

Submission of the Annual Report by the Chairperson of the Board

It is with great pleasure that I, as the Chairperson of the Board of NMISA, submit the performance and progress of the entity for the financial year 2015/2016 in terms of the Public Finance Management Act, Act No. 1 of 1999.



Dr Prinsloo Nevhutalu
Chairperson of the Board

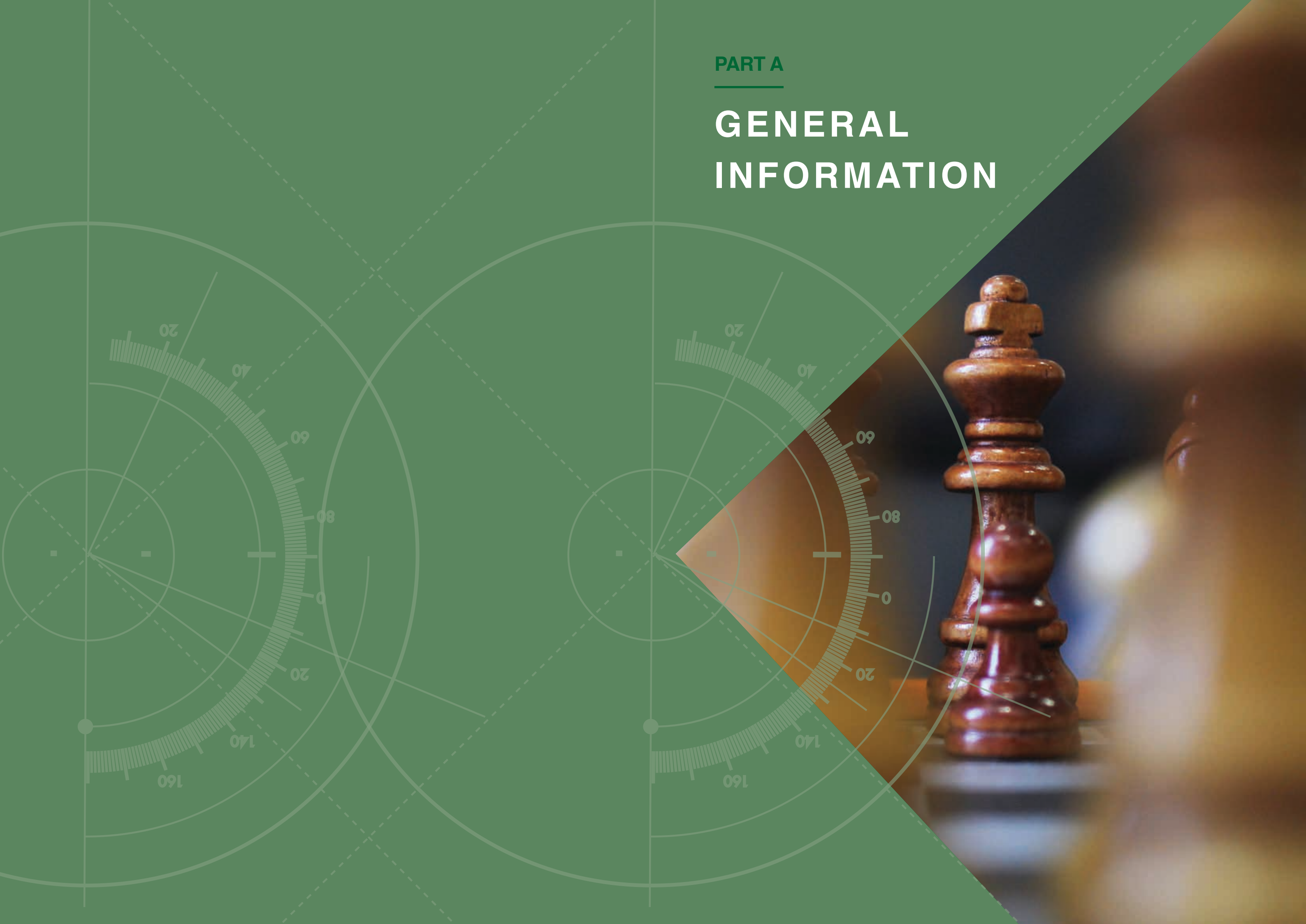
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PART A

GENERAL INFORMATION



1.1

PUBLIC ENTITY'S GENERAL INFORMATION

Name	National Metrology Institute of South Africa (NMISA)
Physical Address	Meiring Naudé Road Brummeria Pretoria
Postal Address	Private Bag X34 Lynnwood Ridge 0040 South Africa
Telephone Number	+27 (0) 12 841 4152
Fax Number	+27 (0) 12 841 2131
E-mail Address	info@nmisa.org
Website Address	www.nmisa.org
External Auditors	EY Inc Johannesburg
Bankers	Standard Bank Lynnwood Ridge Pretoria
Company Secretary	Mr Charles Kgoale

1.2

The dti MINISTER'S OVERVIEW

Dr Rob Davies

It is my pleasure to present the annual report of the National Metrology Institute of South Africa (NMISA).

The National Metrology Institute of South Africa (NMISA) is the measurement institute of the country established under the Measurement Units and Measurement Standards Act, No 18 of 2006. NMISA is mandated to be the foundation of all measurements performed in South Africa and has to maintain measurement equivalence with the global International System of measurements, the SI. The Institute provides the scientific base of the South African technical (Quality) infrastructure managed by the Department of Trade and Industry (dti).

NMISA sits at the interface between the national and international measurement systems. The activities of NMISA are essential to the successful implementation of the industrial policy action plan, the national development plan and other high priority programmes. NMISA contributes specifically in the sectors of metal fabrication, automotive and components, plastics, pharmaceuticals and chemicals, business services, bio-fuels, cultural industries, clothing and textiles, agro-processing, cutting edge: aerospace, green and energy saving Industries.

The major objective of linking the South African national measurement system to the international measurement system still continues to impact on every aspect of the daily lives of all citizens. At a higher level, accurate measurement is still an essential tool for manufacturing, scientific research and technological innovation. In the current economic climate characterised by sluggish economic growth, all government interventions to stimulate growth such as re-industrialisation relies heavily on accurate measurement to ensure that the goods to be produced can compete in the world markets.

The key strategic focus for the institution remains that of providing the country with fit for purpose

measurement standards and measurement solutions. In the current changing world, the focus characterised by an economy that is moving into the 4th industrial revolution (Industry 4.0), the availability of a strong metrology institute is critical to support the required innovation and research that will keep our industry competitive both locally and internationally. The shortening of the traceability chain for the country therefore remains a key strategic focus for the entity, especially in the environment with the impending change in the measurement system.

I would like to congratulate the NMISA for once more achieving a performance above 99% following on last year's excellent performance. Achieving a clean audit for a third year in a row makes us confident that the measurement infrastructure provided by our entity supports innovation, manufacturing and a better quality of life for the population. I would like to thank the NMISA board for their sterling work in providing strategic direction and oversight in the governance of the entity.

I look forward to NMISA's increased contribution to the dti deliverables in line with the IPAP and the broader South African economy in 2016/17.



Dr Rob Davies

Minister of Trade and Industry

22 July 2016

I would like to congratulate NMISA for effectively achieving 99% performance in the 2015/2016 financial year. I look forward to NMISA's increased contribution to the dti deliverables in line with the IPAP and broader South African economy in 2016/2017.



Dr Rob Davies, MP,
Minister of Trade and Industry

1.3

FOREWORD BY THE CHAIRPERSON

Dr Prinsloo Nevhutalu

NMISA continued to maintain its high level of performance in line with its value of measurement excellence. During the year under review, the organisation continued on its excellent performance achieving an overall performance of 99% following on similar high level reported in the previous financial year. Once again, the organisation met and/or exceeded all its core business targets of keeping and maintaining the national measurement standards and disseminating them to industry. As a board we are pleased that the high level of achievement was attained while maintaining an unqualified audit opinion for a third year in a row. This is a reflection of the hard work put in by all the staff, CEO and the executives, supported by the solid governance and direction provided for by the Board of directors. NMISA also maintains accreditation to ISO 17025, ISO 17043, ISO guide 34 for reference material production laboratories as well as maintenance of certification to ISO 14001 and OHSAS 18001 for environmental, health and safety.

The results reported in this report demonstrate that NMISA has managed to increase its impact in contributing to the South African economy and in supports of national priority projects such as the Industrial policy action plan. Participation by NMISA experts in SANS technical committees, ISO/ SANS committees and NRCS regulatory bodies increased demonstrating the expanding impact of the organisation.

During the year under review, the organisation continued the implementation of the recapitalisation project in response to the challenge of ageing infrastructure. The feasibility study for the development of a new laboratory infrastructure was completed and submitted to the National Treasury for TAI approval. The depreciation of the rand during the financial year had a negative impact on the procurement of equipment as part of equipment recapitalisation. The organisation, however, managed to conclude

procurement committing the CAPEX budget allocated for the year.

During the 2015/16 financial year, NMISA kept and maintained 56 gazetted national measurement standards and increased the number of Claims of Measurement Capabilities (CMC) in the Key Comparison Database (KCDB) to 415. This ensures that NMISA and consequently the South African measurement system is recognised internationally.

I would like to end by thanking all the stakeholders and the dti in particular for their confidence in NMISA and continued financial support. I would also like to thank our partners and collaborators both locally and internationally. With your valued support, the NMISA will continue its contribution towards national priorities and meeting our international commitments and obligations. The organisation will continue in the implementation of the 2016-2020 strategic plan. The key focus of the plan is the shortening of the traceability chain for South Africa characterised by projects such as the African feed and food reference material project (AFFRMP). The AFFRMP seeks to produce matrix reference material relevant for feed and foods specific to our region.

We are looking forward to a successful 2016/17 where the performance witnessed in 2015/16 will be sustained. Finally, I would like to express my gratitude to the NMISA board of directors who have worked tirelessly to ensure good corporate governance in the organisation.



Dr P Nevhutalu

Chairperson

NMISA

22 July 2016

I would also like to thank our partners and collaborators both locally and internationally. With your valued support, the NMISA will continue its contribution towards national priorities and meeting our international commitments and obligations.



Dr P Nevhutalu,
Chairperson

1.4

CHIEF EXECUTIVE OFFICER'S OVERVIEW

Mr Ndwakhulu Mukhufhi

NMISA is mandated through the Measurement Units and Measurement Standards Act, Act No 18 of 2006, to be the foundation of all measurements performed in South Africa and has to maintain measurement equivalence with the global international system of measurements, the SI. NMISA therefore sits at the interface between the national and international measurement systems. The activities of NMISA are essential for the national development plan and support priority programmes such as health, fighting crime and specifically, the strategic integrated projects and the Industrial Policy Action Plan (IPAP) of the Department of Trade and Industry. NMISA contributes specifically in the sectors of metal fabrication, automotive and components, plastics, pharmaceuticals and chemicals, business process services, bio-fuels, cultural industries, clothing and textiles, agro-processing, cutting edge: aerospace, green and energy saving industries.

It gives me great pleasure to present the 2015/16 annual report. During the year under review, NMISA met and/or exceeded 20 of the 21 set targets. Challenges arose due to the resignation by the internal audit manager in the third quarter of the year. This resulted in one of the six audits planned not being concluded at the end of the financial year. This represented 83% performance against the un-achieved target and therefore meant that NMISA has once more performed to an effective 99% against the targets following on last year's achievement, while maintaining an unqualified audit opinion for the third year in a row. The external auditors only raised a few housekeeping issues in their management letter when presenting their audit opinion. NMISA has committed to address these minor issues.

It is important to highlight that achievements such as this only come through the hard work, dedication and commitment to team work by all the staff and guidance from the Board. The NMISiAns once more showed their strength while allowing others to point out their weaknesses.

The number of gazetted National Measurement Standards was increased to 56 while the number of CMCs in the KCD was increased to 415. The impact of the activities of NMISA on the South African industry and society was demonstrated by the number of calibration services conducted for industry during the year. A total of 1811 services comprising 1148 calibrations and 663 reference measurements/analyses were carried out during the year. These were performed for clients in the government's priority sectors such as manufacturing (basic parameter), green energy, agro-processing, automotive, metal fabrication, law enforcement and health.

The intention of the 2016-2020 strategic cycle is to increase the provision of fit for purpose measurement solution in these priority sectors in supporting the government's priority projects. A relationship with both local and international partners continues to be central to the success of the organisation. In addition to the partnerships entered into during the past financial year, NMISA will endeavour to solidify the current partnerships while entering other strategic partnerships in the future. Some of the most important partnerships entered into during the 2015/16 financial year include the signing of a MoU with the National Metrology Institute of China (NIM-China) for collaboration in the area of food safety with special focus on reference material production. This is important for shortening the traceability chain in food safety testing.

The organisation has managed to commit all the CAPEX funds for the year under review. However, since most of the procurement is for specialised equipment supplied by Original Equipment Manufacturers (OEM), the expenditure is usually delayed for up to 18 months when the equipment is delivered and commissioned. Therefore, a request for retention of the committed funds as surplus was sent to National Treasury for approval. An amount of R142 million will be retained.

During the year under review, the rand dollar exchange rate deteriorated drastically resulting in procurement challenges since most of the procurement was for equipment supplied by overseas suppliers. This has resulted in the inability to procure all items on the procurement list. Some of the items were moved to the 2016/17 procurement plan.

Our successes are built on our people and I would like to thank all our staff for their dedication and commitment. In conclusion, I would like to express my gratitude to the NMISA chairperson and the Board of directors, NMISA's executive management, the Department of Trade and Industry and all stakeholders for their continued support and

feedback. We are looking forward to an exciting and successful 2016/17



Mr Ndwakhulu Mukhufhi

Chief Executive Officer

22 July 2016



Mr N Mukhufhi,
Chief Executive Officer

1.5

STATEMENT OF RESPONSIBILITY AND ACCURACY

Submission of the Annual Report by the Chairperson of the Board

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Dr Prinsloo Nevhutalu

Chairperson of the Board

22 July 2016

1.6

NMISA BOARD MEMBERS

**Dr Prins Nevhutalu**

Appointed 2013

MSc – University of the North
PhD – Northern Illinois

Prins is the current Vice-Chancellor of the Cape Peninsula University of Technology. Previously worked as the Executive Director at the NRF, Deputy Vice-Chancellor at TUT, Deputy Vice-Chancellor at University of Zululand. He is the current deputy Chair of Universities South Africa (USAf) and serve as the member of the Government Human Development committee.

**Mr Ndwakhulu Mukhufhi**

Appointed 2013
NMISA CEO

BSc – Honors - Biochemistry University of Limpopo
MSc – Biochemistry and Molecular Biology - University of Limpopo
Post Graduate Diploma – Project Management Cranefield College

**Mr Thembani Bukula**

Appointed - 2013

MSc – Mathematics, Science & Technology Education - University of South Africa
Post graduate diploma in Engineering Business Management - Warwick University
BSc – Engineering - University of Natal

Thembani Bukula has been the Regulator Member primarily responsible for electricity regulation at the National Energy Regulator of South Africa (NERSA) since 2005. He has held company directorship positions in various companies including National Electrical Test Facility (NETFA), the South African Bureau of Standards (SABS) – Testing and Conformity Services, National Data Systems and Bytes Managed Services. He has vast experience in the engineering field. Thembani chairs the Finance committee and serves as a member of the HR committee.

**Dr Tshengedzeni Demana**

Appointed 2013

BSc – Denison University - USA
Ph.D – Analytical Chemistry - University of Michigan, USA

Tshenge is the chief director responsible for the policy work in industrial standards and quality at the Department of Trade. He is also a board member of the Chemical Industries & Training Authority. He has extensive expertise in quality management and governance. Tshenge is a member of the REMCO and Finance Committees of the NMISA board.

**Dr Cleopas Sanangura**

Appointed 2013

Doctorate in Business Administration
MSc – Finance and Investment Banking, Corporate Finance and Securities Law - London School of Business and Finance
Doctorate in Business Administration - Nottingham Business School
MSc – Business Administration (Corporate Finance) - Nottingham Business School,
BSc – (Hons) Applied Accountancy - Oxford Brookes.

Cleopas is an acknowledged expert in the areas of finance, corporate strategy, corporate finance, economic research and analysis, corporate risk advisory and corporate governance (investor relations); advising organizations operating or considering investments in emerging markets. He has held a number of senior executive positions in a number of financial institutions. He is the founder and CEO of Dawn Asset Management (Pty) Ltd and Dawn Advisory Services (Pty) Ltd, a leading financial and corporate strategy group based in Johannesburg. He is a member of the audit & Risk committee and ICT strategic committee.

