for the year ended 31 March 2012

1. SIGNIFICANT ACCOUNTING POLICIES

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

1.1 BASIS OF PREPARATION

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

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future period, 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. Management reviews the appropriateness of useful economic life at least annually, and any changes that could affect prospective depreciation 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 on this calculation.
- Retirement benefits: The expected costs of providing post-employment benefits under defined benefit arrangements relating to employee service during the period are determined based on financial actuarial assumptions. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

1.2 BASIS OF CONSOLIDATION

Subsidiaries

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

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

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

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

Subsidiaries are consolidated from the date on which effective control is transferred to the Group and consolidation ceases from the date of disposal or the date on which control ceases. All inter-company transactions, balances, resulting 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:

	2012	2011
Euro	**10.26**	9.65
Pound Sterling	**12.27**	10.98
US Dollar	**7.71**	6.85

Transactions and Balances

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

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

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

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

1.4 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of property, plant and equipment includes all directly attributable costs that are incurred in order to bring the asset into a location and condition necessary to enable it to operate as intended by management and includes the cost of materials and direct labour. Subsequent expenditure relating to an item of property, plant and equipment is capitalised if the cost can be measured reliably and it is probable that future economic benefits associated with the item will flow to the Group. If a replacement part is recognised in the carrying amount of an item of plant and equipment, the carrying amount of the replaced part is derecognised. When significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise when a major inspection is performed, the cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance expenditure is recognised as an expense in the year it is incurred.

Notes to the Financial Statements (continued)

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1.4 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

	YEARS
Buildings	50
Laboratory equipment	3 – 10
Furniture and office equipment	3 – 10
Vehicles	3

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

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

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

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

1.5 BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets during the period of time that is required to complete and prepare the asset for its intended use. The amount of borrowing costs that the Group capitalises during a period shall not exceed the amount of borrowing costs it incurred during that period. All other borrowing costs are expensed in the period in which they are incurred.

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. 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 they have either 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 tested for impairment at each reporting date. Such intangible assets are not amortised.

1.8 NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

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

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

Property, plant and equipment, 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 plus directly attributable transaction costs, except for financial assets or financial liabilities carried at fair value through profit or loss, which do not include directly attributable transaction costs. All other financial instruments are initially measured at fair value. "Regular way" purchases and sales are accounted for at trade date. Subsequent to initial recognition financial instruments are measured as set out below.

Trade and Other Receivables

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

Investments

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

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

Notes to the Financial Statements (continued)

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1.9 FINANCIAL INSTRUMENTS (CONTINUED)

Investments (continued)

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

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

Cash and Cash Equivalents

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

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

Interest Bearing Borrowings

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

Trade and Other Payables

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

Offset

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

Derecognition

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

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

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

Impairment of Financial Assets

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

If any such evidence exists for available-for-sale financial assets, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in 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 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 employee benefits relating to employee service in the current and prior periods. Contributions are recognised as an expense as incurred.

Post-employment Healthcare Benefit Obligation

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

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

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

- 10% of the value of plan assets; or
- 10% of the defined benefit obligations are spread to income over the lesser of 10 years or the employees' expected average remaining working lives.

Notes to the Financial Statements (continued)

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1.12 EMPLOYEE BENEFITS (CONTINUED)

Post-employment Healthcare Benefit Obligation (continued)

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

Long Service Leave Obligation

The entitlement to leave benefits is based on employees who were employed before 1 March 2008 who will receive additional leave days based on their respective years of service with SABS. Specifically, SABS employees with six to ten years service are awarded an additional three days leave for the rest of their employment and SABS employees with ten completed years or more in service will receive another three days additional leave for the rest of their employment (i.e. six days additional leave). Employees will receive the long service award once they have reached the required 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 are recognised in the income statement on a straight-line basis over the period of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense.

The Group as Lessor

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

1.15 REVENUE AND OTHER INCOME RECOGNITION

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

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

Revenue from investigations, tests and services is recognised by reference to stage of completion. Product and system certification revenue is recognised on a straight-line basis over the period of the contract.

Interest income is recognised on a time-proportion basis, taking account of the principal outstanding and the effective rate over the period to maturity.

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

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

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

1.16 TAXATION

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

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

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

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

1.17 GOVERNMENT GRANTS

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

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

1.18 FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is accounted for according to the nature of the expense and disclosed separately in the Annual Financial Statements under note 31. Measures are implemented to ensure that such expenditure does not re-occur and where possible the expenditure is recovered.

1.19 COMPARATIVE FIGURES

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

1.20 NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

The following accounting standards, interpretations and amendments to published accounting standards are not yet effective and have not been adopted in the current year. The Group will review the effects of the standards on the financials statements, if any and will consider adoption when appropriate.

Notes to the Financial Statements (continued)

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1.20 NEW ACCOUNTING STANDARDS AND INTERPRETATIONS (CONTINUED)

- *IAS 1 Financial Statement presentation regarding other comprehensive income amendments (effective date 1 July 2012)*
  The main change resulting from these amendments is a requirement for entities to group items presented in other comprehensive income (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI.

- *IFRS - 9 Financial Instruments (2009) (effective 1 January 2015)*
  IFRS 9 introduces new requirements for classifying and measuring financial assets, as follows:
  Debt instruments meeting both a "business model" test and a "cash flow characteristics" test are measured at amortised cost (the use of fair value is optional in some limited circumstances). Investments in equity instruments can be designated as "fair value through other comprehensive income" with only dividends being recognised in profit or loss. All other instruments (including all derivatives) are measured at fair value with changes recognised in the profit or loss. The concept of "embedded derivatives" does not apply to financial assets within the scope of the standard and the entire instrument must be classified and measured in accordance with the above guidelines.

- *IFRS 9 Financial Instruments (2010) (effective 1 January 2015)*
  A revised version of IFRS 9 incorporating revised requirements for the classification and measurement of financial liabilities, and carrying over the existing derecognition requirements from IAS 39 Financial Instruments: Recognition and Measurement.

  The revised financial liability provisions maintain the existing amortised cost measurement basis for most liabilities. New requirements apply where an entity chooses to measure a liability at fair value through profit or loss – in these cases, the portion of the change in fair value related to changes in the entity's own credit risk is presented in other comprehensive income rather than within profit or loss.

- *IFRS 13 Fair Value Measurement (effective 1 January 2013)*
  IFRS 13 provides a new definition of fair value and a single source of guidance for (almost) all fair value measurements used in IFRS financial statements. Prior to its publication, the guidance on fair value was distributed across many IFRSs, with some containing quite limited guidance while others contained extensive guidance that was not always consistent.

- *IAS 19 Employee Benefits (Revised 2011) (effective 1 January 2013)*
  The amendments are aimed at improving the recognition, presentation, and disclosure of defined benefit plans. They will not address the measurement of defined benefit plans however.

  The changes are expected to result in immediate recognition of all estimated changes in the cost of providing defined benefits and all changes in the value of plan assets (this would eliminate the various methods currently in IAS 19, including the "corridor" method, that allow deferral of some of those gains or losses), and a new presentation approach to distinguishing the different types of gains and losses arising from defined benefit plans. Service cost and net interest on the net defined benefit liability or asset will be recognised in profit or loss and the remeasurement of the defined benefit liability or asset will be recorded in other comprehensive income. These are all other movements in the balance sheet amount (essentially these are currently described as actuarial gains and losses and any effects of the restriction of a surplus to its recoverable amount).

- *IAS 12 Deferred Tax: Recovery of underlying assets (Amendments to IAS 12) (effective 1 January 2012)*
  IAS 12 requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. It can be difficult and subjective to assess whether recovery will be through use or through sale when the asset is measured using the fair value model in IAS 40 Investment Property. The amendment provides a practical solution to the problem by introducing a presumption that recovery of the carrying amount will normally be through sale.

- *IAS 32 Offsetting Assets and Financial Liabilities (Amendments to IAS 32) (effective 1 January 2014)*
  Amends IAS 32 to clarify certain aspects because of diversity in application of the requirements on offsetting, focused on four main areas:

  - o The meaning of "currently has legally enforceable right to set-off";
  - o The application of simultaneous realisation and settlement;
  - o The offsetting of collateral amounts; and
  - o The unit of account for applying the offsetting requirements.

- *IAS 27 Separate Financial Statements (2011) (effective 1 January 2013)*
  Amended version of IAS 27 which now only deals with the requirements for separate financial statements, which have been carried over largely unamended from IAS 27 Consolidated and Separate Financial Statements. Requirements for consolidated financial statements are now contained in IFRS 10 Consolidated Financial Statements. The standard requires that when an entity prepares separate financial statements, investments in subsidiaries, associates and jointly controlled entities are accounted for either at cost, or in accordance with IFRS 9 Financial Instruments. The standard also deals with the recognition of dividends, certain Group reorganisations and includes a number of disclosure requirements.

- *IFRS 10 Consolidated Financial Statements (effective 1 January 2013)*
  Requires a parent to present consolidated financial statements as those of a single economic entity, replacing the requirements previously contained in IAS 27 Consolidated and Separate Financial Statements and SIC-12 Consolidation – Special Purpose Entities.

  The Standard identifies the principles of control, determines how to identify whether an investor controls an investee and therefore must consolidate the investee, and sets out the principles for the preparation of consolidated financial statements.

  The standard introduces a single consolidation model for all entities based on control, irrespective of the nature of the investee. Under IFRS 10, control is based on whether an investor has:

  - Power over the investee;
  - Exposure, or rights, to variable returns from its involvement with the investee; and
  - The ability to use its power over the investee to affect the amount of the returns.

- *IFRS 11 Joint Arrangements (effective 1 January 2013)*
  Replaces IAS 31 Interests in Joint Ventures. Requires a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations and then account for those rights and obligations in accordance with that type of joint arrangement.

  Joint arrangements are either joint operations or joint ventures:

  - A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement (joint operators) have rights to the assets and obligations for the liabilities relating to the arrangement. Joint operators recognise their assets, liabilities, revenue and expenses in relation to their interest in a joint operation (including their share of any such items arising jointly); and
  - A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (joint venturers) have rights to the net assets of the arrangement. A joint venturer applies the equity method of accounting for its investment in a joint venture in accordance with IAS 28 Investments in Associates and Joint Ventures (2011). Unlike IAS 31, the use of "proportionate consolidation" to account for joint ventures is not permitted.

- *IAS 28 Investments in Associates and Joint Ventures (Revised 2011) (effective 1 January 2013)*
  This standard supersedes IAS 28 Investments in Associates and prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. The standard defines "significant influence" and provides guidance on how the equity method of accounting is to be applied (including exemptions from applying the equity method in some cases). It also prescribes how investments in associates and joint ventures should be tested for impairment.

- *IFRS 12 Disclosure of interest in other entities (effective 1 January 2013)*
  IFRS 12 specifies enhanced disclosure requirements for both consolidated and unconsolidated entities where an investor or sponsor has significant involvement. These disclosures will help investors to assess the extent to which a reporting entity has been involved in setting up special structures and the risks to which it is exposed as a result.

- *IFRIC 20 Stripping cost in the production phase of a surface mine (effective 1 January 2013)*
  Clarifies the requirements for accounting for stripping costs associated with waste removal in surface mining, including when production stripping costs should be recognised as an asset, how the asset is initially recognised and subsequent measurement.

1.21 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted are consistent with those of the previous financial year.

Notes to the Financial Statements (continued)

	GROUP		SABS	
	2012 R'000	2011 R'000	2012 R'000	2011 R'000
2. REVENUE				
Revenue comprises income from services provided for the sale of standards, certification of products and systems and testing and inspection of products for compliance with standards.				
Revenue comprises:				
Investigations, tests and services	**179 768**	197 255	**-**	-
Product and system certification	**202 434**	180 548	**-**	-
Sale of publications	**19 280**	16 750	**16 679**	14 613
Services – Group	**-**	-	**92 626**	63 501
	401 482	394 553	**109 305**	78 114
3. OTHER INCOME				
Includes:				
Deferred income in respect of government grants recognised during the year for plant and equipment	**5 688**	3 184	**2 775**	271
Dividends received	**2 626**	1 815	**2 626**	1 815
Foreign exchange gains	**1 002**	232	**-**	32
Profit on disposal of property, plant and equipment	**48**	-	**69**	-
Realised gains on available-for-sale investments	**6 920**	6 049	**6 920**	6 049
Rental income from investment property	**3 483**	3 310	**3 483**	3 310
Rentals in respect of operating leases (minimum lease payments)				
Equipment	**-**	-	**34 119**	32 115
Royalties received	**-**	-	**7 862**	8 915
4. EMPLOYEE BENEFIT EXPENDITURE				
Salaries and wages	**284 866**	269 731	**108 153**	91 883
Medical aid and other employment benefits	**19 588**	21 233	**6 343**	5 782
Pension contributions	**21 624**	20 717	**8 028**	7 337
Board emoluments (note 29.5)	**2 992**	2 465	**2 873**	2 359
	329 070	314 146	**125 397**	107 361
Post-employment healthcare benefits (note 23)	**4 609**	7 566	**5 163**	5 083
Long service leave benefits (note 23)	**2 270**	7 325	**(351)**	3 440
	335 949	329 037	**130 209**	115 884

