SABS

ANNUAL INTEGRATED REPORT **2016 / 2017**

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SABS APPROACH TO INTEGRATED REPORTING

This annual integrated report provides a strategic, operational and financial overview of the activities of the SABS Group for the period 1 April 2016 to 31 March 2017. SABS endeavours to operate sustainably by integrating its strategy, governance and financial performance, with the social, environmental and economic context in which it operates.

Drawing on best practice, SABS has embraced integrated reporting, which reflects the integrated organisational strategy that the organisation has adopted and been implementing since 2010.

Reporting framework

The report is compiled in compliance with:

- The Standards Act, No. 8 of 2008
- The Public Finance Management Act, No.1 of 1999 (PFMA)
- The Companies Act, No. 71 of 2008
- International Financial Reporting Standards (IFRS)
- The National Treasury Guide for the Preparation of Annual Reports for Public Entities of 2014

The content of the report also takes into consideration:

- The King Report on Governance for South Africa and the King Code of Governance Principles (King III)
- The International Integrated Reporting Framework (IIRF)
- Elements of the Global Reporting Initiative's G4 (GRI G4) guidelines
- The Standards Act, No. 8 of 2008
- Shareholder compact between SABS and the Minister of Trade and Industry

Assurance

The audit and risk committee of the Board has evaluated the annual financial statements for the year ended 31 March 2017 and concluded that these comply in all material respects with the requirements of IFRS. The committee has reviewed the Auditor-General's management letter and management's response thereto, and has recommended the approval of the annual financial statements to the Board.

Other committees of the Board, including human resources and remuneration, nominations, finance and investments, and social and ethics, have considered various non-financial and sustainability matters of the organisation over the period as reflected in the governance section of this report.

Accounting authority's responsibility

The Directors acknowledge their responsibility to ensure the integrity of the annual integrated report and believe that the report addresses all material issues and fairly presents the performance, governance and impact of SABS.

Enquiries

Enquiries regarding this report may be directed to Ian Plaatjes, Executive: Corporate Services on telephone +27 12 428 7778, email: info@sabs.co.za.

Highlights

Key highlights over the period are:

- SABS achieved 82% (9 out of 11) of the key performance indicators.
- SABS obtained an unqualified audit opinion.
- SABS commissioned a new Thermal Test Chamber for the testing of refrigerated trucks. The asset arose as a result of a GIZ/the dti initiative aimed at providing support to industry to reduce greenhouse gas emissions by testing the thermal efficiency of refrigerated trucks. For the first time in Africa, testing of energy efficient refrigerated trucks is possible and is expected to boost the regional food and automotive sector.

GENERAL INFORMATION

GENERAL INFORMATION

1. ABOUT SABS

SABS is an acclaimed South African institution for the development, promotion and maintenance of standardisation and quality in connection with commodities. SABS is governed by the Standards Act, No. 8 of 2008.

SABS products and services help companies, big and small, to be competitive in local and global markets. Helping South African companies to be competitive is a national effort to grow the economy and alleviate poverty as well as giving companies the quality edge.

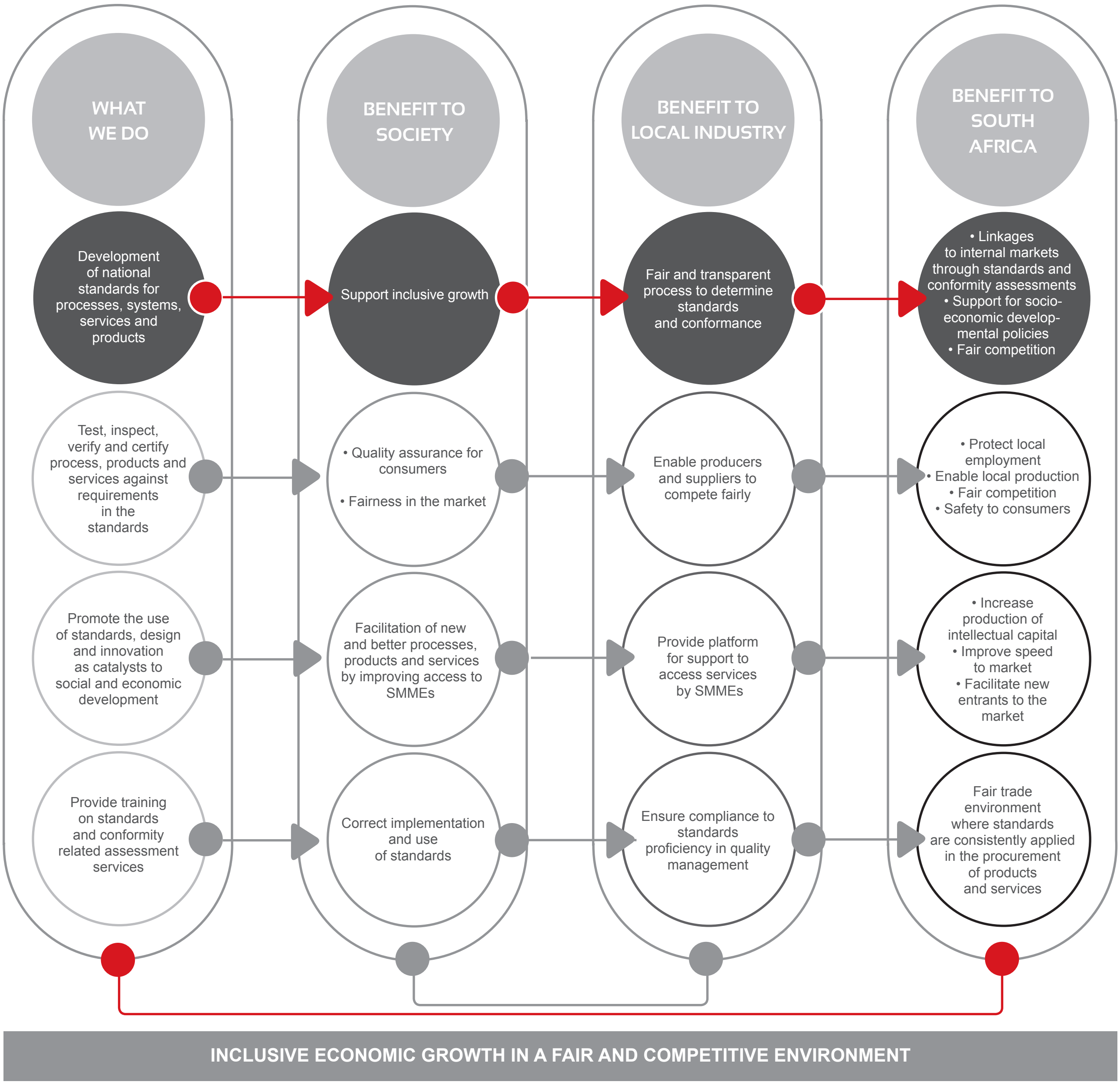
Company Name	South African Bureau of Standards
Physical address	1 Dr Lategan Road, Groenkloof, Pretoria 0001
Postal address	Private Bag X191, Pretoria, 0001
Telephone number	+ 27 (0) 12 428 7911 + 27 (0) 861 27 7227
Fax number	+ 27 (0) 12 344 1568
E-mail address	info@sabs.co.za
Website	www.sabs.co.za
External auditors	Auditor-General of South Africa 210 Veale St, Nieuw Muckleneuk, Pretoria, 0181
Bankers	ABSA 15 Troye Street, Johannesburg, 2001
Company/Board Secretary	Wilma de Witt (Company Secretary)

2. PRINCIPAL ACTIVITIES

The services provided by SABS include:

- Development, maintenance and promotion of standards for commodities. The standards are aligned to national priorities and should facilitate meaningful socio-economic impact in South Africa and the region
- Assurance, through management system certification schemes, of a client's management system(s) in terms of quality, environment, safety and good governance requirements
- Third-party assurance of quality, safety and reliability of products, through product certification schemes (such as the SABS Mark), to the consumer. Only products that have met requirements specified in SANS are awarded the SABS Mark
- Testing of a wide spectrum of products across industry sectors and technologies. These services remain the most comprehensive offered by any single organisation in the Southern African region
- Third-party consignment inspection services to external purchasing bodies. This assists in their purchasing operations, including the production of item descriptions, the preparation of tender documents, the adjudication of contracts and the inspection of deliverables
- Developing and offering structured training courses on standards and specifications
- Other services that SABS provides to support socio-economic growth include:
    - Contribute to the development of enterprises through the application of design innovation to a range of socio-economoc challenges.
    - Support the growth and development of the SMME sector and entrepreneurs to create jobs, through access to SABS and SABS certification products and training
    - Conduct local content verification services for public entities, in accordance with Preferential Procurement Policy Framework Act (PPPFA) regulations

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



3. KEY STAKEHOLDERS

The business of SABS is based on effective and focused engagements with a diverse portfolio of stakeholders in the public and private sector.

Guided by the Standards Act, No. 8 of 2008, we have focused on establishing government and industry forums, enhancing SABS' regional and international influence on standardisation and strengthening national representation and participation in the development of relevant SANS.

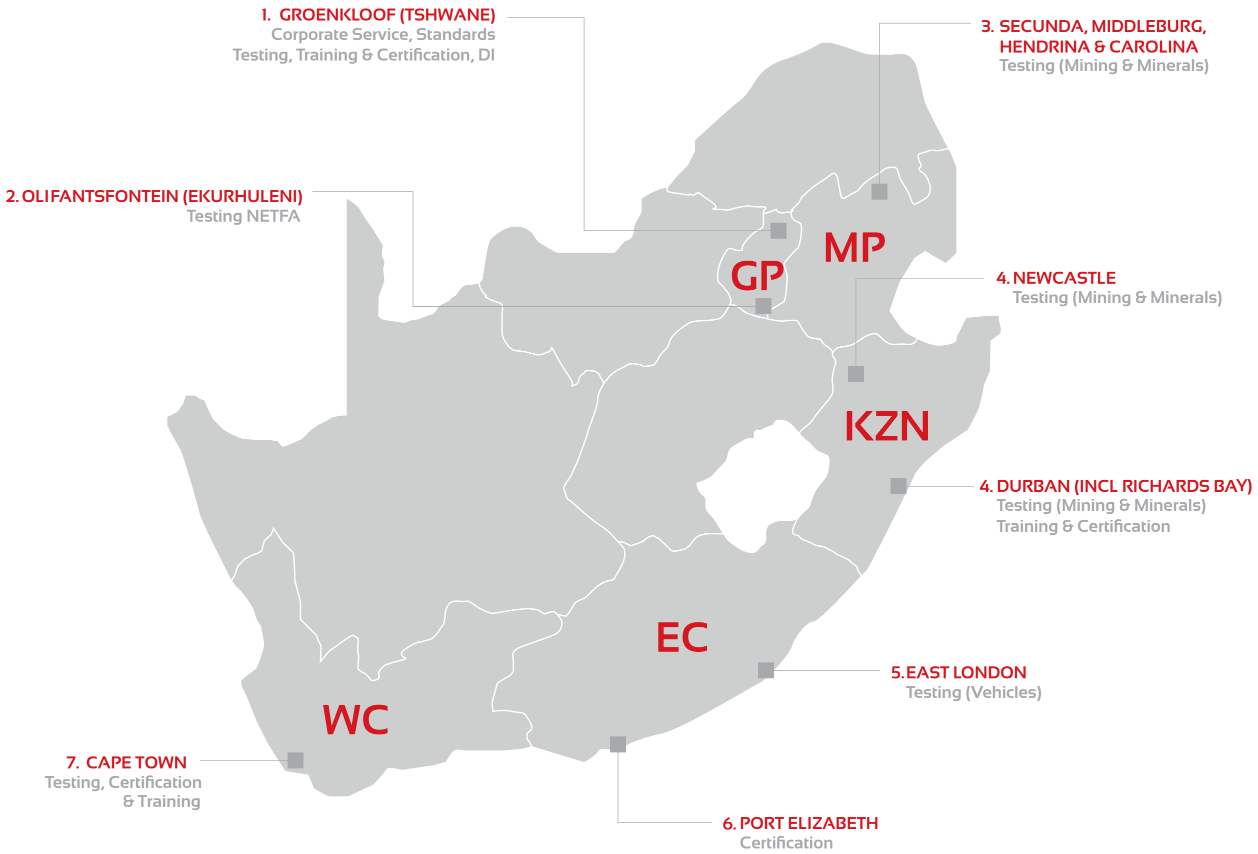
The national standards are stakeholder-driven, requiring compliance with good standardisation practices including, amongst others, open and transparent consultation and consensus development. Participation in standardisation is open to a broad spectrum of interests, including consumer groups, health and environmental professionals, and industry and government representatives. SABS strives to maintain open and meaningful engagements to build confidence and credibility in delivering national standards.

It is important that SABS stakeholders consider the relationship with SABS as collaborative and one that has real benefits both locally and internationally. SABS also provides a platform for South African industry to participate in international standards bodies such as ISO and IEC, and influence the technical requirements of standards of products and services to international technical requirements. This prevents the development of unnecessary barriers to trade. SABS conformity assessment infrastructure and processes are important, as these are what enables SABS to provide quality assurance services to SABS clients.

Stakeholder group	How and why we engage key stakeholders	Expected outcome
Legislative and executive authority (the dti and portfolio committees)	Approval of short and medium term strategic and operational plans. Quarterly and annual reporting and monitoring	• Alignment of organisational priorities • Assessment of resources necessary to deliver on the mandate and expected socio-economic impact
Standards development technical committees	Governance and administration of experts serving in technical committees at the SABS in alignment with ISO and IEC as well as the Standards Act, No. 8 of 2008	• Development of standards that represent a broad input of stakeholders, protecting consumers and free of competition bias
Employees	Management meetings, divisional meetings and statutory consultative forums	• Informed, engaged and committed employees
Regulators	Bilateral agreements to support the regulatory requirements	• Connected regulatory value chain that optimises resources and infrastructure and protects the South African consumers
International & regional standards development bodies (ISO, IEC, ARSO)	Participation in governance structures. SABS is on the Council of all the international and regional bodies	• Develop value for the South African economy
Industry associations and customers	Through participating in technical committees and SABS forums	• Optimal industry participation in standards development • Development of appropriate conformity assessment infrastructure to support sector growth and competitiveness
Education and research institutions	To support the standards development knowledge base	• New knowledge to inform the standards development processes
The media, consumers and the general public	Interviews, press conferences and replies to enquiries	• To ensure transparency • To inform the public • To educate consumers about product safety in line with the Consumer Protection Act, 2008
Suppliers	Through tender advertisements and requests for quotations	• Efficient delivery of goods and services to SABS to ensure availability of necessary input for operations and delivery of services

4. NATIONAL FOOTPRINT

SABS head office is in Groenkloof in the City of Tshwane. The organisation has seven other offices in four other provinces and another facility in Gauteng.



No #	Area	Main Activities	# of Employees
1	Groenkloof,Tshwane (Pretoria)	**Head Office**, Standards, Testing, Training, Certification, Corporate Services, SMME, Design Institute, Enterprise Development	721
2	Olifantsfontein, Ekurhuleni (JHB)	National Electrical Testing Facility (NETFA)	28
3	Mpumalanga (Secunda, Middleburg, Hendrina, Carolina)	Testing Laboratories (Mining and Minerals)	87
4	Durban (including Richards Bay and Newcastle)	Testing Laboratories (Mining and Minerals), Training, Certification	84
5	East London	Testing Laboratories (Vehicles)	8
6	Port Elizabeth	Certification	10
7	Cape Town	Testing Laboratories, Training and Certification	47

Dr. Rob Davies, MP
Minister of Trade and Industry

5. FOREWORD - MINISTER OF TRADE AND INDUSTRY

Strategic Reflection

The end of the 2016/17 financial year provides an opportune moment for the Ministry to undertake a reflective and strategic appraisal of our role in stimulating economic growth and development within the available national policy instruments. This annual appraisal is a necessary exercise because of the Department of Trade and Industry's (the dti) formidable, yet surmountable task of facilitating the transformation and redress of the structural fault lines which characterise the South African economy. This assessment allows us to determine the efficacy of available policy instruments to drive effective mandate delivery.

As such, central among our most urgent priorities is the promotion of industrialisation, investment and improving the quality and competitiveness of business. This investment and support is particularly important for the small business sector which is the engine of economic growth and development in an increasingly competitive global business environment. The development of a quality pipeline of small businesses should lead our industrialisation and by extension the job creation efforts of government.

However, for this noble intent to succeed, the dti is acutely aware that a more interventionist approach, which creates a fair regulatory environment that enables investment, trade and enterprise development in an equitable and socially responsible manner, is a prerequisite. This should allow for an ethical, dynamic, competitive and customer-focused working environment that ensures the realisation of our broader economic development aspirations.

The dti is aware that this commitment requires the mobilisation of various empowering policies and legislative instruments such as IPAP, financial support, investment incentives and the equipping and positioning of our institutions such as SABS to effect the desired development impact.

Through our annual reviews of IPAP we continuously introduce new themes and focus areas to improve the impact of our industrialisation efforts.

IPAP 2016/17 introduced an export focused posture which takes advantage of a devalued local currency. In this regard, our principal IPAP 2016/17 objectives were broadly focused on delivering a strong support for manufacturing, promoting labour-intensive industries, inclusive industrialisation and the movement toward a knowledge economy.

Responsive Government Organisation

The mid-2000 policy positions which promoted privatisation and deregulation of certain government services will need to be reviewed to align SABS services to the objectives of IPAP.

I am pleased that through these various interactions with SABS, the approved 2016/17 Corporate Plan finds resonance with the dti and IPAP 2016/17 objectives. It drew attention to the importance of aligning national standards to public policy interests of the country. It also highlights the critical role of investment in technology and human resources to strengthen service delivery in line with the demands of the economy. I am encouraged by the stated goals to return the organisation to a trusted quality anchor for the country.

In this regard, I impressed on SABS the need to strengthen its role in supporting industries to become more competitive through improved service delivery.

Therefore, the true test of SABS success would not only be measured on good governance but equally important, on the concomitant delivery of its core mandate of using standards to promote the growth and competitiveness of industry through standards, using standards to improve quality of commodities, products and services as well as the provision of value-adding assessment tools. While we acknowledge that more support is required from government to further support SABS programmes, we require our engines of economic growth such as SABS, to do more with less in an increasingly challenging economic environment characterised by a cut in government grants, increasing demands on the national fiscus and a widening current account deficit.

I am pleased that while SABS has yet again responded to its governance obligations, it also made significant progress in the delivery of its targets in its business plan. While revenue generation and operating profits have been impacted by various factors, SABS has delivered on the majority of its targets and core business. From a Ministry perspective, I am particularly excited that SABS has exceeded its target of providing standardisation and design services to SMMEs and entrepreneurs extending support to 83, against its target of 65.

We continuously encourage our entities to take advantage of the benefits of the digital age and modernisation in order to remain relevant and responsive to current realities. Business activities are increasingly being automated and I am pleased that SABS has progressed to move in this direction. While it still has a road to travel to get to its digitalisation goals, I am pleased that 2016/17 resulted in the important aspects of the certification process being automated. All of these interventions should result in improved operational efficiencies.

Finally, the dti recognises the challenges of the changing legislative environment to the operations of SABS. I extend my appreciation to SABS Board, the Chief Executive Officer and her team for their candid and robust engagements in the realisation of these socio-economic imperatives.

Dr Rob Davies
Minister of Trade and Industry

Jeff Molobela
Chairperson SABS Board

6. CHAIRPERSON'S FOREWORD

The period under review provided the basis and the business case for the important role of SABS capabilities in delivering the broader national socio-economic agenda. There is no doubt that we need investment in infrastructure to galvanise a South African economy characterised by low growth prospects in the short-term.

The organisation lives with the realisation that it has a direct interest in mobilising solutions to revive a stagnant economy for its own commercial viability and for the growth of an ecosystem that enhances standards development efforts. The Board is pleased that legislative changes are being addressed, and that the array of stakeholder expectations from SABS is balanced against the resources invested in the mandate of the organisation.

At SABS, a good foundation has been laid for an organisation that enables accelerated socio-economic impact. Over the last five years, the investment in the infrastructure and development of capabilities to support government policies for digital migration, energy saving and efficiency, solar water heating and emission control have demonstrated the commitment of SABS to socio-economic progress. There has been considerable investment and effort that has gone into the establishment and resourcing of the Local Content Verification office and realignment of SABS Design Institute into national centres of excellence, to enable competitiveness within South African industry, however, the lack of commitment to implement good policies in the country have resulted in the centres being underutilised. I am delighted that I form part of a leadership collective in an organisation that has leveraged resources from other sources to implement policies for growth of the SMME sector and access to service by the marginalised. SABS has seen a number of SMMEs and entrepreneurs that have successfully completed customised, small enterprise development programmes, achieve commercial success that enable sustainability.

Throughout its seven decades-long existence, SABS has used standards as a catalyst and tool to drive economic growth and the development of new products. Seventy-one years later, it continues to represent South Africa proudly in international platforms for the development of standards that play a significant role in driving local industrialisation efforts.

The Board, has during the year under review, established the industry advisory forum and the government consultative forum. These platforms are necessary to ensure that in standards development, we create a conducive environment for all interests to find expression in arriving at a South African National Standard. The forums will also ensure accessibility by various stakeholders to SABS services and improve the organisation's contribution to IPAP.

Contrary to the mandate of the organisation, national government budgetary constraints and unclear policy objectives on the conformity services of SABS have posed a challenge to its efforts to contribute to IPAP. The Board recognises the significant socio-economic demands on government and has established a clear roadmap to leverage the assets and technical expertise to generate the income necessary for the renewal of the laboratory infrastructure.

The Board also recognises that an empowered and skilled human capital is required to deliver on a complex and technical SABS mandate. Motivated human resources are at the core of effective and efficient mandate delivery. I am pleased that in 2016/17 the organisation embarked on a number of programmes to boost employee performance and productivity through the enhancement of the development framework of the Knowledge Hub. If SABS is to become more self-sufficient and reliant on itself for commercial sustainability, it will need to count on an innovative and world-class team to drive this re-orientation process.

The Board is pleased with the initial progress made out of the investments in technology and internal process controls. In the next six months, our certification services customers will be transacting online and paper applications for certifications will be a thing of the past.

Following the 2008 legislative reforms, the critical role that SABS played as a quality assurance partner to the government and industry at large has been eroded. Policy certainty is required, if that government partner role is to be restored. In the absence of the clear policy instrument that empowers SABS, the expectation becomes unrealistic and only serves to frustrate the efforts of the organisation to distinguish itself as a competitor in the market. The current policy position that informed the ring-fencing and commercialisation of conformity services is at odds with the genuine needs of the country. Addressing the misalignment remains the primary focus between the SABS Board and the shareholder over the next six months. The Board is closely monitoring the implementation programmes against investments in ICT and programmes to modernise the customer experience.

Appreciation

I would like to extend my sincere appreciation to the shareholder, the Department of Trade and Industry for the support and continued collaboration. I offer my gratitude to the Board of Directors for exercising their oversight obligations with the requisite care, guidance and diligence. I would also like to thank the Chief Executive Officer, Dr Bonakele Mehlomakulu, and her SABS team for their hard work and resilience under challenging circumstances in the delivery of renewal programmes for the SABS.

Jeff Molobela
Chairperson SABS Board

Dr Bonakele Mehlomakulu
Chief Executive Officer

7. CHIEF EXECUTIVE OFFICER'S OVERVIEW

I am pleased to present the 2016/17 annual integrated performance report of SABS. Serving at the helm of SABS is an overwhelming yet rewarding task of commission and assignment which requires concise, decisive and inspired leadership acumen. Steering the SABS ship is therefore a collaborative exercise which requires the mobilisation and deployment of capable human capital and the various mandate and strategic tools at our disposal in order to deliver the required economic dividend.

To this end, efforts by the democratic government to align with international best practice resulted in a dual SABS mandate which has been in force for about a decade. The carving out of parts of this strategic state asset, vested with sweeping regulatory and technical authority, resulted in mixed fortunes for SABS. The deregulation of the laboratory services which was premised on bullish private sector infrastructure investment indicators has not materialised, while the desired segregation of regulatory duties has been successfully achieved.

Private sector participation has been limited to low-barriers-to-entry lucrative consultancy type services by foreign companies that have shown no interest in building long-term laboratory infrastructure. Studies on the deregulation of public good services in the United Kingdom (UK) and in South Africa have shown that such transitions require special incentives and market certainty. In this regard, market expectations are for SABS to offer these deregulated services below prevailing market prices while it is expected to compete on an equal footing with privately-owned foreign entities. In addition, these expectations occur in a precarious context in which SABS is unfunded for these services and for the improvements expected of the 71-year-old institution. Support for this public policy approach has been a challenge as all stakeholders expect policy instruments to be resourced through the fiscus to achieve the desired policy objectives.

Similarly, SABS' statutory role in developing and maintaining national standards has lost its focus and gravitas in the deregulation dispensation. However, the organisation is equally cognisant of the fact that at the epicentre of robust and energised economic activity is a sustained commitment to the development and maintenance of standards. SABS through the Standards Act, No. 8 of 2008, is a useful buffer to protect consumers from low quality goods while driving the competitiveness of entrepreneurs and locally-produced products.

The period under review has also demonstrated that laboratory infrastructure is a public good which is essential to consumer protection and in the implementation of technical regulations. In a country like South Africa, a premium is placed on employment and technical know-how while the deregulation of regulatory-enabling laboratory services commodifies public safety and invalidates consumer protection instruments. The role of national standards and conformity assessment tools also has to find new expression in economic policy in South Africa in the public procurement of goods and localisation efforts.

There is a need for a clear policy direction for the conformity assessment of SABS. The ambiguity has left stakeholders with expectations for SABS to fulfil unfunded mandates on behalf of government and to discount services offered to the market.

Even with the policy uncertainty, the foundation built over the last five years has positioned SABS to strategically compete in the market and to grow its footprint and contribution to the economy. While the year under review brought with it a number of external challenges that negatively affected our revenue, management remained steadfast in implementing the vision for a trusted, transparent and well-governed SABS. It is against this vision that stakeholders will gain confidence and partner with SABS for quality assurance. SABS continues to measure its progress in implementing its organisational renewal strategy as outlined in the four dimensions of the balanced scorecard as explained in the paragraphs below.

Growth

SABS has previously reported on the impact of the regulatory reforms on the nature of work in the laboratories and the depletion of revenue from the former SABS regulator. The laboratories have stabilised and they are on an upward growth trajectory following the implementation of testing protocols for various industry and economic requirements. Management and the Board have expended a lot of energy in planning for the renewal of the laboratory infrastructure in an environment characterised by significant budgetary and fiscal constraints. It is critical for the South African economy to have scientifically sound laboratory infrastructure to support various regulatory instruments of government.

The growth in revenue over the last five years has been mainly due to the diversification and expansion of certification services. It is regrettable that the certification services of SABS suffered losses due to South African National Accreditation System (SANAS) suspensions under questionable circumstances. The repeal of the Standards Act of 1993 and its enabling regulations necessitated that SABS aligns itself to current legislative realities in assessing conformance.

A fundamental tenet of the preceding legislation was overarching powers that allowed SABS to assess conformity as it deemed expedient. These powers were removed in the 2008 legislation while new consumer protection laws and instruments were introduced. The powers vested in SABS to act expediently had normalised partial conformance within SABS and within industry. As the 1972 laboratory infrastructure aged, the then SABS simply used its expedience powers to issue conformance with limited tests. The 2008 legislative reforms that introduced consumer protection removed all powers of expedience from SABS. However, employees and companies that were benefiting from such expediency expected SABS to continue absorbing the risk of operating outside the new legal framework. Internal and external resistance to change, resulted in backlogs in processing audits for approval.

These challenges, compounded by the drastic reduction of the SABS parliamentary grant over two consecutive years, negatively affected the financial performance of the organisation. Management has intervened decisively to address internal challenges and it has closed gaps to ensure the continued provision of services to customers.

Customer Centricity

The reinforcement of the quality promise allowed us to analyse our processes for the requisite technology investments. The modernisation of operations is also equally important for SABS to deliver on the statutory mandate and related services. As such, a number of initiatives were implemented to improve the quality of services and to address historical gaps.

I am therefore pleased to report the following highlights from each of the service streams:

- Standards Development – As a statutory mandate, the possible manipulation of standards to influence the market was highlighted to SABS by the Competition Commission. There are a number of standards that will be reviewed to address competition law implications in the standards development processes.

- SABS Training Academy – Applications for training services were automated during the course of the year.

- SABS system and product certification – We successfully cleared the system certification backlog and the organisation is partnering with industry bodies to address laboratory gaps in the maintenance of product certification.

- SABS ICT investments in the year under review focused on increased efficiency and transparency in the certification processes. SABS certification customers can look forward to automated feedback on turnaround times.

- Laboratory testing services – The promulgation of the Consumer Protection Act of 2008 and its specific clauses related to products conformance necessitated the review of procedural guidelines for SABS testing.

- Economic policy and government procurement support services – The technology investment will improve overall efficiency and reporting on various services to government departments and regulators. The organisation has also established a dedicated division, headed by executives from the private sector with a focus on implementing technology solutions and innovation for excellence in customer service.