**Ms Tshidi Mamadiga Molala**

Appointed - 2013
Non-executive and Chairperson of Audit and Risk Committee

B.Comm – Accounting
B.Comm Honours (CTA) - Rhodes University
M.Comm – Local and International Tax - University of Johannesburg (RAU)

Tshidi Molala is the chairperson of the Audit and Risk committee. She is a qualified Chartered Accountant, her career spans from External Auditing, Internal Auditing, Tax Management and currently in Procurement Management. Tshidi has served as an audit committee and/or board member of various state owned entities and Gauteng Provincial Government departments' entities since 2005. She thus has extensive experience in PFMA, drivers of internal control environment and financial controls.

Dr Rudzani Nemutudi

Appointed 2013
Chairperson: Technical Committee

PhD – Semiconductor Physics from the University of Cambridge Cavendish Laboratory in the UK

Dr Nemutudi is the Deputy Director of iThemba LABS (Laboratory for Accelerator Based Sciences); a National Research Facility administered by the National Research Foundation (NRF). He is currently the Associate Secretary General of the International Union of Pure and Applied Physics (IUPAP), and serves as a national board member of the International Council of Science (ICSU) in South Africa. Nemutudi chairs the Technical Committee of the NMISA board, and also serves as a member of the Finance Committee

Mr Tshokolo Nong

Appointed 2013

B-Proc – University of South Africa
LLB – University of South Africa
Postgraduate Diploma – Labour Law - University of Johannesburg

He has extensive experience in labour and employee relations, amassed from his employment in various companies, rising up to head of labor relations in Sanlam Life; a role he still assumes to-date. He holds professional memberships with the South African Society for Labour Law (SASLAW), the Industrial Relations of South Africa (IRASA) and the Northern Province Law Society. Tshokolo is a member of the human resources and the audit and risk committees. Tshokolo is an admitted Attorney of the High Court.

Ms Jabu Mogadime

Appointed 2013

BA – University Botswana
MBA – University Wales
Diploma marketing (CIM)

Jabu is co-founder and executive director of Uranus Investment Holding, a black-empowered company primarily focus on the financial services and ICT sectors. She brings extensive finance and internal audit experience that includes municipal and public-sector bodies in South Africa and the auditor-general's office of Botswana. Jabu serves on the finance committee.

Ms Ursula Ntsubane

Appointed 2015

BSocSC (University of Natal)
Honours in Personnel Management (University of Natal)
MSc in Development Planning (Wits University)

Ursula is the MD of Uluntu Consulting a Project Management and Strategic Planning Firm. She has also held several strategic positions in government, including being a CEO of the CIDB (Construction Industry Development Board) and HOD Economic Development (Ekurhuleni Municipality) She has been in the Development Field for several years working on complex economic infrastructure development projects contributing to job creation, enterprise development and empowerment. She holds an Honours Degree in Personnel Management, and as such is instrumental as Chair of the Remuneration Committee and also chairs the same committee at the Chris Hani Development Agency, of which she is a Board Member.

Ms Bongani Mathebula

Appointed 2015

Master – Laws (LLM) with specialisation in commercial law (University of South Africa)

Bongani is an admitted attorney and conveyancer in good standing. She has vast experience as a corporate lawyer and has since settled into company secretariat duties which she currently performs at SA Express Airways SOC (Ltd) (SAX). She brings with her corporate governance expertise and serves as a member of the Human Resources and remuneration committee.

1.7

NMISA EXECUTIVE MANAGEMENT



Mr Benjamin van der Merwe

Appointed 2012
Director: Physical Metrology

National Diploma Electrical Engineering



Dr Wynand Louw

Appointed 2012
Director: Research, International and Infrastructure Development

PhD – Solid State Physics - UFS



Ms Zakithi Msimang

Appointed 2012
Director: Ionising Radiation

BSc – Physics and Mathematics, University of Fort Hare
BSc – Honors - Physics, University of Fort Hare
MSc – Physics, University of Witwatersrand



Dr Jayne de Vos

Appointed 2012
Director Chemistry and Materials

MSc – Applied Chemistry - University of Pretoria
PhD – Chemistry - University of Pretoria
Chromatographer of the Year Award



Ms Phetsile Magagula CA (SA)

Appointed 2015
CFO

Postgraduate Diploma – Integrated Reporting - University of Pretoria
Honours Bachelor – Accounting Science - (CTA) University of South Africa
Bachelor of Commerce – Accounting - University of Swaziland
Diploma – Commerce - University of Swaziland



Ms Natasha Nel-Sakharova

Appointed 2012
Director: Electricity and Magnetism Division

BSc – Physics with Mathematics - University of Pretoria
BSc – Honours – Physics - University of Pretoria
MSc – Physics (with distinction) - University of Pretoria

1.8

STRTEGIC OVERVIEW

VISION

To be a measurement centre of excellence inspired to consistently deliver outstanding, innovative and international comparable measurement solutions that support the country's trade, people's quality of life and enable the protection of the environment.

This is achieved by keeping and maintaining the national measurement standards and units to an acceptable international standard, and by disseminating traceability to the South African industry.

MISSION

To provide the South African Industry and environmental, health and safety sectors with fit for-purpose measurement standards and measurements.

VALUES

- Measurement Excellence
- Social Responsibility
- Economic Prosperity
- Good Governance

1.9

LEGISLATIVE AND OTHER MANDATES

NMISA was established under the Measurement Units and Measurement Standards Act, No.18 of 2006 (The Measurement Act).to provide for the use of measurement units of the International System of Units (SI) and certain other measurement units; to provide for the designation of the national measurement units and standards and to provide for the keeping and maintenance of the national measurement standards. NMISA sees to the application of the SI units in South Africa, the gazetted NMS and offers certified reference materials to industry. NMISA continues to improve and expand the NMS to enhance and expand the services it offers industry and stakeholders.

The dti's Industrial Policy Action Plan (IPAP) states "Multilateral, regional and bilateral trade agreements are all creating long-term downward pressure on tariffs as an instrument of strategic trade policy. The role of Technical Barriers to Trade (TBTs) and Non-Tariff Barriers (NTBs) is increasing the relative importance of technical infrastructure policies and institutions. Developed countries and advanced developing countries are increasingly using TBTs and NTBs to protect their markets. SQAM issues supported by Technical Infrastructure policies and institutions are set to play an increasing role in global trade, in line with TBTs and NTBs".

South Africa is a signatory of the Metre Convention, a treaty dating back to 1875. Under the Metre Convention, the International Bureau of Weights and

Measures (BIPM) was created to act in matters of world metrology, particularly concerning the demand for measurement standards of ever increasing accuracy, range and diversity, as well as to address the need to demonstrate equivalence between national measurement standards. The international system of units (SI) was also established under the Metre Convention.

NMISA signed the International Committee for weights and measures (CIPM) mutual recognition arrangement (MRA) in 1999. The CIPM MRA was a response to a growing need for an open, transparent and comprehensive scheme to give users reliable quantitative information on the comparability of national metrology services and to provide the technical basis for wider agreements negotiated for international trade, commerce and regulatory affairs. It is the basis for the international acceptance of national measurement standards and for calibration and measurement certificates issued by national metrology institutes (NMIs).

The BIPM, CIPM MRA and associated procedures to establish the equivalence of NMS and the SI governs the activities of NMISA to ensure a proper measurement system for South Africa. This is then disseminated to industry according to local needs.

1.10

STRATEGIC OUTCOME, ORIENTED GOALS AND OBJECTIVES

The NMISA is guided overall by seven goals, namely:

Goal 1	Keep, maintain and develop the national measurement standards and provide for the use of the national measurement units
Goal 2	To ensure that the South African measurement system is internationally comparable, by participating in the activities of the International Committee for Weights and Measures as per the Mutual Recognition Arrangement (CIPM MRA)
Goal 3	To modernise NMISA's infrastructure and equipment through recapitalisation
Goal 4	Provide measurement knowledge and expertise as a key component of the Technical Infrastructure with regard to public policy objectives measurement compliance issues in terms of health, safety and the environment
Goal 5	Provide an integrated human capital development programme for metrology
Goal 6	Provide essential support to South African public and private enterprises through dissemination of the national measurement standards, units and expertise
Goal 7	Adhere to the regulatory requirements of a Type 3A public entity and sound corporate governance

The NMISA is guided overall by twelve strategic objectives; namely:

1	Provide for the national measurement units by maintaining the SI units, units outside the SI and equivalents of units
2	Maintain the Schedule of National Measurement Standards
3	Keep, maintain and develop measurement systems for bringing national measurement standards and reference methods into being
4	To ensure internationally recognised and comparable national measurement standards and units by participating in the Metre Convention, CIPM MRA and AFRIMETS activities
5	Establish confidence in the accuracy of the national measurement standards by suitable and documented quality and management system
6	To maintain the Calibration and Measurement Capability (CMC) claims in the KCDB as internationally peer reviewed evidence of South Africa's measurement capability
7	Recapitalise and modernise NMISA to ensure that the national measurement standards support international trade, health, environmental and safety requirements
8	As the foundation of the South African measurement system provide technical measurement expertise and support for public policy objectives, accreditation, standardisation and regulatory affairs
9	To maintain and ensure continued expertise and establish the necessary skills according to internationally acceptable standards
10	Disseminate traceability, measurement expertise and services to South African public and private enterprises by means of calibration, measurement or analysis, certified reference materials
11	Provide appropriate technology and skills transfer to the South African industry, especially to SMEs
12	Comply with government directives, the PFMA, Treasury Regulations and regulatory issues in terms of health, safety and the environment and apply good governance.

1.11 STRATEGIC RISKS

In NMISA, risk management is regarded as an essential part of the business strategy and operations that impact business performance, service delivery and financial results. Risks are viewed and assessed holistically and not in isolation.

To fulfil this responsibility, NMISA has adopted (a) the public sector risk management framework and (b) risk management principles and guidelines as outlined by King III Report as its enterprise risk management framework. Combined, these risk management standards are customised and applied through a board approved enterprise risk management framework in identifying critical risk events and risk opportunities, assessing risks, monitoring and reporting on risks, implementing controls, decision-making and in all other business processes.

NMISA believes that risk management is fundamental for effective corporate governance and should enable the organisation to predict what is coming next and proactively plan how to mitigate risk. NMISA therefore performs a comprehensive risk identification exercise annually and ensures the inclusion of the top strategic risks that is then monitored by a risk committee and managed.

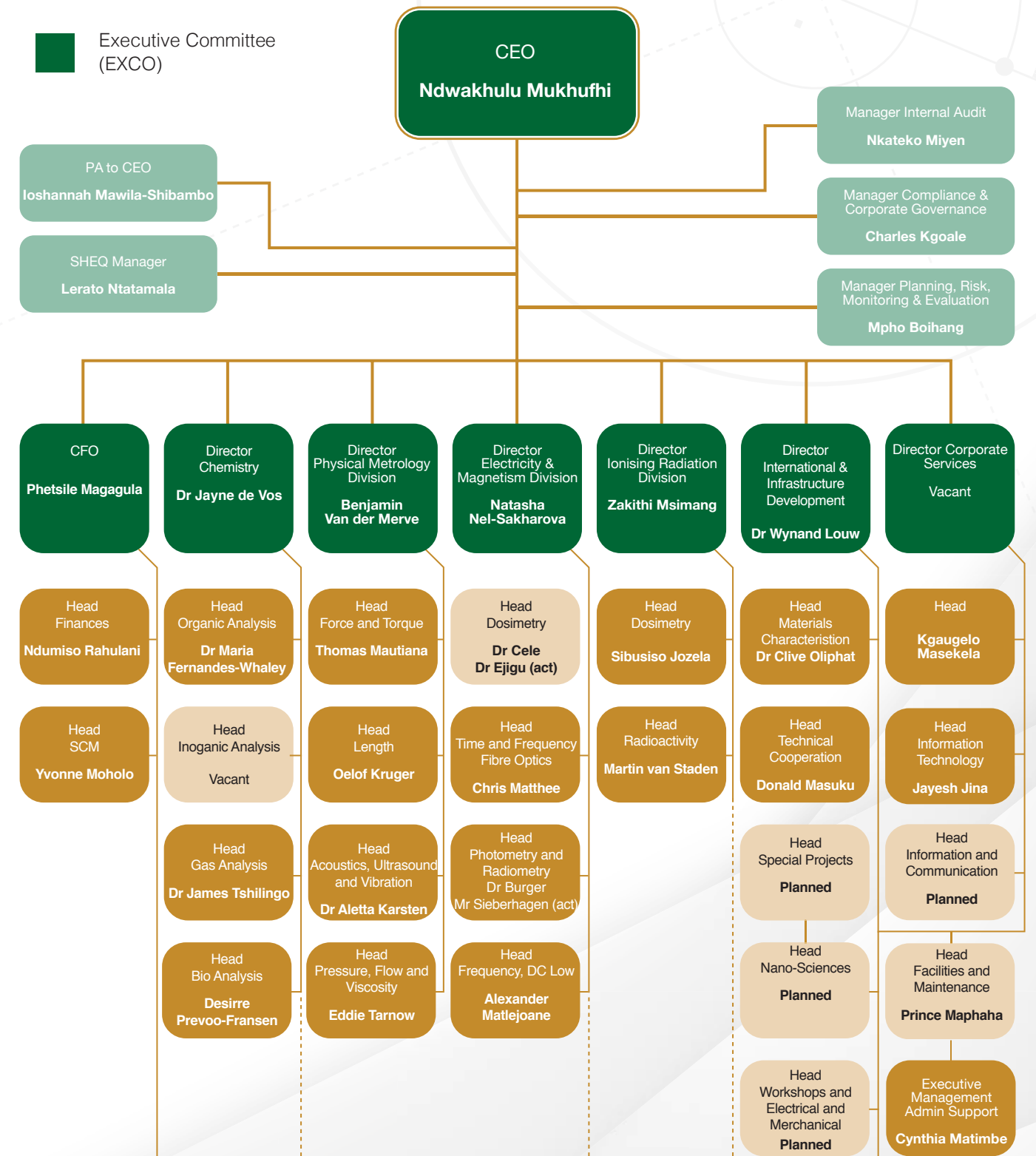
The key risks that the organisation was facing in the year under review related to the provision of adequate infrastructure required to provide stable environmental conditions necessary for conducting

the accurate measurement work in the laboratories. The infrastructure also affects the ability for the organisation to keep up with the fast pace of technological advancements fit for purpose to meet South Africa's measurement needs. The risk is as a result of the ageing infrastructure that the organisation is leasing from the CSIR. To mitigate the risks, management has employed competent staff with infrastructure and HVAC maintenance expertise while the feasibility study for the development of a modernised NMISA infrastructure was concluded during the year. NMISA continues to procure new equipment in response to modernising the ageing infrastructure.

The attraction and retention of skilled personnel remains a challenge for NMISA. In response to the shortage of appropriately skilled candidates in the market, NMISA embarked on a comprehensive Human Capital Development (HCD) drive to develop Metrologists through staff training, and a bursary programme for both undergraduate and post graduate studies in partnership with South African universities.

1.12 ORGANISATIONAL STRUCTURE

NMISA is a Type 3A public entity and is managed by a Chief Executive Officer (CEO) supported by an executive management team and is governed by NMISA's Board



PART B

PERFORMANCE INFORMATION



2.1

PERFORMANCE INFORMATION

CHIEF FINANCIAL OFFICER’S REPORT

Ms Phetsile Magagula

Overview

NMISA, as established by the Measurement Units and Measurements Standards Act, No 18 of 2006, is responsible for connecting the national measurement system to the international measurement system. In order to carry out this mandate it is mainly funded by grant income received from the department of trade and industry (the dti) the controlling entity. R251 million (2015: R203 million) allocation was received; 62% (2015: 55%) went towards capital expenditure whilst the balance was allocated to cover operating costs. As an NMI, NMISA has to ensure that high level equipment and facility infrastructure supporting the NMS are maintained and upheld. This implies continued investment in the supporting infrastructure; hence the CAPEX heavy budget and spending. Since 2013/14 NMISA has been embarking on a recapitalising and modernisation project for the replacement of aged equipment and for funding of a feasibility study for a Private Public Partnership

(PPP) project towards new laboratory and office space. This has seen an 85% (2015: 22%) year on year increase in the capital investment book of the entity.

Revenue

At R251 million (2015: R203 million) grant income comprises the majority of revenue at 90% (2015: 92%) of total revenue. Other revenue contributions include revenue from the rendering of services R12 million (2015: R10 million), Interest received from invested funds R14 million (2015: R8 million) and other income R2 million (2015: R632 thousand). Revenue received against budget is depicted in the table below. The over achievement in interest received is as a result of surplus cash fund invested with short-term bank deposits to cover commitments for goods and services already committed and not yet paid for.