	GROUP		SABS	
	2012 R'000	2011 R'000	2012 R'000	2011 R'000
5. OTHER EXPENDITURE				
Includes:				
Amortisation of intangible assets (note 12)	**7 307**	8 782	**7 307**	8 782
Auditors' remuneration				
Audit fees – current year	**1 998**	2 433	**1 438**	1 919
Bad debts	**2 775**	1 191	**221**	131
Bad debts written-off	**2 233**	1 493	**284**	170
Bad debts recovered	**(18)**	-	**(18)**	-
Impairment of receivables/(reversal of impairment)	**560**	(302)	**(45)**	(39)
Consumables	**19 241**	17 541	**2 133**	2 495
Depreciation on investment properties (note 11)	**430**	432	**430**	432
Direct operating expenses relating to investment properties that:				
Generated rental income	**1 707**	1 358	**1 707**	1 358
Did not generate rental income	**598**	939	**598**	939
Reversal of loan in subsidiary	**-**	-	**-**	(12 236)
Impairment of equity loan in subsidiary	**-**	-	**7 943**	1 306
Loss on disposal of property, plant and equipment	**-**	669	**-**	149
Loss on disposal of investment property	**-**	9	**-**	9
Municipal services	**26 337**	23 869	**25 188**	23 203
Realised foreign exchange losses	**1 212**	832	**86**	30
Rentals in respect of operating leases (minimum lease payments)	**11 203**	12 225	**19 600**	17 961
Land and buildings	**8 315**	8 671	**5 749**	5 350
Equipment	**2 888**	3 554	**13 851**	12 611
6. FINANCE REVENUE				
Bank balances	**1 135**	577	**1 134**	576
Money market investments and short-term deposits	**16 596**	15 069	**16 596**	15 069
	17 731	15 646	**17 730**	15 645
7. FINANCE COST				
Interest on Standard Bank loan and banking facilities	**577**	1 304	**569**	1 050
Impairment loss on available-for-sale investment (note 14 and 21)	**74**	5 852	**74**	5 852
Finance lease charges	**-**	37	**-**	36
	651	7 193	**643**	6 938

Notes to the Financial Statements (continued)

8. TAXATION

	GROUP 2012 R'000	GROUP 2011 R'000	SABS 2012 R'000	SABS 2011 R'000
SA normal taxation				
Deferred taxation – current year	**(1 616)**	2 789	**-**	-
The charge for the year can be reconciled to the profit per the income statement as follows:				
Profit before taxation				
Continuing operations	**34 809**	57 418	**20 898**	48 691
Discontinuing operations	**(1 493)**	(111)	**-**	-
	33 316	57 307	**20 898**	48 691
Taxation at 28%	**9 328**	16 046	**5 851**	13 633
Non-taxable/non-deductible differences				
Exempt income and expenses	**(10 944)**	(13 257)	**(5 851)**	(13 633)
Taxation expense	**(1 616)**	2 789	**-**	-

The SABS has been exempted from income tax in terms of the provisions of Section 10(1)(cA)(I) of the Income Tax Act, No. 58 of 1962.

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, benchmarking results and public input, the shareholder decided that the Regulatory Division should be a separate agency reporting to **the dti**. The National Regulator for Compulsory Specifications Act and the new Standards Act, No. 5 of 2008, were signed by the President in July 2008. The effective date was 1 September 2008.

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

	GROUP 2012 R'000	GROUP 2011 R'000	SABS 2012 R'000	SABS 2011 R'000
The results of the discontinued operations are as follows:				
Revenue	**51**	81	**-**	-
Expenses	**(1 544)**	(192)	**-**	-
Loss for the year from discontinued operations	**(1 493)**	(111)	**-**	-

	GROUP 2012 R'000	GROUP 2011 R'000	SABS 2012 R'000	SABS 2011 R'000
The major classes of assets and liabilities classified as held for sale are as follows:				
ASSETS				
Deferred taxation	-	4	-	-
Trade receivables	31	-	-	-
Inter-company loans	-	111	-	-
Cash and cash equivalents	35	1 538	-	-
Assets of disposal group classified as held for sale	66	1 653	-	-
LIABILITIES				
Trade and other payables	-	167	-	-
Taxation	69	-	-	-
Liabilities of disposal group classified as held for sale	69	167	-	-
Net (liabilities)/assets directly associated with assets classified as held for sale	(3)	1 486	-	-
Reserves	(3)	1 486	-	-
Reserve of disposal group classified as held for sale	(3)	1 486	-	-
The net cash flows incurred are as follows:				
Operating	(1 687)	(212)	-	-
Net cash inflow	35	1 538	-	-

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

	TOTAL	NOT PAST DUE NOR IMPAIRED	PAST DUE AND NOT IMPAIRED			
	R'000	R'000	> 30 DAYS R'000	> 60 DAYS R'000	> 90 DAYS R'000	> 120 DAYS R'000
GROUP						
2012	31	-	10	-	-	21
%	100%	-	32%	-	-	68%
2011	-	-	-	-	-	-
%	-	-	-	-	-	-

Trade receivables is made up of other receivables of R31 000 which relate to value added tax on the GCS Namibia (Pty) Ltd account to be refunded by the Ministry of Finance.

Notes to the Financial Statements (continued)

10. PROPERTY, PLANT AND EQUIPMENT

	LAND R'000	BUILDINGS R'000	LABORATORY EQUIPMENT R'000	FURNITURE AND OFFICE EQUIPMENT R'000	VEHICLES R'000	ARTWORK R'000	WORK-IN-PROGRESS R'000	TOTAL R'000
GROUP								
2012								
Opening carrying value	6 543	60 810	57 363	16 800	155	3	112 151	253 825
Cost	6 543	104 981	145 569	71 786	385	3	112 151	441 418
Accumulated depreciation	-	(44 171)	(88 206)	(54 986)	(230)	-	-	(187 593)
Additions	-	1 699	9 207	5 978	-	-	61 508	78 392
Work-in-progress transfers	-	162 653	727	3 754	-	-	(167 134)	-
Category transfers	-	459	(28)	(431)	-	-	-	-
Work-in-progress expensed	-	-	-	-	-	-	(55)	(55)
Disposals	-	-	(9)	(18)	-	-	-	(27)
Depreciation	-	(6 350)	(11 734)	(8 092)	(51)	-	-	(26 227)
CLOSING CARRYING VALUE	**6 543**	**219 271**	**55 526**	**17 991**	**104**	**3**	**6 470**	**305 908**
Cost	6 543	269 792	154 923	80 975	385	3	6 470	519 091
Accumulated depreciation	-	(50 521)	(99 397)	(62 984)	(281)	-	-	(213 183)
2011								
Opening carrying value	6 543	59 893	64 738	21 618	177	-	16 932	169 901
Cost	6 543	102 404	145 222	66 898	354	-	16 932	338 353
Accumulated depreciation	-	(42 511)	(80 484)	(45 280)	(177)	-	-	(168 452)
Additions	-	407	3 157	1 813	-	-	105 008	110 385
Category transfers	-	-	4	(7)	-	3	-	-
Work-in-progress transfers	-	3 921	879	3 707	32	-	(8 539)	-
Work-in-progress expensed	-	-	-	-	-	-	(165)	(165)
Work-in-progress transferred to intangible assets	-	-	-	-	-	-	(1 085)	(1 085)
Disposals	-	(282)	(329)	(57)	-	-	-	(668)
Depreciation	-	(3 129)	(11 086)	(10 274)	(54)	-	-	(24 543)
CLOSING CARRYING VALUE	6 543	60 810	57 363	16 800	155	3	112 151	253 825
Cost	6 543	104 981	145 569	71 786	385	3	112 151	441 418
Accumulated depreciation	-	(44 171)	(88 206)	(54 986)	(230)	-	-	(187 593)

	LAND R'000	BUILDINGS R'000	LABORATORY EQUIPMENT R'000	FURNITURE AND OFFICE EQUIPMENT R'000	VEHICLES R'000	ARTWORK R'000	WORK-IN-PROGRESS R'000	TOTAL R'000
SABS								
2012								
Opening carrying value	5 703	50 252	3 618	13 794	24	-	112 015	185 406
Cost	5 703	90 969	19 050	63 736	82	-	112 015	291 555
Accumulated depreciation	-	(40 717)	(15 432)	(49 942)	(58)	-	-	(106 149)
Additions	-	1 024	-	4 469	-	-	51 018	56 511
Work-in-progress transfers	-	160 980	-	294	-	-	(161 274)	-
Work-in-progress expensed	-	-	-	-	-	-	(55)	(55)
Assets transferred to subsidiary *	-	23	-	(1 146)	-	-	(378)	(1 501)
Disposals	-	-	-	(6)	-	-	-	(6)
Depreciation	-	(5 856)	(811)	(6 096)	(12)	-	-	(12 775)
CLOSING CARRYING VALUE	**5 703**	**206 423**	**2 807**	**11 309**	**12**	**-**	**1 326**	**227 580**
Cost	5 703	252 995	18 732	67 030	82	-	1 326	345 868
Accumulated depreciation	-	(46 572)	(15 925)	(55 721)	(70)	-	-	(118 288)
2011								
Opening carrying value	5 703	48 887	4 304	18 975	5	-	16 396	94 270
Cost	5 703	87 693	20 961	60 769	51	-	16 396	191 573
Accumulated depreciation	-	(38 806)	(16 657)	(41 794)	(46)	-	-	(97 303)
Additions	-	235	325	1 690	-	-	104 656	106 906
Work-in-progress expensed	-	-	-	-	-	-	(190)	(190)
Work-in-progress transfers	-	3 922	102	3 707	31	-	(7 762)	-
Work-in-progress transferred to intangible assets	-	-	-	-	-	-	(1 085)	(1 085)
Assets transferred to subsidiary *	-	-	(279)	(1 907)	-	-	-	(2 186)
Disposals	-	(115)	(22)	(12)	-	-	-	(149)
Depreciation	-	(2 677)	(812)	(8 659)	(12)	-	-	(12 160)
CLOSING CARRYING VALUE	5 703	50 252	3 618	13 794	24	-	112 015	185 406
Cost	5 703	90 969	19 050	63 736	82	-	112 015	291 555
Accumulated depreciation	-	(40 717)	(15 432)	(49 942)	(58)	-	-	(106 149)

* Assets transferred to subsidiary is repaid through the inter-Group loan account

Notes to the Financial Statements (continued)

10. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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 to its economic useful life as management has taken a decision not to sell these buildings.

Included in the property, plant and equipment figure is assets with a cost of R44.4 million which has been fully depreciated for the Group and R24.4 million for SABS.

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

	GROUP		SABS	
	2012 R'000	2011 R'000	2012 R'000	2011 R'000
Opening cost	**18 614**	18 614	**18 614**	18 614
Opening accumulated depreciation	**(18 595)**	(18 014)	**(18 595)**	(18 014)
Depreciation	**(19)**	(581)	**(19)**	(581)
CLOSING CARRYING VALUE	**-**	19	**-**	19

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

Details of the finance lease obligations is disclosed in note 22.

11. INVESTMENT PROPERTIES

	GROUP 2012 R'000	GROUP 2011 R'000	SABS 2012 R'000	SABS 2011 R'000
Opening carrying value	**10 896**	11 337	**10 896**	11 337
Cost	**13 667**	13 727	**13 667**	13 727
Accumulated depreciation	**(2 771)**	(2 390)	**(2 771)**	(2 390)
Disposals	**-**	(9)	**-**	(9)
Depreciation	**(430)**	(432)	**(430)**	(432)
CLOSING CARRYING VALUE	**10 466**	10 896	**10 466**	10 896
Cost	**13 667**	13 667	**13 667**	13 667
Accumulated depreciation	**(3 201)**	(2 771)	**(3 201)**	(2 771)

Investment properties and significant components thereof are stated at the cost thereof. No professional valuations of the investment properties were done at the reporting date. The management estimate of the fair value is R23.3 million (2011: R22.0 million).

Investment properties consist of :

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

12. INTANGIBLE ASSETS

	GROUP 2012 R'000	GROUP 2011 R'000	SABS 2012 R'000	SABS 2011 R'000
COMPUTER SOFTWARE				
Opening carrying value	**9 845**	17 542	**9 845**	17 542
Cost	**28 343**	27 257	**28 343**	27 257
Accumulated amortisation	**(18 498)**	(9 715)	**(18 498)**	(9 715)
Transfers from work-in-progress	**-**	1 085	**-**	1 085
Amortisation	**(7 307)**	(8 782)	**(7 307)**	(8 782)
CLOSING CARRYING VALUE	**2 538**	9 845	**2 538**	9 845
Cost	**28 343**	28 343	**28 343**	28 343
Accumulated amortisation	**(25 805)**	(18 498)	**(25 805)**	(18 498)

13. INVESTMENT IN SUBSIDIARIES

The entity's principal subsidiaries are:

NAME	OWNERSHIP %	SABS 2012 R'000	SABS 2011 R'000
GCS Namibia (Pty) Ltd	100%	**-**	4
SABS Commercial SOC Ltd	100%	**31 829**	23 881
Less: Impairment of equity loan		**(31 828)**	(23 885)
		1	-
EQUITY LOAN			
Opening balance		**23 885**	22 579
Increase in equity loan from loans to Group companies		**7 943**	1 306
Closing balance		**31 828**	23 885

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

Notes to the Financial Statements (continued)

13. INVESTMENT IN SUBSIDIARIES (CONTINUED)

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

	2012 R'000	2011 R'000
Revenue	**384 803**	379 945
Other income	**24 847**	22 631
Expenditure	**(403 680)**	(382 666)
Operating profit	**5 970**	19 910
Net finance cost	**(8)**	(254)
Taxation	**1 616**	(2 789)
Profit for the year	**7 578**	16 867

14. AVAILABLE-FOR-SALE INVESTMENTS

	GROUP		SABS	
	2012 R'000	2011 R'000	2012 R'000	2011 R'000
Opening balance	**239 786**	201 465	**239 786**	201 465
Additions (net of costs)	**2 869**	214 668	**2 869**	214 668
Disposals	**(22 142)**	(167 198)	**(22 142)**	(167 198)
Fair value adjustment (Refer to note 21)	**-**	12	**-**	12
Movement to current portion	**-**	(15 354)	**-**	(15 354)
Gains on investments transferred to equity (Refer to note 21)	**8 741**	6 193	**8 741**	6 193
Impairment of investment transferred to income statement	**(74)**	-	**(74)**	-
Non-current portion	**229 180**	239 786	**229 180**	239 786
Opening balance	**52 114**	-	**52 114**	-
Movement from non-current portion	**-**	15 354	**-**	15 354
Additions (net of costs)	**3 043**	36 719	**3 043**	36 719
(Losses)/gains on investments transferred to equity (Refer to note 21)	**(29)**	41	**(29)**	41
Current portion	**55 128**	52 114	**55 128**	52 114
Available-for-sale investments comprise:				
Money market	**55 201**	52 187	**55 201**	52 187
Equities	**229 107**	239 713	**229 107**	239 713
	284 308	291 900	**284 308**	291 900

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 year under review the funds invested in the five-year guaranteed investment plan with Liberty matured. The Group realised a gain of R6.9 million (2011: R6.0 million) on disposal of the investment. The proceeds on disposal is currently invested in a matured capital bond product with Liberty and is disclosed under cash and cash equivalents in note 19.