Productivity

As a large and diverse services organisation, transparent and predictable systems and internal processes are indispensable. The SABS mandate is founded on building trust with all stakeholders. Investment in modern tools to manage workflows against customer expectations has been a focus for SABS for many years now. It is only in recent times that the skilled experts capable of delivering on such complex technology projects to transform a 71-year -old institution into a 21st century winning organisation. SABS is fortunate that its Board appreciates the skills required to execute this ambitious technology strategy.

The SABS multi-year ICT Strategy implementation is progressing well with the Enterprise Architecture and Business Process Management phases completed. Performance management is critical for a services organisation such as SABS to develop instruments to hold all employees accountable for the quality of services they deliver to customers in the value chain. Performance management is also an important tool to boost productivity and to improve service levels. As a result, fair and transparent performance management tools will be implemented.

Competent and Empowered Employees

While SABS was established as a science council alongside the Council for Scientific and Industrial Research (CSIR), the economic policy shifts over the years have placed less emphasis on attracting and retaining higher degrees in science and engineering in the organisation. Without this capacity, SABS would become an unresponsive organisation that does not bring the required innovative and inventive solutions to the economy. The realisation of SABS vision is only possible through the people of SABS. In order to deliver on its legislative mandate and to be relevant to customers in a competitive landscape, the organisation recruited critical skills while implementing a talent retention and development plan.

Management is confident that a stable environment with support from all internal stakeholders, will be maintained. The conclusion of a three-year wage agreement with the union was significant in this regard. The High Court ruling against former employees' industrial espionage activities was an important signal to others that may have been planning to misappropriate SABS commercial and confidential data for commercial gains.

The vision to establish the Knowledge Hub is being realised by sourcing higher degree experts to fill vacancies in new services areas as well as in upgrading the skills set of technical employees by exposing them to new technologies through short training opportunities with foreign partners. During the year under review the following notable training opportunities were afforded to our laboratory employees:

- Three technicians spent two weeks in Italy, training to use the energy efficient refrigeration system.

- Four employees from the Electrotechnical Testing Division were trained in verifying testing equipment and in the competency of operators. Two employees spent time in China being trained in the testing of prepaid electricity meters, while the third one received training in the testing of cables and conductors. A fourth employee spent a week in Korea being trained in electromagnetic compatibility and electromagnetic interference testing.

- Six SABS employees participated in an international workshop with the Product Certification Network (PCN) Limited and the Korea Testing Centre. The objective of the workshop was to train SABS employees on accreditation requirements of Chinese National Accreditation System (CHINAS) and the Korean Laboratory Accreditation System (KOLAS).

It is important for SABS to balance its sourcing of external talent with giving opportunities to its technicians to upgrade their skills levels in order to advance within the organisation.

Looking Ahead

Scientific infrastructure institutions like SABS require long-term policy and funding certainty into the future. I am confident that the current policy uncertainty is being addressed and with the support of the dti, SABS property assets will be leveraged to fund the renewal of the 1972 laboratory infrastructure.

The South African economic landscape has changed drastically since 1972 and new societal challenges, increasing trade flows complexity and cost of ownership of infrastructure, as well as customer expectation from the ICT enabling application have all contributed to the urgency with which SABS has engaged with the laboratory infrastructure renewal.

All other services of SABS, including the statutory mandate of standards development, will be fully transformed in the next 18 months as SABS implements the ICT transformation investment. We are already reporting successes in certification and training services.

Acknowledgement

I extend my appreciation to the Minister of Trade and Industry, the Honourable Dr Rob Davies for the opportunity to serve my country. I express sincere gratitude to the SABS Board for their wise counsel as well as the steadfast support of the executive management team. I wish to thank every committed member of the SABS team for their continued belief that standards shape economic activity in the country.

Dr Bonakele Mehlomakulu
Chief Executive Officer

8. STATEMENT OF RESPONSIBILITY AND CONFIRMATION OF ACCURACY FOR THE ANNUAL REPORT

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

All information and amounts disclosed in this annual integrated report are consistent with the annual financial statements audited by the Auditor-General. The report is complete, accurate and free of omissions.

The annual integrated report has been prepared in accordance with the guidelines as issued by National Treasury and the annual financial statements (Part F) were prepared in accordance with the PFMA, Companies Act and IFRS.

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 Board, as the accounting authority, is responsible for the preparation of the annual financial statements and for the judgements made in this information. The Board is responsible and accountable for the integrity of the financial statements of the organisation and the objectivity of other information presented in the annual integrated report.

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

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

The Auditor-General has expressed an independent opinion on the annual financial statements.

In our opinion, the annual integrated report fairly reflects the operations, performance information, human capital information and financial affairs of SABS for the financial year ended 31 March 2017.

Dr Bonakele Mehlomakulu
Chief Executive Officer
31 July 2017

Jeff Molobela
Chairperson of SABS Board
31 July 2017

9. STRATEGIC OVERVIEW

As we progress on the SABS digitisation journey, protecting the consumer and enabling the economy will remain core strategic drivers of SABS. As we continue to grow, expand SABS services and change the lives of South Africans for the better – we will always have quality and customer centricity at the heart of everything we do.

10. LEGISLATIVE AND OTHER MANDATES

Legislative mandate

SABS is the national standardisation body in South Africa, established in terms of the Standards Act, No. 24 of 1945, and continues to exist in accordance with the Standards Act, No. 8 of 2008, to:

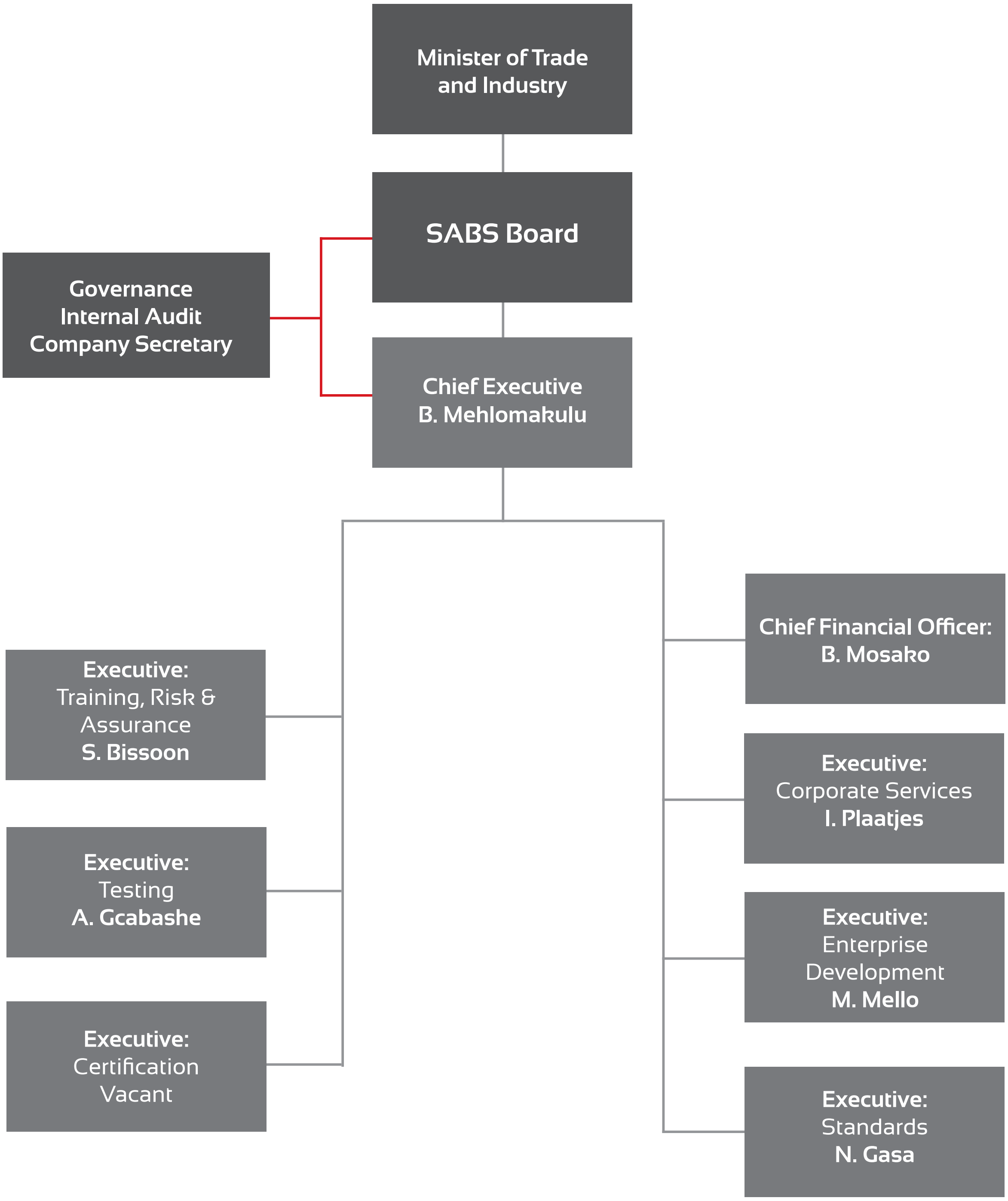
- develop, promote and maintain SANS
- promote quality in connection with commodities, products and services
- render conformity assessment services and assist in matters connected therewith

The promulgation of the Standards Act, No. 8 of 2008 resulted in the exit of the regulatory authority of SABS and the establishment of a separate entity responsible for the administration of compulsory specifications in the interests of public health, safety and environment. This entity, the National Regulator for Compulsory Specifications (NRCS), was established in terms of the NRCS Act of 2008 and also falls under the dti. The rationale for the separation was to remove the potential conflict of interest in the SABS value chain.

Accreditation

SABS Commercial SOC Ltd is accredited by both local and international accreditation bodies: SANAS (South Africa), RvA (The Netherlands) and VDA (Germany).

11. ORGANISATIONAL STRUCTURE



PERFORMANCE INFORMATION

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1. AUDITOR-GENERAL'S REPORT ON PREDETERMINED OBJECTIVES

The Auditor-General performed the necessary audit procedures on performance information to provide reasonable assurance in the form of an audit conclusion. The audit conclusion on the performance against predetermined objectives is included in the report to management, with material findings being reported under the section of the audit of the annual performance report by the Auditor-General's, on page 150.

2. SITUATIONAL ANALYSIS

2.1 Statutory Mandate

In executing the SABS mandate of developing and maintaining SANS, the organisation has also recognised that alignment with the mandates of government and other entities is key to maximising the benefits of standardisation for the entire South African population. In the past year we strengthened negotiations with several state-owned and government entities for the purpose of alignment.

2.2 Commercial Mandate

SABS has been renewing and implementing its commercial strategy over the last few years to improve its revenue generation, within the context of balancing its national mandate and meeting the expectation of playing a leading role in the delivery of IPAP and the NDP. The implementation has been compromised as income is also expected to subsidise the standards development process and participating in various national and international forums that require the technical and advisory services of critical skills within the organisation. SABS has been experiencing this quandary of doing more for less since the policy changes fundamentally set in motion, an accelerated and aggressive commercial implementation. SABS, if it is to remain a going entity for the foreseeable future will need to operate with a commercial mindset, unless the investment by the private sector and our shareholders can shift the scales.

2.3 Organisational Environment

SABS has thoroughly reviewed its internal systems and processes, ramped up its governance, made good progress improving the inefficiencies and in implementing digital solutions to enhance the customer experience. Technological, structural and business process changes will see the organisation operating in an integrated way that will translate into SABS being more responsive to market and customer needs.

Customer centricity – the digitisation journey continues

SABS has made good progress in transforming the organisation to become more responsive and customer centric, underpinned by technology. Some of the initiatives that were implemented in this financial year include:

- An online customer satisfaction survey in May 2016. SABS customers were able to provide feedback about their experience with SABS and we listened. We were able to make quick and effective decisions to meet immediate needs, engage with industry bodies further to discuss longer term solutions and we were able to streamline internal controls to prevent service delivery bottlenecks.

- We launched a self-service link on SABS website, called SABS customer portal to enable SABS customers to engage with SABS products and services. The first phase of this customer-centric solution only caters for certification products and services. The customer portal will eventually enable SABS customers to fully interact with SABS via this digital platform for all sales and service engagements.

- A new certification solution, was integrated with SABS customer portal to optimise the Certification business in terms of processing times, responding to customers and becoming more efficient. The ultimate objective is to become paperless with online real-time information, with alerts and escalations. The customer will also be kept informed via email notifications as to where the application is in the process.

- An accreditation solution was implemented from June 2016 which has rapidly improved the efficiencies of the Approval Board processes.

2.4 Strategic Objectives

SABS has aligned its strategic goals to its statutory mandate, the governments' NDP and IPAP, to ensure that it remains a relevant and leading organisation in the growing of South Africa's economy. SABS has aligned its products and services to meet the needs of the South African economy and to ensure that it is commercially sustainable within the legislative framework it operates in. The four strategic pillars, which make up the balanced scorecard deliverables are:

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

3. PERFORMANCE AGAINST PREDETERMINED OBJECTIVES

The approved Corporate Plan 2016/2017 to 2018/19 includes SABS objectives and key performance indicators (KPIs) for the 2016/17 period. The objectives and KPIs are designed to support the strategic direction as formulated in the Corporate Plan. The specific targets and the performance measured against these targets for the year ended 31 March 2017 are presented below:

1. Growth						
Increase the use of standardisation services by broadening the geographic footprint as well as the scope of services offered						
Output	**Performance Indicator/ measure**	**2015/16**	**2016/17**			**Comment on variance**
		Achievement	**Target**	**Achievement**	**Variance**	
Increased revenue	Revenue from services (R m)	-	634,8	500,9	-133,9	**Target not met** Revenue was affected by the reduction in the parliamentary grant of R68m, as well as the prolonged SANAS suspension, lack of testing infrastructure and associated backlog in certification.
	Other income (R m)	-	194,1	197	2.9	
	Total revenue (R m)	-	828,9	697,9	-131	
	Operating profit %	-3,10%	-6,00%	-8,70%	-2,70%	**Target not met** Operating profit is impacted by missed revenue targets and the high employee benefit costs (as this is the largest operating cost). Unprofitable laboratories are also a significant contributor.
Increase in services offered	Product/service diversification in line with government and socio-economic priorities[1]	-	2	2	0	**Target met**

1. Indicators for SABS Commercial SOC Ltd

2. Customer/Stakeholder						
Put the customer at the forefront of everything we do						
Output	Performance Indicator/ measure	2015/16	2016/17			Comment on variance
		Achieve-ment	Target	Achievement	Variance	
SMME and entrepreneurship development	Number of SMMEs and new and existing entrepreneurs for which design, innovation and standardisation interventions implemented[1]	111	65	83	18	**Target exceeded**
Improvement in stakeholder relations	Number of sector-specific publications produced	-	4	4 (engineering, indigenous knowledge, public service and education sectors)	0	**Target met**

1. Indicators for SABS Commercial SOC Ltd

3. Productivity						
Improve the operational performance of SABS to enable delivery of quality outputs for customers and the South African economy						
Output	**Performance Indicator/ measure**	**2015/16**	**2016/17**			
		Achieve-ment	**Target**	**Achieve-ment**	**Variance**	**Comment on variance**
Modernisation of SABS operations	Number of service lines (Certification, Training, Testing, Standards, Enterprise Development and Sales, Local Content Verification and Corporate Services) whose business processes are automated	-	1 Service Line	1 100% of Certification processes identified for automation in 2016/2017 were automated	>1	**Target exceeded**
Optimisation of property assets of SABS	Progress against the implementation of SABS Property	-	Completion of detailed planning for the PPP and approval of plan.	Plan was completed and signed off	None	**Target met**
Increase in operational effectiveness in Testing and Standards Development	Progress against the implementation of the Standards Action Plan aligned to national priorities	-	50%	66%	16%	**Target exeeded**
	Progress against the implementation of the Testing Action Plan to close gaps in servicing Certification customers[1]	-	100%	100%	0%	**Target met**

1. Indicators for SABS Commercial SOC Ltd

4. Competent and Empowered Employees						
Develop and retain a competent work force that is aligned with the organisation's mandate						
Output	Performance Indicator/ measure	2015/16	2016/17			
		Achieve-ment	Target	Achievement	Variance	Comment on variance
Development of technical expertise	Number of technical employees that have completed specialist training with leading partners[1]	-	5	6	1	**Target exceeded**
	Number of Doctoral and Masters graduates recruited into Knowledge Hub sectors in support of testing and standards development	-	2	2	0	**Target met**

1. Indicators for SABS Commercial SOC Ltd

4. DIVISIONAL OVERVIEW

4.1 Standards

Introduction

SABS is the only South African national entity that has a legislated mandate (through the Standards Act, No. 8 of 2008) to develop, maintain and promote SANS. The Standards division is a key driver of the value proposition for the organisation.

SANS are critical for accelerating inclusive growth and development, improving the health and safety of products and services, addressing market failures and promoting local and international trade and consumer protection.

During the reporting period, the focus has been on developing standards that are aligned to national priorities as outlined in IPAP. The focus has also been on ensuring that standards are timely, relevant and serve as critical levers for protecting local, regional and international consumers from low-quality products.

Alignment to National Priorities

Standards are an integral component of supporting socio-economic activities. This places substantial responsibility on SABS to ensure that standards do not promote anti-competitive behaviour, disadvantage the consumer or contradict national priorities and regulatory imperatives.

Through a robust and inclusive standards development methodology, SANS have been developed in a manner that is fair, transparent and prioritise project proposals that ensure that standards developed have a positive socio-economic impact on the South African economy.

The Standards Action Plan

The Standards Act, No. 8 of 2008 advocates for a consultative standardisation process and for this purpose makes provision for, among others, the establishment of the Government consultative forum and the advisory forum. The SABS Board approved the formation of both Forums during the reporting period.

During the period under review, the implementation of the standards action plan progressed to a 66% completion rate against the annual target of 50%. Noteworthy achievements against the plan include:

- The establishment of the government consultative forum and the advisory forum
- The review and alignment of working relationships with key regulators
- The development of standards road maps for the energy and construction sectors

Standards Development and Influencing Trade

As mentioned above, SABS continued to provide leadership in international and regional standardisation organisations through SABS membership of, and provision of strategic input into, the Councils, Technical Boards and management committees of ISO, IEC, ARSO and others.

During the reporting period, SABS was appointed as the Chairperson of the executive committee of the SADC Standards Development Cooperation (SADCSTAN) which provides another platform for South Africa to lead the standardisation agenda in the region.

The SABS published 376 national standards that are aligned to national priorities as articulated in key policy documents such as IPAP and the NDP. The published standards are for key sectors such as automotive, construction, metal fabrication, electrotechnical and ICT.

Highlights of standards that were published in the 2016/2017 financial year include the following:

- The national amendment of various parts of SANS 10400, *The application of the National Building Regulations*
- SANS 10142-1:2017, *The wiring of premises Part 1: Low-voltage installations*
- SANS 53795:2016, *Surgical drapes, gowns and clean air suits, used as medical devices for patients, clinical staff and equipment*
- SATS 13830:2017, *Nanotechnologies – Guidance on voluntary labelling for consumer products containing manufactured nano-objects*

During the reporting period, the division hosted numerous international technical committee meetings, including the following:

- ISO/TC 58 on standardisation of gas cylinders, their fittings and characteristics relating to their manufacture
- ISO/PC 273 on standardisation in the field of customer contact centres.

The Academic Education Programme on Standardisation

Education about standardisation remains critical for SABS to ensure inclusion of all stakeholders in standards development for economic development. In its annual essay competition, three female students from universities across the country won the essay competition and continue to be champions to educate their peers about the value of standardisation.

4.2 Testing

As a third-party commercial testing provider supporting government and industry, SABS Testing division is committed to delivering testing services in accordance with requirements specified in SANS and regulatory specifications as best as is practical within the constraints of the funding model for testing infrastructure. The services are delivered keeping in mind the requirements of the Consumer Protection Act which makes it mandatory for products supplied into the South African market to meet the requirements of SANS, with the Act further placing the responsibility for ensuring quality of the products supplied into the market on the manufacturers and suppliers of products to South African consumers.

How we Test

In the country, SANS and technical regulations from regulators are legally prescribed standards against which product quality is to be assured. SABS testing for products destined for the South African market are conducted exclusively against SANS or the applicable technical regulations. In providing our

Users of SABS Test Reports	Reference Specification
SABS Mark Scheme	SABS Mark Scheme rules
Regulators (ascribed regulatory status by legislation)	Specification compliance as per the regulator
Government procurement quality assurance	Long term contract with government departments and state entities for inbound products surveillance – select clauses as determined by the procuring entity at own risk
Private sector supply chain quality assurance	Long term contract with company for inbound products surveillance – select clauses in SANS as determined by the procuring entity at own risk
Products destined for South African consumers	Consumer Protection Act, 2008
Products destined for export market	Export destination's applicable standards or regulations per supply contract
Development testing (publicly financed R&D)	R&D contract as determined by the Intellectual Property Rights from Publicly Financed Research and Development Act, 2008

testing services to stakeholders, we embody SABS' values of Impartiality, Independence and Integrity by aligning our processes to applicable regulatory prescripts. The table on page 32 summarises the different users of SABS Test Reports and the reference specification applicable for each of the users.

Financial Review

During the 2016/17 financial year, the Testing division achieved revenue of R229 million (R162 million from external clients and R67 million from Internal clients). Overall revenue achieved represented a 17% growth in a South African economic environment which only managed a marginal 0,3% growth rate in 2016/17.
Source: Stats SA website (http://www.statssa.gov.za)

The division's growth can be attributed to continued improvements in operational efficiencies and continuing support for the SABS Mark Scheme and government procurement and regulators.

The division oversaw the construction of a new Thermal Test Chamber for the testing of refrigerated trucks. The asset arose as a result of a GIZ/the dti initiative aimed at providing support to industry to reduce greenhouse gas emissions by testing the thermal efficiency of refrigerated trucks.

A critical component for the long term sustainability of this and other similar projects, is firm commitments from industry for the utilisation of the facility at market related rates. The facility needs to generate revenues that provide for the future maintenance and upgrades of such facilities.

Expectations for the future of SABS Testing

In the 2017/18 financial year, greater attention will be given to providing support to regulators and for government procurement quality assurance and obtaining the necessary support for upgrading of testing infrastructure. During the 2016/17 financial year, potential involvement of SABS was mentioned when flaws in state procurement decisions surfaced. This highlights the role that SABS has to play in providing assurances of quality to the South African public, especially in instances where procurement is from public funds. The State has a greater role to play in supporting SABS to effectively support the legislative requirements of the country.

The balancing act of ensuring that infrastructure is available at affordable prices is one which requires greater support from our shareholder and the broader government especially in the context of supporting industrialisation objectives of the country. At the same time, management is increasingly seeking opportunities to leverage on international partnerships as well as the rationalisation of unprofitable test areas in an attempt to improve both revenue and operating profits and in this way ensure financial sustainability of the division into the future.

For the Testing division to remain viable, it is imperative that government supports the drive to enforce local testing of products because there is an expectation that SABS will provide testing facilities wherever and whenever this is required by government. For the future viability of Testing as well as the growth in employing science and engineering graduates, there needs to be greater commitment from South African stakeholders in supporting localised testing of products.

4.3 Certification

SABS is the only South African certification body that has the international footprint and influence in the whole value chain of standardisation through participation in ISO and IEC.

Since the legislative reforms of 2008, there have been many international companies that have entered the South African market to offer a variety of conformity assessments. The market opportunity for these international companies is without any obligation for them to invest in skills and infrastructure for the success of South African industry, their interest is expanding their revenue base and reporting on inflated profits as an added benefit of operating in developing countries.

While SABS competes with these international companies in the South African market, the responsibility for more socio-economic needs of the economy are exclusively directed to SABS. The investment in skills and local knowhow, infrastructure and social recourse is a responsibility that SABS continues to carry for the betterment of the South African society.

During the year under review, SABS has witnessed unfortunate incidents of unscrupulous actions of some international companies in their efforts to gain market share by recruiting SABS customers and employees. SABS had to seek legal relief through the High Court to protect its important mandate and value to the broader South African public from economic predators. We are proud of our employees that have invested great effort to protect the SABS brand during the difficult months. The efforts have been worthwhile and we are ready to thrive anew with greater value to our customers.

The new dawn in SABS Certification Services

We are proud to bring a new paradigm of SABS Certification Services that are digitally enabled and managed. We have commissioned a number of key pillars to this transformation journey and recruited the appropriate leadership to deliver our exciting vision.

Management System Certification

We continue to invest in our systems, processes and people to deliver value to our customers. SABS is an organisation that represents trust and quality in the minds of South Africans. It is against this expectation that the organisation invested in realigning its internal protocols. SABS continues to offer various management system certification schemes and upgrading processes to ensure faster turnaround times and more customer-interactive processes.

Product Certification

The SABS Mark remains the premium mark of compliance in South Africa and in the continent. The rigour that we have introduced into our approvals processes, balanced by risk assessment tools we employ in surveillance protocols during the assessment lifecycle, demonstrate our commitment to be the TRUSTED assurance service provider. Our focus in the months ahead is to restore confidence with all our stakeholders.

The companies that continue to partner with SABS understand that for the South African economy to recover and thrive again, local capabilities and skills are required. Competitiveness does not come from cutting corners; achieving SABS certification establishes confidence with your customers and consumers.

The SABS Certification schemes are accredited to national and international authorities.

4.4 Training

The SABS Training Academy is a critical part of the value chain of SABS services that seeks to enhance the skills of industry and government professionals in understanding and implementing SANS. The Academy offers a diverse portfolio of training courses aligned to ISO management system standards which includes amongst others ISO 9001: *Quality Management system,* ISO 14001: *Environmental Management System*, and ISO 22001: *Food Safety Management System standards*. SABS Training courses are aligned to SABS certification offerings and are presented at training facilities in Gauteng, Kwazulu- Natal and Western Cape.

During the year under review the Academy has trained in excess of 1900 candidates, successfully maintained its accreditation status and implemented an online registration process which is the first phase of the business digitisation plans that will continue into the 2017/18 financial year.

In line with increasing SABS product offerings to government and socio-economic priorities the academy successfully launched two new training programmes, ISO 45001 workshops on occupational health and safety management systems and ISO 50001 on energy management systems. The Academy continues to build on its strategic growth path with focused priorities on marketing and sales; diversification of its product portfolio and establishing partnerships with relevant public and private sector entities that supports the objective of the division.

4.5 SABS Design Institute & SMME Support

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

The Design Institute continues to contribute to the development of enterprises by facilitating the application of design innovation approaches to a range of socio-economic challenges.

SABS SMME Support

The organisation guides SMMEs to prepare for certification in accordance with SANS such as SANS 9001. The focus is on assisting these businesses to be in a position to compete for business and ensure sustainability as well as create jobs. The advisory service offered is in accordance with ISO 17021-1 of 2016.

A total of 83 entrepreneurs and SMMEs were supported for the period under review. A number of achievements worth noting are:

- 15 SMMEs were supported through the design and innovation programme in partnership with Transnet
- approval of a grant by Investec to run design and innovation entrepreneurship interventions at rural high schools. This will be done in conjunction with Junior Achievement South Africa
- 83 SMMEs and entrepreneurs were supported through customised programmes to assist them to achieve the similar competitive status, thereby enabling them to enter the markets on a more equal footing
- the selection by the Russian International Design Awards and the Taiwan International Design Awards to be become their African custodian and international judge
- the inclusion of Design Institute's design thinking methodologies in the Wits Business School official curriculum for McDonalds junior executive development and the BANKSETA development programmes

SABS – Enabling entrepreneurs and small business

Balezi Trading, a micro enterprise, developed a 'Litter Picker' to help municipal workers overcome the challenges of their work, particularly when they were picking up unhygienic and unsafe waste material.

The 'Litter Picker' was introduced to the Design Institute with a request to assist in developing the idea into a quality product.

The DI researched various products, reviewed applicable standards and began the process of design and innovation. The product will be a South African first, enabling municipal workers to grab, spike and collect 'hard-to-reach' rubbish – with one lightweight, modular and safe device.

Balezi Trading is currently manufacturing the first batch of their prototypes, which will be tested by municipal workers.

SUSTAINABILITY

1. IMPACT OF SABS ON THE ECONOMY, SOCIETY AND THE ENVIRONMENT

1.1. SABS contribution towards IPAP

Building trends and regulations have moved towards energy efficiency. With the country's current energy constraints it is clear that future buildings will have to increase focus on energy efficient technologies. Hence the energy efficiency in buildings standard (SANS 204) is being revised in support of industry developments and regulatory requirements.

Food safety risks are a threat to the health and safety of the nation. The canned meat products standard (SANS 1675) was revised to address the health and safety requirements. The NRCS will also use this standard as a basis for regulation.

The Traditional Medicine sector is being positioned for global recognition as an important contributor to health outcomes as well as its economic development potential. The SANS 1688 standard on conformity assessment requirements is undergoing public enquiry and once published will ensure competency in the sector.