Revenue Sources	2016			2015		
	Budget R000	Actual Revenue Received R000	Variance	Budget R000	Actual Revenue Received R000	Variance
Transfer from Controlling Entity	250 895	250 895	0%	202 565	202 565	0%
Rendering of Services	11 135	11 928	7%	8 667	9 803	13%
Interest Received	11 150	14 057	26%	3 146	8 319	164%
Other Income	-	1 517	100%	-	632	100%
	273 180	278 397	2%	214 378	221 318	3%

Revenue from services rendered

As part of dissemination of the NMS to industry, NMISA's technical divisions offer a variety of measurement expertise and services to the South African public and private enterprises from which income is received. These services span from

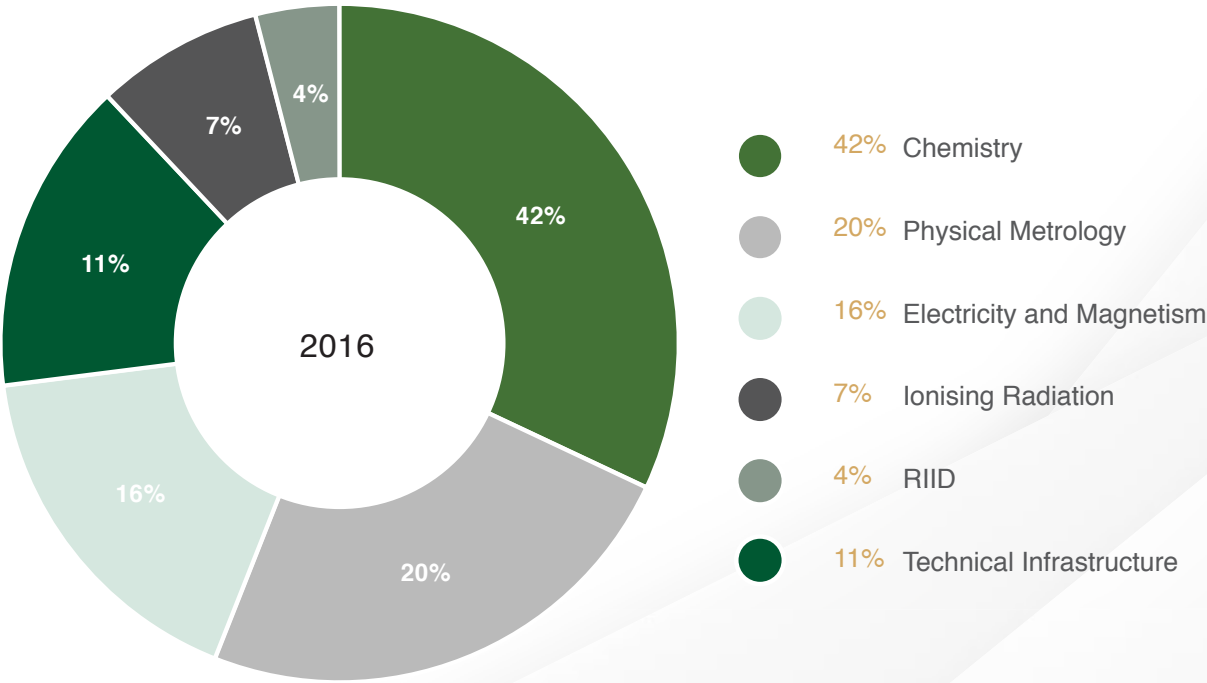
calibration and reference measurements to the sale of certified reference materials and training in measurement science. This revenue stream has seen an erratic growth in the past, with a 22% increase in the current year, preceded by a 3% decrease and

22% increase two years ago. NMISA has however, always achieved an above budget revenue collection, currently reporting 7% (2015:13%) above budget.

At a 42% (2015: 32%) contribution, the chemistry division is leading in service revenue with their reference measurements and certification of reference materials offerings, mainly driven by the increase in the certified reference material from the African Food and Feed Reference Material Programme (AFFRMP). This is followed by the provision of physical measurement parameter

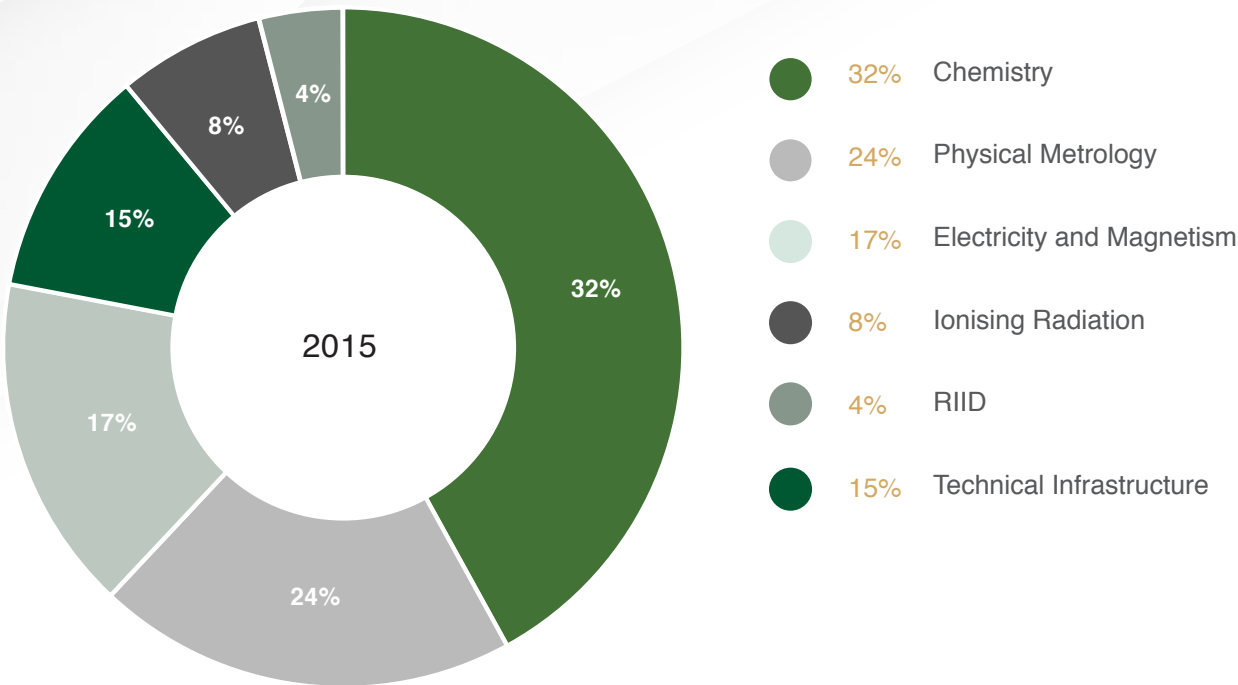
calibration through the Physical Metrology (PM) division contributing 20% (2015: 24%) service revenue and the Electricity and Magnetism division in their provision of calibration services involving electricity and magnetism (EM) parameters contributing (16% (2015 17%). The services in PM are mainly driven by the Manufacturing Competitiveness project while the major contributor to the EM revenue is the Green Economy project.

2016 Revenue from Services Rendered



Charts depicting service revenue received by division of South African public and private enterprises. These services span from calibration and reference measurements to the sale of certified reference materials and training in measurement science.

2015 Revenue from Services Rendered



Spending Trends

With the reported spending the entity is seeing year on year increase in total expenditure: 25% (2015:15%). This in line with the overall organisational growth both in terms of human capital and equipment recapitalisation. As such, employee cost are reporting a 23% (2015:16%) increase and depreciation expense rising by 56%. The table below depicts expenditure performance against budget.

Employee related costs account for half of total expenditure in NMISA, with 51% and 52% reported in the current and prior years, respectively. NMISA is a subject matter expert metrology entity and is often faced with challenges in replacing experienced metrology’s vacancies. This is evidenced by the reported less than flattering staff cost budget to actual variance. Operating and general costs account for 38% (2015: 40%) of total spend whilst depreciation expense accounts for the balance.

	2016			2015		
	Budget R000	Actual Revenue Received R000	Variance	Budget R000	Actual Revenue Received R000	Variance
Operating and General Expenses	51 933	54 173	4%	36 434	45 091	19%
Depreciation and Amortisation	-	14 841	100%	-	9 336	100%
Employee Related Cost	79 701	72 336	-10%	65 921	58 808	-12%
Total Expenditure	131 634	141 350	7%	102 355	113 235	10%

Commitments

Over and above the expenditure reported, NMISA has commitments for which tenders have been awarded and purchase orders raised at year end. NMISA mainly procures equipment that is highly specialised, custom made or assembled to order according to specification, mostly from international manufacturers. The majority of delivery lead times for these equipment can be anything from 5 months to 12 months and beyond. For such awards and orders, funds are often rolled over from year to year, in the form of commitments. A total of R176 million (2015: R106 million) has been reported in this regard, comprising of R154 million (2015: R86 million) towards capital commitment and R22 million (2015: R21 million) toward operating expenditure. To this extent, NMISA is exposed to foreign currency risk which is mitigated by requesting firm and fixed Rand prices from our suppliers.

Surplus

NMISA reported a surplus of R 137 million (2015: R108 million) which saw the accumulated surplus rise to R 421 million (2015: R284 million). This surplus is mainly as a result of the unpaid commitments. In this regard, a request for retention of the cash surplus will be sent to the National Treasury in line with section 53(3) of the Public Finance Management Act (PFMA).

Working Capital

The institute has a healthy working capital balance and is able to meet its ongoing financial obligations. Cash funds held are rather high at R230 million (2015: R191 million). This however, follows the reported commitments for which delivery of orders and awards has not been made.

Trade receivable of R2,4 million (2015: R2,4 million), representing 21% (2015: 25%) of total services revenue relate to revenue services; mainly from the private sector clientele. Only 3% (2015: 8%) of these have been identified as impaired. Trade payables and accruals are R12,4 million (2015: R11,3 million). NMISA strives to adhere to Treasury regulations of settling its creditors within 30 days; hence 97% (2015: 99%) is held in the current payable ageing list.

With the increase in the sale of certified reference material, NMISA has in this financial year started recognising inventory used in the production of certified reference material. At R300 thousand, this balance is expected to increase with the forecasted expansion of the African Food and Feed Reference Material Programme (AFFRMP).

Capital Investments

NMISA's capital investment is represented by property plant and equipment (PPE) and IT software, carried at R190 million (2015: R103 million) and R2 million (2015: R1 million) respectively. This constitutes 44% (2015: 35%) of total asset. With the continuing recapitalisation of aged infrastructure NMISA is expecting this balance to continue to rise. When taking capital commitments into consideration, total CAPEX spend could rise up to R345 million which in the near future may command as much as 60% of total assets.

Assets are managed through an asset management policy that stipulates procedures for ensuring that processes are applied uniformly throughout the entity as prescribed by the PFMA and treasury regulations and the requirements of GRAP and the National Treasury prescribed regulations.

NMISA maintains an up-to-date fixed asset register. Asset verification is performed bi-annually and the process of determining the completeness of the fixed asset register and the existence of assets. Prior year financials reported prior period errors relating to asset existence, NMISA has in the year established a full time asset management section that maintains the fixed asset register and calculates monthly depreciation as well as monitor the existence and condition of the assets. As a result, current year verifications showed an immaterial adjustment to the register that has been prospectively accounted for.

Acquisitions are made in line with approved annual procurement plan, which is managed in line with Treasury's SCM Instruction 2 of 2016/17 on Procurement plans - submission and reporting. Disposing of all written-off equipment is authorised by

the Board. All assets are depreciated based on their estimated useful lives. Useful life assessments are performed annually and all assets carried in the asset register are of good or fair condition.

Financial Outlook

NMISA will continue to obtain funding from the **dti** budget allocation. R264 million is budgeted for the 2016/17 financial year. Almost half of this budget is earmarked for capital expenditure for the continued investment in the required infrastructure and replacement of aged equipment.

The entity has however been cautioned by the minister of the **dti** of the shrinking fiscal purse. Management is therefore considering ways of increasing its internal revenue generation and intends to double its revenue from other sources within 3-5 years, utilising the new equipment and subsequent offerings with the funding for re-capitalisation.

NMISA is looking towards the Treasury's second approval of the PPP project for the construction of laboratories, office space and equipment funding reserve that will ensure that it becomes a cutting edge, world class metrology institute, providing fit for purpose measurement solutions.



Ms Phetsile Magagula

Chief Financial Officer

22 July 2016

NMISA'S technical divisions offer a variety of measurement expertise and services to the South African public and private enterprises from which income is received.



Ms P Magagula,
Chief Financial Officer

2.2 SITUATIONAL ANALYSIS

Organisational Environment

The national significance of NMISA is illustrated as NMISA not only being the link between the international measurement system and the South African measurement system, but in the vertical integration it allows for South Africa to have a credible domestic measurement system to facilitate and ensure trade, commerce, manufacturing, services and consumer and environmental protection.

The NMS underpins and/or supports directly and indirectly the daily activities of South Africa on almost all levels. As one of the **dti's** Technical Infrastructure (TI) entities, the activities of NMISA are critical to the success of the other TIs. Standardisation, metrology, conformity assessment and accreditation are the key issues in the implementation of free trade agreements between countries/economic trade blocks. NMISA plays a role in providing technical support for many other acts and regulations, ranging from the Occupational Health and Safety Act (Act 85 of 1993) to the Atomic Energy Act (Act 90 of 1967). It serves more than 1300 accredited laboratories in South Africa and provides measurement and measurement assistance to over 400 industrial companies.

NMISA has a very specific role in this context. Competitive manufacturing relies on accurate, internationally comparable measurement that is achieved through the establishment of the "traceability" of the measurement result to the SI or internationally agreed references. In line with our mandate, NMISA measurements link the national measurement system to the international measurement system and ensure its comparability with our main trading partners. This is achieved by establishing and maintaining NMS, by comparing the NMS to those of other nations, ensuring their comparability and by the dissemination of the NMS to local (and regional) trade and commerce. NMISA also assists industry to successfully implement accurate measurement systems.

The trade of goods and services around the world is the lifeblood of the global economy, and is increasingly important to domestic economic growth, productivity and investment opportunities. For customers to consider trade to be fair and benefit from it, measurements taken in different parts of the world needs to be equivalent to each other, and accepted by each other. Important decisions (economic, social and medical) are based on measurement results. NMISA makes a contribution to all government key priorities and the 14 national outcomes and has aligned its key programmes to the IPAP priority sectors.

NMISA also plays a key role in the establishment of measurement traceability and the international equivalence thereof, sitting at the interface between the national and international systems, and contributes to the elimination of technical barriers to trade (TBTs). NMISA also plays a leading role in the development of metrology infrastructure in Africa, especially in support of South Africa's immediate neighbours in SADC. This is crucial for the successful implementation of regional free trade agreements. This role is emphasised in the **dti's** strategic goals and the South African contribution towards mutual acceptance of testing results in the region.

Service Delivery Environment

The CIPM has established a number of consultative committees (CCs) to oversee and arrange for the comparison of national measurement standards.

The CCs bring together the world's experts in their specified fields as advisers on scientific and technical matters and are pivotal in the arrangement of key comparisons that compare the measurement capabilities and determine the measurement equivalence of national measurement standards. NMISA has full membership to 9 of the 10 CCs and membership of the CIPM. Membership of a CC is open to institutions of member states of the BIPM that are recognised internationally as an expert in that field.

NMISA manages its technical activities through four technical divisions, namely physical metrology, electricity and magnetism (EM), Ionising radiation (IR) and chemistry, with one cross-cutter division that coordinates research and development and the liaison activities with the TI, the international and the regional metrology organisations, research, international and infrastructure development (RIID). The divisions are supported by finance and corporate services.

Accurate measurement is paramount for fair trade, competitive manufacturing, efficient health care and effective environmental monitoring and law enforcement. NMISA links the South African and regional measurement system to the international measurement system through its participation in the Convention of the Metre and its organs, the CIPM and the BIPM. The expanding global trade and pressure to eliminate technical barriers to trade (TBTs) creates a constant demand for greater accountability and demonstrated competence in NMIs and plays a leading role in the development of a sound metrology infrastructure in Africa, especially in support of South Africa's immediate neighbours in the Southern African Development Community (SADC).

NMISA develops and maintains primary and secondary standards (chemical and physical quantities) for South Africa and compares those standards with other national standards to determine their equivalence and ensure global comparability. These standards are disseminated to the South African industry through a range of services and products and in the case of a measurement dispute, reference analyses are provided to ensure conformity.

NMISA delivers its services through:

Calibrations:

Delivering direct traceability to the national measurement standards, NMISA serves the accredited calibration laboratories by performing calibrations to the highest accuracy (smallest uncertainty).