The Pinnacle Point Group Ltd (formerly Acc-Ross Holdings Ltd) was on 28 July 2011, placed under supervision and business rescue proceedings have commenced. The market value of the investment held is R73 926.

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 an impairment of R73 927 (2011: R5.8 million) on the Pinnacle Point Group Ltd available-for-sale investment which is recognised within finance cost in the income statement.

15. DEFERRED TAXATION

	GROUP		SABS	
	2012 R'000	2011 R'000	2012 R'000	2011 R'000
Accelerated wear and tear for tax purposes on property, plant and equipment	**(9 456)**	(7 969)	-	-
Assessed losses	**6 565**	9 113	-	-
Other deductible temporary differences	**25 623**	19 972	-	-
Employee-related provisions	**16 968**	16 351	-	-
Doubtful debts allowance	**419**	292	-	-
Other	**8 236**	3 329	-	-
Deferred tax asset	**22 732**	21 116	-	-
The movement for the year in the Group's deferred tax positions was as follows:				
Opening balance	**21 116**	23 905	-	-
Temporary differences on property, plant and equipment	**(1 487)**	(1 944)	-	-
Temporary differences on tax losses	**(2 548)**	(4 571)	-	-
Reversing temporary differences on other deductible temporary differences	**5 651**	3 726	-	-
Closing balance	**22 732**	21 116	-	-

At the balance sheet date, the Group has unutilised tax losses of R23.4 million (2011: R32.5 million) available for offset against future taxable profits. A deferred tax asset has been recognised in respect of all losses which the Group anticipates being able to utilise.

Notes to the Financial Statements (continued)

	GROUP		SABS	
	2012 R'000	2011 R'000	2012 R'000	2011 R'000
16. INVENTORY				
Consumable stores	**1 145**	1 576	**1 145**	1 576
Reversal for obsolete stock	**-**	34	**-**	34
Obsolete stock written off	**(17)**	(86)	**(17)**	(86)
	1 128	1 524	**1 128**	1 524

There were no inventories recognised as an expense during the year under review (2011: Nil)

	GROUP		SABS	
	2012 R'000	2011 R'000	2012 R'000	2011 R'000
17. TRADE AND OTHER RECEIVABLES				
Trade receivables	**58 672**	54 086	**2 328**	9 087
Less: Impairment of trade and other receivables	**(2 011)**	(1 451)	**(17)**	(62)
	56 661	52 635	**2 311**	9 025
Other receivables	**3 624**	2 021	**3 326**	1 738
	60 285	54 656	**5 637**	10 763

The impairment of debtors has been determined by reference to past default experience and the current economic environment. Affected trade receivables are discounted at an effective rate of 9% (2011: 9%). 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.

	GROUP		SABS	
	2012 R'000	2011 R'000	2012 R'000	2011 R'000
IMPAIRMENT OF TRADE AND OTHER RECEIVABLES:				
Opening balance	**(1 451)**	(1 753)	**(62)**	(101)
(Increase)/decrease in impairment provision	**(560)**	302	**45**	39
Closing balance	**(2 011)**	(1 451)	**(17)**	(62)

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; and
- Inability to pursue foreign customers legally.

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

				PAST DUE			
		TOTAL	NOT PAST DUE	> 30 DAYS	> 60 DAYS	> 90 DAYS	> 120 DAYS
GROUP							
2012							
Carrying value	**(R'000)**	**60 285**	**32 835**	**19 767**	**3 649**	**722**	**3 312**
	%	**100%**	**54%**	**33%**	**6%**	**1%**	**5%**
Impairment	**(R'000)**	**2 011**	**304**	**678**	**207**	**42**	**780**
	%	**100%**	**15%**	**34%**	**10%**	**2%**	**39%**
2011							
Carrying value	(R'000)	54 656	31 474	15 022	4 278	706	3 176
	%	100%	58%	27%	8%	1%	6%
Impairment	(R'000)	1 451	345	233	229	98	546
	%	100%	24%	16%	16%	7%	38%
SABS							
2012							
Carrying value	**(R'000)**	**5 637**	**5 415**	**693**	**(100)**	**5**	**(376)**
	%	**100%**	**96%**	**12%**	**(2%)**	**-**	**(7%)**
Impairment	**(R'000)**	**17**	**-**	**1**	**1**	**-**	**15**
	%	**100%**	**-**	**6%**	**6%**	**-**	**88%**
2011							
Carrying value	(R'000)	10 763	7 265	3 132	142	48	176
	%	100%	67%	29%	1%	-	2%
Impairment	(R'000)	62	5	3	-	1	53
	%	100%	8%	5%	-	2%	85%

Notes to the Financial Statements (continued)

18. LOANS TO GROUP COMPANIES

	SABS 2012 R'000	SABS 2011 R'000
GCS Namibia (Pty) Ltd	-	(115)
SABS Commercial SOC Ltd	**3 412**	12 260
	3 412	12 145
LOANS TO SABS COMMERCIAL SOC LTD		
Opening balance	**12 260**	47 253
Repayment of loan by SABS Commercial SOC Ltd	**(8 848)**	(34 993)
Closing balance	**3 412**	12 260
IMPAIRMENT OF LOAN		
Opening balance	-	12 236
Decrease in impairment	-	(12 236)
Closing balance	-	-

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

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

	SABS PROFIT 2012 R'000	SABS PROFIT 2011 R'000
SABS Commercial SOC Ltd	**7 578**	16 868

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

19. CASH AND CASH EQUIVALENTS

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

	GROUP 2012 R'000	GROUP 2011 R'000	SABS 2012 R'000	SABS 2011 R'000
Bank balances	**23 190**	13 570	**23 173**	13 553
Short-term deposits	**138 169**	60 631	**138 169**	60 631
Money market investments	**100 909**	116 205	**100 858**	116 155
Cash on hand	**43**	41	**16**	16
Net cash and cash equivalents used in cash flow statement	**262 311**	190 447	**262 216**	190 355

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

Short-term deposits are made for varying periods between one day and three months, depending on the immediate operational cash requirements of the Group, interest earned 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 5.75% at 31 March 2012 (2011: 5.9%).

20. GENERAL RESERVE

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

	GROUP		SABS	
	2012 R'000	2011 R'000	2012 R'000	2011 R'000
21. OTHER COMPONENTS OF EQUITY				
AVAILABLE-FOR-SALE RESERVE				
Opening balance	**12 918**	6 869	**12 918**	6 869
Movements during year	**1 792**	6 049	**1 792**	6 049
Gains on investments realised in income statement (Refer to note 3)	**(6 920)**	(6 049)	**(6 920)**	(6 049)
Net gains on available-for-sale investment	**8 712**	6 246	**8 712**	6 246
Gains on revaluation of available-for-sale investments	**8 712**	6 234	**8 712**	6 234
Fair value adjustment	**-**	12	**-**	12
Impairment of investment recognised in income statement	**-**	5 852	**-**	5 852
Closing balance	**14 710**	12 918	**14 710**	12 918

Notes to the Financial Statements (continued)

22. INTEREST BEARING BORROWINGS

	GROUP 2012 R'000	GROUP 2011 R'000	SABS 2012 R'000	SABS 2011 R'000
Finance lease liabilities – office equipment	-	9	-	9
Secured loan	-	14 905	-	-
	-	14 914	-	9
Less: Current portion	-	(14 914)	-	(9)
Finance lease liabilities – office equipment	-	(9)	-	(9)
Repayment of secured loan	-	(14 905)	-	-
Non-current portion	-	-	-	-

The finance lease liability was settled in December 2011.

Permitted borrowings in terms of ministerial approval is Nil (2011: R15.0 million) for the Group at 31 March 2012

	GROUP 2012 R'000	GROUP 2011 R'000	SABS 2012 R'000	SABS 2011 R'000
Finance leases comprise:				
Total future minimum finance lease payments				
Not later than one year	-	9	-	9
Present value of future minimum finance lease payments				
Not later than one year	-	9	-	9

The lease liabilities are effectively secured as the rights to the leased assets revert to the lessor in the event of default. The net book value of leased assets is Nil (2011: R19 000) (Refer to note 10).

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

23. EMPLOYMENT BENEFIT OBLIGATIONS

	OPENING BALANCE R'000	PROVISION MADE / (RELEASED) R'000	BENEFITS PAID R'000	CLOSING BALANCE R'000	CURRENT PORTION R'000	TOTAL NON-CURRENT R'000
GROUP						
2012						
Post-employment healthcare benefit	77 358	4 609	(5 210)	76 757	5 184	71 573
Long service leave awards	24 985	2 270	(2 769)	24 486	2 192	22 294
	102 343	**6 879**	**(7 979)**	**101 243**	**7 376**	**93 867**
2011						
Post-employment healthcare benefit	74 774	7 566	(4 982)	77 358	5 082	72 276
Long service leave awards	19 612	7 325	(1 952)	24 985	2 068	22 917
	94 386	14 891	(6 934)	102 343	7 150	95 193
SABS						
2012						
Post-employment healthcare benefit	50 383	5 163	(4 756)	50 790	5 038	45 752
Long service leave awards	8 666	(351)	(984)	7 331	886	6 445
	59 049	**4 812**	**(5 740)**	**58 121**	**5 924**	**52 197**
2011						
Post-employment healthcare benefit	50 024	5 083	(4 724)	50 383	4 939	45 444
Long service leave awards	5 804	3 440	(578)	8 666	836	7 830
	55 828	8 523	(5 302)	59 049	5 775	53 274

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, No. 24 of 1956, as amended.

POST-EMPLOYMENT HEALTHCARE BENEFIT OBLIGATION

This obligation arises as the SABS provides post retirement medical assistance for current employees and pensioners of the SABS who are members of Bestmed or Discovery Medical Scheme and are entitled to receive a contribution subsidy from 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.

Valuations of these obligations are carried out annually by independent qualified actuaries. The most recent valuation was done as at 31 March 2012.

Notes to the Financial Statements (continued)

23. EMPLOYMENT BENEFIT OBLIGATIONS (CONTINUED)

POST-EMPLOYMENT HEALTHCARE BENEFIT OBLIGATION (CONTINUED)

Key assumptions used (expressed as weighted averages):

	2012	2011
Discount rate per annum	**8.50%**	9.30%
Salary inflation	**7.80%**	8.15%
Healthcare cost inflation	**5.80%**	6.15%
Net discount rate	**2.55%**	2.97%
Pre-retirement mortality	**SA85-90L for males and females**	SA85-90L for males and females
Post-retirement mortality	**PA (90)-1 for males and females plus 1% future mortality improvements from 2010**	PA (90)-1 for males and females
Expected retirement age – Males and females	**60/65 years***	60/65 years*
Spouse and principal member age difference	**Male three years older than female**	Male three years older than female

* 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.

If an eligible employee is younger than age 56, employed before 1 September 1998 and not on a medial 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. The previous valuation did not include these employees.

The total outstanding liability amounts to R79.2 million per the valuation performed during March 2012 (2011: R74.8 million).

75% of the Investment Solutions investment disclosed as part of available-for-sale investment portfolio (note 14), which amounts to R86.2 million (2011: R81.6 million) has been notionally allocated to the funding of this liability.