Various medical devices are manufactured locally and only a few categories of these products are regulated. This has led to an uncontrolled influx of sub-standard imported products entering the local market. The development of the medical devices standards (SANS 1866-1 and SANS 1866-2) will help address this gap by making available quality requirements for these products. SANS 53795, *Surgical drapes, gowns and clean air suits, used as medical devices for patients, clinical staff and equipment - General requirements for manufacturers, processors and products, test methods, performance requirements and performance levels*, will contribute towards the use of quality medical devices and help improve efficiencies in the delivery of health services.

The next wave of manufacturing technology already forms part of the world today, with nanotechnology currently being applied in the sectors such as agro-processing, medical, chemical, and advanced materials. SATS 13830:2017, *Nanotechnologies - Guidance on voluntary labelling for consumer products containing manufactured nano-objects* was published in addition to the current available standards on nanotechnologies to support the application of this technology in the manufacturing sectors.

The revision of safety standards on household and similar electrical appliances included publication of two parts, namely SANS 60335-2-3, *Particular requirements for electric irons* and SANS 60335-2-17, *Particular requirements for blankets, pads, clothing and similar flexible heating appliances*. The standards will support the electrical and electronics manufacturing sector by providing safety requirements of products.

The standards on communication networks and systems for power utility automation included the publication of SANS 61850-7-410, SATR 61850-90-2 and SATR 61968-900. These standards support the Department of Energy's strategy on smart grids. Smart grids are a class of technology adopted to bring utility electricity delivery systems into the 21st century, using computer-based remote control and automation. These systems are made possible by two-way communication technology and computer processing.

Economic development and growth, even in industrialised countries, is driven by entrepreneurs and SMMEs. SABS' SMME development interventions support SMMEs to access the formal commercial industry, thus allowing them to grow and thrive. To this end, design, innovation and entrepreneurship interventions were implemented for 83 SMMEs and entrepreneurs which included new and existing entrepreneurs.

The capacity to comply with international standards, norms and technical regulations underpins the potential for economic and industrial growth. The strengthening of technical infrastructure capacity in African countries is a precondition of industrialisation efforts and regional integration, including metrology, standards, accreditation and conformity assessment and compliance. To support regional integration, SABS put forward proposals for harmonisation of South African Indigenous Knowledge System standards in ARSO and SADC.

SANS 1286 for the calculation and measurement of local content will contribute towards a more efficient public procurement system for both public and private sectors. In support of consumer protection initiatives, SABS is participating in the development of standards on consumer warranties and consumer contact centres at international level. Once published, these international standards will be adopted as national standards to support the Consumer Protection Act.

1.2 Distribution of added value statement

Value added statement for the year ended 31 March 2017

	2017 R'000	%	2016 R'000	%
Adding value to the stakeholders				
Revenue	500 892	104	544 650	104
Other income	52 660	11	81 433	16
Government grants	183 211	38	189 663	36
	736 763	153	815 746	156
Less: Cost of generating revenue	285 881	59	318 381	61
Value added	450 882	94	497 365	95
Finance income	30 187	6	25 581	5
Wealth created	**481 069**	**100**	**522 946**	**100**
Wealth distributed				
Employees - Salaries, wages and other benefits	525 414	109	500 438	96
Finance cost	43	-	153	-
	525 457	**109**	**500 591**	**96**
Wealth reinvested				
Reinvested in the Group	(44 388)	(9)	22 355	4
	(44 388)	(9)	22 355	4
Total wealth distributed and invested	**481 069**	**100**	**522 946**	**100**

Employee statistics	2017	2016
Number of employees at year end	1 009	1001
Revenue per employee (R'000)	496	544
Value added per employee (R'000)	447	497
Wealth created per employee (R'000)	477	522
Average cost per employee (R'000)	521	500

1.3 Broad-based black economic empowerment

SABS complies with the codes of good practice for Broad-Based Black Economic Empowerment (B-BBEE) gazetted in 2009. The annual verification process is undertaken by an independent agency, which needs to be accredited by SANAS. While SABS has maintained a B-BBEE level 3 for the previous three financial years, this year has been challenging as the criteria has been revised by the dti. We are in the process of validating SABS results against the new criteria.

2. SOCIAL IMPACT

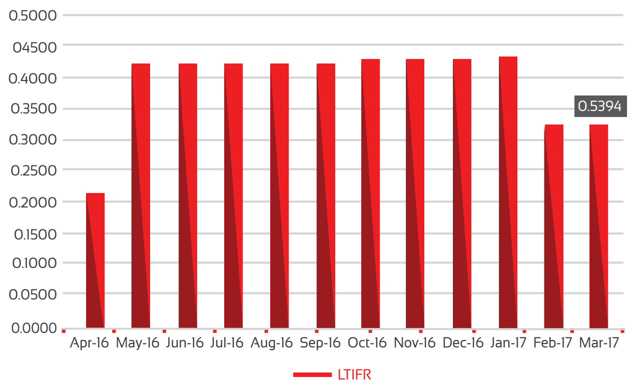
During the financial period, SABS assisted 170 students from underprivileged backgrounds by donating 20 computers and by teaching them coding and entrepreneurial skills. The assistance to the students was coordinated through 'Brothers for All', an organisation that is determined to create positive role models for young people.

3. SAFETY AND HEALTH

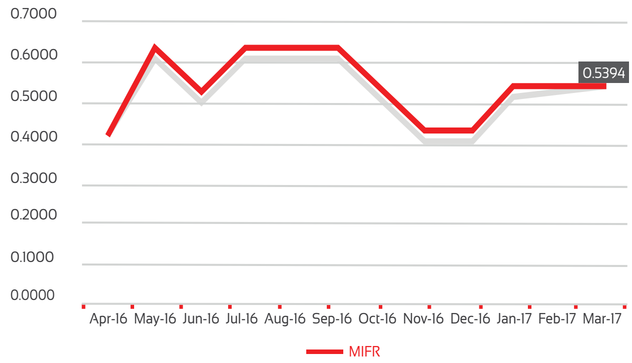
SABS is committed to the health and safety of its employees, customers and the public, and to reducing the impact of its operations on the environment.

Safety indicators

Measured injuries on duty include both lost time injuries (LTIs) where an employee could not complete his/her work shift, and minor injuries (MIs) which may require medical treatment, however the employee can complete his/her work shift.



The measures of lost time injury frequency rate (LTIFR) and the minor injury frequency rate (MIFR) are monitored on a monthly basis and reflect the successes of controlling and ultimately eliminating injuries on duty.



1) LTIFR = No. of LTIs for the past 12 months x 200 000 hours worked for the 12 months

2) MIFR = No. of MIs for the past 12 months x 200 000 hours worked for the 12 months

4. ENVIRONMENT

Energy consumption

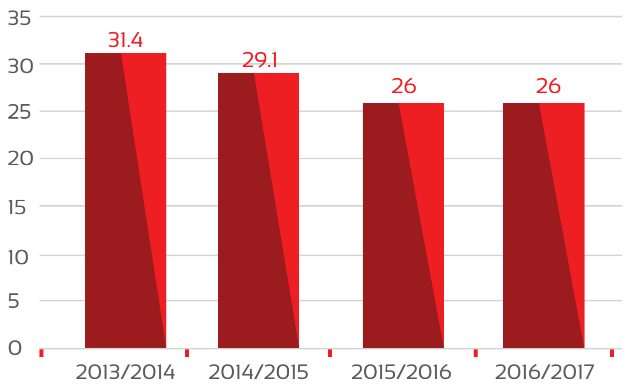
SABS' energy management focuses on the following:

- clear accountability and responsibility for energy management
- education and awareness - assuring behavioural and attitudinal changes to use of energy
- managed input cost - reviewing and pursuing more advantageous tariff structures
- elimination of waste - identification and reduction of practices consuming energy when not required

Electricity

SABS was able to maintain its energy usage during the year under review and will continue with initiatives to become more energy efficient. SABS energy consumption levels were stable as a result of the installation of the real-time monitoring and measurement of demand, enabling stable energy consumption. SABS is committed to government's call for a reduction of energy consumption.

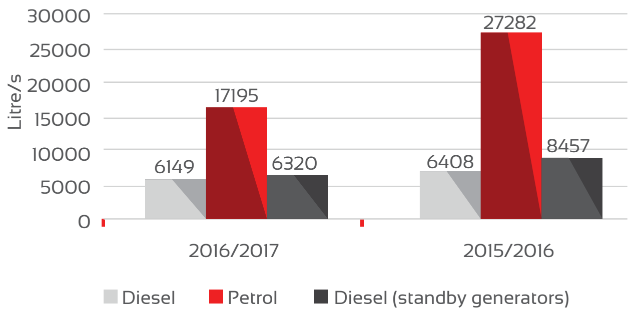
Electricity Consumed (MWh)



Fuel

During the period under review a total of 6 149 litres of diesel and 17 195 litres of petrol was consumed, representing a 4% and 37% decrease respectively from the previous period. The consumption of generator diesel was significantly lower at 26% as compared to the previous financial year. The overall decreases in fuel consumption projected effective fuel management for the current review period.

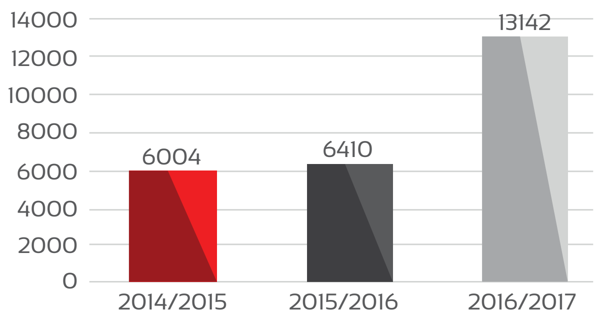
Fuel Consumption (L)



Water consumption

The previous water consumption reading were incorrect due to errors from the municipality and while the usage in this review period seems almost doubled, it is expected that this will be the average use.

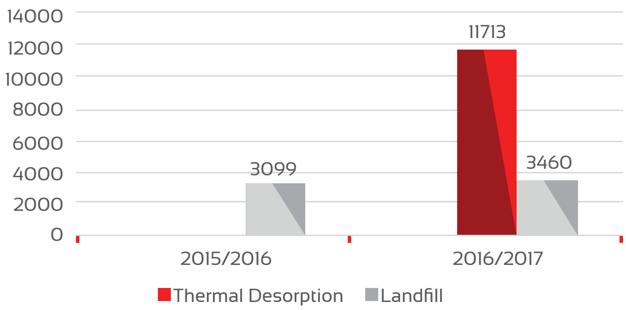
Average Monthly K Litres Consumed



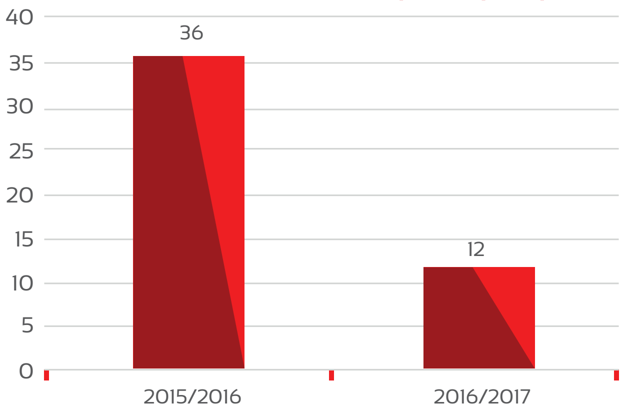
Waste Management

The waste management system was improved, during the year under review to include more accurate quantifying of waste to enable effective waste management, reduction and safe disposal. During the year under review, hazardous waste generation increased and non-hazardous waste recycling reduced.

Hazardous Waste Disposed (tons)



Non-Hazardous Waste Disposed (tons)



CORPORATE GOVERNANCE

1. EXECUTIVE AUTHORITY

The Minister of the dti is the executive authority of SABS. In order to encourage open communication, the SABS Board regularly meets with the Minister to discuss matters of common interest and to ensure that the strategies of SABS remain in line with those of the department and government as a whole.

2. SABS BOARD

2.1 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 and a maximum of nine members appointed by the shareholder. Members are not allowed to serve more than two terms.

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

2.2 Members of the Board

Name	M/F	Appointment/ Reappoint-ment Dates	Term	Expiry of Term	Qualifications	Areas of expertise	Member-ship on other Boards (incl. SABS)
Jeff Molobela (Board Chairperson)	M	24 Aug 2014	1	24 Aug 2019	BSc (Eng) (Hons), MBA (UK)	Engineering, Finance Research and analysis, Project management, Strategy development	5
Bonakele Mehlomakulu	F	7 Sep 2014	2	6 Sep 2019	PhD Chemical Engineering	Engineering, Policy and legislation analysis, Strategy development, Chemical engineering	3
Guy Harris (Chairperson audit and risk committee)	M	25 Aug 2014	2	24 Aug 2019	CA (SA)	Manufacturing, Finance	8
Michael Ellman (Chairperson HR and remuneration committee)	M	25 Aug 2014	2	24 Aug 2019	PhD Chemical Engineering MBA	Mining, Petroleum and gas, Standards development, Chemicals and polymer, Research and development	9
Webster Masvikwa (Chairperson finance and investment committee)	M	25 Aug 2014	2	24 Aug 2019	CA (SA) MBL (SA) AMCT (UK)	Finance, Investment, Business Development, Property management, Mining and engineering	7
Anna-Marie Lötter	F	25 Aug 2014	1	24 Aug 2019	BCom (Hons), Master of Management, MPhil	Public and development management, International management, Standards and environment, Technical infrastructure	2

Members of the Board (Continued)

Name	M/F	Date of appointment/ reappointment	Term	Expiry of Term	Qualifications	Area of expertise	Membership on other Boards (incl.SABS)
Elekanyani Ndlovu (Chairperson social and ethics committee)	F	25 Aug 2014	1	24 Aug 2019	BSc (Electrical Engineering)	Electrical engineering, Technical infrastructure and governance, Risk management, Strategy development	4
Nivashnee Naraindath	F	25 Aug 2014	1	24 Aug 2019	BA, LLB, LLM Diploma in Nuclear Law (France) Admitted Attorney Executive Development Programme	Legal: litigation, drafting of commercial contracts, legal opinions Corporate governance Nuclear Law, employment and commercial law Legal compliance & Emics Risk management	1
Zanele Monnakgotla	F	1 Apr 2017	1	4 Aug 2019	B Com, LLB, LLM Management Advanced Programme (Wits) Masters in Finance (Wits Business School) Admitted Attorney	Legal, Project finance, Private equity, Innovation and strategy, Investment	2

Left to right:

Zanele Monnakgotla | Elekanyani Ndlovu (Chairperson Social and Ethics committee) | Michael Ellman (Chairperson HR and Remuneration committee) | Anna-Marie Lötter | Jeff Molobela (Chairperson SABS Board) | Bonakele Mehlomakulu (Chief Executive Officer) | Webster Masvikwa (Chairperson Finance and Investment committee) | Nivashnee Naraindath | Guy Harris (Chairperson Audit and Risk committee)

2.3 Board charter

The primary objective of the Board charter is to set out the role and responsibilities of the Board, as well as the requirements for its composition and meetings. The Board charter is subject to the provisions of the Standards Act, No. 8 of 2008 and any other applicable law or regulatory provision. The Board is in the process of reviewing the Board charter with the view of aligning such with King IV principles. The role and responsibilities of the Board as set out in the current Board charter are to:

- act as the focal point for, and custodian of, corporate governance by managing its relationship with management, the shareholder and other stakeholders along sound corporate governance principles
- appreciate that strategy, risk, performance and sustainability are inseparable
- provide effective leadership on an ethical foundation
- ensure that the organisation, and is seen to be, a responsible corporate citizen by having regard to not only the financial aspects of the business, but also the impact that business operations have on the environment and the society within which it operates
- ensure that the organisation's ethics are managed effectively
- ensure that the organisation has an effective and independent audit committee
- be responsible for the governance of risk
- be responsible for information technology governance
- ensure that the organisation complies with applicable laws and considers adherence to non-binding rules and standards
- ensure that there is an effective risk-based internal audit
- appreciate that stakeholder's perceptions affect the organisation's reputation
- ensure the integrity of the organisation's integrated report
- act in the best interests of the organisation
- evaluate the performance of the CEO

2.4 Delegation of authority

The Board has delegated a wide range of matters to the CEO, including financial, strategic, operational, governance, risk and functional issues. The Group's CEO is responsible for the execution of the entity's strategy and reports to the Board.

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

The performance of members of the executive committee is evaluated against their agreed performance contracts, which are aligned to the organisational scorecard which is annually recommended by the HR and remuneration committee for approval by the Board.

2.5 Board meetings

The Board meets at least six times per annum or as circumstances necessitate. During the period under review the Board met eight times; these meetings exclude workshops and the annual Lekgotla to discuss matters of strategic importance.

All documents submitted to the Board are reviewed 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 period under review is as follows:

2.6 SABS Board Attendance Record

Number of meetings	8
Mr Jeff Molobela (Chairperson)	8/8
Dr Michael Ellman	8/8
Mr Guy Harris	8/8
Ms Anna-Marie Lötter	6/8
Mr Webster Masvikwa	5/8
Dr Bonakele Mehlomakulu	8/8
Ms Nivashnee Naraindath	7/8
Ms Elekanyani Ndlovu	8/8

Performance assessment

An appraisal of the Board is currently being undertaken by the chairperson of the Board in collaboration with the company secretary. The review takes the form of a detailed questionnaire as well as a series of structured interviews held individually with each member.

Conflict of interest

Members are required to declare all their direct and indirect material interest that may exist as a result of their association with any other company annually. 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. The Board has adopted a conflict of interest policy.

Remuneration

Non-executive members receive remuneration based on meetings attended. The fees are annually set by National Treasury but payment thereof is subject to approval by the shareholder based on the outcome of the Board's performance assessment. The remuneration of Board members and the executive management team is set out in page 139 to the annual financial statements.

Shareholder's compact

In terms of the Treasury Regulations issued in accordance with the PFMA, SABS must, in consultation with the executive authority, annually agree on its key performance objectives, measures and indicators. These are captured in the shareholders compact which is annually concluded between SABS and the executive authority.

The compact promotes good governance practices in 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.

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 67 to pages 148 have been prepared in accordance with IFRS, the Companies Act (as amended) and the PFMA.

SABS financial statements are based on appropriate accounting policies and are supported by reasonable and prudent judgments and estimates. The external auditor is the Auditor-General who is responsible for carrying out an independent examination of the financial statements in accordance with the international standards of auditing and reporting their findings thereon. The Auditor-General's report is set out on page 149.

Going concern

The SABS Board reviewed and approved the Group's financial budgets for the period 1 April 2016 to 31 March 2017 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 Board has confirmed the significance and materiality framework for reporting losses through criminal conduct and irregular, fruitless and wasteful expenditure, as well as significant transactions envisaged per section 54(2) of the PFMA. Losses through criminal conduct and irregular, fruitless and wasteful expenditure that are identified are disclosed as prescribed in terms of relevant legislation.

Company secretary

The company secretary plays a pivotal role in guiding and assisting the Board on the delivery of its mandate and is available to the chairperson and individual members at all times. Wilma De Witt (BLC, LLB, LLM) is the company secretary and has gained the required experience over several years. The company secretary is also the secretary to Board committees and the Group's subsidiary companies.

The Board is satisfied that the company secretary is suitably qualified, competent and experienced to perform her role.

Technological, structural and business process changes will see the organisation operating in an integrated way that will transform SABS into being more responsive to market, customer and consumer needs

3. EXECUTIVE COMMITTEE

The executive team ensures that relevant legislation and regulations are adhered to and that adequate internal financial control systems are in place to provide reasonable certainty in respect of the completeness and accuracy of the accounting records, integrity and the reliability of financial statements and the safeguarding of assets.

At the time of this report, the executive committee comprised the following members:

CEO:
Dr Bonakele Mehlomakulu

Acting Executive: Testing
Amanda Gcabashe

Executive: Standards
Nolwazi Gasa

CFO:
Boitumelo Mosako

Executive: Corporate Services
Ian Plaatjes

Executive: Training, Risk & Assurance
Dr Sadhvir Bissoon

Executive:
Enterprise Development
Magatho Mello

3.1 Board committees

The Board has established five committees to assist in discharging its responsibilities. Although the Board has delegated certain functions to its committees, this does not in any way release the Board of its duties and responsibilities. There is always transparency and full disclosure from the Board committees to the Board. These committees are chaired by independent non-executive directors. All the Board committees operate under Board-approved mandates and terms of references. The Board committees are as follows:

- Audit and risk committee
- Finance and investment committee
- Social and ethics committee
- HR and remuneration committee
- Nomination committee

Board committee attendance record: 1 April 2016 to 31 March 2017					
	Audit and risk	Finance and investment	Social and ethics	HR and remuneration	Nomination
Jeff Molobela					1/1
Michael Ellman	8/8		3/4	5/5	
Guy Harris	8/8	4/4		5/5	1/1
Shabeer Khan*	1/2				
Anna-Marie Lötter		4/4	3/4		
Nivashnee Naraindath**			4/4	5/5	
Elekanyani Ndlovu		3/4	4/4		
Webster Masvikwa	7/8	4/4			

* *Ex-officio* member appointed 17 December 2016

** Nomination committee member appointed 27 October 2016

3.2 Audit and risk committee report

The committee is classified as a combined audit and risk committee for the SABS Group and has decision-making authority with regard to its statutory duties as required by the Companies Act.

The mandate of the committee is to oversee the integrity of SABS internal control environment and to provide reasonable assurance relating to the integrity and reliability of the financial statements prepared in compliance with IFRS, and to safeguard, verify and ensure accountability of the Group's assets.

Composition

The committee comprises four non-executive members, including a representative from SABS' shareholder department, the majority being independent. The committee is chaired by an independent non-Executive member. The members of the committee have the requisite financial knowledge, skills and experience to oversee and assess the strategies and processes developed and implemented by management to manage the business in a continually evolving and changing environment.

The effectiveness of the committee is assessed as part of the annual Board and Board committee performance evaluation process. Attendance at committee meetings is detailed on page 50 of the annual integrated report.

Attendance

The committee has met eight times during the year in order to discharge its responsibilities. The Chief Executive Officer and the Chief Financial Officer as well as the General Manager Internal Audit, the Chief Risk Officer and external auditors attend meetings by invitation. The committee's chairperson reports to the Board on the activities and recommendations of the audit and risk committee. Refer to the attendance register on page 50.

Activities of the committee

In executing its delegated duties, the committee focused on:

Annual Financial Statements

Reviewed the annual financial statements and summarised information, accompanying reports to the executive authority and to national treasury prior to the submission to and approval by the Board. The audit and risk committee is independent and accountable to the Board.

Chief Financial Officer and Finance Function

The committee confirms that it is satisfied with the expertise and experience of Boitumelo Mosako, the Chief Financial Officer of the SABS. In addition, the committee has reviewed the expertise, resources and experience of the Group's finance function and confirms that such is effective. In making these assessments, the committee made use of the services of an external provider.

Review of Internal Controls

The review of internal controls remains the responsibility of the committee. The committee is of the opinion, after having considered the assurance provided by management and internal and external service providers, that the Group's system of internal financial controls, in all material aspects, is effective and provides reasonable assurance that the financial records may be relied upon for the preparation of the Annual Financial Statements.

External Auditors

The committee is responsible for the appointment of the external auditor for subsidiary companies and overseeing the external audit process. The Auditor-General is the appointed auditor for SABS. KPMG has been appointed as auditors for SABS Commercial SOC Ltd through competitive bidding in consultation with the Auditor-General. The audit and risk committee is satisfied with the independence and performance of the external auditors.

Annual Integrated Reporting

The committee oversaw the integrated reporting and in particular has:

- considered all factors and risks that may have an impact on the integrity of the annual integrated report 2016/17
- reviewed the annual financial statements for 2016/17 and the notes thereto
- considered any material sustainability issues
- reviewed the content of the information to ensure that it provided a balanced view
- prepared its reports to be included in the annual financial statements for 2016/17
- recommended the annual integrated report 2016/17 for approval by the Board

Risk Responsibilities

The committee performs all functions necessary to fulfil its aforementioned role, including the following:

- oversee the development and review of the risk management policy and risk management plan
- oversee the risk management plan and see to it that the plan is disseminated throughout the organisation as a part of daily activities
- ensure that risk assessments are performed on a continuous basis
- ensure that frameworks and methodologies are implemented to anticipate risks
- ensure that management considers and implements appropriate risk responses
- ensure that management monitors and manages risk appropriately
- liaise closely with other board committee to exchange information relevant to risk
- express an opinion to the Board on the effectiveness of the system and process of risk management
- review the reporting of risk to be included in the annual integrated report

The committee hereby reports to the executive authority that:

Going Concern

The committee reviewed and considered the applicability of the going concern assertion by management. The committee recommended to the Board that the SABS Group is a going concern for the foreseeable future and ensured the Board applied its mind in this regard.

Statutory Reporting

The committee has evaluated the consolidated annual financial statements for the year ended 31 March 2017 and considers that the SABS Group complies, in all material respects, with the Standards Act, No. 8 of 2008, the Companies Act, and PFMA Management Act, IFRS and the relevant National Treasury directives and regulations. The committee received no complaints on the accounting practices, financial statements or internal controls of the Group.

Annual Integrated Report

The committee, having fulfilled the oversight role regarding the reporting process and all material factors that may impact the integrity of the annual integrated report, recommended that the annual integrated report and the consolidated annual financial statements 2016/17 be approved by the Board.

Conclusion

The committee is satisfied that it has met the requirements set out in its terms of reference.

G Harris
Chairperson Audit and Risk Committee

3.3 Social and ethics committee report

The social and ethics committee (amongst others), assists the Board in monitoring SABS ethics and corporate citizenship activities, sustainability trends, consumer and stakeholder relationships, as well as safety, health and environmental matters. The committee is governed by a formal charter and plays an independent role. This report is presented in accordance with the requirements of King III and the Companies Act.

Role and Responsibilities

The committee acts in terms of the delegated authority of the Board and assists in monitoring the Group's activities in terms of legislation, regulation and codes of best practices relating to:

- ethics management
- sustainability trends and risks
- consumer and stakeholder management
- monitor activities relating to social and economic development
- good corporate citizenship
- environment, health and public safety
- monitor functions required in terms of the Companies Act and its regulations

Composition and Functioning

The committee comprises four non-executive members, of which the majority are independent. The effectiveness of the committee is assessed as part of the annual Board and Board committee performance evaluation process. Attendance at committee meetings is detailed on page 50 of the annual integrated report.

Activities of the committee

The committee met four times during the period under review and performed the following activities:

- approved and monitored the progress against the implementation of the customer services strategy
- monitored progress against the stakeholder engagement plan
- considered the sustainability performance reporting as reflected in the annual integrated report
- considered the ethics management framework and implementation plan
- reviewed the results of the customer satisfaction survey and the plans to enhance participation rates and performance
- considered the status and plans implemented to address health, safety, security and environmental management matters
- annual integrated reporting - considered material sustainability issues and reviewed the content of the information to ensure that it provided a balanced view

Elekanyani Ndlovu
Chairperson Social and Ethics committee

3.4 HR and remuneration committee report

The HR and remuneration committee assists the Board in monitoring human resources, remuneration and performance management related matters. The committee is governed by a formal Board approved terms of reference and has an independent role. This report is presented in accordance with the requirements of King III.

Roles and Responsibilities

The committee's duties and responsibilities include amongst others:

- oversight of the implementation of the human resources strategy and employment equity policy
- monitor performance against the overall human resources strategy/plan
- recommend relevant HR policies for approval by the Board
- review all aspects of human resource practices and human capital management
- ensure that formal succession plans for senior management and critical positions are developed and implemented
- monitor the implementation of recruitment strategies
- monitor compliance with relevant legislation
- oversee the establishment and implementation of remuneration philosophy and strategy
- recommend for approval by the Board the payment of performance-linked bonuses
- review and evaluate the effectiveness of remuneration policies
- determine and review the performance against the agreed organisational performance indicators

Composition and Functioning

The committee comprises three independent non-executive members that are appointed by the Board. The Chief Executive Officer and members of the Executive committee attend meetings by invitation. The committee has met five times during the period under review. Attendance at committee meetings is detailed on page 50 of the annual integrated report. The effectiveness of the committee is assessed as part of the annual Board and Board committee performance evaluation process.

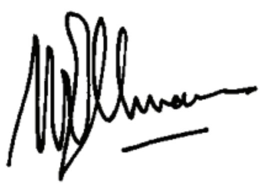
SABS recognises that people are integral to the achievement of corporate objectives and that they should be remunerated accordingly for their contribution and the value that they deliver. Fees for non-executive members are determined by National Treasury and annual adjustments thereto are approved by the Minister.

SABS remuneration philosophy is aligned with the business strategy to attract, retain, motivate and reward employees to deliver. The committee uses third-party information to benchmark remuneration to ensure that it is market related.