NMISA holds accreditation to ISO/IEC 17025 for most of the parameters and ranges that it offers calibration services for. Calibration is also provided directly to industry in cases where there are no accredited calibration laboratories, or the desired accuracy can only be provided by NMISA.

Reference Measurements and Certification of Reference Materials:

NMISA provides reference measurements and analysis according to its calibration range and services. In addition NMISA has built capability to value assign chemical samples and gas mixtures for customers, including purity. This capability allows NMISA to produce pure standard CRMs or calibration solutions that are internationally recognised and accepted.

Measurements, testing and analysis:

NMISA offers advanced measurement services to industry. This includes method development for customers to assist with problem solving, and performing analysis in support of research projects.

Training:

The expertise residing in the staff of NMISA is an important contribution to the development of a skilled and capable workforce through training in measurement science. Where and when required, NMISA assists the NLA with training courses. Special developments projects that aim to assist SMEs have been created and are being rolled out. NMISA staff is also involved as invited lecturers in graduate and postgraduate academic courses.

2.3

PERFORMANCE AGAINST THE ANNUAL PERFORMANCE PLAN (APP)

An updated balanced score card is presented below. Quarterly targets were defined for 2015/2016, some of the Annual Performance Plan targets were amended and reviewed and approved by the shareholders during the mid-term review.

Performance Indicator	Actual Achievement 2014/2015	Planned Targets 2015/2016	Actual Achievement 2015/2016	Variance from planned targets Actual Achievement for 2015/2016	Comments on Variance
National Obligations					
Strategic Objectives 1: Provide for the national measurement units by maintaining the SI units, units outside the SI and equivalents of units					
Gazetted national measurement units	Reviewed schedule 1 submitted to the dti	Update Schedule 2 (other units) and submit to the dti to Gazette	Final Schedule 2 submitted for Gazetting. Corrected Schedule 3 also submitted to the dti	Schedule 3 is planned for update in 2016/17. A first draft of Schedule 3 with some corrections was already submitted in 2015/16	When preparing Schedule 2 it became clear that some data in Schedule 3 (Equivalents of units) were now obsolete and had to be corrected hence it was submitted with Schedule 2 for Gazetting. The full reviewed and updated Schedule 3 will be submitted as planned in 2016/17
Strategic Objectives 2: Maintain the Schedule of National Measurement Standards					
Number of national measurement standards maintained submitted to the dti to Gazette	52	53	56	3	Following the resolution by the Directors of the NMIs to shorten the review process from 24 to 18 months, most targets were met before time.
Strategic Objective 3: improved and new national measurement standards, secondary standards, reference materials and methods					
Number of improved and new national measurement standards and secondary standards reference materials and methods	13	15	29	14	Actions implemented by the international metrology community and their directors to reduce the time to finalise the comparison reports and final approvals has resulted in reports being finalised in about 18 months. This then resulted in about 10 of the comparisons that NMISA participated in, being finalised sooner than anticipated.
Strategic Objective 4: To ensure internationally recognised and comparable national measurement standards and units by participating in the Metre Convention, CIPM MRA and AFRIMETS activities					
Number of membership of International committees for Weights and Measures CIPM and Consultative Committees (CC)	10	10	9	None	None
Strategic Objective 5: Establish confidence in the accuracy of the national measurement standards by suitable and documented quality and management system					
Number of accredited laboratories accredited to ISO 17025 or ISO Guide 34 and/or maintained quality system	19	19	20	None	None
Strategic Objective 6: To maintain the calibration and measurement capability (CMC) claims in KCDB as evidence of South Africa's measurement capability					
Number of CMCs as published in the Key Comparison Database (KCDB)	411	411	415	4	The timelines implemented by the CIPM to decrease the review process of CMCs has resulted in four CMCs approved sooner than expected.
Strategic Objective 7: Recapitalise and modernise the NMISA To ensure that the national measurement standards support international trade, health, environmental and safety requirements					
Percentage of budget spent (see note*)	64%- commitments 10%- expenditure 74%- total	70%	104%	34%	The 34% was covered by savings made on OPEX

Strategic Objective 8: As the foundation of the South African measurement system, provide technical measurement expertise and support for public policy objectives, accreditation, standardisation and regulatory affairs					
Number of membership of SANS STCs, ISO/SANS Committees and NRCS regulatory bodies	34	44	45	1	As part of the role NMISA plays in providing input into guides and participating in ISO committees, new membership opportunities to serve on these committees do become available as our expertise improve. These memberships provide active forums where NMISA can contribute to drafting guides and policy for SQAM activities
Number of refereed and/or peer-reviewed papers, manuscripts, articles, application or technical notes, book chapters, tec. Accepted for publication in peer-reviewed journals, books or appropriate media	21	21	22	1	NMISA was afforded an opportunity to present two papers instead of one at the Dioxin 2016 conference, thus allowing our students to showcase their scientific work at these international conferences.
Number of presentations given at conferences, workshops and TAFs	72	42	43	1	More industries are becoming aware of NMISA and invitations for presentations on NMISA role have increased
Strategic Objective 9: To maintain and ensure continued expertise and establish the necessary skills according to internationally acceptable standards					
Number of post-graduate and undergraduate bursars	9	10	14	4	With challenges experienced with replacing experienced metrologists earlier in the year, NMISA had extra funds to build up their Human Capital Development.
Training expenditure as a % of personnel cost	3%	2%	2%	None	None
Number of interns and in-service trainees hosted	22	8	10	2	NMISA participates in several internship programmes. The Itukise Programme gave us more than we expected for this year.
Percentage of funded vacancies	12%	9%	8%	1%	None
Strategic Objective 10: Disseminate traceability, measurement expertise and services to South African public and private enterprises by means of calibration, measurement or analysis, certified reference materials					
Income generated from dissemination activities. A new forensic laboratory was also opened in Durban towards end of 2014, allowing test results to be available in a few days. The establishment of a new forensic laboratory has dramatically increased the demand for NMISA blood alcohol testing measurement standards.	R9 803	R9 534	R11 918	R2 384	MOU signed with the NNR resulted in more work being won for the NNR.
Percentage of complaints from customer satisfaction survey per total jobs	1,7%	≤5%	1,2%	None	None
Strategic Objective 11: Provide appropriate technology and skills transfer to the South African industry, especially to SMEs					
Number of industry and or regional metrologists trained in accurate measurement	66	58	81	23	Increased participation of SADC and African laboratories in the SADC Water PT Scheme thus more metrologists being trained.
Number of courses presented to industry	21	14	18	4	Because of the drive by NMISA to be more visible to industry and region, the request for training has increased.
Strategic Objective 12: comply to government directives, the PFMA, treasury regulations and regulatory issues in terms of Government regulations					
Percentage of revenue received expensed	98%	98%	100%	None	None
Percentage of total budget spent on CAPEX	45%	20%	60%	40%	The recapitalisation project has allowed NMISA to procure additional CAPEX to align with this expenditure. This directly impacts the percentage of budget spent on CAPEX.
100% completed Annual Audit Plan	10	100%	83%	-17%	The internal Audit Manager and the Senior Internal Auditor both resigned during the financial year and that led to capacity challenges.

Strategy to Overcome Areas of Under Performance

The organisation has met 99% of its targets for the year. The only target not met by year end has since been concluded. The internal audit manager position will be filled early in the 2016/17 financial year to avoid a repeat of the situation faced during the year under review.

Changes to Planned Targets

Annually in October, the dti permits its public entities to review their Annual Performance Plans. During the period under review, NMISA modified Technical Indicator Descriptions that were approved by the minister and were reported differently from the third quarter

Performance Indicator	Old Method of Calculation	New Method of Calculation
Percentage of budget spent	Calculate the percentage budget spent on the PPP project (amount spent/total recapitalisation budget)	Calculate the percentage budget spent on the PPP project (amount spent, including commitments/total recapitalisation budget)
Number of postgraduate and undergraduate bursars	Simple count	Simple count of bursars from date of entry and are counted each year until completion of the qualification.
Percentage of revenue received expensed	Actual spending of grant funding received	Actual spending of grant funding received. (amount spent, including commitments/total revenue received)
Percentage of total budget spent on CAPEX	Actual CAPEX spent/ Actual CAPEX allocation	Actual CAPEX spent (amount spent , including commitments)/ total CAPEX budget)

NMISA Highlights

NMISA provides the link to the international equivalence and thus ensure measurements in South Africa internationally traceable and acceptable and hence contributes to South Africa’s global competitiveness, environmental health and safety and crime prevention. In addition, NMISA is responsible for the application and maintenance of the Units (SI) in South Africa and also performs reference analysis and in a dispute, in any SA court, its results will be accepted as the most correct value.

The Industrial Policy Action Plan seeks to implement South Africa’s Vision 2030 as set out in the National Development Plan (NDP) with a particular focus on commencing with its core goal of dynamic and sustainable economic growth in the domestic economy, the IPAP is also focused on the need for South Africa to develop deeper and more robust export capabilities in both traditional and non-traditional dynamic sectors of the economy.

In support of both the NDP and IPAP, NMISA is aware that these initiatives require infrastructure growth and skills development to absorb the growing population and has aligned its services to impact those sectors that clearly need upskilling and resourcing.

By delivering direct traceability to the national measurement standards, NMISA serves the high-end calibration laboratories by performing calibrations to the highest accuracy (smallest uncertainty). NMISA also holds accreditation to ISO/IEC 17025 for most of the parameters and ranges that it offers calibration services for and also provides reference measurements and analyses according to its calibration range and services.

Of the 1811 services provided for 2015/16, these included 1148 calibrations and 663 reference measurements/analyses. The breakdown per economic sector can be seen in Figure 2 below. The pie chart is divided into the number of services provided, the four largest measurement categories have been further sub-divided.

Most of the basic parameters include calibrations for temperature and humidity, force and hardness, mass, pressure and vacuum, electrical, length, photometry & radiometry and acoustics, vibration and ultrasound. The measurements supporting law enforcement are predominantly the provision of certified reference materials for blood alcohol testing (316 certificate batches comprising 4457 units sold).

The measurements in support of Green Energy Technologies include provision of primary reference gas mixtures for air pollution monitoring traceability and flow measurements in support of stack gas emissions. Also included in this category are the reference measurements made in support of environmental monitoring. The agro-processing sector is predominantly measurements for nutritional and toxic elements in food and various other environmental matrices, and provision of reference measurements for toxic contaminants in various complex food and feed matrices, with a few measurements for LED lighting, mass, temperature and humidity, contaminants in food and volume.

Aerospace, automotive and metal fabrication appears to be a smaller focus, but is not the case since the actual individual calibrations and/or reference measurements performed are Projects based or form part of collaborative research projects with universities or industry. Since the number of calibration and measurement services provided to industry is numerous, Table 2 provides a summary of key services provided to industry.

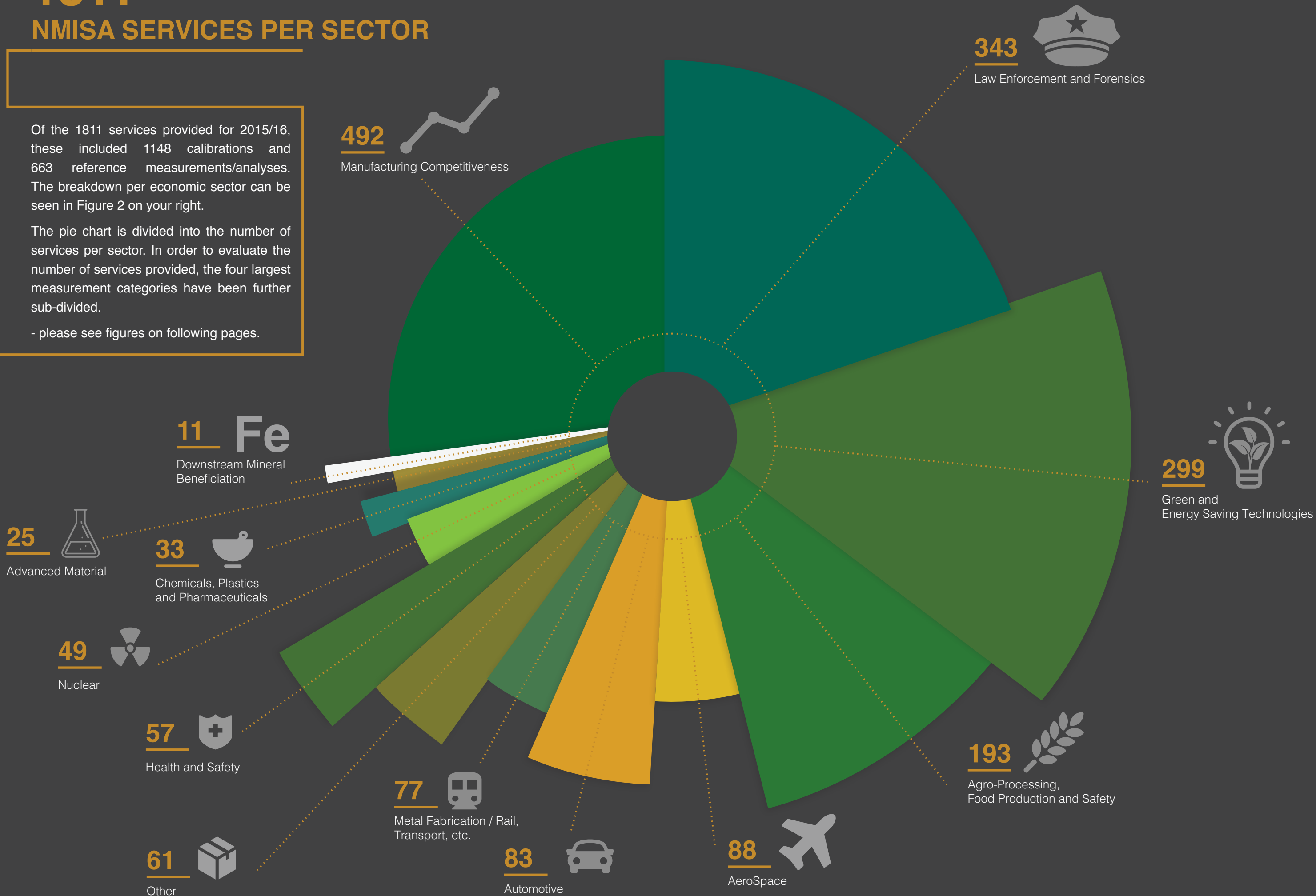
1811

NMISA SERVICES PER SECTOR

Of the 1811 services provided for 2015/16, these included 1148 calibrations and 663 reference measurements/analyses. The breakdown per economic sector can be seen in Figure 2 on your right.

The pie chart is divided into the number of services per sector. In order to evaluate the number of services provided, the four largest measurement categories have been further sub-divided.

- please see figures on following pages.