	GROUP		SABS	
	2012 R'000	2011 R'000	2012 R'000	2011 R'000
Present value of funded obligations	**79 202**	74 771	**58 692**	56 190
Unrecognised actuarial (losses)/gains	**(2 445)**	2 587	**(7 902)**	(5 807)
Total liability	**76 757**	77 358	**50 790**	50 383
The amount recognised in the income statement is determined as follows:				
Current service cost	**875**	1 208	**335**	353
Interest cost	**6 621**	6 616	**5 020**	4 730
Actuarial (losses)/gains recognised	**(1 246)**	(258)	**43**	-
Curtailments/settlements	**(1 641)**	-	**(235)**	-
	4 609	7 566	**5 163**	5 083
Present value of the obligation				
Opening balance	**74 771**	72 782	**56 190**	52 631
Current service cost	**875**	1 208	**335**	353
Interest cost	**6 621**	6 616	**5 020**	4 730
Curtailments/settlements	**(1 641)**	-	**(235)**	-
Actuarial gains/(losses)	**3 786**	(853)	**2 138**	3 200
Benefits paid	**(5 210)**	(4 982)	**(4 756)**	(4 724)
Closing balance	**79 202**	74 771	**58 692**	56 190

Notes to the Financial Statements (continued)

23. EMPLOYMENT BENEFIT OBLIGATIONS (CONTINUED)

SENSITIVITY ANALYSIS – POST-EMPLOYMENT HEALTHCARE BENEFIT OBLIGATION

Below the effects on the central basis liability results when healthcare cost inflation is increased or decreased by 1% on:

	GROUP		SABS	
	LIABILITY R'000	CHANGE IN LIABILITY %	LIABILITY R'000	CHANGE IN LIABILITY %
CHANGES TO MEDICAL INFLATION				
+1%	88 562	11.8%	64 287	9.5%
Central	79 202	-	58 692	-
-1%	71 340	(9.9%)	53 849	(8.3%)
CHANGES TO SERVICE COST				
+1%	1 040	18.9%	394	17.6%
Central	875	-	335	-
-1%	741	(15.3%)	286	(14.6%)
CHANGES TO INTEREST COST				
+1%	7 206	8.8%	5 424	8.0%
Central	6 621	-	5 020	-
-1%	5 864	(11.4%)	4 544	(9.5%)

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

	2012 R'000	2011 R'000	2010 R'000	2009 R'000	2008 R'000
Present value of obligation	**79 202**	74 771	72 782	73 465	66 937
Actuarial gains/(losses)*	**3 786**	(853)	(3 213)	2 275	104

* Net gains experienced on plan liabilities were R2.4 million (2011: R0.8 million losses)

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 service. 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.

Key assumptions used (expressed as weighted averages):

	2012	2011
Discount rate per annum	**8.50%**	9.30%
Salary inflation	**7.80%**	8.15%
Net discount rate	**0.65%**	1.06%

The total outstanding liability amounts to R24.5 million as per the valuation performed during March 2012 (2011: R25.0 million).

	GROUP		SABS	
	2012 R'000	2011 R'000	2012 R'000	2011 R'000
Present value of funded obligations	**24 486**	24 985	**7 331**	8 666
Net liability in statement of financial position	**24 486**	24 985	**7 331**	8 666
The amount recognised in the income statement is determined as follows:				
Current service cost	**2 236**	2 220	**793**	665
Interest cost	**2 121**	1 929	**737**	570
Actuarial gains/(losses) recognised	**17**	3 176	**(1 117)**	2 205
Losses on curtailments and settlements	**(2 104)**	-	**(764)**	-
	2 270	7 325	**(351)**	3 440
Present value of the obligation				
Opening balance	**24 985**	19 612	**8 666**	5 804
Current service cost	**2 236**	2 220	**793**	665
Interest cost	**2 121**	1 929	**737**	570
Curtailment/settlement	**(2 104)**	-	**(764)**	-
Actuarial gains/(losses)	**17**	3 176	**(1 117)**	2 205
Benefits paid	**(2 769)**	(1 952)	**(984)**	(578)
Closing balance	**24 486**	24 985	**7 331**	8 666

Notes to the Financial Statements (continued)

23. EMPLOYMENT BENEFIT OBLIGATIONS (CONTINUED)

SENSITIVITY ANALYSIS – LONG SERVICE LEAVE AWARD OBLIGATION

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

	GROUP		SABS	
	LIABILITY R'000	CHANGE IN LIABILITY %	LIABILITY R'000	CHANGE IN LIABILITY %
CHANGES TO SALARY INFLATION				
+1%	26 079	6.5%	7 781	6.1%
Central	24 486	-	7 331	-
-1%	23 032	(5.9%)	6 919	(5.6%)
CHANGES TO SALARY INFLATION ON SERVICE COST				
+1%	2 408	7.7%	853	7.6%
Central	2 236	-	793	-
-1%	2 082	(6.9%)	740	(6.7%)
CHANGES TO SALARY INFLATION ON INTEREST COST				
+1%	2 259	6.5%	783	6.2%
Central	2 121	-	737	-
-1%	1 995	(5.9%)	695	(5.7%)

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

	2012 R'000	2011 R'000	2010 R'000	2009 R'000	2008 R'000
Present value of obligation	**24 486**	24 985	19 612	20 941	20 804
Actuarial gains/(losses)*	**17**	3 176	(3 053)	(1 432)	3 339

* Net losses experienced on plan liabilities were R0.6 million (2011: R2.2 million)

24. DEFERRED INCOME

	GROUP 2012 R'000	GROUP 2011 R'000	SABS 2012 R'000	SABS 2011 R'000
Opening balance – Plant and equipment	**165 352**	15 694	**158 385**	5 814
Recognised in other income (Refer to note 3)	**(5 688)**	(3 184)	**(2 775)**	(271)
Grants received to be recognised in future accounting periods	**87 877**	152 842	**81 737**	152 842
Closing balance	**247 541**	165 352	**237 347**	158 385
Less: Deferred grant income to be recognised in the following year:				
Plant and equipment	**(8 315)**	(7 275)	**(5 434)**	(4 362)
	239 226	158 077	**231 913**	154 023
Opening balance – income related grants	**223**	223	**223**	223
Recognised in other income	**(223)**	-	**(223)**	-
	-	223	**-**	223
Less: Income to be recognised in the following year:				
Income related grants	**-**	(223)	**-**	(223)
Closing balance	**-**	-	**-**	-
Non-current portion	**239 226**	158 077	**231 913**	154 023
Current portion	**8 315**	7 498	**5 434**	4 585
	247 541	165 575	**237 347**	158 608

Plant infrastructure funds have been earmarked specifically and exclusively for that purpose.

Deferred income relating to government grants is recognised 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:

- Horiba plant – building: 50 years
- Horiba plant – equipment: five years
- Biofuel: five years
- Acoustics: five years
- NETFA encapsulated sphere: five year
- GCS rabit automation: five years
- Laboratories: 30 years

25. TRADE AND OTHER PAYABLES

	GROUP 2012 R'000	GROUP 2011 R'000	SABS 2012 R'000	SABS 2011 R'000
Trade payables	**107 258**	99 794	**35 536**	52 930
Other payables	**11 661**	7 823	**5 774**	4 420
VAT liability	**6 471**	3 364	**759**	-
Salary deductions	**5 015**	4 420	**5 015**	4 420
Straight-lining of operating leases	**175**	39	**-**	-
	118 919	107 617	**41 310**	57 350

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

Notes to the Financial Statements (continued)

26. NOTES TO CASH FLOW STATEMENTS

26.1 RECONCILIATION OF PROFIT BEFORE TAXATION AND INTEREST TO CASH GENERATED FROM OPERATIONS

	GROUP		SABS	
	2012 R'000	2011 R'000	2012 R'000	2011 R'000
Profit before interest and taxation from continuing operations	**17 729**	48 965	**3 811**	39 984
Loss before taxation from discontinued operations	**(1 493)**	(111)	**-**	-
Profit before interest and taxation	**16 236**	48 854	**3 811**	39 984
Adjustments for :	**(59 351)**	(113 856)	**(63 890)**	(127 100)
Depreciation on property, plant and equipment	**26 227**	24 543	**12 775**	12 160
Depreciation on investment properties	**430**	432	**430**	432
Plant and equipment related government grants amortised	**(5 688)**	(3 184)	**(2 775)**	(271)
Amortisation of intangible assets	**7 307**	8 782	**7 307**	8 782
(Profit)/loss on disposal of property, plant and equipment	**(48)**	669	**(69)**	149
Loss on disposal of investment property	**-**	9	**-**	9
Realised gain on available-for-sale investment	**(6 920)**	(6 049)	**(6 920)**	(6 049)
Discontinued operations	**1 489**	112	**-**	-
Provision for employment benefit obligations	**6 879**	14 891	**4 812**	8 523
Employment benefits paid from provision	**(7 979)**	(6 934)	**(5 740)**	(5 302)
Increase in impairment of loan in subsidiary	**-**	-	**7 943**	1 306
Increase/(decrease) in impairment of trade receivables	**560**	(302)	**(45)**	(39)
Expense transferred out of work-in-progress	**55**	165	**55**	190
Impairment of investment	**74**	5 852	**74**	5 852
Core funding for infrastructure project	**(81 737)**	(152 842)	**(81 737)**	(152 842)
Operating cash flows before working capital changes	**(43 115)**	(65 002)	**(60 079)**	(87 116)
Changes in working capital	**93 163**	167 356	**71 040**	162 003
Decrease/(increase) in inventory	**396**	(1 004)	**396**	(1 220)
(Increase)/decrease in trade and other receivables	**(6 189)**	(1 906)	**5 170**	(3 280)
Increase in asset related government grants	**87 654**	152 842	**81 514**	152 842
Increase/(decrease) in trade and other payables	**11 302**	17 424	**(16 040)**	13 661
Cash generated from operations	**50 048**	102 354	**10 961**	74 887

	GROUP		SABS	
	2012 R'000	2011 R'000	2012 R'000	2011 R'000
26.2 PROCEEDS ON DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT				
Carrying value of disposals	**27**	668	**6**	149
Net profit/(loss) on disposal	**48**	(669)	**69**	(149)
	75	(1)	**75**	-
26.3 PROCEEDS ON DISPOSAL OF INVESTMENT PROPERTY				
Carrying value of disposals	**-**	9	**-**	9
Net loss on disposal	**-**	(9)	**-**	(9)
	-	-	**-**	-

27. COMMITMENTS

	GROUP 2012 R'000	GROUP 2011 R'000	SABS 2012 R'000	SABS 2011 R'000
CAPITAL COMMITMENTS				
Commitments for the acquisition of property, plant and equipment				
Contracted	**14 847**	35 154	**7 598**	33 325
Committed	**-**	386	**-**	386
	14 847	35 540	**7 598**	33 711
Capital projects approved in respect of which orders will be placed	**163 302**	63 608	**128 130**	48 092

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:

	GROUP 2012 R'000	GROUP 2011 R'000	SABS 2012 R'000	SABS 2011 R'000
BUILDINGS	**3 996**	5 062	**-**	-
Up to one year	**1 151**	1 495	**-**	-
One to five years	**2 845**	3 182	**-**	-
More than five years	**-**	385	**-**	-

None of the lease agreements contain any contingent rent clauses and it is assumed that there are no contingent rent payments. The Group does not have the option to purchase the property. Escalation clauses vary from contract to contract averaging 8% (2011: 8%).

	GROUP 2012 R'000	GROUP 2011 R'000	SABS 2012 R'000	SABS 2011 R'000
VEHICLES AND OTHER EQUIPMENT	**2 839**	3 963	**1 117**	1 080
Up to one year	**971**	1 439	**250**	250
One to five years	**1 868**	2 524	**867**	830
Total	**6 835**	9 025	**1 117**	1 080

Notes to the Financial Statements (continued)

28. FINANCIAL RISK MANAGEMENT

28.1 FOREIGN CURRENCY RISK MANAGEMENT

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

Forward exchange contracts – recognised transactions

No forward exchange contracts were entered into during the financial year ended 31 March 2012 (2011: None).

Uncovered foreign exchange exposure

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

	GROUP	
	2012 FOREIGN AMOUNT 000	2011 FOREIGN AMOUNT 000
Foreign currency		
Great Britain Pounds	-	1
Euro	-	28

Foreign currency sensitivity

The Group is not exposed to foreign currency fluctuations as it had no outstanding foreign transactions at year end.

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 2012 was R17.1 million (2011: R8.5 million).

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

	2012			2011		
	INTEREST BEARING FINANCIAL ASSETS FLOATING RATE R'000	NON-INTEREST BEARING FINANCIAL ASSETS OTHER R'000	TOTAL R'000	INTEREST BEARING FINANCIAL ASSETS FLOATING RATE R'000	NON-INTEREST BEARING FINANCIAL ASSETS OTHER R'000	TOTAL R'000
GROUP						
Cash and cash equivalents	**262 311**	**-**	**262 311**	190 447	-	190 447
Trade and other receivables	**-**	**60 285**	**60 285**	-	54 656	54 656
Available-for-sale investments current portion	**55 128**	**-**	**55 128**	52 114	-	52 114
Financial asset exposure to interest rate risk	**317 439**	**60 285**	**377 724**	242 561	54 656	297 217
SABS						
Cash and cash equivalents	**262 216**	**-**	**262 216**	190 355	-	190 355
Trade and other receivables	**-**	**5 637**	**5 637**	-	10 763	10 763
Available-for sale investments current portion	**55 128**	**-**	**55 128**	52 114	-	52 114
Financial asset exposure to interest rate risk	**317 344**	**5 637**	**322 981**	242 469	10 763	253 232

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

	2012			2011		
GROUP						
Borrowings	**-**	**-**	**-**	14 914	-	14 914
Trade and other payables	**-**	**118 919**	**118 919**	-	107 617	107 617
Financial liability exposure to interest rate risk	**-**	**118 919**	**118 919**	14 914	107 617	122 531
SABS						
Borrowings	**-**	**-**	**-**	9	-	9
Trade and other payables	**-**	**41 310**	**41 310**	-	57 350	57 350
Financial liability exposure to interest rate risk	**-**	**41 310**	**41 310**	9	57 350	57 359

Notes to the Financial Statements (continued)

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					
2012					
Financial assets					
Loans and receivables					
Trade and other receivables	60 285	-	-	-	60 285
Cash and cash equivalents	262 311	-	-	-	262 311
Available-for-sale investments					
Other financial assets	-	-	55 128	229 180	284 308
Financial liabilities					
Trade and other payables	58 270	60 649	-	-	118 919
2011					
Financial assets					
Loans and receivables					
Trade and other receivables	54 656	-	-	-	54 656
Cash and cash equivalents	190 447	-	-	-	190 447
Available-for-sale investments					
Other financial assets	-	-	52 114	239 786	291 900
Financial liabilities					
Financial liabilities amortised at cost					
Trade and other payables	61 062	46 555	-	-	107 617
Interest bearing borrowings	9	-	14 905	-	14 914

	WITHIN 1 MONTH R'000	1 - 3 MONTHS R'000	3 - 12 MONTHS R'000	1 - 5 YEARS R'000	TOTAL R'000
SABS					
2012					
Financial assets					
Loans and receivables					
Trade and other receivables	5 637	-	-	-	5 637
Cash and cash equivalents	262 216	-	-	-	262 216
Available-for-sale investments					
Other financial assets	-	-	55 128	229 180	284 308
Financial liabilities					
Financial liabilities amortised at cost					
Trade and other payables	20 242	21 068	-	-	41 310
2011					
Financial assets					
Loans and receivables					
Trade and other receivables	10 763	-	-	-	10 763
Cash and cash equivalents	190 355	-	-	-	190 355
Available-for-sale investments					
Other financial assets	-	-	52 114	239 786	291 900
Financial liabilities					
Financial liabilities amortised at cost					
Trade and other payables	28 640	28 710	-	-	57 350
Interest bearing borrowings	9	-	-	-	9

Notes to the Financial Statements (continued)

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.