Activities of the committee

During the period under review, the committee performed the following activities:

- considered SABS performance against the organisational scorecard at each meeting
- considered and recommended for approval by the Board the wage negotiations mandate
- considered key HR focus areas and progress made against strategic indicators
- considered the human capital transformation strategy
- recommended the culture change framework and talent management strategy for approval by the Board
- considered and recommended for approval by the Board the payment of performance bonuses for executives and senior management
- reviewed the committee's terms of reference and confirmed its annual work plan



Michael Ellman
Chairperson HR and Remuneration committee

3.5 Finance and investment committee report

The primary mandate of the committee is to optimise and safeguard the assets of the organisation. The committee shall ensure that the investment strategy of SABS conforms to this investment policy statement and is always optimally structured and implemented to achieve the agreed objectives.

Roles and Responsibilities

The committee is responsible for the following:

- the development, drafting and adoption of the investment policy statement
- setting investment objectives and determining the quantum of assets associated with each of the objectives
- developing the appropriate investment strategies to achieve the objectives
- selecting and appointing asset managers including approval of pooled mandates or negotiation of segregated mandates as required
- monitoring the performance of cash and investments and asset managers on an ongoing basis
- termination of asset manager mandates, if and when required
- ensure adherence to the investment policy statement
- review of the investment objectives, the assets allocated to each objective and the investment strategy on at least an annual basis
- review of the investment policy statement and any other associated documents
- review and recommend all material capital investments relating to property and the ICT Strategy for approval by the Board

Composition and Functioning

- the committee comprises four non-executive members of which the majority are independent. The CEO and other executive committee members attend all meetings by invitation
- the committee's mandate as set out in the investment policy is to, amongst others, meet the daily operational cash flow needs of SABS; allow for any unforeseen expenses or other cash flow needs; to provide for medium and long term capital expenditure and the post-retirement medical liability and any other specific liabilities and to review all material capital investments relating to property and the IT strategy

Activities of the committee

During the period under review, the committee performed the following activities:

- reviewed the quarterly performance of long term investment fund managers
- reviewed the progress against the ICT transformation journey
- considered and recommended the revised SABS investment policy for approval by the Board
- reviewed the committee's terms of reference and confirmed its annual work plan

Webster Masvikwa
Acting Chairperson Finance and Investment committee

3.6 Nominations committee report

The mandate of the committee is to contribute to the long-term financial and commercial viability of the organisation by reviewing and maintaining its role with an appropriate composition to enable it to operate effectively. The committee is further mandated to ensure that other Board committees have the appropriate balance of skills, experience, independence and knowledge of SABS to enable them to discharge their respective duties and responsibilities effectively and that no member has undue influence. The executive authority identifies and evaluates suitable candidates for appointment to the Board and appointments are made in a formal and transparent manner in concurrence with the Chairperson of the Board.

Roles and responsibilities

During the period under review, the committee performed the following activities:

- oversee the implementation of a formal induction programme for new members
- consider the structure and mandates of Board committees including the selection and rotation of committee members and chairpersons
- approve and oversee the implementation of a continuous professional development programme for members
- ensure that members are appointed through a formal process
- consider the outcome of the Board and Board committee performance review

Composition and functioning

The committee comprises three independent non-executive members that are appointed by the Board. The committee met once during the period under review. Attendance at committee meetings is detailed on page 50 of the annual integrated report. The effectiveness of the committee is assessed as part of the annual Board and Board committee performance evaluation process.

Activities of the committee

The Chairperson of the committee was involved in the selection and appointment of the new Board member. The committee also considered progress against the implementation of the approved continuous professional development programme. The focus areas for 2017 will be on CEO succession planning and the possible restructuring of Board committees to best align with King IV requirements.

Conclusion

The committee is satisfied that the overall principles laid down by King III have been applied.

Jeff Molobela
Chairperson Nominations committee

3.7 Risk management

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

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

We have adopted an enterprise-wide risk management (ERM) approach to the management of risks impacting the strategic and operational objectives of the organisation. The risk and compliance department headed by the Chief Risk Officer is responsible for the ERM portfolio and is tasked to implement effective and efficient systems of risk, ethics and compliance management within the SABS in line with the PFMA and relevant prescripts. The risk management portfolio includes:

- risk management
- strategic risk management
- operational risk management
- project risk management
- anti-corruption, fraud prevention and awareness
- business continuity management
- compliance management
- ethics management

To align with the reinforcement of SABS legislative mandate and strategic objectives of the organisation, the risk profile was comprehensively reviewed and finalised for implementation in the 2016/17 financial period. Executive accountability remains entrenched to ensure top management commitment and leadership for effective management of risks.

SABS governance measures present an adequate platform for responding to the various risks that are inherent in SABS business. They include the continued commitment of the executive committee to prioritise ERM on its agenda, and the steadfast engagement of the audit and risk committee and the SABS Board in overseeing and advising on SABS ERM practices. These measures set the tone for SABS uppermost leadership echelon.

3.8 Minimising conflict of interest

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

Conflict of interests of employees in performance of services of the SABS

All employees are required to avoid conflicts of interest, as stipulated in the Standards Act No. 8, of 2008 when joining the company. They give effect to this by signing the conditions of employment (CSP 611A) and are further required to submit a declaration of conflict of interest form on an annual basis. Additionally, the services of the organisation are delivered through processes that allow complaints by both external and internal stakeholders, and appeals to higher authority in the organisation. The following key services have reinforced their protocols to minimise employees' conflicts of interest:

- Internal audit services
- Zero tolerance to fraud and corruption
- Encouraging whistle blowing

Internal audit services

The internal audit services department is an independent and objective assurance provider. It provides reasonable assurance over the effectiveness of the internal controls; risk management; compliance management and governance. The internal audit services delivers on its mandate, with a risk-based approach forming the basis of its methodology. All audit activities are performed in conformance with the international standards for the professional practice of internal auditing as provided by the IIA.

The internal audit services continues to operate in accordance with its charter, approved by the audit and risk committee. The internal audit services is sufficiently skilled and supported by those charged with governance (TCWG) to deliver on its mandate. To remain an objective and independent assurance provider, the Head of internal audit services reports administratively to the CEO and functionally to the audit and risk committee.

An effective quality assurance programme (the programme) is in place to ensure that the internal audit services provides its service in accordance with the IIA standards and the internal audit code of ethics. The programme includes both internal and external evaluations, which assesses the effectiveness and efficiency of the internal audit activity, to identify opportunities for improvement, which are implemented and monitored by the head of internal audit services. The internal auditors in the internal audit services department maintain their membership with the IIA of South Africa, affiliated to the international body.

During the 2016/17 financial year, the internal audit services successfully conducted its internal audit assignments outlined in the approved internal audit plan and the ad-hoc audit assignments as requested by TCWG.

The success of the internal audit services is evident by notable improvement in the effectiveness of internal controls and culture change within SABS as well as the control environment in addressing governance and compliance issues by SABS Group and its subsidiaries.

The risk-based internal audit plan focused on the following focal points, which are fundamental to the SABS as required by Treasury regulation 27.2:

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

The internal audit services' effective stakeholder management ensured efficiencies in the internal audit activities. Some of the assurance gaps and duplications by SABS assurance providers were circumvented through integrated assurance (combined assurance) activities by the internal audit services and external auditors.

Zero tolerance to fraud and corruption

SABS is committed to 'zero tolerance' of any fraudulent and unethical behaviour. Its fraud policy, fraud prevention plan and code of ethics policy are effectively implemented. For the reporting period the anti-corruption and fraud prevention policy was reviewed and the following initiatives have been established:

- ethics management framework
- a minimum anti-corruption capability assessment
- fraud and corruption risk assessments
- the anti-corruption and fraud prevention plan
- status reports on anti-corruption and fraud management initiatives were presented to the audit and risk committee and the social and ethics committee

To promote a culture of whistle-blowing, an independent external service provider independently manages SABS whistle-blowing hotline. Logged calls are managed by internal audit services to guarantee anonymity of whistle-blowers.

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

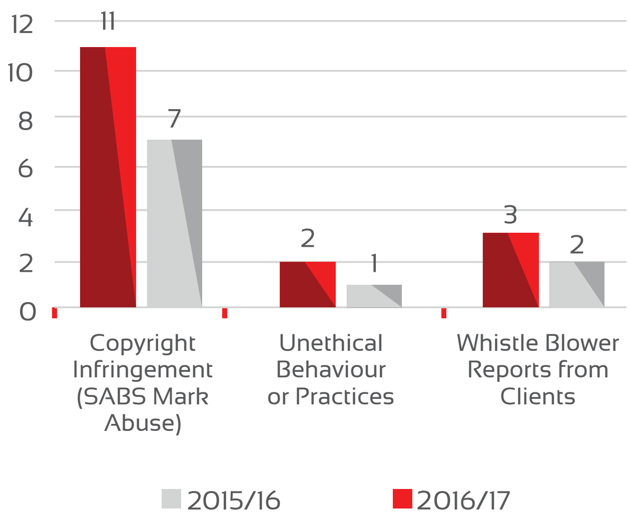
- consequence management procedures
- referrals to relevant agencies
- institution of criminal proceedings
- civil litigation
- recovery of losses

The whistle-blowing hotline recorded a total of ten calls during the year under review (as compared to 16 in 2015/16), of which 70% calls related to the infringement of the SABS Mark Scheme or copyright infringement (as compared to 11 in 2015/16). This reflects a 36% decrease in the number of SABS Mark Scheme infringement related calls, compared to the previous financial year. The decrease in SABS Mark Scheme infringement calls demonstrates notable effort by management in implementing SABS reputational risk management strategies.

The infringement of the SABS Mark Scheme has been a focal strategy implemented by management. There is a process in place to ensure that each incident of Mark Scheme infringement is dealt with adequately and effectively in order to maintain credibility of the Mark Scheme copyright. SABS intellectual property policy statement approved by the Board and the zero-tolerance approach to the infringement of the SABS Mark Scheme has assisted SABS to remain a trusted brand.

Cases classified as 'unethical behaviour or practices' relate to allegations of misconduct raised against SABS employees, which comprised one (10%) of the total cases reported through the hotline. This is a decrease of 50% compared to 2015/16, which indicates that the internal controls implemented by management to combat fraud and corruption are working effectively.

The remaining two (20%) comprise customer complaints calls, whereby SABS customers opted to use whistle-blowing rather than the SABS customer complaints platform.



3.9 ICT governance

SABS has adopted the view of the King Report and the IT Governance Institute (ITGI) that IT governance should be an integral part of the overall governance structures within a company to ensure that the company's IT sustains and extends its strategy and objectives. The SABS Board set the ICT direction at its annual Board Legkotla for management to execute on. Following the delegation of mandate to the SABS IT governance team by the Board and executive team, a gap analysis was conducted. The objective was to assess the extent to which known governance reference models, frameworks and standards address the specific governance requirements of the SABS. IT also developed a COBIT (Control Objectives for Information and Related Technologies) and ITIL (Information Technology Infrastructure Library) roadmap to support the IT governance maturity. Phase I of the COBIT and ITIL process development and implementation was executed.

The IT governance team is focused on four key areas:

- strategic alignment with the business and collaborative solutions, including the focus on sustainability and the implementation of 'green IT' principles
- value delivery — concentrating on optimising expenditure and proving the value of IT
- risk management — addressing the safeguarding of IT assets, disaster recovery and continuity of operations
- resource management — optimising knowledge and IT infrastructure

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

HUMAN RESOURCE MANAGEMENT

1. OVERVIEW

Over the last five years, the human capital strategy, with a focus on talent and leadership, was implemented by HR. In the same period, HR policies and procedures were revised, historical disparities in benefits were addressed, and union relations were improved. During the year under review, there was a particular focus on leadership development, effective management of the vacancy rate for critical positions, and on executing the graduate programme to facilitate the creation of a pipeline of graduates exposed to standardisation.

During the 2016/17 financial year the top five priorities for human capital included:

- implementing enabling programmes to support the growth of technical and functional expertise in core operational business areas
- improving operational effectiveness and governance across the human capital value chain with a specific focus on performance management as a key driver for the building of a high performance culture
- enhancing labour relations and maintaining employee – employer harmony
- ensuring the conclusion of a multi-year wage agreement in line with a Board-approved mandate
- capacitating and positioning the human capital team to better support the organisational culture transformation priorities

The culture transformation and talent management framework was approved during the fourth quarter. The implementation plan is being finalised and once approved will guide the implementation of activities to support the organisational transformation priorities around customer centricity, service orientation and a commercially sustainable corporate culture.

The finalisation of a three-year wage settlement was concluded with the union. Focus in the new year will be on strengthening the working relationship with the unions and setting up forums and structures to support constructive dialogue and a meaningful partnership.

2. HUMAN RESOURCES OVERSIGHT STATISTICS

2.1 Employment

At the end of the year under review, the organisation had a total of 1 009 employees, including payroll contractors. The majority of employees (52%) fall between the ages of 30 and 50 years. It remains an important focus of the organisation to ensure skills transfer from employees who are retiring from critical positions to ensure continuity of business skills, with 145 employees who are 50 years old or older in skilled positions.

2.2 Employment equity

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

Progress against 2016/17 EE targets was:

- Blacks (Africans, Coloureds and Indians): 82% against a target of 78%
- Women (of all races): 43% against a target of 45%
- Persons with disabilities: 1.8% against a target of 2.2%

Employment equity – Male

Levels	Male									
	African		Coloured		Indian		White		Foreign nationals	
	Current	Target	Current	Target	Current	Target	Current	Target	Current	Target
Top management	0	0	0	0	0	0	0	0	0	0
Senior management	2	2	1	0	1	1	0	0	0	0
Professional qualified	24	15	6	7	8	8	17	15	2	2
Skilled	249	250	14	24	21	24	66	97	8	8
Semi-skilled	132	110	2	3	1	2	1	2	0	0
Unskilled	0	0	0	0	0	0	0	0	0	0
TOTAL	**407**	**377**	**23**	**34**	**31**	**35**	**84**	**114**	**10**	**10**

Employment equity – Female

Levels	Female									
	African		Coloured		Indian		White		Foreign nationals	
	Current	Target	Current	Target	Current	Target	Current	Target	Current	Target
Top management	1	1	0	0	0	0	0	0	0	0
Senior management	2	2	0	0	0	0	0	1	0	0
Professional qualified	16	22	1	4	4	2	9	8	0	2
Skilled	264	256	14	30	15	16	65	89	5	2
Semi-skilled	27	24	0	2	2	2	0	0	0	0
Unskilled	0	0	0	0	0	0	0	0	0	0
TOTAL	**310**	**305**	**15**	**36**	**21**	**20**	**74**	**98**	**5**	**4**

Employment equity – Disabled Staff

Levels	Disabled Staff			
	Male	Female	Male	Female
	Current	Target	Current	Target
Top management	0	0	0	0
Senior management	0	0	0	0
Professional qualified	1	0	1	1
Skilled	7	7	8	13
Semi-skilled	1	1	0	1
Unskilled	0	0	0	0
TOTAL	**9**	**8**	**9**	**15**

Employee relations

SABS and the union entered into a three-year multi wage agreement. The current wage agreement seeks to close the wage gap for bargaining employees on the lower peromnes-grades. The organisation will always seek to ensure that no employees are paid below the minimum wage and continually manage the job and pay range within the approved pay scales, that are market-related and affordable.

Appointments and terminations

At the end of March 2017 the organisation had 1009 employees.

Salary band	Employment at beginning of period	Appointments	Terminations	Employment at end of the period
Top management	1	0	0	1
Senior management	6	1	1	6
Professional qualified	71	26	12	87
Skilled	745	59	87	721
Semi-skilled	171	4	12	165
Unskilled	0	0	0	0
Other	27	0	0	29
TOTAL	**1 021**	**90**	**112**	**1009**

The main reason for terminations was voluntary resignations, followed by retirements and contract terminations. The majority of the terminations (78%) were among the skilled workforce that forms the majority of the employee group (74%). Similarly, the professionally skilled workforce that forms 9% of the workforce accounted for 11% of terminations.

Skills and leadership development

A total of R1,15 million was spent on training, representing 0.3% of the total employee costs of R502 million. On average, approximately R8 000 was spent on each of the 145 employees who completed formal training during the year under review.

Directorate/business unit	Employee expenditure (R'000)	Training expenditure (R'000)	Training costs as a % of employee expenditure	No. of employees trained	Avg training cost per employee (R'000)
Corporate	138 352	517	0.4%	64	8
Commercial	300 813	498	0.2%	65	7
Standards	53 321	92	0.2%	12	7
Design Institute	10 264	41	0.4%	4	10
TOTAL	**502 750**	**1 150**	**0.3%**	**145**	**8**

Twenty-six employees have been awarded bursaries to further their studies at various institutions. The bursaries were awarded on various core technical qualifications that will contribute to critical and scarce skills shortages within the country. The target group focused on African women as part of women empowerment and skills development initiatives.

2.3 Remuneration

The remuneration policy of SABS is intended to attract and retain employees who are aligned to the core purpose and business objectives of the organisation. We continually strive to implement remuneration practices which encourage a pay for performance culture.

Amidst tough economic times, the remuneration committee, with the support of the human capital division, endeavoured to maintain fair and ethical standards with regards to remuneration, benefits and incentives. The fundamental principles of SABS remuneration policy remain unchanged and this is underpinned by the following key remuneration elements:

- guaranteed pay
- variable pay
- performance bonus policy
- additional benefits for bargaining unit employees

Guaranteed pay

Inclusive of benefits (for eligible participants) such as pension fund savings, group life and disability cover, as well as contributions to company approved medical schemes.

Variable pay

Eligible permanent employees in the bargaining unit were paid 13th cheques – in accordance with the prevailing wage negotiation agreement during the financial year. Performance bonuses are designed to encourage, recognise and reward performance and are therefore linked to company and individual performance objective outcomes.

For the year under review, performance bonuses were only paid to management and specialists on Peromnes levels 1 to 7.

Performance bonuses are paid in arrears, i.e. performance bonuses paid in 2016/17 were for the financial year 2015/16.

Performance bonus policy

The employee level along with two or three performance milestones determine performance bonus outcomes. Performance milestones include the SABS Group performance target, divisional objective measures, and individual performance scores.

The maximum performance bonus payable for the CEO (P1) is 45%, executives (P2-3) is 35% and group/general managers is 25%. Performance bonuses for the management and specialists levels P5 – 7 represents a maximum of 10% of annual salary. A minimum performance score of 3 must be realised for an employee to be eligible for a pay-out.

Additional benefits for the bargaining unit employees

Bargaining unit employees refer to employees occupying grade levels Peromnes 8 to 18. In accordance with the prevailing wage agreement, these categories of employees (where eligible) received additional benefits, including a medical aid subsidy and housing allowance.

ANNUAL FINANCIAL STATEMENTS

SEVEN YEAR GROUP REVIEW
FOR THE YEARS ENDED 31 MARCH

	2017 R'm	2016 R'm	2015 R'm	2014 R'm	2013 R'm	2012 R'm	2011 R'm
Income statement							
Commercial revenue	500,9	544,7	557,3	516,8	485,8	401,5	394,6
Parliamentary grant recognised as income	183,2	189,7	193,1	179,8	163,1	159,2	156,9
Expenditure	811,3	818,8	775,5	741,2	675,7	577,1	529,3
Net loss on discontinued operations	-	-	-	-	(0,1)	(1,5)	(0,1)
Net investment income	30, 1	25,4	22,7	23,2	24,5	17,1	8,5
(Loss)/profit for the year	(44,4)	22,4	32,2	21,7	27,0	34,1	54,5
Operating (loss)/profit *	(63,6)	9,6	22,2	8,5	18,7	22,3	63,7
Statement of financial position							
Property, plant and equipment	715,3	709,8	365,0	345,5	331,9	305,2	253,8
Investment properties	8,4	8,8	9,2	9,6	10,0	10,5	10,9
Intangibles	10,5	13,6	11,7	14,8	14,7	3,3	9,8
Total available-for-sale investments	427,3	407,2	395,9	305,1	336,1	284,3	291,9
Deferred taxation	19,8	20,3	20,4	20,9	20,5	22,7	21,1
Non-current assets/disposal group held for sale	-	-	-	-	1,2	0,1	1,7
Current assets excluding cash	148,8	140,9	139,2	119,6	97,6	61,4	56,2
Net cash and cash equivalents	91,9	162,8	200,1	283,5	274,3	262,3	190,4
Total assets	1 422,1	1 463,4	1 141,4	1 098,9	1 086,2	949,7	835,9
Capital and reserves	875,2	940,6	615,6	560,9	520,0	479,5	445,3
Interest bearing borrowings	-	-	-	-	-	-	14,9
Other liabilities	375,6	365,3	377,1	386,3	406,1	333,2	253,4
Current liabilities	171,2	157,5	148,6	151,8	160,1	137,1	122,3
Total equity and liabilities	1 422,1	1 463,4	1 141,4	1 098,9	1 086,2	949,7	835,9

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

SEVEN YEAR GROUP REVIEW
FOR THE YEARS ENDED 31 MARCH

	2017 R'm	2016 R'm	2015 R'm	2014 R'm	2013 R'm	2012 R'm	2011 R'm
Cash flows							
Net cash flow from operating activities	(12,5)	33,0	51,4	21,4	55,7	67,1	110,8
Net cash flow from investing activities	(64,0)	(70,4)	(137,5)	(12,3)	(109,1)	(62,1)	(194,6)
Net cash flow from financing activities	5,6	-	2,8	-	65,5	66,8	152,1
Cash and cash equivalents at beginning of year	162,8	200,1	283,5	274,3	262,3	190,4	122,2
Cash and cash equivalents at end of year	91,9	162,8	200,1	283,5	274,3	262,3	190,4
Ratio analysis							
Profitability and Asset Management							
Asset turnover	0,4	0,4	0,6	0,5	0,5	0,5	0,6
Return on net assets	(5,5%)	0,8%	2,8%	1,3%	2,9%	4,1%	12,2%
Return on equity	(7,3%)	1,0%	3,6%	1,5%	3,6%	4,7%	14,3%
Current ratio	0,9	0,9	0,9	0,8	0,6	0,4	0,5
Operating margin %	(12,7%)	1,8%	4,0%	1,6%	3,8%	5,6%	16,2%
Revenue % to total income	73,2%	74,2%	74,3%	74,2%	74,9%	67,6%	68,2%
Performance							
Revenue per employee	503	540	539	478	405	358	339
Cost per employee	815	812	750	686	563	515	455
Operating profit per employee	(63,8)	9,5	21,5	8	16	20	55
Remuneration as a % of total expenditure	64,8%	61,1%	60,8%	58,6%	57,7%	58,2%	62,2%
Remuneration as a % of value added	116,5%	1 00,6%	1 01,1%	100,4%	100,0%	96,3%	87,5%
Average number of employees	996	1 009	1 034	1 081	1 201	1 120	1 163

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

CONSOLIDATED STATEMENTS OF PROFIT AND LOSS FOR THE YEAR ENDED 31 MARCH 2017

		GROUP		SABS	
	Notes	2017 R'000	2016 R'000	2017 R'000	(restated) 2016 R'000
Revenue	3	500 892	544 650	39 018	61 842
Other income	4	52 660	81 433	145 233	157 868
Government grants	30.7	183 211	189 663	183 211	189 663
		736 763	815 746	367 462	409 373
Other operating expenditure		(811 295)	(818 819)	(379 510)	(394 632)
Employee benefit expenditure	5	(525 414)	(500 438)	(214 049)	(201 298)
Depreciation	11	(34 784)	(43 471)	(8 261)	(13 052)
Contract services		(43 143)	(47 432)	(36 723)	(37 299)
Travel expenditure		(34 253)	(34 941)	(7 527)	(8 431)
Advertising expenditure		(7 627)	(9 890)	(6 548)	(8 491)
Repairs and maintenance expenditure		(7 762)	(9 303)	(4 523)	(5 816)
Consulting and technical fees		(23 143)	(24 045)	(5 660)	(2 190)
Other expenditure	6	(135 169)	(149 299)	(96 219)	(118 055)
Operating (loss)/profit		(74 532)	(3 073)	(12 048)	14 741
Interest received	7	30 187	25 581	30 184	25 580
Interest paid	8	(43)	(153)	(35)	(167)
(Loss)/profit before taxation		(44 388)	22 355	18 101	40 154
Taxation	9	-	-	-	-
(Loss)/profit for the year		(44 388)	22 355	18 101	40 154

CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2017

		GROUP		SABS	
	Notes	2017 R'000	2016 R'000	2017 R'000	2016 R'000
(Loss)/ profit for the year		(44 388)	22 355	18 101	40 154
Other comprehensive expenditure		(1 435)	(2 464)	62 893	(4 519)
Items that will not be reclassified subsequently to profit and loss		(304)	4 312	64 024	2 257
Gains/(losses) on post-retirement medical aid	23	214	4 312	(1 637)	2 257
Income tax effect on items not reclassified	22	(518)	-	-	-
Fair value remeasurement on investment in subsidiaries	22	-	-	65 661	-
Items that will be reclassified subsequently to profit and loss		(1 131)	(6 776)	(1 131)	(6 776)
Net losses on available-for-sale financial assets	22	(1 131)	(6 776)	(1 131)	(6 776)
Income tax effect on items not reclassified		-	-	-	-
Total comprehensive (expenditure)/income for the year, net of tax		(45 823)	19 891	80 994	35 635

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 MARCH 2017

		GROUP			SABS		
	Notes	2017 R'000	2016 R'000	2015 R'000	2017 R'000	2016 R'000	2015 R'000
ASSETS							
Non-current assets		1 181 312	1 159 762	1 148 592	1 212 419	1 081 215	1 050 414
Property, plant and equipment	11	715 297	709 783	707 858	442 677	429 774	412 293
Investment properties	12	8 370	8 803	9 173	162 597	169 617	176 566
Intangible assets	13	10 498	13 605	15 336	4 458	5 218	4 397
Available-for-sale investment in subsidiaries	14	-	-	-	65 662	1	1
Available-for-sale investments	15	427 338	407 244	395 898	427 338	407 244	395 898
Deferred taxation	16	19 809	20 327	20 327	-	-	-
Loans to group companies	17	-	-	-	109 687	69 361	61 259
Current assets		240 750	303 648	339 265	113 506	184 554	223 159
Inventory	18	1 640	1 563	1 964	1 640	1 563	1 964
Trade and other receivables	19	147 167	139 310	137 194	15 692	20 293	21 171
Cash and cash equivalents	20	91 943	162 775	200 107	91 866	162 698	200 024
VAT receivable	26	-	-	-	4 308	-	-
Total assets		1 422 062	1 463 410	1 487 857	1 325 925	1 265 769	1 273 573
EQUITY AND LIABILITIES							
Equity and reserves		875 196	940 628	962 135	941 872	880 487	886 249
General reserve	21	54 282	54 282	54 282	54 282	54 282	54 282
Other components of equity	22	1 929	22 973	66 834	63 211	19 927	65 843
Accumulated profit		819 128	863 516	841 162	824 379	806 278	766 124
Reserves of disposal group classified as held for sale	10	(143)	(143)	(143)	-	-	-
Non-current liabilities		375 486	365 172	376 997	306 092	311 252	317 896
Employment benefit obligations	23	101 576	101 263	102 027	61 005	60 434	61 405
Deferred income	24	273 910	263 909	274 970	245 087	250 818	256 491
Current liabilities		171 237	157 467	148 582	77 961	74 030	69 428
Deferred income	24	7 564	11 009	11 150	5 733	5 735	5 797
Trade and other payables	25	149 770	131 459	121 069	65 293	58 173	54 705
Employment benefit obligations	23	10 219	9 219	9 148	6 935	6 354	6 294
VAT payable	26	3 684	5 780	7 215	-	3 768	2 632
Liabilities directly associated with the assets held for sale	10	143	143	143	-	-	-
Total equity and liabilities		1 422 062	1 463 410	1 487 857	1 325 925	1 265 769	1 273 573

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2017

	Notes	General reserve R'000	Other comprehensive income R'000	Discontinued operations R'000	Accumulated profit R'000	Total equity and reserves R'000
GROUP						
Balance at 31 March 2015		54 282	66 834	(143)	841 161	962 134
Other comprehensive income	22	-	(43 861)	-	-	(43 861)
Net profit for the year		-	-	-	22 355	22 355
Balance at 31 March 2016		54 282	22 973	(143)	863 516	940 628
Other comprehensive income	22	-	(21 044)	-	-	(21 044)
Net loss for the year		-	-	-	(44 388)	(44 388)
Balance at 31 March 2017		**54 282**	**1 929**	**(143)**	**819 128**	**875 196**
SABS						
Balance at 31 March 2015		54 282	65 843	-	766 124	886 249
Other comprehensive income		-	(45 916)	-	-	(45 916)
Net profit for the year	22	-	-	-	40 154	40 154
Balance at 31 March 2016		54 282	19 927	-	806 278	880 487
Other comprehensive income		-	43 284	-	-	43 284
Net profit for the year	22	-	-	-	18 101	18 101
Balance at 31 March 2017		**54 282**	**63 211**	-	**824 379**	**941 872**

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2017

	Notes	GROUP 2017 R'000	GROUP 2016 R'000	SABS 2017 R'000	SABS 2016 R'000
Cash (outflow)/inflow from operating activities		**(12 458)**	33 030	**12 642**	21 700
Cash received from customers		**538 536**	606 753	**189 194**	210 160
Cash received from government		**183 211**	189 663	**183 211**	189 663
Cash paid to suppliers and employees		**(764 349)**	(788 760)	**(389 912)**	(403 505)
Cash (utilised by)/generated from operations	27.1	**(42 602)**	7 656	**(17 507)**	(3 682)
Interest received	7	**30 187**	25 581	**30 184**	25 580
Interest paid	8	**(43)**	(207)	**(35)**	(198)
Cash outflow from investing activities		**(63 953)**	(70 362)	**(43 148)**	(50 924)
Purchase of property, plant and equipment	11	**(42 459)**	(46 480)	**(22 820)**	(32 327)
Property, plant and equipment purchased from subsidiary	11	**-**	-	**971**	1 550
Purchase of investment properties	12	**-**	(63)	**-**	(82)
Purchase of intangible assets	13	**(273)**	(5 697)	**(74)**	(1 943)
Proceeds on disposal of property, plant and equipment	27.2	**4**	-	**-**	-
Purchase of available-for-sale investments	15	**(124 225)**	(298 792)	**(124 225)**	(298 792)
Disposal of available-for-sale investments	15	**103 000**	280 670	**103 000**	280 670
Cash inflow/(outflow) from financing activities		**5 579**	-	**(40 326)**	(8 102)
Funding for government specific projects	30.7	**5 579**	-	**-**	-
Increase of loans to group companies		**-**	-	**(40 326)**	(8 102)
Decrease in cash and cash equivalents		**(70 832)**	(37 332)	**(70 832)**	(37 326)
Cash and cash equivalents at beginning of year		**162 775**	200 107	**162 698**	200 024
Cash and cash equivalents at end of year	20	**91 943**	162 775	**91 866**	162 698

1. CORPORATE INFORMATION

The consolidated financial statements of SABS and its subsidiaries (collectively, the Group) for the year ended 31 March 2017 were authorised for issue in accordance with a resolution of the directors on 31 July 2017. SABS is a state-owned company incorporated and domiciled in South Africa. The registered office is located at 1 Dr Lategan Road, Groenkloof, Pretoria, South Africa.