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MANUFACTURING AND COMPETITIVENESS

ACTIVITY/ ACHIEVEMENT

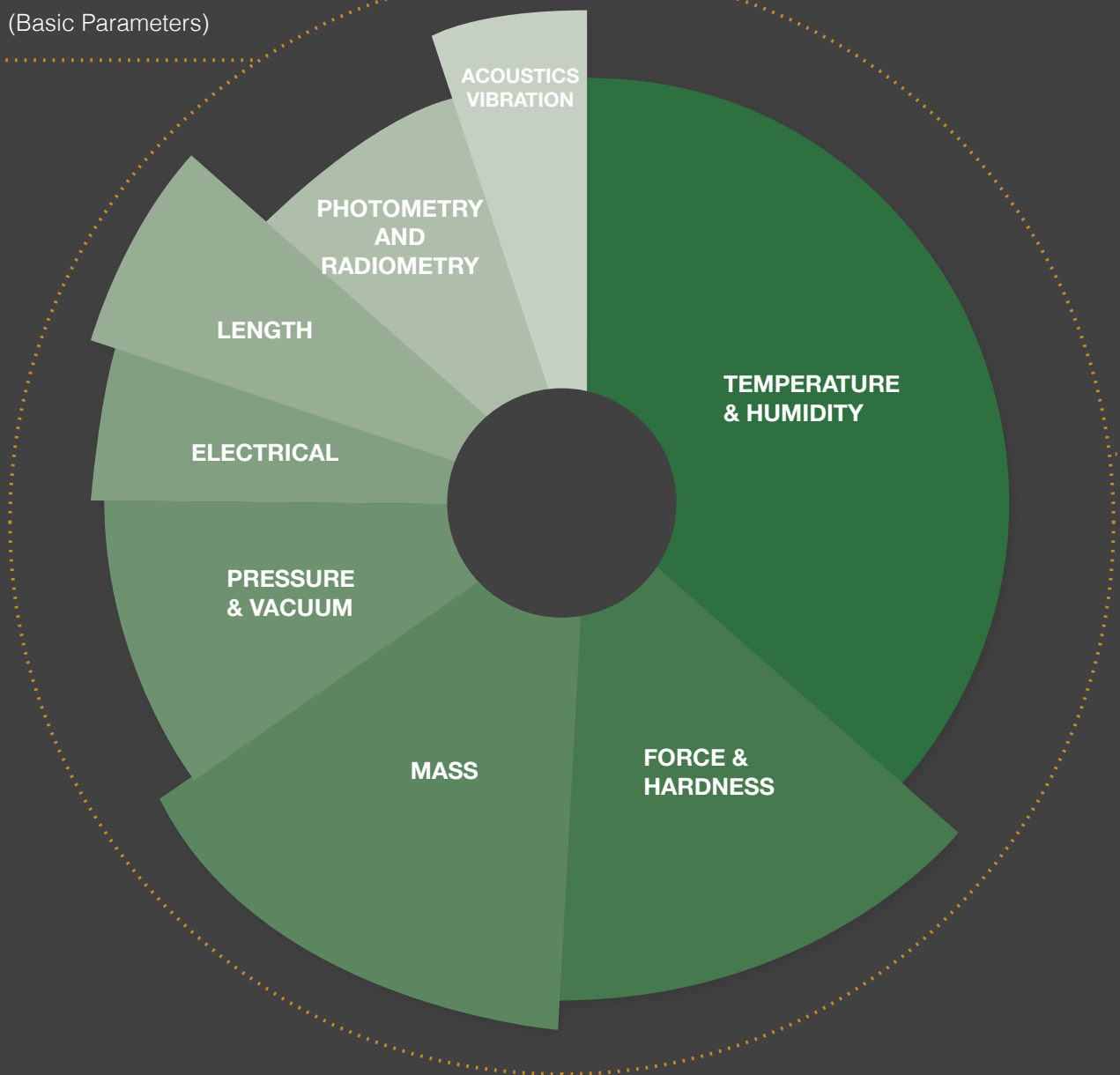
NMISA has improved its time realisation capability more than 50-fold (from 5000 nano-seconds to less than 100 nano-seconds).

It is envisaged that this capability will be further improved by a factor of 10 within the next two years
New NMS for Optical Flatness was declared and was validated through participation in an international comparison based on the error separation using three high accurate optical flats using a laser interferometer.



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Manufacturing Competitiveness
(Basic Parameters)



RELEVANCE/ IMPACT

NMISA realises the national standard time for South Africa and thereby contributes to the calculation of the world's time standard, Coordinated Universal Time (UTC, from the French abbreviation). This is done through an ensemble of four highly precise atomic clocks. Accurate time (and therefore accurate frequency) measurement enables the functioning of global navigation systems, such as GPS, and allows the telecommunication industry to get more information across the same wire. In South Africa, there is also a number of scientific experiments that will benefit from a more accurate realisation of time by NMISA.

Radio-astronomy organisations, including the MeerKAT and Square Kilometre Array (SKA) projects, require highly accurate time standards over decades to allow them to detect events related to new physics theories. Several South African universities are involved with cold atoms experiments and quantum mechanical systems. There is also a drive to design space vehicles and sensors. As these fields grow, the need for accurate time (and frequency) capability and to transfer that accuracy from the NMISA site in Pretoria to elsewhere in South Africa, will increase.

Flatness is a parameter that is of great importance to the optical manufacturing industry and in all anvil measurements in the manufacturing industry among others. Flatness is measured using an interferometer.

343

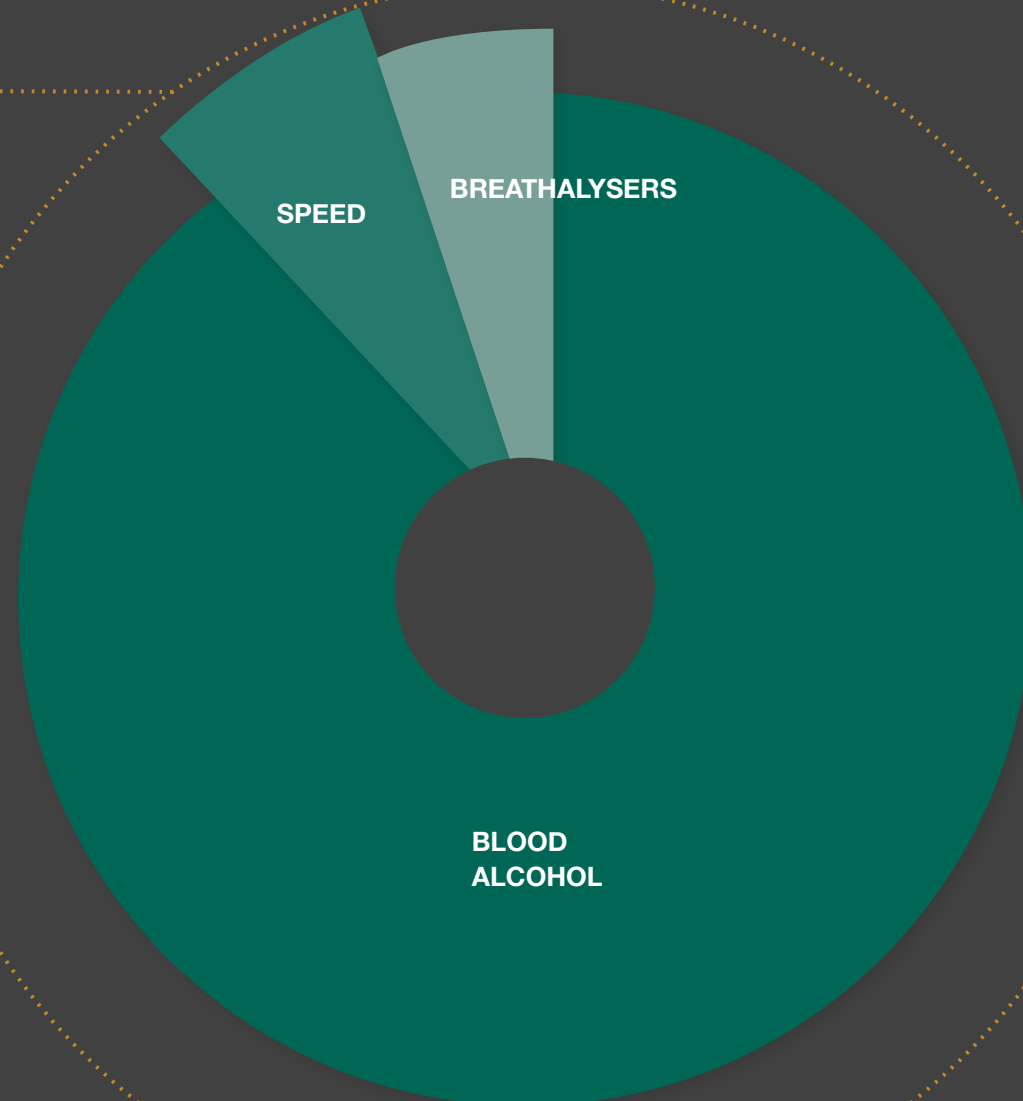
LAW ENFORCEMENT AND FORENSICS

ACTIVITY/ ACHIEVEMENT

In accordance with The Road Traffic Act 93/96 sections 122, 126, 149, develop an aqueous ethanol certified reference material to provide traceability for the proposed reduced lower limit of 0,02 g/ 100 ml.

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Law Enforcement and Forensics



RELEVANCE/ IMPACT

In response to this legal requirement, NMISA started to develop an ethanol CRM with a concentration of 0,005 g/ 100 g.

A lower concentration is required to improve the accuracy of measurements made at lower concentrations. The lowest concentration of an ethanol CRM world-wide is 0,01 g/ 100 g.

The stability testing for the 0,005 g/ 100 g CRM was completed in 2015 and validated by the Bundesanstalt für Materialforschung und –prüfung (BAM) in Germany

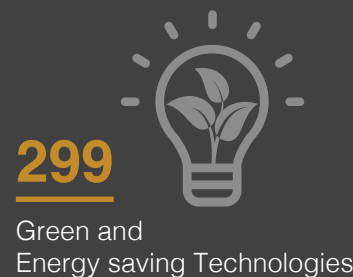
NMISA has also applied to the BIPM for inclusion of this lower concentration ethanol CRM in the database of CMCs.



299 GREEN AND ENERGY SAVING TECHNOLOGIES

ACTIVITY/ ACHIEVEMENT

NMISA is developing national measurement standards and measurement capabilities to evaluate solid state lighting devices (such as LEDs) to provide a traceable calibration services to local industry in the near future. NMISA established a new laboratory standard for the determination of the gas flow.



RELEVANCE/ IMPACT

Measurement capabilities for a few basic optical parameters for LEDs have been established (radiometric flux, radiance and colour coordinates).

The world-wide implementation of solid-state lighting, specifically LEDs is propelled by its high efficiency which promises savings in terms of energy and cost.

In order to support the local lighting industry, accurate LED measurement methods and standards have to be developed to enable performance and safety assessment of LED products.

New Laminar Flow Element Gas Flow Reference Standards were procured. This provides for improved gas flow measurement traceability and reduced calibration lead times for flowmeters, use for stack emissions, by testing laboratories.

193 AGRO-PROCESSING, FOOD AND PRODUCTION AND SAFETY

ACTIVITY/ ACHIEVEMENT

NMISA launched a reference material programme to address reliability of measurement results through the provision of food and feed measurement standards that are relevant, more accessible and affordable to the analytical testing community.



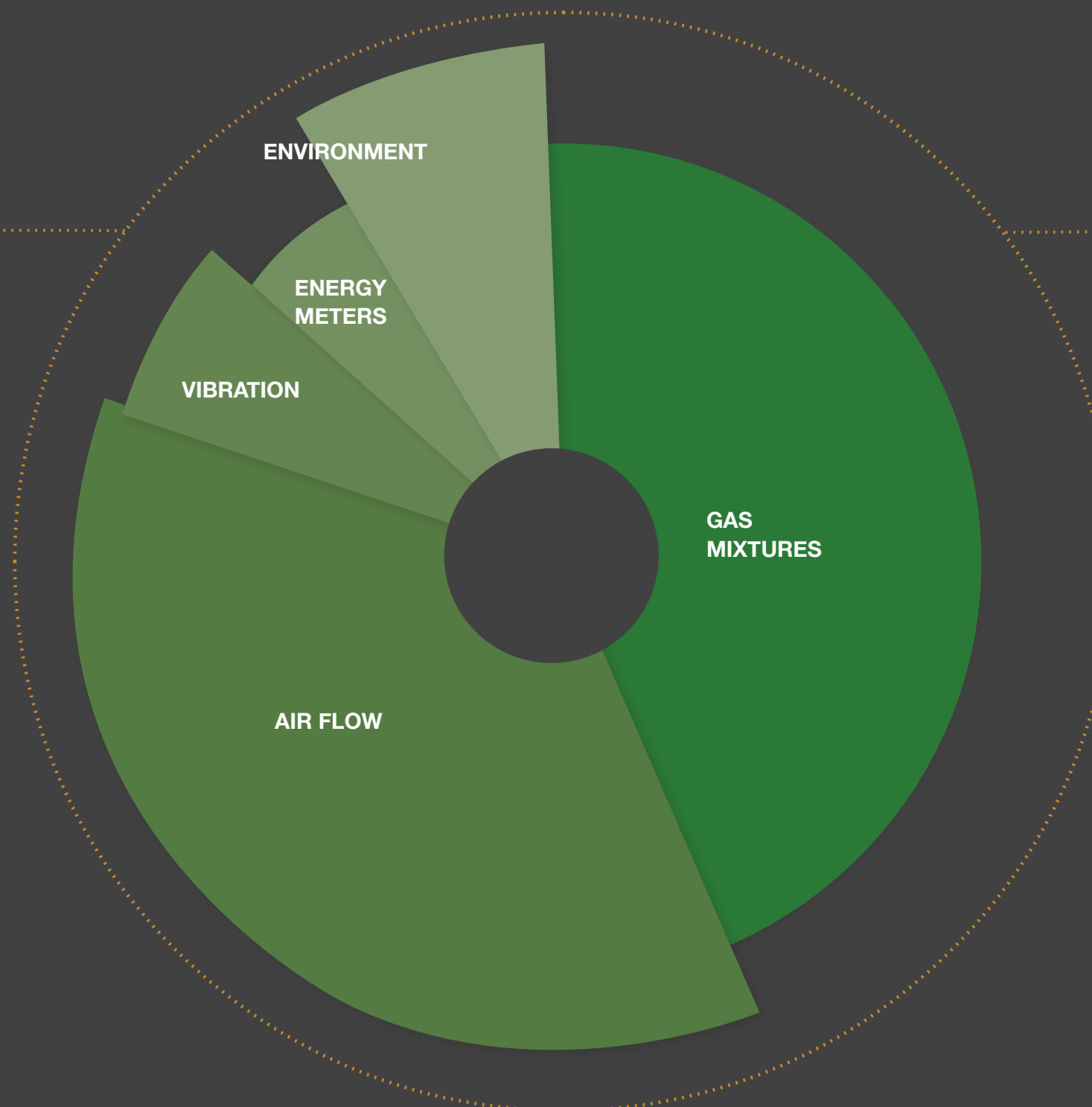
RELEVANCE/ IMPACT

NMISA held two workshops in Gauteng and the Western Cape that saw over 110 representatives from industry, government and academia participating.

The workshop outcome indicated that 68% of measurement support needs were in the food labelling arena (i.e. fat; sugar; protein; salt and nutritional content) followed by 32% support for food safety analysis (contaminants such as mycotoxins, pathogenic microorganisms (salmonella and listeria), pesticides and heavy metals).

By investing in the necessary resources and infrastructure, NMISA will be able to provide industry with the reference standards needed and to transfer skills required to ensure accurate, reliable and comparable measurements to ensure the safety and quality of food and feed.

NMISA established a new capability for the determination of gas flow.



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HEALTH AND SAFETY

ACTIVITY/ ACHIEVEMENT

NMISA procured, commissioned and validated a brachytherapy high dose rate system. This has allowed NMISA to offer the service to all hospitals that require the service, thus negating the need for hospitals to send their equipment for expensive calibration overseas. The Acoustics laboratory of NMISA extended its capabilities in the low frequency range Acoustics low frequency range from 31,5 Hz down to 1 Hz.

New vibration exciters were procured. These are used to provide traceability for both the automotive and the mining industries. NMISA also invested in new equipment (artificial ears and mastoids) that will in future position us to provide traceability for audiologists.

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Health and Safety

RELEVANCE/ IMPACT

Brachytherapy is a treatment of cancer, by the insertion of radiation sources or seeds directly into or near the tumour. It is used for treatment of cancer cases like prostate, cervical, oesophagus and many more.

The low frequency range (low humming noise below 20 Hz) is generated by wind farms. It also has applicability in blast analysis in open cast mines.

The vibration measurements are used to ensure that personnel are not exposed to unsafe vibrations at work (eg. jackhammers and high pressure drills).

The artificial ears and mastoids will have an impact in hearing conservation for the South African workforce, especially in factories and mines.

This allows NMISA to provide traceability in the low frequency range (low humming noise below 20 Hz) generated by wind farms. It also has applicability in blast analysis in open cast mines.

The laboratory also invested in new equipment (artificial ears and mastoids) that will in future position them to provide traceability for audiologists. This will have an impact in hearing conservation for the South African workforce, especially in factories and mines. The new vibration exciters will be to ensure that mine workers are not excessively exposed to vibrations at work that can be caused by jackhammers and pressure drills.



88 AEROSPACE

ACTIVITY/ ACHIEVEMENT

Recently, NMISA has purchased a new reference calibration screen as well as a new portable standard spectroradiometer in order to maintain these measurement capabilities.

Commissioning and verification of this upgraded facility is in progress and will be completed by 2016/17



RELEVANCE/ IMPACT

NMISA maintains national measurement standards for the calibration of light meters and colorimeters (which measures the colour of a light source).

The accuracy of these calibrations is important to the aerospace industry where light sources used in screens and indicators inside the cockpit of aircraft must conform to strict specifications and may not interfere with night vision equipment.