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

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

At 31 March 2012, 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	
	2012 R'000	2011 R'000	2012 R'000	2011 R'000
Cash and cash equivalents	**262 311**	190 447	**262 216**	190 355
Trade and other receivables	**60 285**	54 656	**5 637**	10 763
	322 596	245 103	**267 853**	201 118

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

	GROUP		SABS	
	2012 %	2011 %	2012 %	2011 %
South Africa	**92.0**	95.0	**100.0**	99.0
Other	**8.0**	5.0	**-**	1.0
Total	**100.0**	100.0	**100.0**	100.0

28.5 EQUITY PRICE RISK

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

28.6 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

	CARRYING AMOUNT		ESTIMATED FAIR VALUE	
	2012 R'000	2011 R'000	2012 R'000	2011 R'000
GROUP				
FINANCIAL ASSETS				
Trade and other receivables	**60 285**	54 656	**60 285**	54 656
Available-for-sale investments	**284 308**	291 900	**284 308**	291 900
Cash and short-term deposits	**262 311**	190 447	**262 311**	190 447
	606 904	537 003	**606 904**	537 003
FINANCIAL LIABILITIES				
Trade and other payables	**118 919**	107 617	**118 919**	107 617
Interest-bearing borrowings	**-**	14 914	**-**	14 914
	118 919	122 531	**118 919**	122 531
SABS				
FINANCIAL ASSETS				
Trade and other receivables	**5 637**	10 763	**5 637**	10 763
Available-for-sale investments	**284 308**	291 900	**284 308**	291 900
Cash and short-term deposits	**262 216**	190 355	**262 216**	190 355
	552 161	493 018	**552 161**	493 018
FINANCIAL LIABILITIES				
Trade and other payables	**41 310**	57 350	**41 310**	57 350
Interest-bearing borrowings	**-**	9	**-**	9
	41 310	57 359	**41 310**	57 359

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

Financial instruments not traded in an active market

At 31 March 2012 the carrying amounts of cash and short-term deposits, trade receivables, investments, trade payables and short-term borrowings approximated their fair values due to the short-term maturities of these assets and liabilities.

Financial instruments traded in an active market

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

Interest-bearing debt

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

Available-for-sale financial assets

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

Notes to the Financial Statements (continued)

28. FINANCIAL RISK MANAGEMENT (CONTINUED)

28.6 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

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.

As at 31 March 2012, the Group held the following financial instruments measured at fair value:

	LEVEL 1 R'000	LEVEL 2 R'000	LEVEL 3 R'000	TOTAL R'000
GROUP				
2012				
Available-for-sale financial assets – Equities and bonds	284 308	-	-	284 308
2011				
Available-for-sale financial assets – Equities and bonds	291 900	-	-	291 900
SABS				
2012				
Available-for-sale financial assets – Equities and bonds	284 308	-	-	284 308
2011				
Available-for-sale financial assets – Equities and bonds	291 900	-	-	291 900

There were no transfers between level 1 and level 2 in the year ended 31 March 2012.

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	
	2012 R'000	2011 R'000	2012 R'000	2011 R'000
Interest-bearing borrowings	-	(14 914)	-	(9)
Trade and other payables	**(118 919)**	(107 617)	**(41 310)**	(57 350)
Cash and cash equivalents	**262 311**	190 447	**262 216**	190 355
	143 392	67 916	**220 906**	132 996
Equity	**481 970**	445 246	**460 508**	437 818

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, No. 24 1945) which reports to the dti.

Principle related parties

RELATED PARTY	COUNTRY OF INCORPORATION	NATURE OF RELATIONSHIP
GGS Gaming (SA) (Pty) Ltd	South Africa	Joint venture with GGS AU
SABS Commercial SOC Ltd	South Africa	Subsidiary
GCS Namibia (Pty) Ltd	Namibia	Subsidiary

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

The following transactions were carried out with related parties:

29.1 PURCHASES FROM RELATED PARTIES

	2012				2011			
	GROUP		SABS		GROUP		SABS	
	PURCHASES R'000	BALANCE OUT-STANDING R'000	PURCHASES R'000	BALANCE OUT-STANDING R'000	PURCHASES R'000	BALANCE OUT-STANDING R'000	PURCHASES R'000	BALANCE OUT-STANDING R'000
National Regulator for Compulsory Specifications	191	1	169	-	417	14	388	1
National Metrology Institute of South Africa	11	-	-	-	-	-	-	-
	202	1	169	-	417	14	388	1

Notes to the Financial Statements (continued)

29. RELATED PARTY DISCLOSURE (CONTINUED)

29.2 SALES TO RELATED PARTIES

	2012				2011			
	SALES R'000	IMPAIRMENT OF DEBT R'000	BAD DEBT WRITTEN OFF R'000	BALANCE OUT-STANDING R'000	SALES R'000	IMPAIRMENT OF DEBT R'000	BAD DEBT WRITTEN OFF R'000	BALANCE OUT-STANDING R'000
GROUP								
National Regulator for Compulsory Specifications	13 025	-	-	1 071	5 179	-	-	2 504
South African National Accreditations System	71	-	-	53	57	-	-	-
Department of Trade and Industry	7	-	-	-	3	-	-	-
	13 103	-	-	1 124	5 239	-	-	2 504
SABS								
SABS Commercial SOC Ltd	126 465				126 679	-	-	-
National Regulator for Compulsory Specifications	9 106	-	-	202	1 499	-	-	2 096
South African National Accreditations System	71	-	-	53	57	-	-	-
	135 642	-	-	255	128 235	-	-	2 096

29.3 LOANS RECEIVABLE FROM RELATED PARTIES – SABS

	SABS	
	2012 R'000	2011 R'000
SABS Commercial SOC Ltd	**3 412**	12 260
GCS Namibia (Pty) Ltd	**-**	(115)
Net loan receivable from Group companies	**3 412**	12 145

29.4 OTHER GROUP TRANSACTIONS – INCOME

	SABS 2012 R'000	SABS 2011 R'000
Royalties receivable	**7 862**	8 915
Rental of assets	**321**	565

29.5 KEY MANAGEMENT PERSONNEL COMPENSATION

The following emoluments were paid to the Board members:

BOARD	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
2012						
GROUP						
EXECUTIVE						
B Mehlomakulu (CEO)	-	1 731	560	183	-	2 474
NON-EXECUTIVE						
CB Sibisi	102	-	-	-	-	102
T Demana[1]	-	-	-	-	-	-
W Poulton	79	-	-	-	-	79
B Mosako	95	-	-	-	-	95
MJ Ellman	90	-	-	-	-	90
WK Masvikwa	83	-	-	-	-	83
ME Mkwanazi	68	-	-	-	-	68
JR Oliphant	1	-	-	-	-	1
	518	1 731	560	183	-	2 992

[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.

Notes to the Financial Statements (continued)

29. RELATED PARTY DISCLOSURE (CONTINUED)

29.5 KEY MANAGEMENT PERSONNEL COMPENSATION (CONTINUED)

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

BOARD	COMMITTEE FEES R'000	SALARY/ DIRECTORS' FEES R'000	BONUS/ PERFOR-MANCE PAYMENTS R'000	RETIRE-MENT AND MEDICAL FUND R'000	OTHER R'000	TOTAL R'000
2012						
SABS						
EXECUTIVE						
B Mehlomakulu (CEO)	-	1 731	560	183	-	2 474
NON-EXECUTIVE						
CB Sibisi	80	-	-	-	-	80
T Demana[1]	-	-	-	-	-	-
W Poulton	57	-	-	-	-	57
B Mosako	79	-	-	-	-	79
MJ Ellman	71	-	-	-	-	71
WK Masvikwa	61	-	-	-	-	61
ME Mkwanazi	50	-	-	-	-	50
JR Oliphant	1	-	-	-	-	1
	399	1 731	560	183	-	2 873

[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.

BOARD	COMMITTEE FEES R'000	SALARY/ DIRECTORS' FEES R'000	BONUS/ PERFOR-MANCE PAYMENTS R'000	RETIRE-MENT AND MEDICAL FUND R'000	OTHER R'000	TOTAL R'000
2011						
GROUP						
EXECUTIVE						
B Mehlomakulu (CEO)	-	1 590	269	179	-	2 038
NON-EXECUTIVE						
CB Sibisi	79	-	-	-	-	79
T Demana[1]	-	-	-	-	-	-
W Poulton	75	-	-	-	-	75
B Mosako	66	-	-	-	-	66
MJ Ellman	86	-	-	-	-	86
WK Masvikwa	63	-	-	-	-	63
ME Mkwanazi	53	-	-	-	-	53
JR Oliphant	5	-	-	-	-	5
I Sekonyela[2]	-	-	-	-	-	-
	427	1 590	269	179	-	2 465

[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 9 April 2010

BOARD	COMMITTEE FEES R'000	SALARY/ DIRECTORS' FEES R'000	BONUS/ PERFOR-MANCE PAYMENTS R'000	RETIRE-MENT AND MEDICAL FUND R'000	OTHER R'000	TOTAL R'000
SABS						
EXECUTIVE						
B Mehlomakulu (CEO)	-	1 590	269	179	-	2 038
NON-EXECUTIVE						
CB Sibisi	51	-	-	-	-	51
T Demana[1]	-	-	-	-	-	-
W Poulton	54	-	-	-	-	54
B Mosako	55	-	-	-	-	55
MJ Ellman	71	-	-	-	-	71
WK Masvikwa	47	-	-	-	-	47
ME Mkwanazi	38	-	-	-	-	38
JR Oliphant	5	-	-	-	-	5
	321	1 590	269	179	-	2 359

[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.

Notes to the Financial Statements (continued)

29. RELATED PARTY DISCLOSURE (CONTINUED)

29.5 KEY MANAGEMENT PERSONNEL COMPENSATION (CONTINUED)

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

	SALARY R'000	BONUS/ PERFORMANCE PAYMENTS R'000	RETIREMENT AND MEDICAL FUND R'000	OTHER R'000	TOTAL R'000
2012 EXECUTIVE MANAGEMENT					
SABS					
TA Cooper (CFO)[1]	608	268	60	7	943
EE Lefteris (Acting CFO)[2]	901	-	134	-	1 035
B Amisi (Acting Standards)[3]	233	142	40	20	435
GR Visser (Operational Excellence)[4]	239	-	60	234	533
M Mathibe (Human Capital Development)	1 203	217	127	-	1 547
Dr S Bissoon (Standards)[5]	764	-	146	-	910
Dr L Heyns (Operational Excellence)[6]	929	-	-	-	929
W de Witt (Company Secretary)[7]	678	130	119	-	927
B Mona (Senior Audit Manager)	809	125	86	-	1 020
	6 364	882	772	261	8 279
SUBSIDIARY					
LS Ratlabala[8]	1 514	106	-	-	1 620
	7 878	988	772	261	9 899

1 Resigned 16 August 2011
2 Contract started 25 July 2011
3 Acting ended 31 July 2011
4 Resigned 30 June 2011
5 Appointed 1 August 2011
6 Appointed 1 May 2011 and contract ended 31 January 2012
7 Appointed 1 May 2011
8 Contract ended 31 March 2011 and appointed 1 April 2011

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

	SALARY R'000	BONUS/ PERFORMANCE PAYMENTS R'000	RETIREMENT AND MEDICAL FUND R'000	OTHER R'000	TOTAL R'000
2011 EXECUTIVE MANAGEMENT					
SABS					
TA Cooper (CFO)	1 049	231	138	18	1 436
V Lennon (Standards)[1]	780	186	86	88	1 140
GR Visser (Operational Excellence)[2]	239	-	43	-	282
GR Visser (Commercial)[2]	703	224	140	-	1 067
G Monareng (Corporate Strategy)[3]	239	90	35	16	380
M Mathibe (Human Capital Development)[4]	788	-	90	-	878
B Amisi (Acting Standards)[5]	465	60	107	-	632
	4 263	791	639	122	5 815
SUBSIDIARY					
J Janjic[6]	918	217	46	152	1 333
SSM Seane	769	205	175	51	1 200
F Makamo	729	209	229	19	1 186
G Kriek	642	56	160	2	860
	3 058	687	610	224	4 579
	7 321	1 478	1 249	346	10 394

1 Contract ended 28 October 2010
2 Transferred to SABS 1 January 2011
3 Contract ended 30 June 2010
4 Appointed 19 July 2010
5 Acting from 28 July 2010
6 Retired on 30 September 2010 and appointed on contract 1 October 2010

29.6 GOVERNMENT GRANTS

	GROUP		SABS	
	2012 R'000	2011 R'000	2012 R'000	2011 R'000
Received from the dti				
Government grants	**159 207**	156 881	**139 755**	138 940
Funding for infrastructure project	**81 737**	152 842	**81 737**	152 842
Funding for vehicle testing facility	**6 140**	-	**-**	-
	247 084	309 723	**221 492**	291 782

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

Notes to the Financial Statements (continued)

30. CONTINGENT LIABILITIES

	GROUP		SABS	
	2012 R'000	2011 R'000	2012 R'000	2011 R'000
Third parties in respect of services rendered[1]	**3 618**	1 750	**588**	1 750
Employees	**50**	675	**-**	675
	3 668	2 425	**588**	2 425

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

31. FRUITLESS AND WASTEFUL EXPENDITURE

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

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

- An expense of R720 791 as full and final settlement on leased equipment. SABS settled on the lease agreement. The settlement amount covered all leased assets that were not returned and also all outstanding lease payments on extended contracts. The rental agreement has been closed and the Group has no further dealings with the company; and
- An expense of R23 478 for penalties on contracts relating to late submission of reports.