The Group is principally engaged in the provision of standards and conformity assessment services to enable the efficient functioning of the economy. Information on other related party relationships of the Group is provided in Note 30.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). For all periods up to and including the year ended 31 March 2015, the Group prepared its financial statements in accordance with South African generally accepted accounting principles (SA GAAP). These financial statements for the year ended 31 March 2017 are the first the Group has prepared in accordance with IFRS. Refer to Note 2.4 for information on how the Group adopted IFRS.

The consolidated financial statements have been prepared on a historical cost basis, except for available-for-sale (AFS) financial assets that have been measured at fair value. The carrying values of recognised assets and liabilities that are designated as hedged items in fair value hedges that would otherwise be carried at amortised cost, are adjusted to record changes in the fair values attributable to the risks that are being hedged in effective hedge relationships. The consolidated financial statements are presented in South African Rand (ZAR) and all values are rounded to the nearest thousand (R'000), except when otherwise indicated.

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

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

Significant areas of estimation uncertainty include:

- Useful economic lives of assets

Property, plant and equipment is depreciated on a straight line basis over its useful economic life. Intangible assets are amortised on a straight-line basis over the estimated useful life of the asset.

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

- Impairment of assets

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

- Retirement benefits

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

- Reporting framework

SABS assessed its operations against the three criteria listed in the Directive 12 issued by the Accounting Standards Board. SABS met the third criteria being "Only an insignificant portion of funding is acquired through government grants". As the directive does not give guidance on what is considered to be insignificant SABS management considered 30% to be significant to the Group's operations. The grant income received as well as budgeted was below management assessment of 30% and therefore it was concluded that only an insignificant portion of funding is acquired.

- Impairment of trade receivables

Trade and other receivables classified as loans and receivables are measured at amortised cost using the effective interest method less allowance for impairment. At each reporting date the Group assesses whether there is any objective evidence that trade and other receivables are impaired. Trade receivables are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the trade receivable and/or as a result of any pertinent credit risk being identified pertaining to an individual trade receivable or group of trade receivables, the estimated future cash flows of the trade receivables may be impacted. For further disclosure refer to note 19.

2.2 BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 March 2017. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interest
- Derecognises the cumulative translation differences, recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following are the significant accounting policies applied by the Group in preparing its consolidated financial statements:

2.3.1 Fair value measurement

Fair value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed, are summarised in the following notes:

Accounting policy disclosures	Note 2
Disclosures for valuation methods, significant estimates and assumptions	Note 2
Quantitative disclosures of fair value measurement hierarchy	Note 29

Investment in unquoted equity shares (discontinued operations)	Note 10
Property, plant and equipment under revaluation mode	Note 11
Investment properties	Note 12
Financial instruments (including those carried at amortised cost)	Note 29

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits from the asset's highest and best use or by selling it to another market participant that would utilise the asset in its highest and best use. The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy. This is described, as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

2.3.2 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is received. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognised:

Sale of goods

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods. Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. The Group does not provide any extended warranties or maintenance contracts to its customers.

Rendering of services

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

Interest income

For all financial instruments measured at amortised cost and interest bearing financial assets classified as available-for-sale, interest income or expense is recorded using the effective interest rate (EIR). The EIR is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset. Interest income is included in finance income in the statement of profit or loss.

Dividends

Revenue is recognised when the Group's right to receive the payment is established, which is generally when shareholders approve the dividend.

Rental income

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature.

Royalties

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

2.3.3 Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed. Where the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

When the Group receives non-monetary grants, the asset and the grant are recorded gross at nominal amounts and released to profit or loss over the expected useful life of the asset, based on the pattern of consumption of the benefits of the underlying asset by equal annual instalments. When loans or similar assistance are provided by governments or related institutions with an interest rate below the current applicable market rate, the effect of this favourable interest is regarded as a government grant.

2.3.4 Taxes

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted, or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation, and it establishes provisions where appropriate.

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that thetemporary differences will not reverse in the foreseeable future

Deferred tax assets are recognised for all deductible temporary differences: the carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences. The carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

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

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction to goodwill (as long as it does not exceed goodwill) if it is incurred during the measurement period or recognised in profit or loss.

Sales tax (VAT)
Revenues, expenses and assets are recognised net of the amount of sales tax, except:

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable
- Receivables and payables are stated with the amount of sales tax included

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

2.3.5 Non-current assets held for sale and discontinued operations

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through sale rather than through continuing use. Non-current assets and disposal groups are measured at the lower of their carrying amount and the fair value less costs to distribute. The criteria for held for sale classification is regarded met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to distribute will be withdrawn. Management must be committed to the sale expected within one year from the date of classification.

Assets and liabilities classified as held for sale are presented separately as current items in the statement of financial position. Property, plant and equipment and intangible assets once classified as held for sale to owners are not depreciated or amortised.

A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- Represents a separate major line of business or geographical area of operations
- Is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or
- Is a subsidiary acquired exclusively with a view to resale

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statement of profit or loss. Additional disclosures are provided in Note 10. All other notes to the financial statements mainly include amounts for continuing operations, unless otherwise mentioned.

2.3.6 Property, plant and equipment

Property, plant and equipment are stated at cost or deemed cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Such cost includes the cost of replacing parts of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. 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, its 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 costs are recognised in the profit or loss as incurred. The present value of the expected cost for the decommissioning of the asset after its use, is included in the cost of the respective asset if the recognition criteria for a provision are met.

Land is not depreciated as it is deemed to have an indefinite life. Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

- Buildings 3 to 50 years
- Laboratory equipment 3 to 25 years
- Furniture and equipment 3 to 25 years
- Vehicles 3 to 10 years
- Artwork 30 years

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss when the asset is derecognised.

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.

Capital work in progress is stated at cost and not depreciated.

2.3.7 Investment properties

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and accumulated impairment losses and are accounted for in line with the policy on property, plant and equipment (refer to accounting policy note 2.3.6).

Depreciation is charged to the statement of profit and loss 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 5 to 50 years.

Investment properties are derecognised either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the statement of profit or loss in the period of derecognition. Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change. If owner-occupied property becomes an investment property, the Group accounts for it in accordance with the policy stated under property, plant and equipment up to the date of change.

2.3.8 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses, if any.

Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is recognised in the statement of profit or loss when it is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite. Amortisation is charged to the statement of profit and loss on a straight-line basis over the estimated useful life of the asset. The estimated useful life of computer software is 3 to 15 fifteen years. Intangible assets with finite lives are amortised over their useful economic lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss in the expense category consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit or loss when the asset is derecognised.

2.3.9 Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date. The arrangement is assessed for whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

For arrangements entered into prior to 1 April 2015, the date of inception is deemed to be 1 April 2015 in accordance with IFRS 1 *First-time Adoption of International Reporting Standards.*

Group as a lessee

Finance leases that transfer to the Group substantially all of the risks and benefits incidental to ownership of the leased item, are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and a reduction in the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the statement of profit or loss.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term. An operating lease is a lease other than a finance lease. Operating lease payments are recognised as an operating expense in the statement of profit or loss on a straight-line basis over the lease term.

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

2.3.10 Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

i) Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, Available-for-sale (AFS) financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus, in the case of assets not at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as described below:

Loans and receivables

This category is the most relevant to the Group. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the statement of profit or loss. The losses arising from impairment are recognised in the statement of profit or loss in finance costs for loans and in cost of sales or other operating expenses for receivables.

This category generally applies to trade and other receivables. For more information on receivables, refer to Note 19.

Available-for-sale (AFS) financial investments

AFS financial investments include equity and debt securities. Equity investments classified as available-for-sale are those neither classified as held-for-trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial measurement, available-for-sale financial investments are subsequently measured at fair value with unrealised gains or losses recognised in OCI and accumulated in the AFS reserve until the investment is derecognised, at which time, the cumulative gain or loss is recognised in other operating income, or the investment is determined to be impaired, at which time, the cumulative loss is reclassified to the statement of profit or loss in finance costs and removed from the AFS reserve. Interest income on available-for-sale debt securities is calculated using the effective interest method and is recognised in profit or loss.

The Group evaluates its available-for-sale financial assets to determine whether the ability and intention to sell them in the near term is still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intention to do so significantly changes in the foreseeable future, the Group may elect to reclassify these financial assets in rare circumstances.

2.3.10 Financial Instruments (Continued)

For a financial asset reclassified out of the AFS category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of profit or loss.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired, or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement, and either

(a) the Group has transferred substantially all the risks and rewards of the asset, or
(b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and, to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of it, the asset is recognised to the extent of its continuing involvement in it. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

Disclosures relating to impairment of financial assets are summarised in the following notes:

• Accounting policy disclosures	Note 2
• Disclosures for significant assumptions	Note 2
• Financial assets	Note 29
• Trade receivables	Note 19

The Group assesses, at each reporting date, whether there is any objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

2.3.10 Financial Instruments (Continued)

Financial assets, other than those financial assets classified as fair value through the statement of profit and loss, 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.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income in the statement of profit or loss.

Loans, together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to finance costs in profit or loss.

Available-for-sale financial investments

For AFS 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 AFS, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss - is removed from other comprehensive income and recognised in profit or loss. Impairment losses on equity

2.3.10 Financial Instruments (Continued)

investments are not reversed through profit or loss; increases in their fair value after impairments are recognised in other comprehensive income.

The determination of what is 'significant' or 'prolonged' requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost. In the case of debt instruments classified as AFS, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss.

Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the statement of profit or loss, the impairment loss is reversed through the statement of profit or loss.

Trade and other receivables

Trade and other receivables classified as loans and receivables are subsequently measured at amortised cost using the original 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 statement of profit and loss, 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 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 reclassified in the statement of profit and loss for the period.
- Investments that are designated at fair value through profit or loss are measured at subsequent reporting dates at fair value. Gains and losses arising from changes in fair value of investments designated as measured at fair value through profit or loss are recognised in the statement of profit and loss 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

2.3.10 Financial Instruments (Continued)

subsequently measured at amortised cost. Deposits are carried at amortised cost. Due to the short-term nature the amortised cost normally approximates its fair value.

ii) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial assets are recognised initially at fair value plus, in the case of assets not at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

The Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, financial guarantee contracts, and derivative financial instruments.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held-for-trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held-for-trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Separated embedded derivatives are also classified as held-for-trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held-for-trading are recognised in the statement of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IAS 39 are satisfied. The Group has not designated any financial liabilities as at fair value through profit or loss.

Loans and borrowings

This is the category most relevant to the Group. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate method (EIR) amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance costs in the statement of profit or loss.

This category generally applies to interest-bearing loans and borrowings.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms

2.3.10 Financial Instruments (Continued)

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. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

iii) Offsetting of financial instruments

Financial assets and financial liabilities are offset with the net amount reported in the consolidated statement of financial position only if there is a current enforceable legal right to offset the recognised amounts and an intent to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

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 statement of profit and loss 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.

2.3.11 Inventories

Inventories are valued at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs to sell. 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 estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs to sell. 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.

2.3.12 Impairment of non-financial assets

Disclosures relating to impairment of non-financial assets are summarised in the following notes:

- Accounting policy disclosures — Note 2
- Disclosures for significant assumptions — Note 2
- Property, plant and equipment — Note 11
- Intangible assets — Note 13

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of

2.3.12 Impairment of non-financial assets (Continued)

disposal and its value in use. It is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecasts which are prepared separately for each of the Group's CGU to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognised in the statement of profit or loss in those expense categories consistent with the function of the impaired asset, except for a property previously revalued where the revaluation was taken to OCI. In this case, the impairment is also recognised in OCI up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

2.3.13 Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value.

For the purpose of the consolidated statement cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Group's cash management.

2.3.14 Provisions and contingent liabilities

General

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

2.3.14 Provisions and contingent liabilities (Continued)

Contingent liabilities are not recognised but are disclosed in the notes to the financial statements, unless the possibility of an outflow of resources embodying economic benefits is remote.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2.3.15 Pensions and other employee benefits

The Group operates two defined benefit pension plans, both of which require contributions to be made to separately administered funds. The Group has also agreed to provide certain additional post employment healthcare benefits to senior employees. These benefits are unfunded.

The cost of providing benefits under the defined benefit plans is determined separately for each plan using the projected unit credit method.

Re-measurements, comprising of actuarial gains and losses, the effect of the asset ceiling (excluding amounts included in net interest on the net defined benefit liability) and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognised immediately in the statement of financial position with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognised in profit or loss on the earlier of:

- The date of the plan amendment or curtailment and
- The date on which the Group recognises related restructuring costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Group recognises the following changes in the net defined benefit obligation under employee benefits in the consolidated statement of profit or loss:

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements
- Net interest expense or income

Post-employment healthcare benefit obligation

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

The liability recognised in respect of post-employment healthcare benefit is the present value of the defined benefit obligation at the reporting date less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected credit unit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government securities that have terms of maturity approximating the terms of the related liability.

2.3.15 Pensions and other employment benefits (Continued)

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

Past service costs are recognised immediately in profit and loss.

Long service leave obligation

The entitlement to leave benefits is based on employees who were employed before 1 March 2008 who will receive additional leave days based on their respective years of service with SABS. Specifically SABS employees with six to ten years' service are awarded an additional three days leave per annum for the rest of employment and SABS employees with ten completed years or more in service will receive another three days additional per annum leave for the rest of their employment (i.e. six days additional leave per annum). Employees will receive the long service award once they have reached the years of service. The obligation is valued annually by an independent qualified actuary. Any unrecognised actuarial gains and losses and past service costs are recognised immediately.

Short-term employee benefits

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

2.3.16 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 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:

	2017	2016
Euro	13.93	17.01
Pound Sterling	16.16	21.64
US Dollar	12.97	15.04
Swiss Franc	13.01	15.58

Transactions and balances

Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognised in profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment in a foreign operation. These differences are recognised in OCI until the net investments is disposed of, at which time, the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in OCI.

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 OCI except for impairment losses and foreign exchange gains and losses.

2.3.16 Foreign currency transactions (Continued)

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

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

2.3.17 Other expenditure

Operating expenses are presented as a combination of function and nature and is recognised in profit and loss upon utilisation of the service or as incurred. Significant expenses relating to operating activities of the Group and intended for earning income are presented in separate lines by their nature in the statement of profit and loss.

2.3.18 Fruitless and wasteful and irregular expenditure

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

When confirmed, irregular expenditure must be recorded in the notes to the financial statements. The amount to be recorded in the notes must be equal to the value of the irregular expenditure incurred unless it is impracticable to determine the value thereof.

Where such impracticality exists, the reasons therefore must be provided in the notes. Irregular expenditure must be removed from the notes when it is either:

(a) condoned by the National Treasury or the relevant authority;
(b) it is transferred to receivables for recovery; or
(c) it is not condoned and is irrecoverable.

A receivable related to irregular expenditure is measured at the amount that is expected to be recovered and must be derecognised when the receivable is settled or subsequently written off as irrecoverable.

2.3.19 Related party transactions

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

2.3.20 Events after the reporting date

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

2.3.21 New accounting standards and interpretations

SABS is categorised as a 3B public entity in terms of the PFMA, which makes it a Government Business Enterprise (GBE). SA GAAP has been withdrawn and cease to apply in respect of financial years commencing on or after 1 December 2012. The reporting frameworks that could be applied was either GRAP or IFRS. In order to identify the most appropriate framework SABS applied the principles of Directive 12 issued by the Accounting Standards Board. For a Government Business Enterprise (GBE) to apply IFRS one of the following criteria needed to be met:

1 Entity is a financial institution
2 Equity instruments are traded
3 It operations are commercial in nature and only an insignificant amount of funding is received from government grants

SABS has concluded that IFRS is the most appropriate accounting framework.

The following is a list of accounting standards, interpretations and amendments to published accounting standards that could impact the Group in the future, they are not yet effective and have not been adopted in the current year. The Group will review the effects of the standards on the financial statements, if any and will consider adoption when appropriate.

IFRS 9 - Financial Instruments

The new standard for financial instruments (IFRS 9) introduces extensive changes to IAS 39 regarding guidance on the classification and measurement of financial assets and introduces a new 'expected credit loss' model for the impairment of financial assets. IFRS 9 also provides new guidance on the application of hedge accounting.

The Group plans to adopt the new standard on the required effective date. The Group has performed a high-level impact assessment of all three aspects of IFRS 9. This preliminary assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to the Group in the future. Overall, the Group expects no significant impact on its balance sheet and equity except for the effect of applying the impairment requirements of IFRS 9. The Group expects a higher loss allowance resulting in a negative impact on equity and will perform a detailed assessment in the future to determine the extent.

IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018.

IFRS 15 - Revenue from Contracts with Customers

IFRS 15 presents new requirements for the recognition of revenue, replacing IAS 18 'Revenue', IAS 11 'Construction Contracts', and several revenue-related Interpretations. The new standard establishes a control-based revenue recognition model and provides additional guidance in many areas not covered in detail under existing IFRSs, including how to account for arrangements with multiple performance obligations, variable pricing, customer refund rights, supplier repurchase options, and other common complexities.

IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018. Management intends to adopt the Standard, recognising the cumulative effect of initially applying this Standard as an adjustment to the opening balance of retained earnings on the initial date of application. Under this method, IFRS 15 will only be applied to contracts that are incomplete as at 1 January 2018.

Management has started to assess the impact of IFRS 15 but is not yet in a position to provide quantified information.

2.3.21 New accounting standards and interpretations (Continued)

IFRS 16 - Leases

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

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

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

2.4 FIRST-TIME ADOPTION OF IFRS

These financial statements, for the year ended 31 March 2017, are the first the Group has prepared in accordance with IFRS. For periods up to and including the year ended 31 March 2015, the Group prepared its financial statements in accordance with South African generally accepted accounting principle (Local GAAP).

Accordingly, the Group has prepared financial statements that comply with IFRS applicable as at 31 March 2017, together with the comparative period data for the year ended 31 March 2017, as described in the summary of significant accounting policies. In preparing the financial statements, the Group's opening statement of the financial position was prepared as at 1 April 2015, the Group's date of transition to IFRS. This note explains the principal adjustments made by the Group in restating its Local GAAP financial statements, including the statement of financial position as at 1 April 2015 and the financial statements for the year ended 31 March 2017.

Exemptions applied

IFRS 1 allows first-time adopters certain exemptions from the retrospective application of certain requirements under IFRS.

The Group has applied the following exemptions:

IFRS 3 Business Combinations has not been applied to either acquisitions of subsidiaries that are considered businesses under IFRS, or acquisitions of interests in associates and joint ventures that occurred before 1 April 2015. Use of this exemption means that the SA GAAP carrying amounts of assets and liabilities, that are required to be recognised under IFRS, is their deemed cost at the date of the acquisition. After the date of the acquisition,

2.4 FIRST-TIME ADOPTION OF IFRS (Continued)

measurement is in accordance with IFRS. Assets and liabilities that do not qualify for recognition under IFRS are excluded from the opening IFRS statement of financial position. The Group did not recognise or exclude any previously recognised amounts as a result of IFRS recognition requirements.

IFRS 1 also requires that the SA GAAP carrying amount of goodwill must be used in the opening IFRS statement of financial position (apart from adjustments for goodwill impairment and recognition or derecognition of intangible assets). In accordance with IFRS 1, the Group has tested goodwill for impairment at the date of transition to IFRS. No goodwill impairment was deemed necessary at 1 April 2015.

Land has been measured at fair value at the date of transition to IFRS.

The Group has applied the transitional provision in IFRIC 4 Determining whether an Arrangement Contains a Lease and has assessed all arrangements based upon the conditions in place as at the date of transition.

The Group has applied the transitional provisions in IAS 23 Borrowing Costs and capitalises borrowing costs relating to all qualifying assets after the date of transition. Similarly, the Group has not restated for borrowing costs capitalised under SA GAAP on qualifying assets prior to the date of transition to IFRS.

Estimates

The estimates at 1 April 2015 and at 31 March 2016 are consistent with those made for the same dates in accordance with SA GAAP (after adjustments to reflect any differences in accounting policies).

The estimates used by the Group to present these amounts in accordance with IFRS reflect conditions at 1 April 2015, the date of transition to IFRS and as at 31 March 2017.

2.4 FIRST-TIME ADOPTION OF IFRS (Cont)

RECONCILIATION OF EQUITY AT 1 APRIL 2015 - GROUP

	Notes	SA GAAP R'000	Remeasurements R'000	IFRS R'000
ASSETS				
Non-current assets		**802 096**	**346 496**	**1 148 592**
Property, plant and equipment	B,C	364 955	342 903	707 858
Investment properties		9 173	-	9 173
Intangible assets	C	11 699	3 637	15 336
Available-for-sale investments		395 898	-	395 898
Deferred taxation	A	20 371	(44)	20 327
Current assets		**339 265**	-	**339 265**
Inventory		1 964	-	1 964
Trade and other receivables		137 194	-	137 194
Cash and cash equivalents		200 107	-	200 107
Total assets		**1 141 361**	**346 496**	**1 487 857**
EQUITY AND LIABILITIES				
Equity		**615 639**	**346 496**	**962 135**
General reserves		54 282	-	54 282
Other components of equity		66 834	-	66 834
Retained earnings	B	494 666	346 496	841 162
Reserves of a disposal group classified as held for sale		(143)	-	(143)
Non-current liabilities		**376 997**	**-**	**376 997**
Employment benefit obligations		102 027	-	102 027
Deferred income		274 970	-	274 970
Current liabilities		**148 582**	**-**	**148 582**
Deferred income		11 150	-	11 150
Trade and other payables		121 069	-	121 069
Employment benefit obligations		9 148	-	9 148
VAT payable		7 215	-	7 215
Liabilities directly associated with the assets held for sale		143	-	143
Total equity and liabilities		**1 141 361**	**346 496**	**1 487 857**

2.4 FIRST-TIME ADOPTION OF IFRS (Cont)

RECONCILIATION OF EQUITY AT 1 APRIL 2016 - GROUP

	Notes	SA GAAP R'000	Remeasure-ments R'000	IFRS R'000
ASSETS				
Non-current assets		**813 266**	**346 496**	**1 159 762**
Property, plant and equipment	B,C	366 421	343 362	709 783
Investment properties		8 803	-	8 803
Intangible assets	C	10 427	3 178	13 605
Available-for-sale investments		407 244	-	407 244
Deferred taxation	A	20 371	(44)	20 327
Current assets		303 648	-	303 648
Inventory		1 563	-	1 563
Trade and other receivables		139 310	-	139 310
Cash and cash equivalents		162 775	-	162 775
Total assets		**1 116 914**	**346 496**	**1 463 410**
EQUITY AND LIABILITIES				
Equity		**594 133**	**346 496**	**940 629**
General reserves		54 282	-	54 282
Other components of equity		22 973	-	22 973
Retained earnings	B	517 021	346 496	863 517
Reserves of a disposal group classified as held for sale		(143)	-	(143)
Non-current liabilities		**365 172**	**-**	**365 172**
Employment benefit obligations		101 263	-	101 263
Deferred income		263 909	-	263 909
Current liabilities		**157 466**	**-**	**157 466**
Deferred income		11 009	-	11 009
Trade and other payables		131 458	-	131 458
Employment benefit obligations		9 219	-	9 219
VAT payable		5 780	-	5 780
Liabilities directly associated with the assets held for sale		143	-	143
Total equity and liabilities		**1 116 914**	**346 496**	**1 463 410**

2.4 FIRST-TIME ADOPTION OF IFRS (Cont)

RECONCILIATION OF EQUITY AT 1 APRIL 2015 - SABS

	Notes	SA GAAP R'000	Remeasure-ments R'000	IFRS R'000
ASSETS				
Non-current assets		**704 034**	**346 380**	**1 050 414**
Property, plant and equipment	B,C	69 324	342 969	412 293
Investment properties		176 566	-	176 566
Intangible assets	C	986	3 411	4 397
Investments in subsidiaries		1	-	1
Available-for-sale investments		395 898	-	395 898
Loans to group companies		61 259	-	61 259
Current assets		**223 159**	**-**	**223 159**
Inventory		1 964	-	1 964
Trade and other receivables		21 171	-	21 171
Cash and cash equivalents		200 024	-	200 024
Total assets		**927 193**	**346 380**	**1 273 573**
EQUITY AND LIABILITIES				
Equity		**539 869**	**346 380**	**886 249**
Other capital reserves		54 282	-	54 282
Other components of equity		65 843	-	65 843
Retained earnings	B	419 744	346 380	766 124
Non-current liabilities		**317 896**	**-**	**317 896**
Employment benefit obligations		61 405	-	61 405
Deferred income		256 491	-	256 491
Current liabilities		**69 428**	**-**	**69 428**
Deferred income		5 797	-	5 797
Trade and other payables		54 705	-	54 705
Employment benefit obligations		6 294	-	6 294
VAT payable		2 632	-	2 632
Total equity and liabilities		**927 193**	**346 380**	**1 273 573**

2.4 FIRST-TIME ADOPTION OF IFRS (Cont)

RECONCILIATION OF EQUITY AT 1 APRIL 2016 - SABS

	Notes	SA GAAP R'000	Remeasure-ments R'000	IFRS R'000
ASSETS				
Non-current assets		**734 835**	**346 380**	**1 081 215**
Property, plant and equipment	B,C	86 572	343 202	429 774
Investment properties		169 617	-	169 617
Intangible assets	C	2 040	3 178	5 218
Investments in subsidiaries		1	-	1
Available-for-sale investments		407 244	-	407 244
Deferred taxation	A	-	-	-
Loans to group companies		69 361	-	69 361
Current assets		**184 554**	**-**	**184 554**
Inventory		1 563	-	1 563
Trade and other receivables		20 293	-	20 293
Cash and cash equivalents		162 698	-	162 698
Total assets		**919 389**	**346 380**	**1 265 769**
EQUITY AND LIABILITIES				
Equity		**534 107**	**346 380**	**880 487**
Other capital reserves		54 282	-	54 282
Other components of equity		19 927	-	366 307
Retained earnings	B	459 898	346 380	459 898
Non-current liabilities		**311 252**	**-**	**311 252**
Employment benefit obligations		60 434	-	60 434
Deferred income		250 818	-	250 818
Current liabilities		**74 030**	**-**	**74 030**
Deferred income		5 735	-	5 735
Trade and other payables		58 173	-	58 173
Employment benefit obligations		6 354	-	6 354
VAT payable		3 768	-	3 768
Total equity and liabilities		**919 389**	**346 380**	**1 265 769**

2.4 FIRST-TIME ADOPTION OF IFRS (Cont)

RECONCILIATION OF TOTAL COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2015 - GROUP

	SA GAAP R'000	Remeasure-ments R'000	IFRS R'000
Continuing operations			
Revenue	557 331	-	557 331
Other income	35 135	-	35 135
Government grants	193 050	-	193 050
	785 516	-	785 516
Other operating expenditure	(775 507)	-	(775 507)
Employee benefit expenditure	(471 840)	-	(471 840)
Depreciation	(39 208)	-	(39 208)
Contract services	(53 448)	-	(53 448)
Travel expenditure	(38 041)	-	(38 041)
Advertising expenditure	(12 240)	-	(12 240)
Repairs and maintenance expenditure	(10 444)	-	(10 444)
Consulting and technical fees	(21 165)	-	(21 165)
Other expenditure	(129 121)	-	(129 121)
Operating profit	10 009	-	10 009
Interest received	22 797	-	22 797
Interest paid	(113)	-	(113)
Profit before taxation	**32 693**	**-**	**32 693**
Taxation	(488)	-	(488)
Profit for the year	**32 205**	**-**	**32 205**
Discontinued operations	**-**	**-**	**-**
Profit/(loss) after tax for the year from discontinued operations	-	-	-
Profit for the year	**32 205**	**-**	**32 205**
Other comprehensive income			
Net gains on available-for-sale financial assets	18 866	-	18 866
Net gains on post-retirement medical aid	3 191	-	3 191
Gains on post-retirement medical aid	3 669	-	3 669
Income tax effect on gains on post-retirement medical aid	(478)	-	(478)
Total comprehensive income for the year, net of tax	**54 262**	**-**	**54 262**

2.4 FIRST-TIME ADOPTION OF IFRS (Cont)

RECONCILIATION OF TOTAL COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2015 - SABS

	SA GAAP R'000	Remeasure-ments R'000	IFRS R'000
Continuing operations			
Revenue	88 138	-	88 138
Other income	116 975	-	116 975
Government grants	193 051	-	193 051
	398 164	-	398 164
Other operating expenditure	**(394 344)**	-	**(394 344)**
Employee benefit expenditure	(196 421)	-	(196 421)
Depreciation	(11 475)	-	(11 475)
Contract services	(34 981)	-	(34 981)
Travel expenditure	(8 250)	-	(8 250)
Advertising expenditure	(6 890)	-	(6 890)
Repairs and maintenance expenditure	(5 622)	-	(5 622)
Consulting and technical fees	(6 939)	-	(6 939)
Other expenditure	(123 766)	-	(123 766)
Operating profit	3 820	-	3 820
Interest received	22 797	-	22 797
Interest paid	(52)	-	(52)
Profit before taxation	**26 565**	**-**	**26 565**
Taxation	-	-	-
Profit for the year	**26 565**	**-**	**26 565**
Discontinued operations	**-**	**-**	**-**
Profit/(loss) after tax for the year from discontinued operations	-	-	-
Profit for the year	**26 565**	**-**	**26 565**
Other comprehensive income			
Net gains on available-for-sale financial assets	18 866	-	18 866
Net gains on post-retirement medical aid	1 963	-	1 963
Gains on post-retirement medical aid	1 963	-	1 963
Income tax effect on gains on post-retirement medical aid	-	-	-
Total comprehensive income for the year, net of tax	**47 394**	**-**	**47 394**

2.4 FIRST-TIME ADOPTION OF IFRS (Continued)

Notes to the reconciliation of equity as at 1 April 2015 and 31 March 2017 and total comprehensive income for the year ended 31 March 2017.