83 AUTOMOTIVE

ACTIVITY/ ACHIEVEMENT

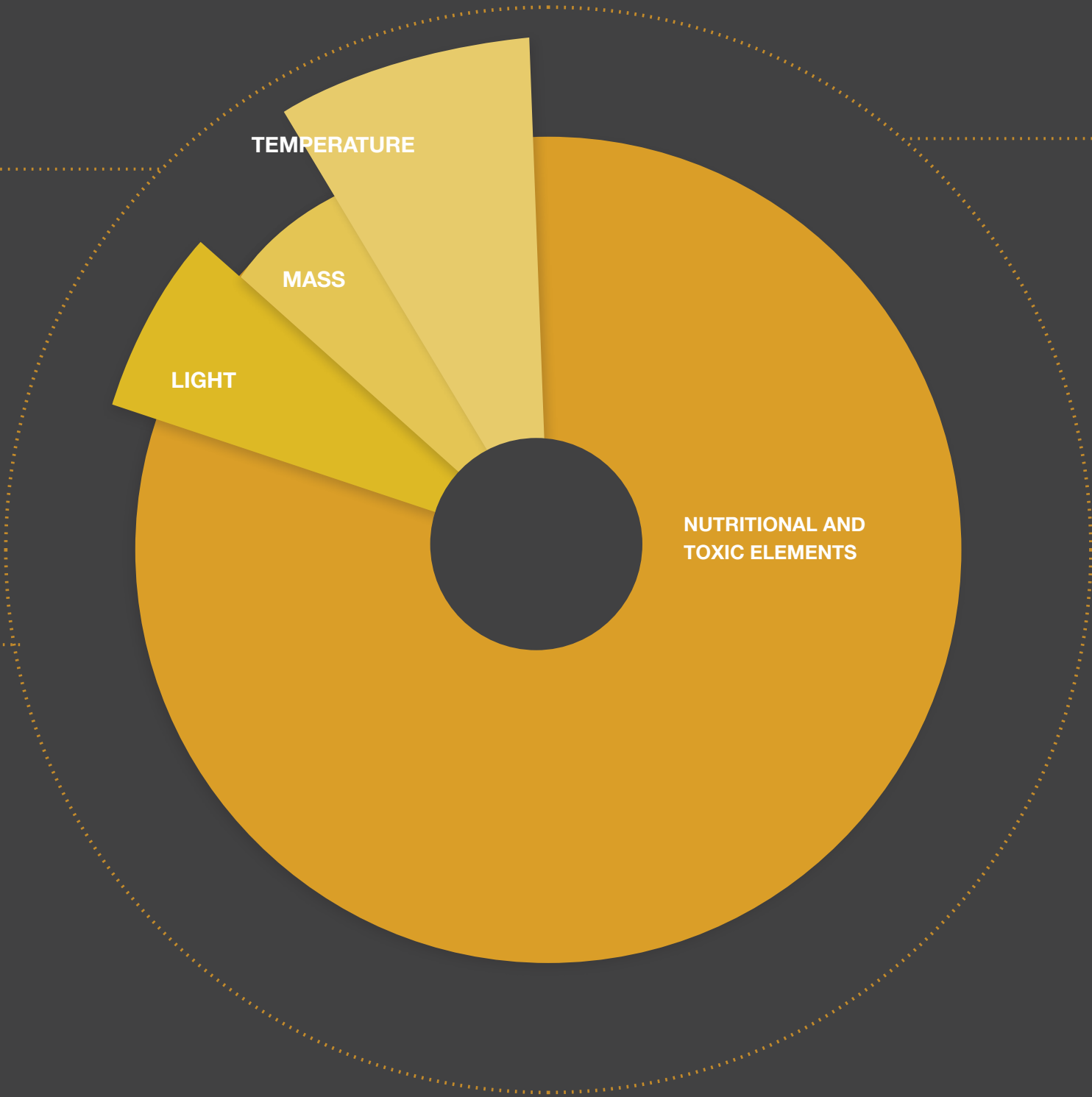
In the past year the, Length laboratory added the Rz parameter to their already accreditation scope of Ra and Rt. This will go a long way in helping the industry to characterise and get a more complete picture of the roughness of their manufactured parts.



RELEVANCE/ IMPACT

The South African automotive industry is one of the most important sectors contributing at least 6% towards GDP. More than 200 000 people are dependent on the automotive industry and its related industries. It is important that NMISA keeps supporting industry by providing measurement traceability and eliminating technical barriers to trade.

Surface texture is a measurement that plays an important role in machined parts as it affects the performance of the parts such as efficiency, durability and airtightness. In manufacturing of car components specifically, surface roughness is important as it affects friction between moving parts.



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METAL FABRICATION / RAIL, TRANSPORT, ETC.

ACTIVITY/ ACHIEVEMENT

NMISA has acquired and commissioned a laser tracker that is portable, with high accuracy and a wide range.

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Metal Fabrication / Rail, Transport, etc.

RELEVANCE/ IMPACT

Laser trackers, due to their large measuring range of up to 100 m with micron accuracy, can assist with the alignment of machine tools, measurements of jigs and fixtures, or press alignments and assembly integration, part-inspection, reverse engineering an assembly integration.

This versatile system can be used to measure large and heavy parts/ assemblies that cannot be brought to the laboratory for measurement using the Coordinate Measuring Machines.

61

OTHER

ACTIVITY/ ACHIEVEMENT

NMISA has identified the plants/ producers of biodiesel in South Africa. However, none of these industries are currently in full-scale production.

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Other

RELEVANCE/ IMPACT

A questionnaire has been formulated to distribute to the relevant producers.

The specific testing requirements for biodiesel for automotive use have also been included in the questionnaire. Additional FAMES standards have been procured.

NMISA is developing methods for Karl Fischer Coulometric water determination of biodiesel.

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NUCLEAR

ACTIVITY/ ACHIEVEMENT

NMISA had an opportunity to participate in an on-site comparison with the BIPM for the Tc-99 m and F-18 radionuclide study, thus providing confidence that NMISA has the capability to support the nuclear medicine community in ensuring that radiation doses administered to patients are as prescribed.

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Nuclear

RELEVANCE/ IMPACT

Technetium-99m is a widely used radioactive tracer isotope in Nuclear Medicine. It is used for different studies e.g. bone scans, lymph nodes, etc. roughness is important as it affects friction between moving parts.

25

ADVANCED MATERIAL

ACTIVITY/ ACHIEVEMENT

New calibration service delivery for nanoscale length measurements performed using Scanning Electron Microscopes (SEMs) and Atomic Force Microscopes (AFMs).

25



Advanced Material

RELEVANCE/ IMPACT

Nano-metrology is a subfield of length metrology that focuses on measurements and traceability on the nanoscale (accepted as less than 100 nm).

There has been an expansion of nano-technology, leading to a need for traceable measurements at nanoscales.

The standards for lateral calibrations for both the SEMs and AFMs are established and NMISA can perform these calibrations to the required accuracy using an in-house developed laser diffractometer.

33

CHEMICALS, PLASTICS AND PHARMACEUTICALS

ACTIVITY/ ACHIEVEMENT

Blood and urine have been extensively used to monitor and test for the presence of drugs of abuse as well as toxicologically relevant compounds in forensic investigations. Over the last couple of years blood and urine have also been explored as bio-monitoring tools for persistent organic pollutants (POPs) as well as current use pesticides such as organophosphate pesticides. This is of specific importance as exposure to POPs has been associated with numerous negative health effects leading to stringent regulations concerning these chemicals. Although emerging pollutants, including current use pesticides are not yet governed by regulations, they likely pose a threat to human and environmental health at environmentally relevant concentrations and therefore require continued monitoring.

33



Chemicals, Plastics
and Pharmaceuticals

RELEVANCE/ IMPACT

Although POPs are relatively recalcitrant and parent compounds can act as indicators of internal dose, the measurement and data interpretation of current use pesticides is more challenging. These pesticides have relatively short half-lives in the human body and are metabolised and excreted rapidly. To this end a single extraction and analysis method was developed to determine the presence and concentration of pyrethroid, carbamate and organophosphate pesticides and their associated metabolites in urine samples. This is also a significant contribution in the South African context as DDT and its metabolites are still actively used for Malaria vector control and programs are in place to reduce the use of DDT while increasing the use of current-use pesticides such as pyrethroids in vector control. This will increase the need for monitoring levels of these substances in humans especially in regions where indoor spraying is used for vector control.

11

DOWNSTREAM MINERAL BENEFICIATION

ACTIVITY/ ACHIEVEMENT

Trans-boundary, emerging and re-emerging diseases underscores the severe impact of pollution on environmental, animal and human health throughout the world. It is increasingly accepted that these challenges can only be addressed by 'One Health' approaches that necessitates multifaceted and interdisciplinary networking and collaboration between experts in the professions of veterinary, human health, environmental, ecological, agricultural, and conservation sciences.

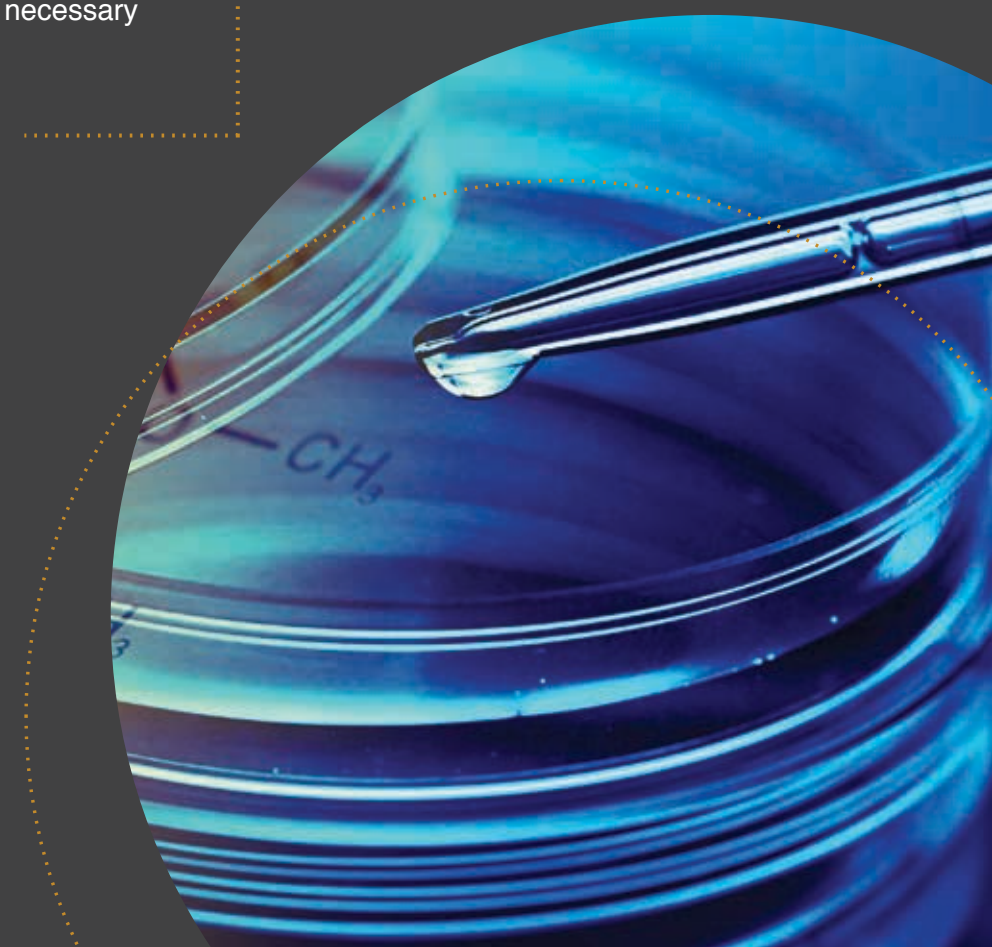
RELEVANCE/ IMPACT

In support of the initiatives of the School of Veterinary Sciences at UP, NMISA has expanded its capability for the analysis of toxic and nutritional elements in food matrices to also include the environmental matrices of contaminated and non-contaminated soils.

NMISA has internationally benchmarked the capability to analyse trace and ultra-trace levels of iron (Fe), cadmium (Cd), lead (Pb), arsenic (As) and manganese (Mn) in these soils and is able to provide the necessary traceability to industry.

11 Fe

Downstream Mineral
Beneficiation



PART C

GOVERNANCE



CORPORATE GOVERNANCE REPORT

The Board is responsible for monitoring standards of sound corporate governance and embraces where possible, the governance principles as recommended by King III. The general responsibilities of the Board are particularly governed by the Measurement Units and Measurement Standards Act, Act No 18 of 2006, (herein after referred to as “the NMISA Act”), the Public Finance Management Act, Act No 1 of 1999 as amended (PFMA) and the Companies Act, Act No 71 of 2008 as amended.

The Board is committed to governance processes that assure stakeholders that NMISA's operations are conducted ethically within prudent risk parameters and in pursuit of best practice. To the best of the Board's knowledge, NMISA complied with applicable legislation, policies and procedures, as well as with the Codes Of Governance.

CORPORATE GOVERNANCE REPORT

NMISA gives accounts to the Parliament's department of trade and industry portfolio committee.

Members of the executive committee have attended five meetings with the committee this year, where they tabled their strategic and annual performance plans, and quarterly reports. Management has from time to time responded to questions raised by the portfolio committee on NMISA contributions to various industry outputs.

EXECUTIVE AUTHORITY

Minister of Trade and Industry Dr Rob Davies, MP, is NMISA's executive authority. NMISA has, in line with the shareholder compact signed with the executive authority, submitted all performance and financials reports for the year.

THE ACCOUNTING AUTHORITY/ THE BOARD

NMISA's board of directors' (“the Board”) is assigned to represent the interests of the shareholders, in perpetuating a successful business that ensures the achievement of the Vision and Mission as well as Strategic Objectives of the NMISA.

BOARD CHARTER

The Board also endeavours, to the extent possible, to comply with the guidelines of the King Report on Corporate Governance for South Africa, 2009 (King III) and the Protocol on Corporate Governance in the Public Sector. The Board's statutory and fiduciary duties mainly in terms of the NMISA Act, the Companies Act, 2008, PFMA and King III Report 2009 are to:

- Be ultimately accountable and responsible to the shareholders for the performance, affairs, and corporate governance of the NMISA.
- Define the delegation of powers to management.
- Give strategic direction and monitor the implementation of approved policies and strategies.
- Ensure that procedures are in place for monitoring and evaluating of the implementation of policies, strategies, strategic and annual performance plans, as a measure of management and operational performance.
- Be responsible for ensuring compliance with all relevant laws, regulations and codes of business practice.
- Be responsible to the broader stakeholders, which include the present and potential clients and beneficiaries of the entity's services, the South African industry, calibration laboratories and the NMISA's employees in a bid to achieve continuing sustainability and success for the entity.
- Avoid conflict of interests within the entity.
- Be responsible for risk management and effective internal controls.
- Evaluate and report on reasons that lead to the going concern statement.

The circumstances would determine whether the Board members are jointly and/or individually liable for any wilful or negligent breach of duty.

The Board has delegated the day-to-day management of NMISA's activities to the CEO and the executive committee.

COMPOSITION OF THE BOARD

NAMES	DATE OF APPOINTMENT	DESIGNATION	TOTAL NO. OF MEETINGS	TOTAL NO. OF MEETINGS ATTENDED
Dr Prinsloo Nevhutalu	05/04/2013	Board Chairperson	5	5
Mr. Thembani Bukula	05/04/2013	Member	5	2
Ms Tshidi Molala	05/04/2013	Member	5	3
Dr Rudzani Nemutudi	05/04/2013	Member	5	5
Dr Tshenge Demana	05/05/2013	Member	5	4
Ms Jabu Mogadime	05/04/2013	Member	5	5
Mr. Ndwakhulu Mukhufhi	05/04/2013	CEO	5	4
Mr. Tshokolo Nong	05/04/2013	Member	5	3
Ms Bongani Mathebula	20/09/2015	Member	5	1
Ms Ursula Ntsubane	01/03/2015	Member	5	4
Dr Cleopas Sanangura	05/04/2013	Member	5	5

BOARD SUB-COMMITTEES

The Board has oversight of NMISA's operations through a governance structure with various committees.

These committees have the delegated responsibility for implementing the Board's statutory and fiduciary duties. Each committee is governed by its own terms of reference. The Board is ultimately accountable/responsible for the work sub-committees perform.

Audit And Risk Committee

The committee assists in the oversight of safeguarding NMISA assets and effective internal control systems.

It also ensures that NMISA implements effective policies and plans for risk management that will enhance its ability to achieve its strategic objectives. Their report is contained on pages 68 and 69 of this report.

NAMES OF MEMBERS	DESIGNATION	TOTAL NO. OF MEETING HELD	TOTAL NO. OF MEETING ATTENDED
Ms Tshidi Molala	Chairperson	4	3
Ms Poni Ngwato	Member	4	3
Mr Kgosietsile Kgosiemang	Member	4	4
Dr Cleopas Sanangura	Member	4	3
Mr Ndwakhulu Mukhufhi	CEO	4	2
Ms Ursula Ntsubane	Member	4	4
Mr. Tshokolo Nong	Member	4	0
Ms Bongani Mathebula	Member	4	0

Human Resources And Remuneration Committee

This committee ensures that NMISA's human resources and remuneration strategies and policies are implemented.