During the previous financial year irregular payments to incorrect vendor bank accounts were identified. The forensic investigation identified three instances of fraudulent transactions. The one involved a former employee and SABS is currently pursuing the employee and has taken steps to seize the employee's assets. Criminal cases have been opened and security measures on the JDE financial system have been implemented to ensure that all conflicting access is removed from users and to prevent users from having access to certain transactions that can lead to fraudulent activities. The loss as a result of payments into fraudulent bank accounts for the current year amounted to R147 045.

32. RESTATEMENT OF PRIOR YEAR RESULTS AND FINANCIAL POSITION

32.1 OVERHEAD ALLOCATIONS

Overhead allocations relating to facility administrative charges were incorrectly allocated under other income. These charges should have been allocated to revenue income.

32.2 IMPACT OF RESTATEMENT OF PREVIOUSLY DISCLOSED RESULTS AND FINANCIAL POSITION

The prior year's financial results have been restated to account for this. The effect of the above on the income statement is as follows:

	SABS		
	PREVIOUSLY REPORTED R'000	ADJUSTMENT R'000	RESTATED RESULTS R'000
2011 INCOME STATEMENT			
Revenue	69 205	8 909	78 114
Other income	72 691	(8 909)	63 782
Government grants	138 940	-	138 940
	280 836	-	280 836
Employee benefit expenditure	(115 884)	-	(115 884)
Depreciation	(12 160)	-	(12 160)
Contract services	(12 520)	-	(12 520)
Travel expenditure	(5 582)	-	(5 582)
Advertising expenditure	(5 882)	-	(5 882)
Repairs and maintenance expenditure	(5 295)	-	(5 295)
Consulting and technical fees	(8 428)	-	(8 428)
Other expenditure	(75 101)	-	(75 101)
Operating profit	39 984	-	39 984
Finance revenue	15 645	-	15 645
Finance cost	(6 938)	-	(6 938)
Net profit for the year before taxation	48 691	-	48 691
Taxation	-	-	-
Net profit for the year	48 691	-	48 691

Annexure 1: Human Resources Oversight Report

The statistics and information below are reported on as required in terms of Chapter 1, Part III J.3 of the Public Service Regulations, 2002 and have been prescribed by the Minister of Public Service and Administration for all departments within the public service. The tables were obtained from the Department of Public Service and Administration.

SERVICE DELIVERY

The SABS measures its service delivery against its performance objectives, which can be viewed on pages 61 to 62 of this report.

EXPENDITURE

TABLE 2.1: Personnel costs by programme, 2011/12

PROGRAMME	TOTAL EXPENDITURE	PERSONNEL EXPENDITURE	TRAINING EXPENDITURE	PROFESSIONAL AND SPECIAL SERVICES	PERSONNEL COST AS A PERCENT OF TOTAL EXPENDITURE	AVERAGE PERSONNEL COST PER EMPLOYEE
Tests and conformity assessments	467 759 935	283 109 685	5 358 281	16 320 552	65%	339 787
Development of South African National Standards	109 990 065	52 839 315	685 619	1 660 595	50%	411 832
TOTAL	**577 750 000**	**335 949 000**	**6 043 900**	**17 981 147**	**62%**	**349 150**

Tables 2.2, 2.3 and 2.4 are not relevant to the SABS, as its payroll system is not based on the requirements of these tables.

EMPLOYMENT AND VACANCIES

The following tables summarise the number of positions in the SABS, the number of employees, the vacancy rate and whether there are any staff that are additional to the Group. This information is presented in terms of three key variables, namely programme (Table 3.1), salary band (Table 3.2) and critical occupations (Table 3.3). Table 3.3 provides Group and vacancy information for the key critical occupations of the SABS that have been identified for monitoring.

The vacancy rate reflects the percentage of positions that are not filled.

TABLE 3.1: Employment and vacancies by programme, 31 March 2012

PROGRAMME	NUMBER OF POSITIONS	NUMBER OF POSITIONS FILLED	VACANCY RATE	NUMBER OF POSITIONS FILLED ADDITIONAL TO THE ESTABLISHMENT
SABS Commercial SOC Ltd	828	708	13%	0
National Standards Development	114	98	14%	0
Administration and Corporate Support Functions	260	225	13%	0
TOTAL	**1 202**	**1 031**	**14%**	**0**

TABLE 3.2: Employment and vacancies by salary bands, 31 March 2012

SALARY BAND	NUMBER OF POSITIONS	NUMBER OF POSITIONS FILLED	VACANCY RATE	NUMBER OF POSITIONS FILLED ADDITIONAL TO THE ESTABLISHMENT
Top management P1++	N/A			
Senior management P1-P3	6	6	16.67%	0
Professionally qualified and experienced specialist and mid-management P4-P6	85	65	23.5%	0
Skilled technical and academically qualified workers, junior management, supervisors, foreman and superintendents P7-P12	910	781	14.3%	0
Semi-skilled and discretionary decision making P13-P15	182	160	12.1%	0
Unskilled and defined decision making P16+	N/A	N/A	N/A	0
Other (contracts & students)	19	19	0%	0

TABLE 3.3: Employment and vacancies by critical occupation, 31 March 2012

CRITICAL OCCUPATIONS	NUMBER OF POSITIONS	NUMBER OF POSITIONS FILLED	VACANCY RATE	NUMBER OF POSITIONS FILLED ADDITIONAL TO THE ESTABLISHMENT
Skilled technical and academically qualified workers, junior management, supervisors, foreman and superintendents P7-P12	413	355	16.34%	0
Semi-skilled and discretionary decision making P13-P15	126	105	20%	0
TOTAL	**539**	**460**	**17.17%**	**0**

The information in each case reflects the situation as at 31 March 2012. For an indication of changes in staffing patterns in the year under review, please refer to the employment changes section on pages 123 to 125.

JOB EVALUATION

The Public Service Regulations, 1999 introduced job evaluation as a way of ensuring that work of equal value is remunerated equally. Within a nationally determined framework, executing authorities may evaluate or re-evaluate any job in his/her organisation. In terms of the regulations all vacancies on salary levels 9 and higher must be evaluated before they are filled. This was complemented by a decision by the Minister of Public Service and Administration that all Senior Management Services (SMS) jobs must be evaluated before 31 December 2002.

Table 4.1 summarises the number of jobs that were evaluated during the year under review. The table also provides statistics on the number of positions that were upgraded or downgraded.

TABLE 4.1: Job evaluation, 1 April 2011 to 31 March 2012

SALARY BAND	NUMBER OF POSITIONS	NUMBER OF JOBS EVALUATED	% OF POSITIONS EVALUATED BY SALARY BANDS	POSITIONS UPGRADED		POSITIONS DOWNGRADED	
				NUMBER	% OF POSITIONS EVALUATED	NUMBER	% OF POSITIONS EVALUATED
Semi-skilled P13-P15	159	2	1.2%	2	100%	0	0
Skilled tech & academically qualified P7-P12	802	28	9.3%	14	50%	0	0
Proffessional quality/specialists supervision P4-P6	64	23	36%	3	13%	0	0
Senior management P1-P3	6	0	0%	0	0%	0	0
TOTAL	**1 031**	**53**	**5%**	**19**		**0**	**0**

The following table provides a summary of the number of employees whose salary positions were upgraded due to their positions being upgraded. The number of employees might differ from the number of posts upgraded since not all employees are automatically absorbed into the new posts and some of the posts upgraded could also be vacant.

TABLE 4.2: Profile of employees whose salary positions were upgraded due to their positions being upgraded, 1 April 2011 to 31 March 2012

BENEFICIARIES	AFRICAN	ASIAN	COLOURED	WHITE	TOTAL
Female	41	1	0	11	53
Male	30	7	1	7	45
TOTAL	**71**	**8**	**1**	**18**	**98**
Employees with a disability					0

The following table summarises the number of cases where remuneration levels exceeded the grade determined by job evaluation. Reasons for the deviation are provided in each case.

TABLE 4.3: Employees whose salary level exceeded the grade determined by job evaluation, 1 April 2011 to 31 March 2012 (in terms of PSR 1.V.C.3)

OCCUPATION	NUMBER OF EMPLOYEES	JOB EVALUATION LEVEL	REMUNERATION LEVEL	REASON FOR DEVIATION
Professionally qualified and experienced specialist and mid-management P4-P6	6	5	R861 709.00	Scarce skills
	2	6	R683 896.00	Scarce skills
Skilled technical and academically qualified workers, junior management, supervisors, foreman and superintendents P7-P12	29	7	R542 775.00	Historic medical aid issue/scarce skills
	19	8	R478 637.00	Historic medical aid issue/scarce skills
	18	9	R379 871.00	Historic medical aid issue/scarce skills
	51	10	R301 485.00	Historic medical aid issue/scarce skills
	15	11	R255 496.00	Historic medical aid issue/scarce skills
	5	12	R194 870.00	Historic medical aid issue/scarce skills
Semi-skilled and discretionary decision making P13- P15	22	13	R122 057.50	Historic medical aid issue
	5	14	R100 851.75	Historic medical aid issue
	61	15	R68 915.36	Historic medical aid issue
Total number of employees whose salaries exceeded the level determined by job evaluation in 2011/12				233
Percentage of total employment				23%

Table 4.4 summarises the beneficiaries of the above in terms of race, gender, and disability.

TABLE 4.4: Profile of employees whose salary level exceeded the grade determined by job evaluation, 1 April 2011 to 31 March 2012 (in terms of PSR 1.V.C.3)

BENEFICIARIES	AFRICAN	ASIAN	COLOURED	WHITE	TOTAL
Female	35	4	1	34	74
Male	96	13	8	42	159
TOTAL	**131**	**17**	**9**	**76**	**233**
Employees with a disability					0

EMPLOYMENT CHANGES

This section provides information on changes in employment during the financial year.

Turnover rates provide an indication of trends in the employment profile of the SABS. The following tables provide a summary of turnover rates by salary band (Table 5.1) and by critical occupations (Table 5.2).

TABLE 5.1: Annual turnover rates by salary band for the period 1 April 2011 to 31 March 2012

SALARY BAND	NUMBER OF EMPLOYEES PER BAND AS ON 1 APRIL 2011	APPOINTMENTS AND TRANSFERS INTO THE SABS	TERMINATIONS AND TRANSFERS OUT OF THE SABS	TURNOVER RATE
Top management P1++	0	0	0	0
Senior management P1-P3	6	2	3	50%
Professionally qualified and experienced specialist and mid-management P4-P6	43	34	15	35%
Skilled technical and academically qualified workers, junior management, supervisors, foreman and superintendents P7-P12	797	161	174	22%
Semi-skilled and discretionary decision making P13-P15	179	47	51	28%
Unskilled and defined decision making P16+	0	0	0	0
TOTAL	**1 025**	**244**	**243**	**24%**

TABLE 5.2: Annual turnover rates by critical occupation for the period 1 April 2011 to 31 March 2012

OCCUPATION	NUMBER OF EMPLOYEES PER OCCUPATION AS ON 1 APRIL 2011	APPOINTMENTS AND TRANSFERS INTO THE SABS	TERMINATIONS OUT OF THE SABS	TRANSFERS OUT OF THE SABS	TURNOVER RATE
Technical and operational employees (engagers)	533	107	124	0	23%
TOTAL	**533**	**107**	**124**	**0**	**23%**

Table 5.3: Reasons why staff members are leaving the SABS

TERMINATION TYPE	NUMBER	% OF TOTAL
Death	1*	0.4%
Resignation	90	37.0%
Expiry of contract	59	24.3%
Dismissal – operational changes	46	18.9%
Dismissal – misconduct	16	6.6%
Dismissal – inefficiency		
Discharged due to ill-health	1	0.4%
Retirement	30	12.3%
Transfers to other public service departments		
Other		
TOTAL	**243**	**23.6%**
Total number of employees who left as a % of the total employment		**23.6%**

* Death due to natural causes

Table 5.4: Promotions by critical occupation

OCCUPATION	EMPLOYEES AS AT 1 APRIL 2011	PROMOTIONS TO ANOTHER SALARY LEVEL	SALARY LEVEL PROMOTIONS AS A % OF EMPLOYEES BY OCCUPATION	PROGRESSIONS TO ANOTHER NOTCH WITHIN A SALARY LEVEL	NOTCH PROGRESSIONS AS A % OF EMPLOYEES BY OCCUPATION
Technical and operational employees (engagers)	533	40	8%	60	11%
TOTAL	**533**	**40**	**8%**	**60**	**11%**

Table 5.5: Promotions by salary band

SALARY BAND	EMPLOYEES 1 APRIL 2011	PROMOTIONS TO ANOTHER SALARY LEVEL	SALARY BANDS PROMOTIONS AS A % OF EMPLOYEES BY SALARY LEVEL	PROGRESSIONS TO ANOTHER NOTCH WITHIN A SALARY LEVEL	NOTCH PROGRESSIONS AS A % OF EMPLOYEES BY SALARY BAND
Top management **P1++**	0	0	0%	0	0%
Senior management **P1-P3**	6	1	17%	1	17%
Professionally qualified and experienced specialist and mid-management **P4-P6**	43	10	23%	14	33%
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents **P7-P12**	797	87	11%	98	12%
Semi-skilled and discretionary decision making **P13-P15**	179	0	0%	10	6%
Unskilled and defined decision making **P16+**	0	0	0%	0	0%
TOTAL	**1 025**	**98**	**10%**	**123**	**12%**

EMPLOYMENT EQUITY

The tables in this section are based on the formats prescribed by the Employment Equity Act, No. 55 of 1998.