A Deferred tax

The various transitional adjustments lead to different temporary differences. According to the accounting policies in Note 2.3, the Group has to account for such differences. Deferred tax adjustments are recognised in correlation to the underlying transaction either in retained earnings or a separate component of equity.

B Property, plant and equipment

The Group has elected to measure certain items of property, plant and equipment at fair value at the date of transition to IFRS and to use these fair values as the deemed cost as at 1 April 2015. At the date of transition to IFRS, an increase of R346,5 million (31 March 2016: R346,5 million) was recognised in property, plant and equipment for the Group and R346,4 million (31 March 2016: R346,4 million) for SABS. All land within the Group were fair valued. The carrying values of the individual items of land to which the exemption was applied have been adjusted. The land was revalued by independent valuators. This amount has been recognised in retained earnings.

The Group reclassified items in its work-in-progress account that related to computer software to intangible assets work-in-progress. The reclassification resulted in a decrease in property, plant and equipment of R3,6 million as at 1 April 2015 and R3,2 million as at 31 March 2016 for the Group and R3,4 million as at 1 April 2015 and R3,2 million as at 31 March 2016 for SABS. The assets were not yet ready for use which had no impact on the useful lives or amortisation calculations.

C Intangible assets

The Group reclassified items in its work-in-progress account that related to computer software to intangible assets work-in-progress. The reclassification resulted in a increase in intangible assets of R3,6 million as at 1 April 2015 and R3,2 million as at 31 March 2016 for the Group and R3,4 million as at 1 April 2015 and R3,2 million as at 31 March 2016 for SABS. The assets were not yet ready for use which had no impact on the useful lives or amortisation calculations.

D Statement of cash flows

The transition from SA GAAP to IFRS has no impact on the statement of cash flows.

3. Significant accounting judgements, estimates and assumptions

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of asset or liability affected in future periods.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Operating lease commitments — group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a substantial portion of the economic life of the commercial property and the present value of the minimum lease payments not amounting to substantially all of the fair value of the commercial property, that it retains all the significant risks and rewards of ownership of these properties and accounts for the contracts as operating leases.

2.4 FIRST-TIME ADOPTION OF IFRS (Continued)

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Revaluation of property, plant and equipment and investment properties

The Group carries its investment properties at cost. In addition, property, plant and equipment are stated at cost or deemed cost less accumulated depreciation and accumulated impairment losses. The Group engaged independent valuation specialists to assess the fair value of its land as at 31 March 2017. Land was valued by reference to market-based evidence, using comparable prices adjusted for specific market factors such as nature, location and condition of the property.

The key assumptions used to determine the fair value of the property, plant and equipment and the investment properties are further explained in Note 11 and 12.

Impairment of non-financial assets

An impairment exists when the carrying value of an asset or cash generating unit (CGU) exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow (DCF) model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is most sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. The key assumptions used to determine the recoverable amount for the different CGUs, including a sensitivity analysis, are disclosed and further explained in Note 16.

Taxes

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies.

The Group has R85,9 million (2016: R51,6 million, 1 April 2015: R32,5 million) of tax losses carried forward.

Defined benefit plans (pension benefits)

The cost of defined benefit pension plans and other post-employment medical benefits and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions which may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

2.4 FIRST-TIME ADOPTION OF IFRS (Continued)

The parameter most subject to change is the discount rate. In determining the appropriate discount rate, management considers the interest rates of corporate bonds in currencies consistent with the currencies of the post-employment benefit obligation with at least an 'AA' rating or above, as set by an internationally acknowledged rating agency, and extrapolated as needed along the yield curve to correspond with the expected term of the defined benefit obligation. The underlying bonds are further reviewed for quality. Those having excessive credit spreads are removed from the analysis of bonds on which the discount rate is based, on the basis that they do not represent high quality bonds.

The mortality rate is based on publicly available mortality tables for the specific countries. Those mortality tables tend to change only at intervals in response to demographic changes. Future salary increases and pension increases are based on expected future inflation rates for the respective countries.

Further details about pension obligations are provided in Note 23.

Fair value measurement of financial instruments

When the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is determined using valuation techniques including the DCF model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. The judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments. Refer to Note 29.

	GROUP		SABS	
	2017 R'000	2016 R'000	2017 R'000	(restated) 2016 R'000
3. REVENUE				
Revenue comprises income from services provided for the sales of standards, certification of products and systems and testing and inspection of products for compliance with standards and training.				
Revenue comprises:				
Investigations, tests and services and training	186 352	179 443	-	-
Product and system certification	277 753	304 452	-	-
Sale of standards	29 547	39 741	29 547	39 741
Design Institute services	7 240	21 014	7 240	21 014
Intercompany sale of standards	-	-	2 231	1 087
	500 892	544 650	39 018	61 842
4. OTHER INCOME				
Includes :				
Bad debts recovered	399	174	-	-
Corporate services	-	-	24 112	20 328
Deferred income in respect of government grants recognised during the year for plant and equipment	8 016	11 202	5 733	5 735
Dividends received from investment portfolio	4 334	5 945	4 334	5 945
Foreign exchange gains	1 086	4 508	189	421
Realised gains on available-for-sale investments	19 609	41 397	19 609	41 397
Rental income from investment property	13 749	10 787	13 749	10 787
Rentals in respect of operating leases (minimum lease payments)	-	-	62 533	56 510
Land and buildings	-	-	38 840	38 590
Equipment	-	-	23 693	17 920
Royalties received	-	-	9 277	9 663
5. EMPLOYEE BENEFIT EXPENDITURE				
Salaries and wages	441 593	419 251	177 655	165 897
Medical aid and other employment benefits	36 150	33 226	12 254	11 147
Pension contributions	31 080	30 273	12 821	11 895
Board emoluments (note 30.6)	5 625	5 000	5 480	4 846
	514 448	487 750	208 210	193 785
Post-employment healthcare benefits (note 23)	8 491	9 003	5 480	6 145
Long service leave benefits (note 23)	2 475	3 685	359	1 368
	525 414	500 438	214 049	201 298

6. OTHER EXPENDITURE

	GROUP		SABS	
	2017 R'000	2016 R'000	2017 R'000	2016 R'000
Includes:				
Amortisation of intangible assets (note 13)	3 380	7 428	834	889
Audit fees - current year	3 264	3 030	2 292	2 162
Bad debts	7 620	20 023	(335)	10 459
- Bad debts written-off	461	2 809	7	31
- Impairment of receivables/(reversal of impairment)	7 159	17 214	(342)	10 428
Computer software and license fees	8 596	7 347	8 505	7 234
Consumables	20 392	27 347	3 271	9 716
Depreciation on investment properties (note 12)	433	433	7 020	7 031
Direct operating expenses relating to investment properties that:				
- Generated rental income	14 286	13 465	28 947	26 054
- Did not generate rental income	2 037	2 038	7 910	7 463
Insurance	2 292	2 468	2 290	2 420
Legal costs	3 935	4 271	3 935	3 623
Loss on disposal of property, plant and equipment	281	289	221	90
Membership fees	5 455	4 279	4 772	3 719
Municipal services	47 651	41 938	45 904	40 509
Postal services	2 640	2 364	476	395
Foreign exchange losses	6 179	1 673	411	-
Rentals in respect of operating leases (minimum lease payments)	7 513	7 486	948	983
- Land and buildings	4 399	4 371	-	-
- Equipment	3 114	3 115	948	983
Training	2 237	2 377	1 730	1 555

	GROUP		SABS	
	2017 R'000	2016 R'000	2017 R'000	2016 R'000
7. INTEREST RECEIVED				
Bank balances	804	864	801	863
Money market investments, short-term deposits and available-for-sale investments	29 383	24 717	29 383	24 717
	30 187	25 581	30 184	25 580
8. INTEREST PAID				
Interest on banking facilities and late payments	43	207	35	198
SARS reversal of interest	-	(54)	-	(31)
	43	153	35	167
9. TAXATION				
Deferred taxation - current year	-	-	-	-
	-	-	-	-
The charge for the year can be reconciled to the (loss)/profit per the statement of profit and loss as follows:				
(Loss)/profit before taxation	(44 388)	22 355	18 101	40 154
Accounting profit before income tax	(44 388)	22 355	18 101	40 154
Taxation at 28%	(12 429)	6 259	5 068	11 243
Non-taxable/non-deductible differences				
Exempt income and expenses	(5 708)	(12 773)	(5 068)	(11 243)
Non-deductible expenditure	-	(84)	-	-
Unrecognised deferred tax portion	18 137	6 598	-	-
Taxation	-	-	-	-
Deferred tax expense recognised directly in other comprehensive income	518	-	-	-

Exempt income and expenses relate to the deferred income on government related grants and the expenditure incurred on earmarked projects. SABS has been exempted from income tax of the provisions of section 10(1)(cA)(I) of the Income Tax Act.

10. DISCONTINUED OPERATIONS

The shareholder benchmarked the regulatory systems with others globally and it was evident that the practice of having a standards body as a regulatory body is not optimal or advantageous. After careful consideration of the practice, the benchmarking results and public input the shareholder decided that the Regulatory Division should be a separate agency reporting to the Department of Trade and Industry. The NRCS Specifications Act and the new Standards Act, No. 8 of 2008, were signed by the President in July 2008. The effective date was 1 September 2008.

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

	GROUP		SABS	
	2017 R'000	2016 R'000	2017 R'000	2016 R'000
Liabilities				
Trade and other payables	94	94	-	-
Intercompany loans	49	49	-	-
Liabilities of disposal group classified as held for sale	143	143	-	-
Net liabilities directly associated with assets classified as held for sale	(143)	(143)	-	-
Reserves	(143)	(143)	-	-
Reserve of disposal group classified as held for sale	(143)	(143)	-	-

(N$1 equal R1)

11. PROPERTY, PLANT AND EQUIPMENT

GROUP

	Land R'000	Buildings R'000	Laboratory equipment R'000	Furniture and office equipment R'000	Vehicles R'000	Artwork R'000	Capital work-in-progress R'000	Total R'000
2017								
Opening carrying value	350 844	198 027	83 071	20 324	490	934	56 093	709 783
Cost	350 844	283 171	238 693	101 276	1 138	1 016	56 093	1 032 231
Accumulated depreciation	-	(85 144)	(155 622)	(80 952)	(648)	(82)	-	(322 448)
Additions	-	-	-	-	-	-	42 459	42 459
Work-in-progress transfers	-	3 790	19 997	7 093	-	-	(30 880)	-
Work-in-progress expensed	-	-	-	-	-	-	(1 876)	(1 876)
Disposals	(144)	(12)	(34)	(95)	-	-	-	(285)
Depreciation	-	(9 132)	(16 986)	(8 484)	(142)	(40)	-	(34 784)
Closing carrying value	**350 700**	**192 673**	**86 048**	**18 838**	**348**	**894**	**65 796**	**715 297**
Cost	350 700	286 419	251 715	102 589	1 138	1 016	65 796	1 059 373
Accumulated depreciation	-	(93 746)	(165 667)	(83 751)	(790)	(122)	-	(344 076)
2016								
Opening carrying value	350 844	204 737	91 440	25 986	642	974	33 235	707 858
Cost	350 844	280 292	228 847	99 033	1 138	1 004	33 235	994 393
Accumulated depreciation	-	(75 555)	(137 407)	(73 047)	(496)	(30)	-	(286 535)
Additions	-	-	-	-	-	-	46 543	46 543
Work-in-progress transfers	-	3 026	10 707	9 094	-	-	(22 827)	-
Category transfers	-	(72)	(53)	125	-	-	-	-
Assets transferred to investment properties	-	-	-	-	-	-	(63)	(63)
Work-in-progress expensed	-	-	-	-	-	-	(795)	(795)
Disposals	-	(13)	(145)	(131)	-	-	-	(289)
Depreciation	-	(9 651)	(18 878)	(14 750)	(152)	(40)	-	(43 471)
Closing carrying value	**350 844**	**198 027**	**83 071**	**20 324**	**490**	**934**	**56 093**	**709 783**
Cost	350 844	283 171	238 693	101 276	1 138	1 016	56 093	1 032 231
Accumulated depreciation	-	(85 144)	(155 622)	(80 952)	(648)	(82)	-	(322 448)

11. PROPERTY, PLANT AND EQUIPMENT (Cont)

	Land R'000	Buildings R'000	Laboratory equipment R'000	Furniture and office equipment R'000	Vehicles R'000	Artwork R'000	Capital work-in-progress R'000	Total R'000
GROUP								
2015								
Opening carrying value	4 304	211 485	78 769	32 089	734	6	18 085	345 472
Cost	4 304	278 291	200 573	100 288	1 075	6	18 085	602 622
Accumulated depreciation	-	(66 806)	(121 804)	(68 199)	(341)	-	-	(257 150)
Additions	-	-	-	-	63	-	56 922	56 985
Fair value adjustment on land	346 540	-	-	-	-	-	-	346 540
Work-in-progress transfers	-	2 390	30 399	6 493	-	1 000	(40 282)	-
Category transfers	-	13	(7)	(6)	-	-	-	-
Work-in-progress expensed	-	-	-	-	-	-	(1 490)	(1 490)
Disposals	-	(42)	(247)	(150)	-	(2)	-	(441)
Depreciation	-	(9 109)	(17 474)	(12 440)	(155)	(30)	-	(39 208)
Closing carrying value	**350 844**	**204 737**	**91 440**	**25 986**	**642**	**974**	**33 235**	**707 858**
Cost	350 844	280 292	228 847	99 033	1 138	1 004	33 235	994 393
Accumulated depreciation	-	(75 555)	(137 407)	(73 047)	(496)	(30)	-	(286 535)
SABS								
2017								
Opening carrying value	349 623	23 760	1 158	13 696	-	930	40 607	429 774
Cost	349 623	44 999	4 392	79 468	-	1 000	40 607	520 089
Accumulated depreciation	-	(21 239)	(3 234)	(65 772)	-	(70)	-	(90 315)
Additions	-	-	-	-	-	-	22 820	22 820
Work-in-progress transfers	-	3 017	1 666	4 627	-	-	(9 310)	-
Assets transferred to subsidiary *	221	(77)	-	(107)	-	-	(1 008)	(971)
Work-in-progress expensed	-	-	-	-	-	-	(464)	(464)
Disposals	(144)	(12)	-	(65)	-	-	-	(221)
Depreciation	-	(1 882)	(312)	(6 027)	-	(40)	-	(8 261)
Closing carrying value	**349 700**	**24 806**	**2 512**	**12 124**	-	**890**	**52 645**	**442 677**
Cost	349 700	47 441	6 041	81 334	-	1 000	52 645	538 161
Accumulated depreciation	-	(22 635)	(3 529)	(69 210)	-	(110)	-	(95 484)

11. PROPERTY, PLANT AND EQUIPMENT (Cont)

SABS

2016

	Land R'000	Buildings R'000	Laboratory equipment R'000	Furniture and office equipment R'000	Vehicles R'000	Artwork R'000	Capital work-in-progress R'000	Total R'000
Opening carrying value	349 623	23 334	1 304	17 958	-	970	19 104	412 293
Cost	349 623	42 348	4 335	78 741	-	1 000	19 104	495 151
Accumulated depreciation	-	(19 014)	(3 031)	(60 783)	-	(30)	-	(82 858)
Additions	-	-	-	-	-	34 352	32 642	66 994
Work-in-progress transfers	-	2 838	90	6 051	-	-	(8 979)	-
Work-in-progress expensed	-	-	-	-	-	-	(410)	(410)
Assets transferred to investment properties	-	(19)	-	-	-	-	(63)	(82)
Assets transferred to subsidiary *	-	(84)	6	215	-	-	(1 687)	(1 550)
Disposals	-	-	-	(67)	-	-	-	(67)
Depreciation	-	(2 309)	(242)	(10 461)	-	(40)	-	(13 052)
Closing carrying value	**349 623**	**23 760**	**1 158**	**13 696**	**-**	**930**	**40 607**	**429 774**
Cost	349 623	44 999	4 392	79 468	-	1 000	40 607	520 089
Accumulated depreciation	-	(21 239)	(3 234)	(65 772)	-	(70)	-	(90 315)

SABS

2015

	Land R'000	Buildings R'000	Laboratory equipment R'000	Furniture and office equipment R'000	Vehicles R'000	Artwork R'000	Capital work-in-progress R'000	Total R'000
Opening carrying value	3 243	24 317	887	23 381	-	-	11 199	63 027
Cost	3 243	41 812	3 330	81 040	-	-	11 199	140 624
Accumulated depreciation	-	(17 495)	(2 443)	(57 659)	-	-	-	(77 597)
Additions	-	-	-	-	-	-	15 214	15 214
Fair value adjustment on land	346 380	-	-	-	-	-	-	346 380
Work-in-progress transfers	-	1 535	163	4 003	-	1 000	(6 701)	-
Work-in-progress expensed	-	-	-	-	-	-	(52)	(52)
Assets transferred to investment properties	-	(1 325)	-	-	-	-	-	(1 325)
Assets transferred to subsidiary *	-	638	682	(127)	-	-	(556)	637
Disposals	-	(12)	-	(101)	-	-	-	(113)
Depreciation	-	(1 819)	(428)	(9 198)	-	(30)	-	(11 475)
Closing carrying value	**349 623**	**23 334**	**1 304**	**17 958**	**-**	**970**	**19 104**	**412 293**
Cost	349 623	42 348	4 335	78 741	-	1 000	19 104	495 151
Accumulated depreciation	-	(19 014)	(3 031)	(60 783)	-	(30)	-	(82 858)

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

11. PROPERTY, PLANT AND EQUIPMENT (Cont.)

Capital work in progress for the Group includes R13,1 million for new laboratory equipment (including the Thermal test chamber of R9,0 million), R50,0 million for infrastructure, refurbishment projects and security equipment and upgrades and R2,7 million for ICT equipment.

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

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

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

	GROUP			SABS		
	2017 R'000	**2016 R'000**	**2015 R'000**	**2017 R'000**	**2016 R'000**	**2015 R'000**
12. INVESTMENT PROPERTIES						
Opening carrying value	**8 803**	9 173	9 604	**169 617**	176 566	182 335
Cost	**13 731**	13 667	13 667	**231 313**	231 231	229 911
Accumulated depreciation	**(4 928)**	(4 494)	(4 063)	**(61 696)**	(54 665)	(47 576)
Reclassification of buildings to investment properties	**-**	-	-	**-**	19	1 325
Work-in-progress transfers	**-**	63	-	**-**	63	-
Depreciation	**(433)**	(433)	(431)	**(7 020)**	(7 031)	(7 094)
Closing carrying value	**8 370**	**8 803**	**9 173**	**162 597**	**169 617**	**176 566**
Cost	**13 731**	13 731	13 667	**231 301**	231 313	231 231
Accumulated depreciation	**(5 361)**	(4 928)	(4 494)	**(68 704)**	(61 696)	(54 665)

Investment properties and significant components thereof are stated at the costs thereof. At the reporting date, all the investment properties were assessed by an independent values with a current market value of R53,3 million for the Group and R511,3 million for SABS. (2016: Management assessment based on insurance values of the investment properties R25,2 million for the Group and R1,3 billion for SABS)

Investment properties for SABS consist of :

- A property in East London, Cape Town, Durban, one building in Secunda and Netfa
- All the buildings on the Groenkloof Campus except for the administration building Block A
  Investment properties for the Group consist of :
  - Buildings N, R and Z including the parking located on the Groenkloof Campus

13. INTANGIBLE ASSETS

	GROUP			SABS		
	Computer software R'000	Capital work-in-progress R'000	Total R'000	Computer software R'000	Capital work-in-progress R'000	Total R'000
2017						
Opening carrying value	10 427	3 178	13 605	2 040	3 178	5 218
Cost	68 693	3 178	71 871	39 221	3 178	42 399
Accumulated amortisation	(58 266)	-	(58 266)	(37 181)	-	(37 181)
Work-in-progress transfers	997	(997)	-	997	(997)	-
Additions	273	-	273	74	-	74
Amortisation	(3 380)	-	(3 380)	(834)	-	(834)
Closing carrying value	**8 317**	**2 181**	**10 498**	**2 277**	**2 181**	**4 458**
Cost	69 963	2 181	72 144	40 291	2 181	42 472
Accumulated amortisation	(61 646)	-	(61 646)	(38 014)	-	(38 014)
2016						
Opening carrying value	11 699	3 637	15 336	986	3 411	4 397
Cost	63 943	3 637	67 580	37 474	3 411	40 885
Accumulated amortisation	(52 244)	-	(52 244)	(36 488)	-	(36 488)
Work-in-progress transfers	459	(459)	-	233	(233)	-
Additions	5 697	-	5 697	1 710	-	1 710
Amortisation	(7 428)	-	(7 428)	(889)	-	(889)
Closing carrying value	**10 427**	**3 178**	**13 605**	**2 040**	**3 178**	**5 218**
Cost	68 693	3 178	71 871	39 221	3 178	42 399
Accumulated amortisation	(58 266)	-	(58 266)	(37 181)	-	(37 181)
2015						
Opening carrying value	14 834	-	14 834	590	-	590
Cost	61 299	-	61 299	38 891	-	38 891
Accumulated amortisation	(46 465)	-	(46 465)	(38 301)	-	(38 301)
Work-in-progress transfers	(3 637)	3 637	-	(3 411)	3 411	-
Additions	8 804	-	8 804	4 485	-	4 485
Amortisation	(8 302)	-	(8 302)	(678)	-	(678)
Closing carrying value	**11 699**	**3 637**	**15 336**	**986**	**3 411**	**4 397**
Cost	63 943	3 637	67 580	37 474	3 411	40 885
Accumulated amortisation	(52 244)	-	(52 244)	(36 488)	-	(36 488)

14. AVAILABLE-FOR-SALE- INVESTMENT IN SUBSIDIARIES

The entity's principal subsidiary is:

		SABS		
		2017	2016	2015
		R'000	R'000	R'000
Name	**Ownership**			
SABS Commercial SOC Ltd	100%			
Opening balance		**1**	1	1
Remeasurement of fair value		**65 661**	-	-
		65 662	1	1
Subordinated shareholder loan				
Opening balance		**65 661**	65 661	65 661
Decrease in subordinated shareholder loan		**(65 661)**	-	-
Closing balance		**-**	**65 661**	**65 661**

The subordinated shareholders loan was converted into share capital on 29 March 2017. The Group results and position comprise of SABS, SABS Commercial SOC Ltd and GCS Namibia (Pty) Ltd. Separate financial statements are available for each subsidiary company.

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

	SABS		
	2017	2016	2015
	R'000	R'000	R'000
Revenue	**464 105**	483 895	516 196
Other income	**3 348**	10 067	9 262
Expenditure	**(529 939)**	(511 778)	(519 267)
Operating (loss)/profit	**(62 486)**	(17 816)	6 191
Net finance cost	**(5)**	14	(61)
Taxation	**-**	-	(488)
(Loss)/profit for the year	**(62 491)**	**(17 802)**	**5 642**

	GROUP			SABS		
	2017 R'000	2016 R'000	2015 R'000	2017 R'000	2016 R'000	2015 R'000
15. AVAILABLE-FOR-SALE INVESTMENTS						
Opening balance	407 244	395 898	305 054	407 244	395 898	305 054
Additions (net of costs)	124 225	298 792	71 978	124 225	298 792	71 978
Disposals	(103 000)	(280 670)	-	(103 000)	(280 670)	-
(Losses)/profit on investments transferred to equity (Refer to note 22)	(1 131)	(6 776)	18 866	(1 131)	(6 776)	18 866
Non-current portion	427 338	407 244	395 898	427 338	407 244	395 898
Available-for-sale investments comprises:						
Equities and other	427 338	407 244	395 898	427 338	407 244	395 898
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.						
16. DEFERRED TAXATION						
Accelerated wear and tear for tax purposes on property, plant and equipment	(11 397)	(9 974)	(9 917)	-	-	-
Intangible assets	(849)	(148)	(155)	-	-	-
Assessed losses	24 039	14 865	9 087	-	-	-
Other deductible temporary differences	32 800	22 183	21 312	-	-	-
Employee related provisions	22 360	17 102	16 505	-	-	-
Doubtful debts allowance	4 391	2 731	1 306	-	-	-
Income received in advance	6 220	2 542	3 910	-	-	-
Other	(171)	(192)	(409)	-	-	-
Unrecognised portion of deferred tax asset	(24 784)	(6 598)	-	-	-	-
Deferred tax asset	19 809	20 327	20 327	-	-	-
The movement for the year in the Group's deferred tax positions was as follows:						
Opening balance	20 327	20 327	20 371	-	-	-
Temporary differences on property, plant and equipment	(1 423)	(58)	5 779	-	-	-
Temporary differences on intangible assets	(701)	7	(57)	-	-	-
Temporary differences on employee related provisions	4 684	596	7	-	-	-
Temporary differences on tax losses	9 594	5 779	596	-	-	-
Reversing temporary differences on other deductible temporary differences	(12 672)	(6 324)	(6 369)	-	-	-
Closing balance	19 809	20 327	20 327	-	-	-

	GROUP			SABS		
	2017 R'000	2016 R'000	2015 R'000	2017 R'000	2016 R'000	2015 R'000
16. DEFERRED TAXATION (Cont)						
Balance at the beginning of the year	20 327	20 327	20 371	-	-	-
Current year charge	(518)	-	(44)	-	-	-
- per the statement of profit and loss	-	-	-	-	-	-
- per the statement of comprehensive income	(518)	-	(44)	-	-	-
Closing balance	19 809	20 327	20 327	-	-	-
Reflected in the statement of financial position as follows:						
Deferred tax assets	19 809	20 327	20 327	-	-	-
Deferred tax liabilities	-	-	-	-	-	-
Deferred tax asset	19 809	20 327	20 327	-	-	-

At the reporting date the group had unutilised tax losses of R85,9 million (2016: R51,6 million) available for offset against future taxable profits.