NAME OF MEMBERS	DESIGNATION	NUMBER OF MEETINGS HELD	NUMBER OF MEETINGS AT-TENDED
Mr Ndwakhulu Mukhufhi	CEO	4	3
Ms Ursula Ntsubane	Chairperson	4	2
Dr Tshenge Demana	Member	4	3
Mr Tshokolo Nong	Member	4	3
Ms Bongani Mathebula	Member	4	0
Mr Thembani Bukula	Member	4	1

Finance Committee

The finance committee is responsible for ensuring the adequacy and effectiveness of the financial reporting, internal controls, management information systems and financial risk management.

NAME OF MEMBERS	DESIGNATION	NUMBER OF MEETINGS HELD	NUMBER OF MEETINGS AT-TENDED
Dr Thembani Bakula	Chairperson	4	0
Mr Ndwakhulu Mukhufhi	CEO	4	4
Dr Rudzani Nemutudi	Member	4	4
Ms Jabu Mogadime	Member	4	4
DrTshenge Demana	Member	4	4

Technical Committee

The technical committee is established to assist the Board in discharging its duties in accordance with the Measurement Units and Measurement Standards Act, No. 18 of 2006 ("the Act"), relating to the keeping, maintenance and dissemination of the national measurement standards and the designation and application of the International System of Units (SI) and certain other measurement units in South Africa. The committee collates input from the Consultative Forum and advises the Board accordingly.

NAMES OF MEMBERS	DESIGNATION	TOTAL NO. OF MEETING HELD	TOTAL NO. OF MEETING AT-TENDED
Dr Rudzani Nemutudi	Chairperson	4	4
Dr Tshenge Demana	Member	4	4
Mr Ndwakhulu Mukhufhi	CEO	4	4

RISK MANAGEMENT

The Audit and Risk Committee (ARC) plays an oversight role on risk management in NMISA. The overall risk management philosophy of the NMISA is to identify and predict potential and emerging risks before they occur or materialise and implement a risk management culture and approach that is applicable to all NMISA employees.

The Audit and Risk Committee discharged its risk management responsibilities of ensuring that NMISA has implemented a Risk Management Policy and Risk Management and Fraud Prevention Plan that will enhance NMISA's ability to achieve its strategic objectives and to mitigate its strategic risks.

NMISA has elevated risk management as a strategic enabler and has implemented the following:

- Fully operational risk governance structures, namely the audit and risk committee (ARC), executive management committee (EXCO), risk Manager, and risk committee (where all risk champions from all divisions throughout NMISA discuss cross-functional risks).
- Incorporated risk management as part of the performance contracts for all employees within the NMISA.

- Allocated all divisions with risk champions, who monitor and report on emerging, materialised, avoided and accepted risks (to the business) to the EXCO and the ARC.

Management is satisfied that the risk management function is effective and responsive to its key strategic objective and contributes to the improvements in operational performance.

COMPLIANCE WITH LAWS AND REGULATIONS

NMISA strives to comply with all relevant laws. The Board is responsible for NMISA's compliance with applicable laws and with those non-binding rules such as King III codes with which the NMISA has elected to comply with. One of the most important responsibilities of the board is to monitor NMISA's compliance with all applicable laws, rules, codes and standards.

Compliance has always been an explicit statutory/ legal requirement. King III now provides recommended principles and practices to adopt to ensure that compliance is achieved.

FRAUD AND CORRUPTION

NMISA acknowledges the fact that the incidence of economic or commercial crime is an increasing occurrence and has become an integral part of the current corporate and business environment. In this regard, the entity has committed itself to:

- Becoming one of those participants in the economy that will actively and proactively protect all of its assets against threats of crime like, fraud, corruption, theft, bribery and others.
- Pursue and bring to justice any perpetrator, whether inside or outside NMISA, who commits any criminal activities against assets or interest of the organisation.

NMISA subscribes to the national drive to eradicate fraudulent activities and has adopted a strategic approach to the management of economic crime prevention, detection and resolution by:

- Clearly communicating to internal and external stakeholders its stance against, and its policy to prevent and deal with instances of economic crimes.
- Practicing and upholding good corporate governance.
- Developing and instituting an ethical business environment that will cultivate and anti-crime culture within the entity.
- Conducting regular assessments to identify risks.
- Adopting a risk-based audit approach.
- Strengthening internal controls.
- Developing a fraud response plan.
- Implementing proper fraud reporting and whistle-blowing structures. NMISA has in this regard established a tip-off anonymous hotline where any information that anyone may have regarding fraud, corruption or other workplace crime can be anonymously reported.

The hotline details are:

Toll Free: 0800 000 243

FreeFax: 0800 00 77 88

Email: nmisa@tip-offs.com

FreePost: KZN 138, Umhlanga Rocks, 4320

Website: www.tip-offs.com

No instances of fraud and corruption were reported this year. NMISA attended to an incident where a bidder escalated to the minister his request for details of a tender process on suspected irregularities. The auditor general subsequently performed procedures on the said tender and did not find any irregularities.

MINIMISING CONFLICT OF INTEREST

NMISA expects its employees not to use their positions or knowledge gained through their positions within the entity for private and/or personal gain, or to conduct business in such a manner that a conflict or even a perceived conflict arises between the organisation's interest and any employee's personal interest. Such conflict of interest exists when an employee has a personal interest that could interfere with his/her objectivity in performing his/her duties as a NMISA employee.

NMISA's employees are required to avoid any real or perceived conflict of interest with the NMISA as its employer. Where a possibility of conflict of interest exists, they are required to immediately disclose it to the relevant manager. Further, NMISA enforces the declaration of interest on all members participating in its tender bidding committees, in line with the National Treasury and NMISA supply chain policies.

CODE OF CONDUCT

NMISA's code of conduct is premised on NMISA commitment to a policy of fairness, transparency, honesty, impartiality, objectivity, credibility, integrity and, above all, accountability, in the conducting of all its business affairs, both inside and outside the organisation. This commitment is based on a fundamental belief in honest, fair and legal conduct in all business activities.

The Code of Conduct, as well as the Constitution of South Africa and the national laws and regulations, prescribe

legal conduct that embodies values based on ethical principles, while respecting cultural diversity. NMISA code of conduct therefore lays down these strict ethical codes with which all of its employees, contract employees and consultants must comply with.

Failure to comply with this policy will amount to misconduct and will be dealt with in terms of the NMISA's disciplinary code. No breaches to the code were brought to the attention of management during the year under review.

SAFETY HEALTH ENVIRONMENT AND QUALITY

Safety health environment and quality division ensures the proper adherence to and implementation of safety, health, environment, quality international standards. NMISA has established a division that coordinates and manages the accreditation of the laboratories and NMISA certification, ensures the adherence to the total quality management systems that is underpinned technically by accreditation of almost all laboratories to ISO/IEC 17025. The laboratories involved in CRM production are accredited to ISO Guide 34 and those involved in proficiency testing comply with the requirements of ISO/IEC 17043.

NMISA maintains the management of the certification of NMISA to ISO 14001 and OHSAS 18001.

Continuous improvement is achieved through the performance of SHEQ audits in line with the Occupational Health and Safety Act and EHS related regulations. This year, the organisation has had on-going assessments to maintain its in this year had on-going accreditation to ISO 17025, ISO guide 34 for reference material production laboratories as well as maintenance of certification to ISO 14001 and OHSAS 18001 for environmental, health and safety. NMISA will be going for recertification to ISO 14001 and OHSAS 18001 during the 2016/17 financial year.

In the period under review a total of 17 SANAS assessments were performed in 15 NMISA laboratories. Of these, 4 were surveillance and personnel evaluations, 3 re-assessments, 1 initial assessment, 1 personnel evaluation and parameter re-instating and 8 surveillance assessments. All personnel evaluated were recommended for technical signatory status. Parameters were re-instated and continuous accreditation was granted to all laboratories subjected to the clearance of non-conformances in the areas where findings were raised.

No lost time injury or ill health that could be linked to failure of operational controls was experienced in the period under reviews. Only three minor incidents that caused minor scratches and bruises were reported. An incident where a small trace of mercury slipped into the drainage system through a sink pipe was reported, however, no signs of environmental pollution were observed. A case of an occupationally induced health claim due gas inhalation and one of a collapse was reported and investigated. Medical reports obtained however could not positively conclude either cases as occupationally induced.

COMPANY SECRETARY

NMISA's company secretary's duties are broadly divided into responsibilities to the Board, the entity and the shareholders.

The company provides NMISA's directors collectively and individually with guidance in their duties, responsibilities and powers, and makes the directors aware of any law and regulations relevant to NMISA, including advice on business ethics and good governance. The company secretary duly performed their responsibility of:

- Ensuring the Board members are well informed of developments in the organisation and in respect of matters relevant to their responsibilities.
- Identifying training requirements for Board members.
- Preparing the schedule of Board and Committee meetings for the financial year.
- Ensuring minutes of all shareholders' meetings, board meetings and the meetings of any committees of the directors are properly recorded.
- The company secretary ensures that the members and management operate within an authority framework approved by the Board. Details of their qualifications and experience appear on page 16 and 17. The Board evaluates the company secretary's performance as part of its annual board evaluation. The company secretary is satisfied of their ability to effectively perform the role as gatekeeper of good governance in the company and to carry out their role and responsibilities as company secretary.

SOCIAL RESPONSIBILITY

Kheale Centre

NMISA has initiated a programme to start the human capital development pipeline at a much earlier stage: at secondary school level. The Kheale learning centre in Limpopo has been "adopted" by NMISA to assist with science education and stimulate interest in measurement careers. The centre is part of the Greater Lebaka Education Enrichment Initiative that represents nine schools from eight neighbouring villages. The centre operates on Saturdays at the Kheale Secondary School, thus providing learners with extra classes. The NMISA contribution, activities and projects are aimed at generating interest in science and technology and establishing learning and science support systems, including hands-on advice to the teachers. The top students from the national exams will be offered bursaries in science fields and measurement, vacation work and possible employment at NMISA or other TI.

School Outreach Programme

As part of an internship programme in NMISA to improve the pipeline of scientists involved in accurate measurement, seven interns completed their training in the period. NMISA also initiated a programme to start the pipeline at a much earlier stage - secondary school level. The first project was to stimulate interest in and motivate female learners to follow physics related careers through practical applications of physics related principles. The pilot project, with funding from women in physics in South Africa (WiPiSA), was launched at Kgolagano Secondary School in Viljoenskroon. The female learners were given technical development kits, and with guidance from NMISA technical staff, they were able to build various electrical circuits that demonstrated different practical applications of related scientific principles.

The evaluations of the project before and after the female learners engaged in the practical experiments show that their interests were greatly improved. NMISA then donated the development kits to the school for future use to stimulate interest of other female learners.

AUDIT COMMITTEE REPORT

We are pleased to present our report for the financial year ended 31 March 2016

The audit and risk committee is a subcommittee of the Board, appointed and accountable to the Board. It comprises of four board members and two external members. The chief executive officer and the chief financial officer are permanent invitees to the committee meetings while the external and internal auditors attend by invitation.

Roles and Responsibility

The committee is regulated by approved terms of reference contained in the committee's charter and has discharged these responsibilities. The terms of reference, including roles and responsibilities, were aligned with the requirements of the Public Finance Management Act (PFMA), treasury regulations and King III.

Effectiveness of Internal Control

The audit committee has, among others, reviewed the:

- Effectiveness of internal financial control systems.
- Effectiveness of the internal audit function.
- Risk areas of NMISA's operations covered in the scope of internal and external audits.
- Adequacy, reliability and accuracy of financial information and accounting practices provided by management.
- Accounting and auditing findings identified by internal and external audits.
- NMISA's compliance with legal and regulatory provisions.

- Activities of the internal audit function, including its annual audit plan, cooperation with the external auditors, reports of significant investigations including above R10 million tender reviews and responses of management to specific recommendations.
- Independence and objectivity of both internal and external auditors.

Internal Audit

The committee is responsible for the appointment, compensation, retention and oversight of the internal auditors. The internal auditors operate under the internal audit charter approved by the Board. The committee approved a risk-based internal audit plan for 2015/16 financial year. Internal audit reports functionally to the audit committee chairperson and operationally to the chief executive officer.

The following internal audit work was completed during the review period with audits requiring specialised skill outsourced:

- Human capital development audit.
- Compliance review on tenders above R10 million.
- Evaluation and review of processes for reporting performance information for all quarters.
- IT Governance audit including controls that make provision for structures, policies and processes.
- Detailed audits of the following sections: supply chain management; assets management and budgeting process.

External Audit

The committee is satisfied with the independence and objectivity of the external auditors and has met with the external auditors to ensure there were no unresolved issues.

Governance of Risk

The Board has established an audit and risk committee to oversee risks associated with NMISA. This committee oversees financial reporting risks, internal financial controls, compliance risks, fraud risk as it relates to financial reporting, and information technology risks as these relate to financial reporting. At a board risk strategy workshop held in the financial year under review. A summary of the 5 top risks were identified and were monitored throughout the year.

Annual Report

The committee has reviewed the annual report of NMISA for the year ended 31 March 2016 and submits that management is presenting an appropriate view of the entity's position and performance.

Evaluation of Financial Statements

The committee evaluated the annual financial statements of NMISA for the year ended 31 March 2016. It also reviewed:

- The external auditors' report.
- NMISA's compliance with applicable laws and regulation in relation to financial matters, financial management and other related matters.

- Information on predetermined objectives included in the annual report.
- Any significant adjustments resulting from the audit.

Based on the information provided by management, internal audit and external audit, the committee considers that these statements comply, in all material respects, with the requirements of the PFMA, and the Generally Recognised Accounting Practice (GRAP) basis of preparation set out in the accounting policies in note 1 of the annual financial statements. The committee concurs that adopting the going-concern assertion in preparing the annual financial statements is appropriate.

At its meeting of 12 July 2016, the committee recommended the approval of the financial statements to the Board.



Tshidi Molala CA (SA)

Chairperson: Audit and Risk Committee

PART D

HUMAN RESOURCE MANAGEMENT REVIEW



INTRODUCTION

NMISA strives to provide a conducive work environment that attracts, develops and retains best talent. During the year under review the turnover rate decreased by 4% from 12% in 2014/2015 to 8%. Majority of the voluntary terminations were from support roles signalling a further review of strategies aimed at retaining staff especially in the management functions. Exit interviews suggest that a significant number of resignations were due to uncompetitive remuneration, working conditions

due to excessive workload and to improve career development opportunities. Capacity was increased in the support functions especially for supply chain management to help deal with the increased workload brought by the recapitalisation project. NMISA is in the process of implementing outcomes of the job grading and salary benchmarking process for support roles, core functions were prioritised during the previous year. Management is working on a system to ensure career progression for support functions and will also benchmark salaries.

Key focus areas for the financial year:

Human Capital Development

To secure a pipeline of future talent, NMISA continued to invest significantly in skills development. A human capital development initiative, Adopt a School initiative was officially launched in February 2016. The initiative is aimed at enhancing our pipeline of graduates to address future skills needs and to help improve the organisational employment equity and qualification profile. NMISA adopted a centre, Greater Lebaka Education Enrichment Initiative as a pilot project. The centre operates in one of the nine participating schools from neighbouring villages. NMISA will partner with industry, academia and communities in supporting the adopted centre and schools around the country. Capacity building is important for our pipeline development as a tool for succession planning.

Postgraduate and Undergraduate Bursaries

Intake of postgraduate bursars was increased to enhance our pipeline of future talent in science and engineering disciplines. Ten new students were enrolled in the postgraduate bursary programme while two students are at advanced stage of completing their PhDs.

One of our four undergraduate bursars Gumani Mphaphuli completed her degree and was appointed fulltime as part of work back in line with her bursary commitment.

Internships and In-Service Training

Nineteen graduates received training and opportunities to work on projects aligned to their field of study in both core and support function. Some of the trainees completed their training before the end of the financial year while other secured fulltime employment before completion of their training. Internship has proven to be a good platform for graduates to showcase their capabilities giving a competitive advantage for further development through our postgraduate bursary programme while improving their employability. NMISA has in the past enrolled these trainees into the postgraduate bursary programme while others successfully secured employment within the organisation or elsewhere upon completion of their training.

Although NMISA mainly offers internships and in-service training for science, engineering and technology, more than 50% of the graduates training during the year were for support functions. The majority of these interns were obtained through the dti initiative, Itukise Unemployed Graduates Programme.