TABLE 6.1: Total number of employees (including employees with disabilities) in each of the following occupational categories as on 31 March 2012

OCCUPATIONAL CATEGORIES (SASCO)	MALE				FEMALE				TOTAL
	AFRICAN	COLOURED	INDIAN	WHITE	AFRICAN	COLOURED	INDIAN	WHITE	
Legislators, senior officials and managers	26	4	9	24	26	2	4	19	114
Professionals	23	6	8	36	23	3	2	21	122
Technicians and associate professionals	160	12	16	72	150	11	10	52	483
Clerks	31	0	1	7	61	4	5	32	141
Service and sales workers	0	0	0	0	0	0	0	0	0
Skilled agriculture and fishery workers	0	0	0	0	0	0	0	0	0
Craft and related trades workers	3	0	0	2	0	0	0	0	5
Plant and machine operators and assemblers	101	1	0	4	26	0	1	0	133
Elementary occupations	30	0	0	0	2	1	0	0	33
TOTAL	**374**	**23**	**34**	**145**	**288**	**21**	**22**	**124**	**1 031**
Employees with disabilities	3	0	1	4	5	0	0	9	22

TABLE 6.2: Total number of employees (including employees with disabilities) in each of the following occupational bands as on 31 March 2012

OCCUPATIONAL CATEGORIES	MALE				FEMALE				TOTAL
	AFRICAN	COLOURED	INDIAN	WHITE	AFRICAN	COLOURED	INDIAN	WHITE	
Top management	0	0	0	0	0	0	0	0	0
Senior management	1	0	1	1	2	0	0	1	6
Professionally qualified and experienced specialists and mid-management	16	1	5	14	12	1	3	12	64
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents	235	21	28	125	248	18	18	109	802
Semi-skilled and discretionary decision making	122	1	0	5	26	2	1	2	159
Unskilled and defined decision making	0	0	0	0	0	0	0	0	0
TOTAL	**374**	**23**	**34**	**145**	**288**	**21**	**22**	**124**	**1 031**

TABLE 6.3: Recruitment for the period 1 April 2011 to 31 March 2012

OCCUPATIONAL CATEGORIES	MALE				FEMALE				TOTAL
	AFRICAN	COLOURED	INDIAN	WHITE	AFRICAN	COLOURED	INDIAN	WHITE	
Top management P1++	0	0	0	0	0	0	0	0	0
Senior management P1-P3	1	0	1	0	0	0	0	0	2
Professionally qualified and experienced specialist and mid-management P4-P6	5	0	2	6	7	1	1	2	24
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents P7-P12	28	4	9	21	41	3	3	10	119
Semi-skilled and discretionary decision making P13-P15	36	0	1	3	6	0	0	0	46
Unskilled and defined decision making P16+	0	0	0	0	0	0	0	0	0
TOTAL	**70**	**4**	**13**	**30**	**54**	**4**	**4**	**12**	**191**
Employees with disabilities	0	0	0	0	0	0	0	0	0

TABLE 6.4: Promotions for the period 1 April 2011 to 31 March 2012

OCCUPATIONAL CATEGORIES	MALE				FEMALE				TOTAL
	AFRICAN	COLOURED	INDIAN	WHITE	AFRICAN	COLOURED	INDIAN	WHITE	
Top management	0	0	0	0	0	0	0	0	0
Senior management	0	0	1	0	0	0	0	0	1
Professionally qualified and experienced specialists and mid-management	2	0	3	2	0	0	0	3	10
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents	28	1	3	5	41	0	1	8	87
Semi-skilled and discretionary decision making	0	0	0	0	0	0	0	0	0
Unskilled and defined decision making	0	0	0	0	0	0	0	0	0
TOTAL	**30**	**1**	**7**	**7**	**41**	**0**	**1**	**11**	**98**
Employees with disabilities	0	0	0	0	0	0	0	0	0

TABLE 6.5: Terminations for the period 1 April 2011 to 31 March 2012

OCCUPATIONAL CATEGORIES	MALE				FEMALE				TOTAL
	AFRICAN	COLOURED	INDIAN	WHITE	AFRICAN	COLOURED	INDIAN	WHITE	
Top management	0	0	0	0	0	0	0	0	0
Senior management	0	0	0	2	0	0	0	1	3
Professionally qualified and experienced specialists and mid-management	3	1	3	4	1	0	0	3	15
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents	29	7	3	32	39	7	2	38	177
Semi-skilled and discretionary decision making	40	0	0	3	5	0	0	0	48
Unskilled and defined decision making	0	0	0	0	0	0	0	0	0
TOTAL	**92**	**8**	**6**	**41**	**45**	**7**	**2**	**42**	**243**
Employees with disabilities	0	0	0	0	0	0	0	0	0

TABLE 6.6: Disciplinary action for the period 1 April 2011 to 31 March 2012

OCCUPATIONAL CATEGORIES	MALE				FEMALE				TOTAL
	AFRICAN	COLOURED	INDIAN	WHITE	AFRICAN	COLOURED	INDIAN	WHITE	
Disciplinary action	18	2	0	8	2	1	0	2	33

TABLE 6.7: Skills development for the period 1 April 2011 to 31 March 2012

OCCUPATIONAL CATEGORIES	MALE				FEMALE				TOTAL
	AFRICAN	COLOURED	INDIAN	WHITE	AFRICAN	COLOURED	INDIAN	WHITE	
Legislators, senior officials and managers	13	5	4	12	14	1	1	12	62
Professionals	17	5	6	12	13	3	1	15	72
Technicians and associate professionals	107	8	9	35	113	6	6	25	309
Clerks	23	0	0	0	44	3	2	7	79
Service and sales workers	0	0	0	0	0	0	0	0	0
Skilled agriculture and fishery workers	0	0	0	0	0	0	0	0	0
Craft and related trades workers	1	0	0	1	0	0	0	0	2
Plant and machine operators and assemblers	30	0	0	1	8	0	0	0	39
Elementary occupations (15)	6	0	0	0	0	0	0	0	6
TOTAL	**197**	**18**	**19**	**61**	**192**	**13**	**10**	**59**	**569**
Employees with disabilities									

PERFORMANCE REWARDS

To encourage good performance, the SABS granted the following performance rewards during the year under review. The information is presented in terms of race, gender, and disability (Table 7.1), salary bands (Table 7.2) and critical occupations (Table 7.3).

TABLE 7.1: Performance rewards by race, gender, and disability, 1 April 2011 to 31 March 2012

	BENEFICIARY PROFILE			COST	
	NUMBER OF BENEFICIARIES	TOTAL NUMBER OF EMPLOYEES IN GROUP	% OF TOTAL WITHIN GROUP	COST (R))	AVERAGE COST PER EMPLOYEE
African	479	555	86%	8,635,799.35	18,028.81
Male	275	325	85%	4,804,356.76	17,470.39
Female	204	230	89%	3,831,442.87	18,781.58
Asian	45	47	96%	1,467,364.11	32,608.09
Male	28	29	97%	1,157,281.40	41,331.48
Female	17	18	94%	310,082.71	18,240.16
Coloured	37	43	86%	822,497.79	22,229.67
Male	19	21	90%	558,405.08	29,389.74
Female	18	22	82%	264,092.71	14,671.82
White	257	277	93%	7,717,653.26	30,029.78
Male	118	131	90%	3,858,145.29	32,696.15
Female	139	146	95%	3,859,507.97	27,766.24
Employees with a disability	-	-	-	-	-
TOTAL	**818**	**922**	**89%**	**18,643,314.79**	**22,791.34**

TABLE 7.2: Performance rewards by salary band for personnel below senior management level, 1 April 2011 to 31 March 2012

SALARY BANDS	BENEFICIARY PROFILE			COST		
	NUMBER OF BENEFICIARIES	NUMBER OF EMPLOYEES	% OF TOTAL WITHIN SALARY BANDS	TOTAL COST (R)	AVERAGE COST PER EMPLOYEE	TOTAL COST AS A % OF THE TOTAL PERSONNEL EXPENDITURE
Professionally qualified and experienced specialist and mid-management P4-P6	39	44	89%	3 489 146.48	79 298.78	1.07%
Skilled technical and academically qualified workers, junior management, supervisors, foreman and superintendents P7-P12	668	726	92%	13 219 377.30	18 208.51	4.05%
Semi-skilled and discretionary decision making P13-P15	106	146	73%	709 464.24	4 859.34	0.22%
Unskilled and defined decision making P16+	0	0	0	0	0	0
TOTAL	**813**	**916**	**89%**	**17 417 988.02**	**19 015.27**	**5.33%**

TABLE 7.3: Performance rewards by critical occupation, 1 April 2011 to 31 March 2012

CRITICAL OCCUPATIONS	BENEFICIARY PROFILE			COST	
	NUMBER OF BENEFICIARIES	NUMBER OF EMPLOYEES	TOTAL COST (R)	% OF TOTAL WITHIN OCCUPATION	AVERAGE COST PER EMPLOYEE
Auditors	41	46	748 924.03	89%	16 280.96
Candidate auditors	3	5	43 059.09	60%	8 611.82
Candidate standard writers	2	3	18 754.34	67%	6 251.45
Candidate test officers	10	10	92 322.44	100%	9 232.24
Lab analysts	15	23	86 646.46	65%	3 767.24
Lab technicians	2	2	17 983.69	100%	8 991.84
Lead auditors	39	42	886 463.29	93%	21 106.27
Principal auditors	24	24	636 511.92	100%	26 521.33
Principal standard writers	1	1	20 452.69	100%	20 452.69
Principal test officers	14	14	307 816.90	100%	21 986.92
Senior test officers	36	39	623 854.80	92%	15 996.28
Senior lab analysts	2	2	24 466.42	100%	12 233.21
Senior standard writers	3	3	58 300.85	100%	19 433.62
Specialist auditors	1	1	34 512.95	100%	34 512.95
Standard writers	26	31	353 902.55	84%	11 416.21
Test officers	91	99	1 109 099.71	92%	11 203.03
TOTAL	**310**	**345**	**5 063 072.12**	**90%**	**14 675.57**

TABLE 7.4: Performance related rewards (cash bonus), by salary band, for senior management

SALARY BANDS	BENEFICIARY PROFILE			COST		
	NUMBER OF BENEFICIARIES	NUMBER OF EMPLOYEES	% OF TOTAL WITHIN SALARY BANDS	TOTAL COST (R)	AVERAGE COST PER EMPLOYEE	TOTAL COST AS A % OF THE TOTAL PERSONNEL EXPENDITURE
Band A (P1)	1	1	100%	559 440.00	559 440.00	0.17%
Band B (P2)	2	3	67%	315 262.71	187 169.67	0.06%
Band C (P3)	2	2	100%	350 624.03	175 312.01	0.05%
TOTAL	**5**	**6**	**83%**	**1 225 326.77**	**256 880.67**	**0.08%**

FOREIGN WORKERS

The tables below summarise the employment of foreign nationals in the SABS in terms of salary bands and by major occupation. The tables also summarise changes in the total number of foreign workers in each salary band and by each major occupation.

TABLE 8.1 Foreign workers, 1 April 2011 to 31 March 2012, by salary band

SALARY BANDS	1 APRIL 2011		31 MARCH 2012		CHANGE	
	NUMBER	% OF TOTAL	NUMBER	% OF TOTAL	NUMBER	% CHANGE
Senior management P1-P3	0	0	0	0	0	0
Professionally qualified and experienced specialist and mid-management P4-P6	4	20%	4	17.4%	0	2.6%
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents P7-P12	16	80%	19	82.6%	3	2.6%
Semi-skilled and discretionary decision making P13-P15	0	0	0	0	0	0
TOTAL	**20**	**100%**	**23**	**100%**	**3**	**14%**

LEAVE UTILISATION FOR THE PERIOD 1 JANUARY 2011 TO 31 DECEMBER 2011

The Public Service Commission identified the need for careful monitoring of sick leave within the public service. The following tables provide an indication of the use of sick leave (Table 9.1) and disability leave (Table 9.2).

TABLE 9.1: Sick leave, 1 January 2011 to 31 December 2011

SALARY BANDS	TOTAL DAYS	% DAYS WITH MEDICAL CERTIFICATION	NUMBER OF EMPLOYEES USING SICK LEAVE	% OF TOTAL EMPLOYEES USING SICK LEAVE	AVERAGE DAYS PER EMPLOYEE	ESTIMATED COST (R)
Top management **P1++**	0	0	0	0%	0	0
Senior management **P1-3**	11	0	3	50%	3.67	0
Professionally qualified and experienced specialists and mid management **P4-6**	167	0	28	46%	5.96	0
Skilled technical and academically qualified workers, junior management , supervisors, foremen and superintendents **P7-12**	4 483.5	0	632	80%	7.09	0
Semi-skilled and discretionary decision making **P13-15**	661.5	0	102	61%	6.36	0
Unskilled and defined decision making **P16+**	0	0	0	0%	0	0
TOTAL	**5 323**	**0**	**765**	**74%**	**6.96**	**0**

Table 9.2 is not relevant to the SABS as it does not offer disability leave.