	SABS		
	2017 R'000	2016 R'000	2015 R'000
17. LOANS TO GROUP COMPANIES			
GCS Namibia (Pty) Ltd	49	49	49
SABS Commercial SOC Ltd	109 639	69 312	61 210
Closing balance	109 687	69 361	61 259
Loans to SABS Commercial SOC Ltd			
Opening balance	69 312	61 210	35 495
Increase in loan by SABS Commercial SOC Ltd	40 327	8 102	25 715
Closing balance	109 639	69 312	61 210

The interest on the loan is rated by mutual agreement and the loan is repayable 367 days after demand, but no later than 31 March 2050. SABS Commercial SOC Ltd was a subsidiary throughout the year and was directly held. GCS Namibia (Pty) Ltd is registered in Namibia. The holding company's interest in (loss)/profit after tax earned by SABS Commercial SOC Ltd is:

	SABS		
	Loss 2017 R'000	Loss 2016 R'000	Profit 2015 R'000
SABS Commercial SOC Ltd	(62 491)	(17 801)	5 643
	(62 491)	(17 801)	5 643

	GROUP			SABS		
	2017 R'000	2016 R'000	2015 R'000	2017 R'000	2016 R'000	2015 R'000
18. INVENTORY						
Consumable stores	**1 671**	1 619	2 009	**1 671**	1 619	2 009
Obsolete stock written-off	**(31)**	(56)	(45)	**(31)**	(56)	(45)
	1 640	1 563	1 964	**1 640**	1 563	1 964
19. TRADE AND OTHER RECEIVABLES						
Trade receivables	**169 143**	157 289	138 906	**19 139**	26 622	18 867
Less: Impairment of trade and other receivables	**(30 526)**	(23 367)	(6 153)	**(10 225)**	(10 567)	(139)
	138 617	133 922	132 753	**8 914**	16 055	18 728
Other receivables	**8 550**	5 388	4 441	**6 778**	4 238	2 443
Straightlining of operating leases	**-**	57	677	**-**	-	-
Deposits and payments in advance	**7 491**	4 465	2 689	**6 539**	3 996	2 066
Employee related debtors	**1 059**	866	1 075	**239**	242	377
	147 167	139 310	137 194	**15 692**	20 293	21 171

The impairment of debtors has been determined by reference to past default experience and the current economic environment. Affected trade receivables are discounted at an effective rate of 7% (2016: 10.50%). 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
Impairment of trade and other receivables:	R'000	R'000
As at 31 March 2015	(6 153)	(139)
Utilised during the year	3 072	4
Raised during the year	(20 286)	(10 432)
As at 31 March 2016	(23 367)	(10 567)
Utilised during the year	405	8
Raised during the year	(7 564)	334
As at 31 March 2017	**(30 526)**	**(10 225)**

19. TRADE AND OTHER RECEIVABLES (Cont)

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

- All legal collections and avenues have been exhausted
- Customer in liquidation/de-registration or with an adverse credit rating
- Judgement awarded in favour of the Company
- Uneconomical to initiate legal action or to continue legal pursuit
- Prescribed invoices
- Expired certification balances
- Customers with a history of judgement against them or a returned cheque history
- Inability to pursue foreign customer 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							
2017							
Carrying value (R'000)		**147 167**	**38 282**	**16 837**	**11 777**	**6 767**	**73 504**
	%	**100%**	**26%**	**11%**	**8%**	**5%**	**50%**
Impairment (R'000)		**30 526**	**626**	**556**	**1 820**	**285**	**27 239**
	%	**100%**	**2%**	**2%**	**6%**	**1%**	**89%**
2016							
Carrying value (R'000)		139 310	47 080	24 322	17 698	1 354	48 856
	%	100%	34%	17%	13%	1%	35%
Impairment (R'000)		23 367	823	684	1 184	120	20 556
	%	100%	4%	3%	5%	1%	88%
2015							
Carrying value (R'000)		137 194	65 153	24 483	12 417	4 230	30 911
	%	100%	47%	18%	9%	3%	23%
Impairment (R'000)		6 153	1 106	761	522	320	3 444
	%	100%	18%	12%	8%	5%	56%

19. TRADE AND OTHER RECEIVABLES (Cont)

		Total	Not past due	Past due > 30 days	> 60 days	> 90 days	> 120 days
SABS							
2017							
Carrying value (R'000)		**15 692**	**3 353**	**2 519**	**18**	**434**	**9 368**
	%	**100%**	**21%**	**16%**	**-**	**3%**	**60%**
Impairment (R'000)		**10 225**	**37**	**12**	**6**	**4**	**10 166**
	%	**100%**	**-**	**-**	**-**	**-**	**100%**
2016							
Carrying value (R'000)		20 293	15 226	893	251	294	3 629
	%	100%	75%	4%	1%	-	18%
Impairment (R'000)		10 567	8	33	3	12	10 511
	%	100%	-	-	-	-	100%
2015							
Carrying value (R'000)		21 171	16 609	3 904	375	99	184
	%	100%	78%	18%	2%	-	1%
Impairment (R'000)		139	3	24	1	4	107
	%	100%	2%	17%	1%	3%	77%

20. CASH AND CASH EQUIVALENTS

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

	GROUP 2017 R'000	GROUP 2016 R'000	GROUP 2015 R'000	SABS 2017 R'000	SABS 2016 R'000	SABS 2015 R'000
Bank balances	**17 580**	15 031	16 717	**17 563**	15 014	16 700
Short-term deposits	**57 539**	96 273	137 828	**57 539**	96 273	137 828
Money Market investments	**16 799**	51 446	45 537	**16 748**	51 396	45 487
Cash on hand	**25**	26	25	**16**	16	9
Net cash and cash equivalents used in the statement of cash flows	**91 943**	162 775	200 106	**91 866**	162 698	200 023

The Group has cash management facilities, resulting in all bank balances being swept daily into the account held by SABS. Short-term deposits are made for varying periods between one day and three months, depending on the immediate operational cash requirements of the Group, and earn interest and the respective short-term deposit dates.The funds are available on demand and there are no restrictions placed on the funds.

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

The carrying value of cash and cash equivalents approximates fair value due to the short-term maturity of these instruments. The effective interest rate of money market instruments is 6.99% as at 31 March 2017 (2016: 7.21%).

	GROUP			SABS		
	2017 R'000	2016 R'000	2015 R'000	2017 R'000	2016 R'000	2015 R'000
21. GENERAL RESERVE						
Ministerial approval has been granted to build up a general reserve to a maximum of 50% of one year's operational expenses, to provide for aspects such as replacement of assets and other contingencies. No funds have been transferred to the reserve during the year under as it was not required.						
Opening balance	**54 282**	54 282	54 282	**54 282**	54 282	54 282
Amount transferred to general reserve	**-**	-	-	**-**	-	-
Closing balance	**54 282**	54 282	54 282	**54 282**	54 282	54 282
22. OTHER COMPONENTS OF EQUITY						
Available-for-sale reserve						
Opening balance	**15 002**	63 175	44 309	**15 002**	63 175	44 309
Movements during year	**(20 740)**	(48 173)	18 866	**44 921**	(48 173)	18 866
Gains on investments realised in statement of profit and loss (note 4)	**(19 609)**	(41 397)	-	**(19 609)**	(41 397)	-
(Losses)/gains on revaluation of available-for-sale investments (note 15)	**(1 131)**	(6 776)	18 866	**(1 131)**	(6 776)	18 866
Fair value remeasurement of investment in subsidiaries (note 14)	**-**	-	-	**65 661**	-	-
	(5 738)	15 002	63 175	**59 923**	15 002	63 175
Employee benefits						
Opening balance	**7 971**	3 659	(10)	**4 925**	2 668	705
Movements during the year	**(304)**	4 312	3 669	**(1 637)**	2 257	1 963
Remeasurements of defined benefit liability - Before tax	**214**	4 312	3 669	**(1 637)**	2 257	1 963
Tax expense	**(518)**	-	-	**-**	-	-
Closing balance	**7 667**	7 971	3 659	**3 288**	4 925	2 668
	1 929	22 973	66 834	**63 211**	19 927	65 843

23. EMPLOYMENT BENEFIT OBLIGATIONS

Defined contribution plans

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

23. EMPLOYMENT BENEFIT OBLIGATIONS (Cont)

Post-employment healthcare benefit obligation

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

The funding of the liability is being managed through the Available-for-Sale investment portfolio. Valuations of these obligations are carried out annually by independent qualified actuaries. The most recent valuation was done as at 31 March 2017.

If an eligible employee is younger than age 56, employed before 1 September 1998 and not on a medical aid at the valuation date, it is assumed that the employee will join the medical aid before retirement and will receive the post- retirement healthcare benefit. These employees were included in the liability. At the reporting date, the Group had 415 (2016: 421) pensioners and 139 (2016:146) actives and SABS had 357 (2016: 368) pensioners and 45 (2016: 47) actives entitled to the benefit.

The total outstanding liability amounts to R85,5 million per the valuation performed during March 2017 (2016:R83,2 million).

23. EMPLOYMENT BENEFIT OBLIGATIONS (Cont)

	GROUP			SABS		
	2017 R'000	2016 R'000	2015 R'000	2017 R'000	2016 R'000	2015 R'000
Post-employment healthcare benefit						
Opening balance	83 172	84 291	85 515	57 287	58 375	59 953
Provisions made	8 491	9 003	8 155	5 480	6 145	5 318
Benefits paid	(5 977)	(5 810)	(5 710)	(5 028)	(4 976)	(4 933)
Remeasurements (Other component of equity)	(214)	(4 312)	(3 669)	1 637	(2 257)	(1 963)
Total liability	85 472	83 172	84 291	59 376	57 287	58 375
Current portion	(6 738)	(5 960)	(5 889)	(5 766)	(5 163)	(5 103)
Total non-current portion	78 734	77 212	78 402	53 610	52 124	53 272
The amount recognised in the other comprehensive income is determined as follows:						
Actuarial gain - change in financial assumptions	4 244	579		2 400	325	
Experience gain/(loss)	(4 030)	3 733		(4 037)	1 932	
	214	4 312		(1 637)	2 257	
The amount recognised in the statement of profit and loss is determined as follows:						
Current service cost	881	931		304	334	
Interest cost	7 610	6 620		5 176	4 529	
Remeasurements	-	1 452		-	1 282	
	8 491	9 003		5 480	6 145	
Present value of the obligation						
Opening balance	83 172	84 291		57 287	58 375	
Current service cost	881	931		304	334	
Interest cost	7 610	6 620		5 176	4 529	
Remeasurements	-	1 452		-	1 282	
Benefits paid	(5 977)	(5 810)		(5 028)	(4 976)	
Actuarial loss - change in financial assumptions	(4 244)	(579)		(2 400)	(325)	
Experience gain/(loss)	4 030	(3 733)		4 037	(1 932)	
Closing balance	85 472	83 172		59 376	57 287	

23. EMPLOYMENT BENEFIT OBLIGATIONS (Cont)

Long service leave award obligation

The Group provides employees employed before 1 March 2008 with three additional leave days after five years of service and another three days after ten years of services. Employees annual leave entitlement is increased with these days. The Group's net obligation in this regard is the amount of future benefit that employees have earned in return for their services in current and prior periods. The obligation is valued annually by independent qualified actuaries. Any unrecognised actuarial gains or losses and past service costs are recognised immediately. There are no plan assets for this liability. At the reporting date, the Group and SABS had 371 (2016: 409) and 125 (2016: 147) employees entitled to the benefit respectively.

The total outstanding liability amounts to R26,3 million per the valuation performed during March 2017 (2016: R27,3 million).

	GROUP			SABS		
	2017 R'000	2016 R'000	2015 R'000	2017 R'000	2016 R'000	2015 R'000
Opening balance	27 310	26 884	26 014	9 501	9 324	7 757
Provisions made	2 475	3 685	4 048	359	1 368	2 563
Benefits paid	(3 462)	(3 259)	(3 178)	(1 296)	(1 191)	(996)
Net liability in statement of financial position	26 323	27 310	26 884	8 564	9 501	9 324
Current portion	(3 481)	(3 259)	(3 259)	(1 169)	(1 191)	(1 191)
Total non-current portion	22 842	24 051	23 625	7 395	8 310	8 133
Present value of funded obligations	26 323	27 310	26 884	8 564	9 501	9 324
The amount recognised in the statement of profit and loss is determined as follows:						
Current service cost	1 861	1 922		660	686	
Interest cost	2 420	2 043		845	712	
Actuarial loss - change in financial assumptions	(196)	(58)		(59)	(21)	
Experience loss	(1 610)	(222)		(1 087)	(9)	
	2 475	3 685		359	1 368	
Present value of the obligation						
Opening balance	27 310	26 884		9 501	9 324	
Current service cost	1 861	1 922		660	686	
Interest cost	2 420	2 043		845	712	
Actuarial loss - change in financial assumptions	(196)	(58)		(59)	(21)	
Experience loss	(1 610)	(222)		(1 087)	(9)	
Benefits paid	(3 462)	(3 259)		(1 296)	(1 191)	
Closing balance	26 323	27 310		8 564	9 501	

23. EMPLOYMENT BENEFIT OBLIGATIONS (Cont)

	GROUP			SABS		
	Post employment healthcare benefit obligation	Long service leave award obligation	Total	Post employment healthcare benefit obligation	Long service leave award obligation	Total
	R'000	R'000	R'000	R'000	R'000	R'000
Changes in the defined benefit obligation						
Opening balance - 1 April 2015	**84 291**	**26 884**	**111 175**	**58 375**	**9 324**	**67 699**
Amount recognised in profit and loss	**9 003**	**3 685**	**12 688**	**6 145**	**1 368**	**7 513**
Current service cost	931	1 922	2 853	334	686	1 020
Interest cost	6 620	2 043	8 663	4 529	712	5 241
Remeasurements	1 452	-	1 452	1 282	-	1 282
Actuarial loss - change in financial assumptions	-	(58)	(58)	-	(21)	(21)
Experience loss	-	(222)	(222)	-	(9)	(9)
Benefits paid	(5 810)	(3 259)	(9 069)	(4 976)	(1 191)	(6 167)
Amount recognised in other comprehensive income	**(4 312)**	**-**	**(4 312)**	**(2 257)**	**-**	**(2 257)**
Actuarial (loss)/gain - change in financial assumptions	(579)	-	(579)	(325)	-	(325)
Experience (loss)/gain	(3 733)	-	(3 733)	(1 932)	-	(1 932)
Closing balance - 31 March 2016	**83 172**	**27 310**	**110 482**	**57 287**	**9 501**	**66 788**
Amount recognised in profit and loss	8 491	2 475	10 966	5 480	359	5 839
Current service cost	881	1 861	2 742	304	660	964
Interest cost	7 610	2 420	10 030	5 176	845	6 021
Actuarial loss - change in financial assumptions	-	(196)	(196)	-	(59)	(59)
Experience (loss)/gain	-	(1 610)	(1 610)	-	(1 087)	(1 087)
Benefits paid	(5 977)	(3 462)	(9 439)	(5 028)	(1 296)	(6 324)
Amount recognised in other comprehensive income	(214)	-	(214)	1 637	-	1 637
Actuarial loss - change in financial assumptions	(4 244)	-	(4 244)	(2 400)	-	(2 400)
Experience gain	4 030	-	4 030	4 037	-	4 037
Closing balance - 31 March 2017	**85 472**	**26 323**	**111 795**	**59 376**	**8 564**	**67 940**

23. EMPLOYMENT BENEFIT OBLIGATIONS (Cont)

The significant assumptions used in determining post-employment healthcare benefit and long service leave obligations are shown below:	2017	2016	2015
Discount rate per annum			
Post employment healthcare benefit obligation	9.30%	9.45%	8.10%
Long service leave award obligation	8.40%	8.95%	7.60%
Salary inflation			
Post employment healthcare benefit obligation	8.20%	8.85%	7.60%
Long service leave award obligation	8.20%	8.85%	7.60%
Healthcare cost inflation			
Post employment healthcare benefit obligation	6.20%	6.85%	5.60%
Pre-retirement mortality			
Post employment healthcare benefit obligation	SA85-90 (Light) rated down 1 year for males and females	SA85-90 (Light) rated down 1 year for males and females	SA85-90 (Light) rated down 1 year for males and females
Expected retirement age - Males and females			
Post employment healthcare benefit obligation	60/65 years*	60/65 years*	60/65 years*

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

Quantitative sensitivity analysis for significant assumptions on the obligations as at 31 March 2017 as shown below:

Sensitivity analysis - Post-employment healthcare benefit obligation
Below the effects on the central basis liability results when assumptions are increased or decreased on:

		GROUP		SABS	
		Liability R'000	Change in liability %	Liability R'000	Change in liability %
Healthcare cost inflation					
	+1%	94 567	10.6%	64 564	8.7%
	Central	85 472	-	59 376	-
	-1%	77 724	(9.1%)	54 846	(7.6%)
Discount rate					
	+1%	77 991	(8.8%)	55 004	(7.4%)
	Central	85 472	-	59 376	-
	-1%	94 376	10.4%	64 457	8.6%
Post-retirement mortality improvements					
	0,50%	88 652	3.7%	61 525	3.6%
	Central	85 472	-	59 376	-
	-0,50%	82 423	(3.6%)	57 316	(3.5%)

23. EMPLOYMENT BENEFIT OBLIGATIONS (Cont)

Quantitative sensitivity analysis for significant assumptions on the obligations as at 31 March 2017 as shown below.

Sensitivity analysis - Post-employment healthcare benefit obligation
Below the effects on the central basis liability results when assumptions are increased or decreased on:

		GROUP		SABS	
		Liability R'000	Change in liability %	Liability R'000	Change in liability %
Future sensitivity on service and interest cost (March 2018)					
Service cost					
	+1%	957	19.8%	333	18.5%
	Central	799	-	281	-
	-1%	671	(16.0%)	238	(15.3%)
Interest cost					
	+1%	8 547	11.4%	5 928	12.5%
	Central	7 673	-	5 267	-
	-1%	6 967	(9.2%)	5 020	(4.7%)

Sensitivity analysis - Long service leave award obligation
Below the effects on the central basis liability results when the assumptions are increased and decreased by:

		GROUP		SABS	
		Liability R'000	Change in liability %	Liability R'000	Change in liability %
Discount rate					
	+1%	24 953	(5.2%)	8 144	(4.9%)
	Central	26 323	-	8 564	-
	-1%	27 837	5.8%	9 026	5.4%
Salary inflation					
	+1%	27 904	6.0%	9 045	5.6%
	Central	26 323	-	8 564	-
	-1%	24 590	(6.6%)	8 034	(6.2%)
Expected retirement age					
	+1 year	28 065	6.6%	9 225	7.7%
	Central	26 323	-	8 564	-
	-1 year	24 591	(6.6%)	7 935	(7.3%)
Future sensitivity on service and interest cost (March 2018)					
Service cost					
	+1%	1 791	6.9%	592	6.5%
	Central	1 675	-	556	-
	-1%	1 569	(6.3%)	522	(6.1%)
Interest cost					
	+1%	2 331	6.1%	755	5.7%
	Central	2 198	-	714	-
	-1%	2 075	(5.6%)	677	(5.2%)

23. EMPLOYMENT BENEFIT OBLIGATIONS (Cont)

	2017 R'000	2016 R'000	2015 R'000	2014 R'000	2013 R'000
Five year summary of post-employment healthcare benefit obligations is as follows:					
Present value of obligation	**85 472**	83 172	84 291	85 515	88 784
Actuarial gains/(losses)	**(214)**	(4 312)	3 669	5 300	(5 310)
The contributions expected to be paid during the next reporting is R6,7 million (2016: R6,0 million) for the Group and R5,8 million (2016: R5,2 million) for SABS.					
Five year summary of long service leave awards are as follows:					
Present value of obligation	**26 323**	27 310	26 884	26 014	26 182
Actuarial (losses)/gains	**(1 806)**	(280)	(113)	(1 118)	402

24. DEFERRED INCOME

	GROUP			SABS		
	2017 R'000	2016 R'000	2015 R'000	2017 R'000	2016 R'000	2015 R'000
Opening balance - Plant and equipment	**274 918**	286 120	293 786	**256 553**	262 288	268 085
Recognised in deferred income (Refer to note 4)	**(8 016)**	(11 202)	(10 485)	**(5 733)**	(5 735)	(5 797)
Grants received to be recognised in future accounting periods	**14 572**	-	2 819	**-**	-	-
Closing balance	**281 474**	274 918	286 120	**250 820**	256 553	262 288
Less: Deferred grant income to be recognised in the following year:						
Plant and equipment	**(7 564)**	(11 009)	(11 150)	**(5 733)**	(5 735)	(5 797)
	273 910	263 909	274 970	**245 087**	250 818	256 491
Non-current portion	**273 910**	263 909	274 970	**245 087**	250 818	256 491
Current portion	**7 564**	11 009	11 150	**5 733**	5 735	5 797
	281 474	274 918	286 120	**250 820**	256 553	262 288

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

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

The useful life of the relevant assets are:
- Bio fuel - 5 years
- Netfa encapsulated sphere - 5 years
- Laboratories - 30 years
- Set top boxes project - 3 to 10 years
- National Electrical Test Facility (Netfa) short circuit laboratory - 3 to 10 years
- Thermal test chamber - 10 years

	GROUP			SABS		
	2017 R'000	2016 R'000	2015 R'000	2017 R'000	2016 R'000	2015 R'000
25. TRADE AND OTHER PAYABLES						
Trade payables	**141 237**	123 814	113 686	**61 316**	54 899	51 423
Other payables	**8 533**	7 645	7 383	**3 977**	3 274	3 282
Salary deductions	**8 354**	7 645	7 383	**3 977**	3 274	3 282
Straightlining of operating leases	**179**	-	-	**-**	-	-
	149 770	131 459	121 069	**65 293**	58 173	54 705

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.

	GROUP			SABS		
	2017 R'000	2016 R'000	2015 R'000	2017 R'000	2016 R'000	2015 R'000
26. VAT PAYABLE/(RECEIVABLE)						
March 2017 VAT to be paid over to/(refunded by) SARS	**3 684**	5 780	7 215	**(4 308)**	3 768	2 632

27. NOTES TO CASH FLOW STATEMENTS

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

	GROUP		SABS	
	2017 R'000	2016 R'000	2017 R'000	2016 R'000
(Loss)/profit before interest and taxation	(74 532)	(3 073)	(12 048)	14 741
Adjustments for :	16 236	20 704	(9 369)	(13 878)
Depreciation on property, plant and equipment	34 784	43 471	8 261	13 052
Depreciation on investment properties	433	433	7 020	7 031
Plant and equipment related government grants amortised	(8 016)	(11 202)	(5 733)	(5 735)
Amortisation of intangible assets	3 380	7 428	834	889
Loss on disposal of property, plant and equipment	281	289	221	67
Realised gain on available-for-sale investment	(19 609)	(41 397)	(19 609)	(41 397)
Provision for employment benefit obligations	10 966	12 688	5 839	7 513
Employment benefits paid from provision	(9 439)	(9 069)	(6 324)	(6 167)
Non-interest related adjustments	-	54	-	31
Increase/(decrease) in impairment of trade receivables	7 159	17 214	(342)	10 428
Expense transferred out of work-in-progress	1 876	795	464	410
Funding for government specific projects	(5 579)	-	-	-
Operating cash flows before working capital changes	(58 296)	17 631	(21 417)	863
Changes in working capital	15 694	(9 975)	3 910	(4 545)
(Increase)/decrease in inventory	(77)	401	(77)	401
(Increase)/decrease in trade and other receivables	(15 016)	(19 330)	4 943	(9 550)
Increase in asset related government grants	14 572	-	-	-
(Decrease)/increase in VAT liability	(2 096)	(1 435)	(8 076)	1 136
(Decrease)/increase in trade and other payables	18 311	10 389	7 120	3 468
Cash (utilised by)/generated from operations	**(42 602)**	**7 656**	**(17 507)**	**(3 682)**

27.2 Proceeds on disposal of property, plant and equipment

	GROUP 2017 R'000	GROUP 2016 R'000	SABS 2017 R'000	SABS 2016 R'000
Carrying value of disposals	285	289	221	67
Loss on disposal	(281)	(289)	(221)	(67)
	4	-	-	-

The Group realised proceeds on assets of R4 000.

	GROUP		SABS	
	2017 R'000	2016 R'000	2017 R'000	2016 R'000
28. COMMITMENTS				
Capital commitments				
Commitments for the acquisition of property, plant and equipment				
Contracted	19 933	33 787	12 690	22 256
Capital commitments are funded through internally generated funds and grants received specifically and exclusively for that purpose				
Operating lease commitments - the group as lessee				
The future minimum payments payable under non-cancellable operating leases are as follows:				
Buildings	4 830	4 138	-	-
Up to 1 year	3 589	2 284	-	-
1 to 5 years	1 241	1 854	-	-
More than 5 years	-	-	-	-
None of the lease agreements contain any contingent rent clauses and it is assumed that there are no contingent rent payments. The Group does not have the option to purchase the property. Escalation clauses vary from contract to contract averaging 8.375% (2016: 7.83%).				
Vehicles	1 089	2 071	251	1 454
Up to 1 year	912	1 234	232	839
1 to 5 years	177	837	19	615
More than 5 years	-	-	-	-
Total	5 919	6 209	251	1 454

29. FINANCIAL RISK MANAGEMENT

29.1 Foreign currency risk management

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

29. FINANCIAL RISK MANAGEMENT (Cont)

29.1 Foreign currency risk management (Continued)

Forward exchange contracts - recognised transactions.

No forward exchange contracts were entered into during the financial year ended 31 March 2017 (2016: 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 2017 '000	GROUP 2016 '000
Foreign currency		
Great Britain Pounds	-	58
United States Dollar	154	57
Euro	74	88
Swiss Franc	-	20

Foreign currency sensitivity

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

29.2 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 as at 31 March 2017 was R30,2 million (2016: R25,5 million). The exposure of financial assets to interest rate risk is as follows:

	2017			2016		
	Interest bearing financial assets	Non-interest bearing financial assets		Interest bearing financial assets	Non-interest bearing financial assets	
	Floating rate R'000	*Other* R'000	*Total* R'000	*Floating rate* R'000	*Other* R'000	*Total* R'000
GROUP						
Cash and cash equivalents	91 943	-	91 943	162 775	-	162 775
Trade and other receivables	-	147 167	147 167	-	139 310	139 310
Financial asset exposure to interest rate risk	91 943	147 167	239 110	162 775	139 310	302 085
SABS						
Cash and cash equivalents	91 866	-	91 866	162 698	-	162 698
Trade and other receivables	-	15 692	15 692	-	20 293	20 293
Financial asset exposure to interest rate risk	91 866	15 692	107 558	162 698	20 293	182 991

29. FINANCIAL RISK MANAGEMENT (Cont)

	2017			2016		
	Interest bearing financial assets	Non-interest bearing financial assets		Interest bearing financial assets	Non-interest bearing financial assets	
	Floating rate *R'000*	*Other* *R'000*	*Total* *R'000*	*Floating rate* *R'000*	*Other* *R'000*	*Total* *R'000*
29.2 Interest rate risk management (Cont.)						
GROUP						
Trade and other payables	-	149 770	149 770	-	131 459	131 459
SABS						
Trade and other payables	-	65 293	65 293	-	58 173	58 173

29.3 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					
2017					
Financial assets					
Loans and receivables					
Trade receivables	36 362	27 166	75 089	-	138 617
Cash and cash equivalents	91 943	-	-	-	91 943
Available-for-sale investments					
Other financial assets	-	31 253	-	396 085	427 338
Financial liabilities					
Trade and other payables	104 839	44 931	-	-	149 770

29. FINANCIAL RISK MANAGEMENT (Cont)

	Within 1 month R'000	1-3 months R'000	3-12 months R'000	1-5 years R'000	Total R'000
GROUP					
2016					
Financial assets					
Loans and receivables					
Trade receivables	35 130	26 246	72 546	-	133 922
Cash and cash equivalents	162 775	-	-	-	162 775
Available-for-sale investments					
Other financial assets	-	-	-	407 244	407 244
Financial liabilities					
Financial liabilities amortised at cost					
Trade and other payables	124 885	6 573	-	-	131 458
SABS					
2017					
Financial assets					
Loans and receivables					
Trade receivables	1 904	1 442	5 568	-	8 914
Cash and cash equivalents	91 866	-	-	-	91 866
Loans to group companies	-	-	-	109 687	109 687
Available-for-sale investments					
Other financial assets	-	31 253	-	396 085	427 338
Financial liabilities					
Financial liabilities amortised at cost					
Trade and other payables	45 705	19 588	-	-	65 293
2016					
Financial assets					
Loans and receivables					
Trade receivables	3 429	2 597	10 029	-	16 055
Cash and cash equivalents	162 698	-	-	-	162 698
Loans to group companies	-	-	-	69 361	69 361
Available-for-sale investments					
Other financial assets	-	-	-	407 244	407 244
Financial liabilities					
Financial liabilities amortised at cost					
Trade and other payables	55 264	2 909	-	-	58 173

29. FINANCIAL RISK MANAGEMENT (Cont)

29.4 Credit risk management

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

The Group limits its counterparty exposures from its money market investment operations by only dealing with well-established financial institutions of high quality credit standing. The credit exposure to any one counterparty is managed by monitoring transactions. Credit quality of a customer is assessed based on a credit assessment report and individual credit limits are based upon the financial history of the customer as provided in these reports and any previous financial data held by the company. Customers with any relevant adverse financial history are not afforded a credit facility and need to pay on a cash only basis.