Table 9.3 summarises the utilisation of annual leave. The wage agreement concluded with trade unions in the PSCBC in 2000 requires management of annual leave to prevent high levels of accrued leave being paid at the time of termination of service.

TABLE 9.3: Annual leave, 1 January 2011 to 31 December 2011

SALARY BANDS	TOTAL DAYS TAKEN	AVERAGE PER EMPLOYEE
Top management **P1++**	0	0
Senior management **P1-3**	78	9.75
Professionally qualified and experienced specialists and mid-management **P4-6**	1 044.5	18.65
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents **P7-12**	14 524.5	17.25
Semi-skilled and discretionary decision making **P13-15**	2 685	14.36
Unskilled and defined decision making **P16+**	0	0
TOTAL	**18 332**	**16.77**

TABLE 9.4: Capped leave, 1 January 2011 to 31 December 2011

SALARY BANDS	TOTAL DAYS OF CAPPED LEAVE TAKEN	AVERAGE NUMBER OF DAYS TAKEN PER EMPLOYEE	AVERAGE CAPPED LEAVE PER EMPLOYEE AS AT 31 DECEMBER 2011
Top management P1++	0	0	0
Senior management P1-3	88.84	22.21	22.21
Professionally qualified and experienced specialists and mid-management P4-6	138.46	9.23	9.23
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents P7-12	2 383.65	10.06	10.06
Semi-skilled and discretionary decision making P13-15	741.16	10.59	10.59
Unskilled and defined decision making P16+	0	0	0
TOTAL	**3 352.11**	**10.28**	**10.28**

The following table summarises payments made to employees as a result of leave that was not taken.

TABLE 9.5: Leave payouts for the period 1 April 2011 to 31 March 2012

REASON	TOTAL AMOUNT (R'000)	NUMBER OF EMPLOYEES	AVERAGE PAYMENT PER EMPLOYEE
Leave payout for 2011/12	R4 061 274	428	R9 488.96

HIV/AIDS & HEALTH PROMOTION PROGRAMMES

TABLE 10.1: Steps taken to reduce the risk of occupational exposure

UNITS/CATEGORIES OF EMPLOYEES IDENTIFIED TO BE AT HIGH RISK OF CONTRACTING HIV & RELATED DISEASES (IF ANY)	KEY STEPS TAKEN TO REDUCE THE RISK
Clinic staff from needle prick	Education and skills techniques, avoid needle recaps and correct medical disposal

TABLE 10.2: Details of health promotion and HIV/AIDS programmes (tick the applicable boxes and provide the required information)

QUESTION	YES	NO	DETAILS, IF YES
1. Has the SABS designated a member of the SMS to implement the provisions contained in Part VI E of Chapter 1 of the Public Service Regulations, 2001? If so, provide her/his name and position		X	
2. Does the SABS have a dedicated unit or has it designated specific staff members to promote the health and wellbeing of its employees? If so, indicate the number of employees who are involved in this task and the annual budget that is available for this purpose	X		Six employees are involved in the project and R25 000 was spent in previous year
3. Has the SABS introduced an Employee Assistance or Health Promotion Programme for its employees? If so, indicate the key elements/services of this programme	X		Stress, financial, legal, relationships, substance abuse, family matters, health issues, work related issues
4. Has the SABS established a committee(s) as contemplated in Part VI E.5 (e) of Chapter 1 of the Public Service Regulations, 2001? If so, please provide the names of the members of the committee and the stakeholder(s) that they represent		X	
5. Has the SABS reviewed its employment policies and practices to ensure that these do not unfairly discriminate against employees on the basis of their HIV status? If so, list the employment policies/practices so reviewed	X		Dealing with HIV and other life threatening diseases in the SABS through the Employee Wellness Programme Policy and Procedure
6. Has the SABS introduced measures to protect HIV-positive employees or those perceived to be HIV-positive from discrimination? If so, list the key elements of these measures	X		HIV/AIDS education and awareness was done through the BestMed and Discovery Health HIV/AIDS Decease Management Programme
7. Does the SABS encourage its employees to undergo voluntary counselling and testing? If so, list the achieved results	X		40% of all the staff participated In HIV testing 2011
8. Has the SABS developed measures/indicators to monitor and evaluate the impact of its health promotion programme? If so, list these measures/indicators	X		Achieved through the HIV/AIDS and Employee Health and Wellness Programme

LABOUR RELATIONS

The following collective agreements were entered into with trade unions within the SABS.

TABLE 11.1: Collective agreements, 1 April 2011 to 31 March 2012

SUBJECT MATTER	DATE
Wage agreement 2011/12 financial year	8 July 2011
Re-organisation agreement	7 July 2011

The following table summarises the outcome of disciplinary hearings conducted within the SABS for the year under review.

TABLE 11.2: Misconduct and disciplinary hearings finalised, 1 April 2011 to 31 March 2012

OUTCOMES OF DISCIPLINARY HEARINGS	NUMBER	% OF TOTAL
Correctional counselling	1	2.8
Verbal warning*	0	0
Written warning	2	5.7
Final written warning	9	25.7
Suspended without pay	0	0
Fine	0	0
Demotion	0	0
Dismissal	17	48.5
Not guilty	2	5.7
Case withdrawn	4	11.4
TOTAL	**35**	**100%**

* Verbal warnings happen between the line manager and the employee and hence are not recorded in writing.

TABLE 11.3: Types of misconduct addressed at disciplinary hearings

TYPE OF MISCONDUCT	NUMBER	% OF TOTAL
Falsification of test results	3	8.571
Dishonesty	0	0
Absenteeism	0	0
Theft	1	2.857
Desertion	4	11.429
Fraud	2	5.714
Misuse of SABS property	2	5.714
Negligence	6	17.143
Bringing the Organisation's name into disrepute	3	8.571
Failure to carry out reasonable instruction	0	0
Damage to SABS property	4	11.429
Insolent behaviour	3	8.571
Acting against the best interest of the SABS	1	2.857
Reckless driving	1	2.857
Insubordination	1	2.857
Money laundering	4	11.429
TOTAL	**35**	**100%**

TABLE 11.4: Grievances lodged for the period 1 April 2011 to 31 March 2012

	NUMBER	% OF TOTAL
Number of grievances resolved	5	71.4
Number of grievances not resolved	2	28.5
TOTAL NUMBER OF GRIEVANCES LODGED	**7**	**100%**

TABLE 11.5: Disputes lodged with councils for the period 1 April 2011 to 31 March 2012

	NUMBER	% OF TOTAL
Number of disputes upheld	5	62.5%
Number of disputes dismissed	1	12.5
Number of disputes referred back	2	25%
TOTAL NUMBER OF DISPUTES LODGED	**8**	**100%**

TABLE 11.6: Strike actions for the period 1 April 2011 to 31 March 2012

Total number of person working days lost	0	0%
Total cost (R) of working days lost	0	0%
Amount (R) recovered as a result of no work no pay	0	0%

TABLE 11.7: Precautionary suspensions for the period 1 April 2011 to 31 March 2012

Number of people suspended	8
Number of people whose suspension exceeded 30 days	6
Average number of days suspended	43.25
Cost of suspensions	R537 760

SKILLS DEVELOPMENT

This section highlights the efforts of the SABS with regard to skills development.

TABLE 12.1: Training needs identified 1 April 2011 to 31 March 2012

OCCUPATIONAL CATEGORIES	GENDER	NUMBER OF EMPLOYEES AS AT 1 APRIL 2011	TRAINING NEEDS IDENTIFIED AT START OF REPORTING PERIOD			
			LEARNERSHIPS	SKILLS PROGRAMMES & OTHER SHORT COURSES	OTHER FORMS OF TRAINING	TOTAL
Legislators, senior officials and managers	Female	38	0	28	0	28
	Male	62	0	34	0	34
Professionals	Female	44	0	32	0	32
	Male	58	0	40	0	40
Technicians and associate professionals	Female	228	0	150	0	150
	Male	264	0	159	0	159
Clerks	Female	109	0	56	0	56
	Male	43	0	23	0	23
Service and sales workers	Female	0	0	0	0	0
	Male	1	0	0	0	0
Skilled agriculture and fishery workers	Female	0	0	0	0	0
	Male	0	0	0	0	0
Craft and related trades workers	Female	0	0	0	0	0
	Male	4	0	2	0	2
Plant and machine operators and assemblers	Female	30	0	8	0	8
	Male	121	0	31	0	31
Elementary occupations	Female	3	0	0	0	0
	Male	33	0	6	0	6
Sub-total	Female	452				
	Male	586				
TOTAL		**1 038**				**569**

TABLE 12.2: Training provided 1 April 2011 to 31 March 2012

OCCUPATIONAL CATEGORIES	GENDER	NUMBER OF EMPLOYEES AS AT 1 APRIL 2011	TRAINING PROVIDED WITHIN THE REPORTING PERIOD			
			LEARNERSHIPS	SKILLS PROGRAMMES & OTHER SHORT COURSES	OTHER FORMS OF TRAINING	TOTAL
Legislators, senior officials and managers	Female	38	0	28	0	28
	Male	62	0	34	0	34
Professionals	Female	44	0	32	0	32
	Male	58	0	40	0	40
Technicians and associate professionals	Female	228	0	150	0	150
	Male	264	0	159	0	159
Clerks	Female	109	0	56	0	56
	Male	43	0	23	0	23
Service and sales workers	Female	0	0	0	0	0
	Male	1	0	0	0	0
Skilled agriculture and fishery workers	Female	0	0	0	0	0
	Male	0	0	0	0	0
Craft and related trades workers	Female	0	0	0	0	0
	Male	4	0	2	0	2
Plant and machine operators and assemblers	Female	30	0	8	0	8
	Male	121	0	31	0	31
Elementary occupations	Female	3	0	0	0	0
	Male	33	0	6	0	6
Sub-total	Female	452				
	Male	586				
TOTAL		**1 038**				**569**

INJURY ON DUTY

The following tables provide basic information on injury on duty.

TABLE 13.1: Injury on duty, 1 April 2011 to 31 March 2012

NATURE OF INJURY ON DUTY	NUMBER	% OF TOTAL
Required basic medical attention only	37	100%
Temporary total disablement	0	0
Permanent disablement	0	0
Fatal	0	0
TOTAL NUMBER OF DISPUTES LODGED	**37**	**100%**

UTILISATION OF CONSULTANTS

Table 14.1: Report on consultant appointments using appropriated funds

PROJECT TITLE	TOTAL NUMBER OF CONSULTANTS THAT WORKED ON THE PROJECT	DURATION: WORK DAYS	CONTRACT VALUE IN RAND
SABS 01	1	46 days	R249 092.50
SABS 02	1	1 June 2011 – 31 March 2012	R846 750.00
SABS 03	1	1 June 2011 – 31 March 2012	R625 000.00
SABS 04	1	114 days	R561 150.00

Table 14.2: Analysis of consultant appointments using appropriated funds, in terms of historically disadvantaged individuals (HDIs)

PROJECT TITLE	PERCENTAGE OWNERSHIP BY HDI GROUPS	PERCENTAGE MANAGEMENT BY HDI GROUPS	NUMBER OF CONSULTANTS FROM HDI GROUPS THAT WORK ON THE PROJECT
SABS 02	100%	100%	1
SABS 03	100%	100%	1
SABS 04	100%	100%	1

Tables 14.3 and 14.4 are not applicable to the SABS.

Acronyms and Abbreviations

BBBEE	Broad-Based Black Economic Empowerment
CEO	Chief Executive Officer
CDP	Competency Development Programme
CFO	Chief Financial Officer
COP17	17th United Nations Conference of the Parties
CPI	Consumer Price Index
CPUT	Cape Peninsula University of Technology
CRM	Customer Relationship Management
EAP	Employee Assistance Programme
ECDC	Eastern Cape Development Corporation
EE	Employment Equity
FPM SETA	Fiber, Processing and Manufacturing Sector Education and Training Authority
GAAP	Generally Accepted Accounting Practice
GHG	Greenhouse gas
GCS	Global Conformity Services
HR	Human Resources
IAS	International Accounting Standards
ICAS	Independent Counselling and Advisory Services
ICT	Information and Communication Technology
IEC	International Electrotechnical Commission
IFRS	International Financial Reporting Standards
IPAP	Industrial Policy Action Plan
ISO	International Organization for Standardization
King III	King Report on Corporate Governance for South Africa 2009
LIMS	Laboratory Information Management System
MDWT	Mission Directed Work Teams
MoU	Memorandum of Understanding
MPSS	Minimum Physical Security Standards
NQF	National Qualification Framework
NRCS	National Regulator for Compulsory Specifications
NRS	National Rationalised Specifications
NSB	National Standards Body
NSI	Namibian Standards Institute
OCI	Other comprehensive income
OHCC	Occupational Health Care Centre
PBIT	Profit before interest and tax
PFMA	Public Finance Management Act
SABS	South African Bureau of Standards
SANAS	South African National Accreditation System
SANS	South African National Standards
SATS	South African Technical Standards
Seda	Small Enterprise Development Agency
SMME	Small, Medium and Micro Enterprise
SMS	Senior Management Services
SSETA	Services Sector Education and Training Authority
the dti	Department of Trade and Industry
TIA	Technology Innovation Agency
TMB	Technical Management Board
VPN	Virtual Private Network

NOTES

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