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

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

As at 31 March 2017, 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	
	2017 R'000	2016 R'000	2017 R'000	2016 R'000
Cash and cash equivalents	91 943	162 775	91 866	162 698
Trade and other receivables	138 617	133 922	8 914	16 055
	230 560	296 697	100 780	178 753

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

	GROUP		SABS	
	2017 %	2016 %	2017 %	2016 %
South Africa	81.0	93.0	100.0	100.0
Other	19.0	7.0	-	-
Total	100.0	100.0	100.0	100.0

29.5 Equity price risk

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

29. FINANCIAL RISK MANAGEMENT (Cont)

29.6 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 are set out below:

	Carrying amount		Estimated fair value	
	2017	2016	2017	2016
	R'000	R'000	R'000	R'000
GROUP				
Financial assets				
Trade and other receivables	138 617	133 922	138 617	133 922
Available-for-sale investments	427 338	407 244	427 338	407 244
Cash and short-term deposits	91 943	162 775	91 943	162 775
	657 898	**703 941**	**657 898**	**703 941**
Financial liabilities				
Trade and other payables	**149 770**	**131 459**	**149 770**	**131 459**
SABS				
Financial assets				
Trade and other receivables	8 914	16 055	8 914	16 055
Available-for-sale investment in subsidiaries	65 662	-	65 662	-
Available-for-sale investments	427 338	407 244	427 338	407 244
Cash and short-term deposits	91 866	162 698	91 866	162 698
	593 780	**585 997**	**593 780**	**585 997**
Financial liabilities				
Trade and other payables	**65 293**	**58 173**	**65 293**	**58 173**

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

Financial instruments not traded in an active market

As at 31 March 2017, 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.

29. FINANCIAL RISK MANAGEMENT (Cont)

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 imputs which have a significant effect on the recorded fair value are observable, either directly or indirectly
Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data

As at 31 March 2017, 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				
2017				
Available-for-sale financial assets - Equities and bonds	427 338	-	-	427 338
2016				
Available-for-sale financial assets - Equities and bonds	407 244	-	-	407 244
SABS				
2017				
Available-for-sale financial assets - Equities and bonds	427 338	-	-	427 338
Available-for-sale financial assets - Investment in subsidiaries	-	-	65 662	65 662
2016				
Available-for-sale financial assets - Equities and bonds	407 244	-	-	407 244

The cost of the asset is the deemed fair value.
There were no transfers between level 1 and level 2 in the year ended 31 March 2017 (2016: None).

29.7 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	
	2017 R'000	2016 R'000	2017 R'000	2016 R'000
Trade and other payables	(149 770)	(131 459)	(65 293)	(58 173)
Cash and cash equivalents	91 943	162 775	91 866	162 698
	(57 827)	31 316	26 573	104 525
Equity	**875 196**	**940 628**	**941 872**	**880 487**

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

30. RELATED PARTY DISCLOSURE

National Government and state controlled entities

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

Principal related parties

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

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.

	SABS	
	2017 R'000	2016 R'000
30.1 Loans receivable from related parties - SABS		
SABS Commercial SOC Ltd	109 639	69 312
GCS Namibia (Pty) Ltd	49	49
Net loan receivable from group companies	**109 688**	69 361
30.2 Other group transactions - income		
Royalties receivable	**9 277**	9 663
30.3 Transfer of assets (to)/from related parties		
SABS - Assets transferred to subsidary	(184)	84
WIP transferred to subsidiary	(1 008)	(1 687)
	221	221
SABS - Assets transferred from subsidiary	**(971)**	(1 550)

30. RELATED PARTY DISCLOSURE (Cont)

The following transactions were carried out with related parties:

30.4 Purchases from related parties

	2017				2016 (restated)			
	GROUP		SABS		GROUP		SABS	
	Purchases R'000	Balances outstanding R'000	Purchases R'000	Balances outstanding R'000	Purchases R'000	Balances outstanding R'000	Purchases R'000	Balances outstanding R'000
National Regulator for Compulsory Specifications	93	2	59	2	34	-	2	-
National Metrology Institute of South Africa	123	-	11	-	195	-	15	-
South African National Accreditations System	1 473	52	-	-	1 447	10	-	-
	1 689	**54**	**70**	**2**	**1 676**	**10**	**17**	**-**

30.5 Sales to related parties

	2017				2016 (restated)			
	Sales R'000	Impairment of debt R'000	Bad debt R'000	Balances outstanding R'000	Sales R'000	Impairment of debt R'000	Bad debt R'000	Balances outstanding R'000
GROUP								
National Metrology Institute of South Africa	155	-	-	73	66	-	-	22
National Regulator for Compulsory Specifications	10 875	-	-	650	12 468	-	-	2 650
South African National Accreditations System	442	-	-	225	168	-	-	16
	11 472	**-**	**-**	**948**	**12 702**	**-**	**-**	**2 688**
SABS								
SABS Commercial SOC Ltd - Corporate Charges	45 820	-	-	-	25 674	-	-	-
SABS Commercial SOC Ltd - Intercompany sale of standards	2 231	-	-	-	1 087	-	-	-
SABS Commercial SOC Ltd - Rentals: Land and Buildings	33 227	-	-	-	33 227	-	-	-
National Metrology Institute of South Africa	27	-	-	34	35	-	-	7
National Regulator for Compulsory Specifications	7 866	-	-	78	8 530	-	-	763
South African National Accreditations system	422	-	-	235	159	-	-	16
	89 593	**-**	**-**	**347**	**68 712**	**-**	**-**	**786**

30. RELATED PARTY DISCLOSURE (Cont)

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

30.6 Key management personnel compensation

	Committee fees	Salary / directors' fees	Bonus / payments	Retirement and medical fund	Other *	Total
GROUP - 2017	*R'000*	*R'000*	*R'000*	*R'000*	*R'000*	*R'000*
Executive						
B Mehlomakulu (CEO)	-	2 919	1 330	191	-	4 440
Non-executive						
M J Ellman	187	-	-	-	-	187
W K Masvikwa	143	-	-	-	-	143
G P Harris	229	-	-	-	-	229
J Molobela	328	-	-	-	-	328
N Naraindath	124	-	-	-	-	124
D E Ndlovu	174	-	-	-	-	174
A Lötter	-	-	-	-	-	- [1]
	1 185	**2 919**	**1 330**	**191**	**-**	**5 625**

	Committee fees	Salary / directors' fees	Bonus / payments	Retirement and medical fund	Other *	Total
SABS - 2017	*R'000*	*R'000*	*R'000*	*R'000*	*R'000*	*R'000*
Executive						
B Mehlomakulu (CEO)	-	2 919	1 330	191	-	4 440
Non-executive						
M J Ellman	159	-	-	-	-	159
W K Masvikwa	130	-	-	-	-	130
G P Harris	202	-	-	-	-	202
J Molobela	300	-	-	-	-	300
N Naraindath	103	-	-	-	-	103
D E Ndlovu	146	-	-	-	-	146
A Lötter	-	-	-	-	-	- [1]
	1 040	**2 919**	**1 330**	**191**	**-**	**5 480**

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.

30. RELATED PARTY DISCLOSURE (Cont)

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

30.6 Key management personnel compensation

	Committee fees R'000	Salary / directors' fees R'000	Bonus / payments R'000	Retirement and medical fund R'000	Other * R'000	Total R'000	
GROUP - 2016							
Executive							
B Mehlomakulu (CEO)	-	2 724	1 021	180	-	3 925	
Non-executive							
M J Ellman	191	-	-	-	-	191	
W K Masvikwa	140	-	-	-	-	140	
G P Harris	204	-	-	-	-	204	
J Molobela	263	-	-	-	-	263	
N Naraindath	119	-	-	-	-	119	
D E Ndlovu	158	-	-	-	-	158	
A Lötter	-	-	-	-	-	-	1
	1 075	**2 724**	**1 021**	**180**	**-**	**5 000**	

	Committee fees R'000	Salary / directors' fees R'000	Bonus / payments R'000	Retirement and medical fund R'000	Other * R'000	Total R'000	
SABS - 2016							
Executive							
B Mehlomakulu (CEO)	-	2 724	1 021	180	-	3 925	
Non-executive							
M J Ellman	165	-	-	-	-	165	
W K Masvikwa	114	-	-	-	-	114	
G P Harris	184	-	-	-	-	184	
J Molobela	228	-	-	-	-	228	
N Naraindath	99	-	-	-	-	99	
D E Ndlovu	131	-	-	-	-	131	
A Lötter	-	-	-	-	-	-	1
	921	**2 724**	**1 021**	**180**	**-**	**4 846**	

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.

30. RELATED PARTY DISCLOSURE (Cont)

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

30.6 Key management personnel compensation

	Salary R'000	Bonus/ performance payments R'000	Retirement and medical fund R'000	Other * R'000	Total R'000	
SABS - 2017						
Executive management						
Z Moosa (Human Capital Development)	369	-	56	-	425	1
N B K Gasa (Standards)	903	-	97	-	1 000	2
Dr S Bissoon (Training)	777	-	111	66	954	3
Dr S Bissoon (Standards)	752	601	106	-	1 459	4
I C Plaatjes (Corporate Services)	2 009	278	306	-	2 593	
W de Witt (Company Secretary)	882	-	93	4	979	5
F Mitchell (Group Audit Manager)	1 260	264	214	3	1 741	
B Mosako (CFO)	1 886	447	219	-	2 552	
	8 838	**1 590**	**1 202**	**73**	**11 703**	
Subsidiary						
F Makamo	1 588	-	250	-	1 838	6
K J Temba	1 382	627	182	-	2 191	7
M L A Gcabashe	859	289	-	-	1 148	8
	12 667	**2 506**	**1 634**	**73**	**16 880**	

1. Resigned 28 June 2016
2. Appointed 1 October 2016
3. Appointed as Executive Training 4 October 2016
4. Terminated as Executive Standards 3 October 2016
5. Appointed 1 July 2016
6. Terminated 31 January 2017 and transferred
7. Terminated 31 January 2017 and transferred
8. Executive Testing 13 Sep 2016 - 31 Mar 2017

* Other relates to cell phone allowance and leave reimbursements

	Salary R'000	Bonus/ performance payments R'000	Retirement and medical fund R'000	Other * R'000	Total R'000	
SABS - 2016						
Executive management						
E E Lefteris (Interim CFO)	300	535	-	71	906	1
Z Moosa (Human Capital Development)	767	-	121	-	888	2
Dr S Bissoon (Standards)	1 483	449	205	-	2 137	
I C Plaatjes (Corporate Services)	737	-	99	-	836	3
W de Witt (Company Secretary)	723	80	84	89	976	4
F Mitchell (Group Audit Manager)	902	-	148	-	1 050	5
J Gubeon (Human Capital Development)	1 100	-	-	317	1 417	6
M A Pyoos (Corporate Services)	824	218	10	2	1 054	7
B Mosako (CFO)	1 148	-	135	-	1 283	8
	7 984	**1 282**	**802**	**479**	**10 547**	

30. RELATED PARTY DISCLOSURE (Cont)

	Salary	Bonus/ performance payments	Retirement and medical fund	Other *	Total
	R'000	R'000	R'000	R'000	R'000
2016					
Subsidiary					
Executive management					
F Makamo	1 782	580	282	97	2 741
K J Temba	1 553	474	206	-	2 233
	11 319	**2 336**	**1 290**	**576**	**15 521**

1. Contract appointment 1 April 2015 - 31 July 2015
2. Appointed 25 September 2015
3. Appointed 1 January 2016
4. Resigned 31 December 2015
5. Appointed 1 July 2015
6. Contract ended 31 January 2016
7. Appointed 18 February - 18 August 2015
8. Appointed 11 August 2015

* Other relates to cell phone allowance and leave reimbursements

	GROUP		SABS	
	2017 R'000	2016 R'000	2017 R'000	2016 R'000
30.7 Government Grants				
Received from the dti				
- Government grants	183 211	189 663	183 211	189 663
Received from Department of Energy - Energy Efficiency labeling project	5 579	-	-	-
Received from Department of trade and Industry - Thermal test chamber donated asset	8 993	-	-	-
	197 783	**189 663**	**183 211**	**189 663**
31. CONTINGENT LIABILITIES				
Third parties	**2 500**	**1 490**	-	-
1 - SABS is insured for any litigations and claims thus any possible liability will be reimbursed by the insurance company.				
32. FRUITLESS AND WASTEFUL EXPENDITURE				
SABS is committed to using its funds in a responsible manner. Corrective action is taken where situations lead to fruitless and wasteful expenditure.				
Opening balance	201	-	197	-
Incurred during the year:	(194)	201	(197)	197
Interest and penalties incurred due to late payments to suppliers. The amount is not recoverable.	38	201	36	197
Salary payment made to terminated employee. The amount could not be recovered by human resources.	7	-	-	-
Condoned	(239)	-	(233)	-
Closing balance	**7**	**201**	**-**	**197**

33. IRREGULAR EXPENDITURE

SABS is committed to using its funds in a responsible manner.

Corrective action is taken where situations lead to irregular expenditure.

	GROUP		SABS	
	2017 R'000	2016 R'000	2017 R'000	2016 R'000
Opening balance	-	-	-	-
Incurred during the year:	-	-	-	-
Quotations awarded to bidders based on preference points that were not allocated and/or calculated according to the requirements of the PPPFA and its regulations*	3 129	-	3 129	-
Condoned by the Board - awaiting condonement from National Treasury	-	-	-	-
Closing balance	**3 129**	**-**	**3 129**	**-**

*The recalculation of points based on the requirement of the PPPFA did not result in incorrect bidders being appointed.

34. RESTATEMENT OF PRIOR YEAR RESULTS

34.1 Reclassification of revenue, other income and operating expenditure

SABS provides certain services to SABS Commercial SOC Ltd. These services were included in revenue instead of other income. Services within SABS Design Institute and Standards environment were also incorrectly allocated to revenue and other operating expenditure instead of being netted off as it is within the SABS environment and does not consitute revenue or expenditure.

	SABS		
	Previously reported R'000	Impact R'000	Restated amount R'000
Impact of restatements on profit and loss			
Revenue	72 477	(10 635)	61 842
Other income	163 732	(5 864)	157 868
Government grants	189 663	-	189 663
	425 872	(16 499)	409 373
Other operating expenditure	(411 131)	16 499	(394 632)
Employee benefit expenditure	(201 298)	-	(201 298)
Depreciation	(13 052)	-	(13 052)
Contract services	(37 299)	-	(37 299)
Travel expenditure	(8 431)	-	(8 431)
Advertising expenditure	(8 491)	-	(8 491)
Repairs and maintenance expenditure	(5 816)	-	(5 816)
Consulting and technical fees	(2 190)	-	(2 190)
Other expenditure	(134 544)	16 499	(118 055)
Operating profit	14 741	-	14 741
Interest received	25 580	-	25 580
Interest paid	(167)	-	(167)
Profit before taxation	40 154	-	40 154
Taxation	-	-	-
Profit for the year	40 154	-	40 154

34.1 Reclassification of revenue, other income and operating expenditure (Cont)

The elimination of the Standards and Design Institute rental income/ expenditure resulted in the restatement of the following disclosures in the relevant notes:

	2016		
	Previously reported R'000	Impact R'000	Restated amount R'000
SABS			
Other income			
Rentals in respect of operating leases (minimum lease payments)			
Land and buildings	39 220	(21 300)	17 920
Equipment	43 483	(4 893)	38 950
Other expenditure			
Rentals in respect of operating leases (minimum lease payments)			
Equipment	26 543	(25 560)	983

34.2 Related party disclosure

SABS discloses purchases and sales to and from related parties. The purchases with SABS Commercial SOC Ltd included transactions relating to Design Institute and Standards which were incorrect and resulted in overstatement of the related party figures. Not all purchases with other related parties were included in the balances disclosed resulting in an understatement in the balances. The impact on previously disclosed amounts is disclosed below.

	2016		
	Previously reported R'000	Impact R'000	Restated amount R'000
Purchases to related parties			
GROUP			
National Regulator for Compulsory Specifications	-	34	34
National Metrology Institute of South Africa	15	180	195
South African National Accreditation System	(6)	1 453	1447
SABS			
National Regulator for Compulsory Specifications	-	2	2
Sales related parties			
SABS Commercial SOC Ltd	60 111	(34 437)	25 674
SABS Commercial SOC Ltd - Intercompany sale of standards	-	1 087	1 087
SABS Commercial SOC Ltd - Rentals: Land and Buildings	-	33 227	33 227
Transfer of assets (to)/from related parties			
SABS - Assets transferred to subsidiary	-	(84)	(84)
WIP transferred to subsidiary	-	(1 687)	(1 687)
SABS - Assets transferred from subsidiary	-	221	221
	-	**(1 550)**	**(1 550)**

STATEMENT OF RESPONSIBILITY OF THE BOARD FOR THE YEAR ENDED 31 MARCH 2017

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

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

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

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

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

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

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

The Auditor-General is engaged to express an independent opinion on the annual financial statements.

In our opinion, the Annual Integrated Report fairly reflects the operations, performance information, human capital information and financial affairs of the SABS for the financial year ended 31 March 2017.

Jeff Molobela
Chairperson Of The Board
31 July 2017

Dr Bonakele Mehlomakulu
Chief Executive Officer
31 July 2017

Introduction

In terms of the Standards Act, No. 8 of 2008 and the PFMA, 1999 (Act No.1 of 1999) this report addresses the performance of SABS and the relevant compliance with statutory requirements.

In the opinion of SABS Board, which fulfils the role of a Board of directors as envisaged by the Companies Act, the financial statements fairly reflect the financial position of the SABS Group as at 31 March 2017 and the results of its operations and cash flows for the year then ended.

We have pleasure in submitting the Annual Integrated Report to Parliament, through the Minister of Trade and Industry, for the year ended 31 March 2017.

Our statutory basis

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

Our mandate

In terms of the new Act, the objectives of 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 contribute towards the efficient functioning of the economy.

Values

As SABS transforms and moves towards a culture of high performance in delivering standardisation services, it is guided by the following values:

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

Finances

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

The Group made a net loss of R44,4 million (2016: R22,4 million) for the year ended 31 March 2017.

Government grants relating to income

The government grant recognised as income by SABS for the financial year under review amounted to R183,2 million (2016: R189,7 million) which represents a decrease of 3.4%.

Strategic planning

The corporate and business plans which are developed by management in conjunction with the Board, are approved by the Board and the executive authority, and contains predetermined strategic and operational objectives. The plans, together with associated budgets, are approved before the start of the financial year in compliance with provisions of the PFMA.

SABS has analysed the environment within which we operate and identified the continuous upgrading of laboratory infrastructure, retention of core technical skills and the mounting competition from international conformity assessment bodies as some of our biggest challenges. The strategic objectives of SABS are grouped around themes that are aligned to the perspectives of the balanced scorecard, namely: growth, customer centricity, productivity as well as competent and empowered employees.

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

- the development of and provision of national standards;
- testing of products;
- certification of products and systems;
- protection of the consumer from unsafe or poor quality goods in the south african market place;
- the promotion of design thinking in south africa; and
- training related to standards, quality and design.

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

- increase the use of standardisation services by broadening the scope of services offered.
- put the customer at the forefront of everything we do.
- improve the operational performance of the SABS to enable delivery of quality outputs for customers and the South African economy.
- develop and retain a competent human resource that is aligned with the organisation's mandate

In this report, included in the performance against objectives, the achievements of SABS are highlighted against the predetermined objectives for the year. SABS managed to achieve nine of its objectives.

Employees

SABS had 355 (2016: 308) permanent employees and 9 (2016: 16) contract workers as at 31 March 2017.
The Group had 985 (2016: 908) permanent employees and 24 (2016: 93) contract workers as at 31 March 2017.

Subsidiaries

The activities of SABS subsidiaries, as set out in notes 14 and 30 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.

Opinion

1. I have audited the consolidated and separate financial statements of SABS and its subsidiaries set out on pages 69 to 148, which comprise the consolidated and separate statement of financial position as at 31 March 2017, the consolidated and separate statement of profit or loss and other comprehensive income, statement of changes in equity and cash flow statement for the year then ended, as well as the notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

2. In my opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of SABS as at 31 March 2017 and its financial performance and cash flows for the year then ended in accordance with IFRS and the requirements of Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA) and the Standards Act of South Africa, Act No. 8 of 2008.

Basis for opinion

3. I conducted my audit in accordance with the International Standards on Auditing (ISA). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the consolidated and separate financial statements section of my report.

4. I am independent of SABS in accordance with the International Ethics Standards Board for Accountants' Code of ethics for professional accountants (IESBA code) and the ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.

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

Emphasis of matter

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

Restatement of corresponding figures

As disclosed in note 34 to the financial statements, the corresponding figures for 31 March 2016 have been restated as a result of a material error in the financial statements of the public entity at, and for the year ended, 31 March 2017.

Other matter

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

Unaudited supplementary schedules

The supplementary information set out on pages 67 to 68 does not form part of the financial statements and is presented as additional information. I have not audited these schedules and, accordingly, I do not express an opinion thereon.

Responsibilities of accounting authority for the financial statements

8. The accounting authority is responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with IFRS 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.

9. In preparing the consolidated and separate financial statements, the accounting authority is responsible for assessing SABS' ability to continue as a going concern, disclosing, as applicable, matters relating to going

concern and using the going concern basis of accounting unless the intention is to liquidate SABS or cease operations, or there is no realistic alternative but to do so.

Auditor - General's responsibilities for the audit of the consolidated and separate financial statements

10. My objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

11. A further description of my responsibilities for the audit of the consolidated and separate financial statements is included in the annexure to the auditor's report.

REPORT ON THE AUDIT OF THE ANNUAL PERFORMANCE REPORT

Introduction and scope

12. In accordance with the Public Audit Act of South Africa (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report material findings on the reported performance information against predetermined objectives for selected objectives presented in the annual performance report. I performed procedures to identify findings but not to gather evidence to express assurance.

13. My procedures address the reported performance information, which must be based on SABS approved performance planning documents. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.

14. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected objectives presented in the annual performance report of SABS for the year ended 31 March 2017

Strategic objectives	Pages in the annual performance report
Strategic objective 1 - Growth: increase the use of standardisation and conformity assessment services by broadening the geographic footprint as well as the scope of services offered.	27
Strategic objective 2 - Customer/Stakeholder: put the customer at the forefront of everything we do.	28
Strategic objective 3 - Productivity: improve the operational performance of SABS to enable delivery of quality outputs for customers and the South African economy.	29
Strategic objective 4 - Competent and empowered employees - Develop and retain a competent workforce that is aligned with the organisation's mandate	30

15. I performed procedures to determine whether the reported performance information was consistent with the approved performance planning documents. I performed further procedures to assess the reliability of the reported performance information to determine whether it was valid, accurate and complete.

16. I did not raise any material findings on the usefulness and reliability of the reported performance information for the following strategic objectives:
    - Strategic objective 1 - Growth: increase the use of standardisation and conformity assessment services by broadening the geographic footprint as well as the scope of services offered.
    - Strategic objective 2 - Customer/Stakeholder: put the customer at the forefront of everything we do.
    - Strategic objective 3 - Productivity: improve the operational performance of SABS to enable delivery of quality outputs for customers and the South African economy.
    - Strategic objective 4 - Competent and empowered employees - Develop and retain a competent workforce that is aligned with the organisation's mandate

Other matter

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

Adjustment of material misstatements

Strategic objective 1 – Growth

18. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were on the reported performance information of Strategic objective 1: Growth - increasing the use of standardisation and conformity assessment services by broadening the geographic footprint as well as the scope of services offered. As management subsequently corrected the misstatements, I did not raise any material findings on the usefulness and reliability of the reported performance information

REPORT ON AUDIT OF COMPLIANCE WITH LEGISLATION

Introduction and scope

19. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on SABS compliance with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.

20. The material findings in respect of the compliance criteria for the applicable subject matters are as follows: Annual financial statements for the year under review

21. The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework as required by section 55(1)(b) of the PFMA. Material misstatements of revenue from Group services, other income, other expenditure and related party transactions disclosure between Group companies, identified by the auditors in the submitted financial statements were corrected, resulting in the financial statements receiving an unqualified audit opinion.

OTHER INFORMATION

22. SABS and its subsidiaries' accounting authority is responsible for the other information. The other information comprises the information included in the annual integrated report, which includes the director's report, the audit committee's report and the company secretary's certificate as required by the Companies Act. The other information does not include the consolidated and separate financial statements, the auditor's report thereon and those selected objectives presented in the annual performance report that have been specifically reported on in the auditor's report.

23. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.

Internal control deficiencies

24. I considered internal control relevant to my audit of the consolidated and separate financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance thereon. The matters reported below are limited to the significant internal control deficiencies that resulted in the findings on compliance with legislation included in this report.

- Management did not exercise sufficient oversight regarding financial reporting, in relation to the misstatements identified in the financial statements.

- Management did not prepare accurate and complete financial statements supported by reliable information in relation to the misstatements identified in the financial statements.

Auditor-General

31 July 2017

ANNEXURE – AUDITOR-GENERAL'S RESPONSIBILITY FOR THE AUDIT

1. As part of an audit in accordance with the ISA, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements, and the procedures performed on reported performance information for selected strategic objectives and on the public entity's compliance with respect to the selected subject matters.

Financial statements

2. In addition to my responsibility for the audit of the financial statements as described in the auditor's report, I also:

- identify and assess the risks of material misstatement of the financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit 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 public entity's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the accounting authority.
- conclude on the appropriateness of the accounting authority's use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on SABS' ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial statements. My conclusions are based on the information available to me at the date of the auditor's report. However, future events or conditions may cause a public entity to cease operating as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance of the Group audit. I remain solely responsible for my audit opinion.

Communication with those charged with governance

3. I communicate with the accounting authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

4. I also confirm to the accounting authority that I have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to have a bearing on my independence and, where applicable, related safeguards.

LIST OF ABBREVIATIONS

AFS	Available-for-sale
AFSEC	African Electro-technical Standardisation Committee
ARSO	African Regional Standards Organisation
BBBEE	Broad-Based Black Economic Empowerment
BCM	Business Continuity Management
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CGU	Cash generating unit
CHINAS	Chinese National Accreditation System
COBIT	Control Objectives for Information and Related Technologies
CSIR	Council for Scientific and Industrial Research
DCF	Discounted Cash Flow
DRP	Disaster Recovery Plan
EC	Eastern Cape
EE	Employment Equity
EIR	Effective Interest Rate
ERM	Enterprise wide management
GAAP	Generally Accepted Accounting Principles
GBE	Government Business Enterprise
GCS	Global Conformity Services
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit
GP	Gauteng Province
GRAP	Standard of Generally Recognised Accounting Practice
GRIG	Global Reporting Initiative Guidelines
HR	Human Resources
IAS	International Accounting Standard
IASB	International Standards on Auditing Board
ICT	Information Communication Technology
IEC	International Electro-technical Commission
IESBA	International Ethics Standards Board for Professional Accountants
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
IIA	Institute of Internal Auditors
IIRF	International Integrated Reporting Framework
IPAP	Industrial Policy Action Plan
ISA	International Standards on Auditing
ISO	International Organization for Standardization
ISO/PC	International Organization for Standardization Project Committee
IT	Information Technology
ITIL	Information Technology Infrastructure Library
King III/IV	King Report on Governance for South Africa and the King Code of Governance Principles
KOLAS	Korean Laboratory Accreditation System
KPI	Key Performance Indicator
KZN	KwaZulu-Natal
LIMS	Laboratory Information Management System
LTIFR	Lost Time Injury Incident Frequency Rate
LTI	Lost Time Injury

MI	Minor Injury
MIIFR	Minor Injury Incident Frequency Rate
MP	Mpumalanga
MWh	Megawatt hour
NDP	National Development Plan
NETFA	National Electrical Test Facility
NRCS	National Regulator for Compulsory Specifications
NSI	Namibian Standards Institute
NSI	National System of Innovation
OCI	Other Comprehensive Income
PAA	Public Audit Act
PCN	Product Certification Network
PFMA	Public Finance Management Act
PPPFA	Preferential Procurement Policy Framework Act
QSE	Qualifying Small Enterprise
R&D	Research and Development
RvA	Raad voor Accreditatie
SA	South Africa
SABS	South African Bureau of Standards
SADC	Southern Africa Development Community
SADCSTAN	Southern Africa Development Community Co-operation on Standardisation
SA GAAP	South African Generally Accepted Accounting Principles
SANAS	South African National Accreditation System
SANS	South African National Standards
SATS	South African Technical Specifications
Seda	Small Enterprise Development Agency
SMME	Small, Medium and Micro Enterprise
SOC	State Owned Company
SQAM	Standards, Quality, Accreditation and Metrology
the dti	The Department of Trade and Industry
TC	Technical Committee
TCWG	Those charged with Governance
TLIU	Technology Localisation Implementation Unit
VAT	Value-Added Tax
VDA	German Association of the Automotive Industry
WC	Western Cape
WIP	Work in progress
Wits	University of Witwatersrand
ZAR	South African Rand