Improve Organisational Qualification Profile

NMISA through its human capital development programme offers employees opportunities to pursue postgraduate studies to enhance the organisational qualification profile.

Two executive committee members led by example and completed their postgraduate studies during the year under review.

The director of chemistry, Dr Jayne de Vos, completed her PhD while the director electricity and magnetism, Natasha Nel Sakharova, completed her master's degree. It is through these achievements that fellow NMISiAns and upcoming young professionals will be inspired to dream more, learn more, do more and become more.

Other achievers include Vincent Maselesele who completed his master's degree and Dr Liesel Burger who completed her PhD, both were at advanced stages of completing their qualifications when they joined in October 2015 and January 2016 respectively.

Recruitment and Selection

The organisation exceeded its target set for its vacancy rate ,however, the 8% funded vacant positions meant that some key positions remained vacant negatively impacting on some projects and deliverables set for the year.

Services of an online e-recruitment provider were procured to partner with HR in order to enhance recruitment and selection. Although thirteen funded positions remained vacant, the majority were at advanced stages of the selection process. The platform will help fast track recruitment and section process as the services include response handling of applications and shortlisting for high volume positions including bursary opportunities as well as a facility to build a central database from the applications received for future use.

Training and Development

Staff training and development remained one of the priorities for the year. Numerous in-house training courses were arranged following training needs analysis and to address gaps identified during performance reviews and documented through employees' Personal Development Plans (PDPs). Training was attended by staff from all occupational levels including the executive committee members. In-house training facilitates staff interaction and integration as all employees, young professionals, trainees , experts and managers are teamed up to undergo some of the generic training courses together.

PERSONNEL COST BY PROGRAMME/ACTIVITY/OBJECTIVE

The difference in personnel cost is due to exclusion of Board members' emoluments, as well as contract employees and vacation students remuneration and COIDA expense

Directorate/Business Unit	Total Expenditure for the entity (R'000)	Personnel Expenditure (R'000)	Personnel expenditure as a % of total expenditure (R'000)	Number of employees	Average personnel cost per employee (R'000)
Chief Executive Officer	15 454	7 142	46%	10	714
Chemistry	19 996	11 968	60%	26	460
Electricity and Magnetism	15 980	13 803	86%	27	511
Finance and Corporate Services	57 165	12 667	22%	33	384
Ionising Radiation	8 036	6 823	85%	11	620
Physical Metrology	15 271	13 295	87%	26	511
RIID	958	6 179	64 %	12	1 317
TOTAL	141 482	71 876	51%	145	4 517

EMPLOYMENT AND VACANCIES

Division	2014/2015 No. of employees	2015/2016 Approved posts	2015/2016 No. of Employees	2015/2016 Vacancies	Funded vacancies	% of Funded vacancies
Chief Executive Officer	9	12	10	2	1	50%
Chemistry	20	40	26	14	3	21%
Electricity and Magnetism	24	35	27	8	7	88%
Finance and Corporate Services	29	46	33	13	8	62%
Ionising Radiation	10	12	11	1	1	100%
Physical Metrology	23	38	26	12	5	42%
RIID	12	25	12	13	3	33%
TOTAL	127	208	145	63	28	44%

PERSONNEL COST BY SALARY BAND

Amounts presented are presented in Rand and Rounded to the nearest thousand.

Level	Personnel Expenditure (R'000)	% of personnel expenditure to total personnel cost (R'000)	Number of employees	Average personnel cost per employee (R'000)
Top management	7 764	11%	7	1 109
Senior management	20 050	28%	23	872
Professional qualified	35 710	50%	71	503
Skilled	7 458	10%	38	196
Semi-skilled	893	1%	6	149
TOTAL	71 876	100%	145	2 829

TRAINING COSTS

Amounts presented are presented in Rand and Rounded to the nearest thousand.

Division	Personnel Expenditure (R'000)	Training Expenditure (R'000)	Training Expenditure as a % of Personnel Cost)	Number of employees trained	Average training cost per employees (R'000)
Chief Executive Officer	7 142	85	1%	9	9
Chemistry	11 968	703	6%	19	37
Electricity and Magnetism	13 803	371	3%	18	21
Finance and Corporate Services	12 667	1 589	13%	21	76
Ionising Radiation	823	124	2%	8	16
Physical Metrology	13 295	518	4%	21	25
RIID	6 179	198	32%	11	50
Total	65 877	3 588	5%	107	234

PERFORMANCE REWARDS

Please note that 3 managers that were previously reported under executive management and one employee that was reported under skilled have been correctly reported under middle management and semi-skilled employees

Level	Performance rewards	Personnel Expenditure (R'000)	% of performance rewards to total personnel cost (R'000)
Executive Management	239	7 764	3%
Middle Management	775	20 050	4%
Professionally Qualified	1 782	35 710	5%
Skilled	165	7 459	2%
Semiskilled	59	893	7%
Total	3 020	71 876	4%

EMPLOYMENT CHANGES

Level	Employment at beginning of period	Appointments	Terminations	Employment at end of the period
Top management	6	1	0	7
Middle management	21	3	1	23
Professional qualified	73	6	8	71
Skilled	23	17	2	38
Semi-skilled	6	0	0	6
Total	129	27	11	145

REASONS FOR STAFF LEAVING

Reason	Number	% of total number of staff leaving
Death	0	0%
Resignation	7	64%
Dismissal	0	0%
Retirement	4	36%
Ill health	0	0%
Expiry of contract	0	0%
Other	0	0%
Total	11	100%

LABOUR RELATIONS: MISCONDUCT AND DISCIPLINARY ACTION

Nature of disciplinary Action	Number
Verbal Warning	0
Written Warning	1
Final written warning	0
Dismissal	0

EQUITY TARGET AND EMPLOYMENT EQUITY STATUS

MALE

Levels	MALE									
	African		Coloured		Indian		White		Foreign Nationals	
	Current	Target	Current	Target	Current	Target	Current	Target	Current	Target
Top management	1	2	0	0	0	1	2	2	0	0
Senior management	0	0	0	0	0	0	0	0	0	0
Professional qualified	28	32	2	3	2	2	20	20	4	4
Skilled	14	17	0	0	0	0	0	0	0	0
Semi-skilled	4	4	0	0	0	0	0	0	0	0
Unskilled	0	0	0	0	0	0	0	0	0	0
TOTAL	47	55	2	3	2	3	22	22	4	4

FEMALE

Levels	FEMALE									
	African		Coloured		Indian		White		Foreign Nationals	
	Current	Target	Current	Target	Current	Target	Current	Target	Current	Target
Top management	2	2	0	0	0	0	2	2	0	0
Senior management	0	0	0	0	0	0	0	0	0	0
Professional qualified	20	23	0	0	0	2	18	18	1	1
Skilled	18	21	1	3	0	0	4	5	0	0
Semi-skilled	2	0	0	0	0	0	0	0	0	0
Unskilled	0	0	0	0	0	0	0	0	0	0
TOTAL	42	46	1	3	0	2	24	25	1	1

DISABLED

Levels	Disabled Staff			
	Male		Female	
	Current	Target	Current	Target
Top management	0	0	0	0
Senior management	0	0	0	0
Professional qualified	0	0	1	1
skilled	0	0	0	0
Semi-skilled	0	0	0	0
Unskilled	1	1	0	0
TOTAL	1	1	1	1

PART E

FINANCIAL INFORMATION



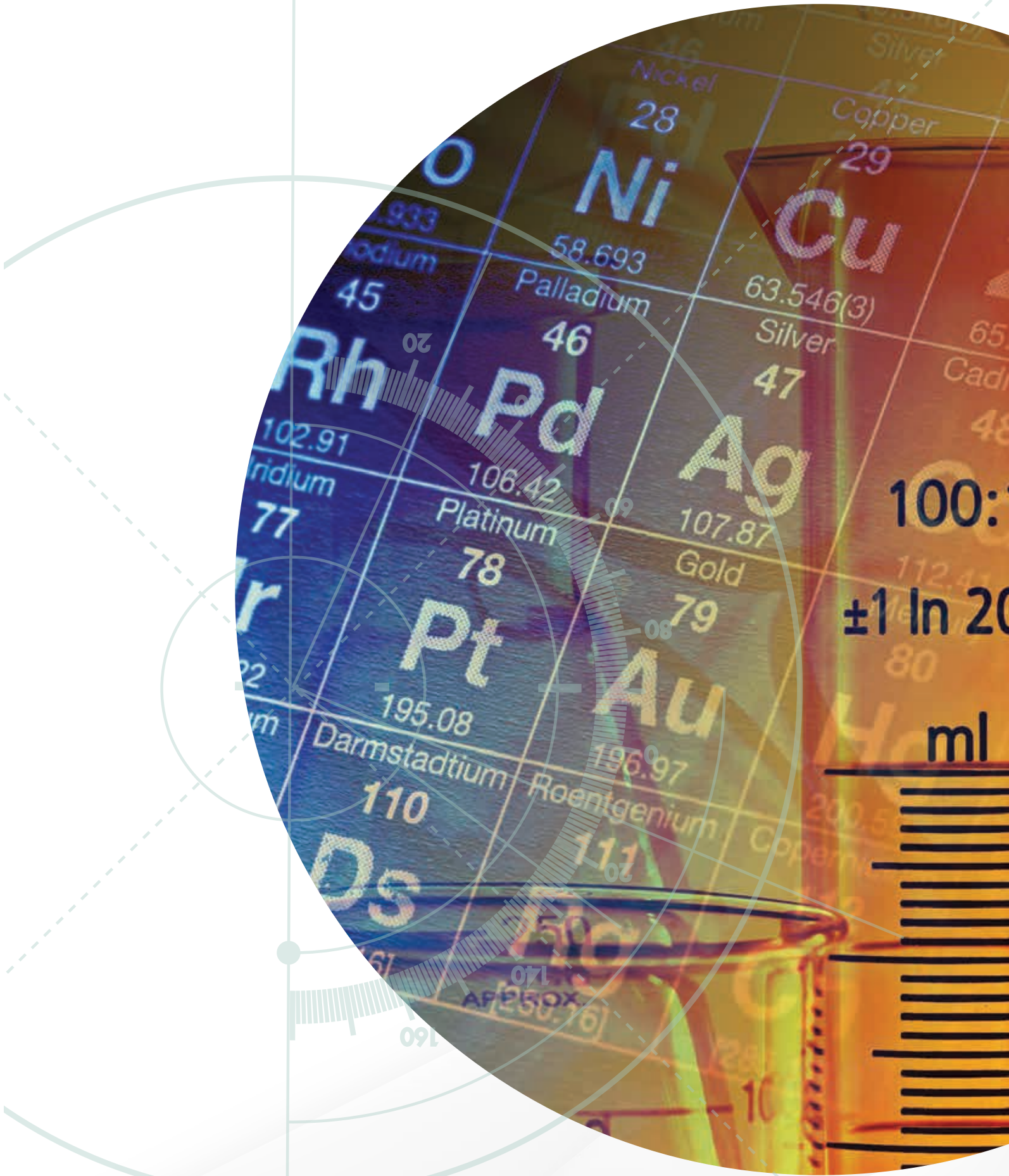
ANNUAL FINANCIAL STATEMENTS

THE REPORTS AND STATEMENTS SET OUT BELOW COMPRISE OF THE ANNUAL FINANCIAL STATEMENTS TO BE PRESENTED TO THE PARLIAMENT OF THE REPUBLIC OF SOUTH AFRICA

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REPORT FROM EXTERNAL AUDITOR



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INDEPENDENT AUDITOR'S REPORT TO PARLIAMENT ON THE NATIONAL METROLOGY INSTITUTE OF SOUTH AFRICA

REPORT ON THE FINANCIAL STATEMENTS

Introduction

We have audited the financial statements of the National Metrology Institute of South Africa set out on pages 84 to 111 which comprise the statement of financial position as at 31 March 2016, the statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget and actual amounts for the year then ended, as well as the notes, comprising a summary of significant accounting policies and other explanatory information.

Accounting Authority's responsibility for the financial statements

The Board of directors, which constitutes the accounting authority, is responsible for the preparation and fair presentation of these financial statements in accordance with Standards of Generally Recognised Accounting Practice and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA), and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements, and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the National Metrology Institute of South Africa as at 31 March 2016 and its financial performance and cash flows for the year then ended, in accordance with Standards of Generally Recognised Accounting Practice and the requirements of the Public Finance Management Act of South Africa.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, we have a responsibility to report findings on the reported performance information against predetermined objectives for the selected objectives presented in the annual report, non-compliance with legislation and internal control. We performed tests to identify reportable findings as described under each subheading but not to gather evidence to express assurance on these matters. Accordingly, we do not express an opinion or conclusion on these matters.

Predetermined objectives

We performed procedures to obtain evidence about the usefulness and reliability of the reported performance

information for the following selected objectives presented in the annual performance report of the entity for the year ended 31 March 2016:

- Objective 1: Provide for the National Measurement Units by maintaining the SI units, units outside the SI and equivalents of units on page 38
- Objective 2: Maintain the Schedule of National Measurement Standards on page 38
- Objective 3: Keep, maintain and develop measurement systems for bringing national measurement standards and reference methods into being on page 38
- Objective 4: To ensure internationally recognised and comparable national measurement standards and units by participating in the Metre Convention, CIPM MRA and AFRIMETS activities on page 38
- Objective 5: Establish confidence in the accuracy of the national measurement standards by suitable and documented quality and management system on page 38
- Objective 6: To maintain the calibration and measurement capability (CMC) claims in KCDB as evidence of South Africa's measurement capability on page 38
- Objective 7: Recapitalise and modernise the NMISA to ensure that the national measurement standards support international trade, health, environmental and safety requirements on page 38
- Objective 8: As the foundation of the South African measurement system provide technical measurement expertise and support for public policy objectives, accreditation, standardisation and regulatory affairs on page 39
- Objective 9: To maintain and ensure continued expertise and establish the necessary skills according to internationally acceptable standards on page 39
- Objective 10: Disseminate traceability, measurement expertise and services to South African public and private enterprises by means of calibration, measurement or analysis, certified reference materials on page 39
- Objective 11: Provide appropriate technology and skills transfer to the South African industry, especially to SMEs on page 39
- Objective 12: Comply with government directives, the PFMA, treasury regulations and regulatory issues in terms of health, safety and the environment and apply good governance on page 39

We evaluated the reported performance information against the overall criteria of usefulness and reliability. We evaluated the usefulness of the reported performance information to determine whether it was presented in accordance with the National Treasury's annual reporting principles and whether the reported performance was

We evaluated the usefulness of the reported performance information to determine whether it was presented in accordance with the National Treasury's annual reporting principles and whether the reported performance was

consistent with the planned objectives. We further performed tests to determine whether indicators and targets were well defined, verifiable, specific, measurable, time bound and relevant, as required by the National Treasury's Framework for managing programme performance information (FMPPI).

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

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

Additional matter

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

Achievement of planned targets

Refer to the annual performance report on pages 38 to 39 for information on the achievement of the planned targets for the year.

Compliance with laws and regulations

We performed procedures to obtain evidence that the entity had complied with legislation regarding financial matters, financial management and other related matters.

We did not identify any instances of material non-compliance with specific matters in key legislation, as set out in the general notice issued in terms of the PAA.

Internal control

We considered internal control relevant to our audit of the financial statements, annual performance report and compliance with legislation, but not to gather evidence to express an opinion or conclusion on the effectiveness of the entity's internal control.

Matters of internal control considered are limited to significant deficiencies that would result in a basis for a modification of the audit opinion, or any findings reported with regard to the annual performance report, or any matters identified as non-compliance with legislation included in this report.

Consequently, as no matters were reported, we did not identify any significant deficiencies in internal control as described above.

Ernst & Young Inc.

Ernst & Young Inc.

Director – Kuben Moodley

Registered auditor

Chartered Accountant (SA)

29 July 2016

6.

STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2016

Figures in Rand	Note(s)	2016	2015
Assets			
Current Assets		243 839 506	193 055 097
Receivables from exchange transactions	5	2 454 334	2 421 639
Inventories	6	272 539	-
Prepayments	7	11 209 049	84 213
Cash and cash equivalents	8	229 903 584	190 549 245
Non-Current Assets		192 364 449	104 368 311
Property, plant and equipment	3	189 516 661	102 750 922
Intangible assets	4	2 181 995	1 011 970
Prepayments	7	60 374	-
Rental deposit	9	605 419	605 419
Total Assets		436 203 955	297 423 408
Net Assets and Liabilities			
Net Assets			
Accumulated surplus		421 020 895	283 871 679
Current Liabilities			
Payables from exchange transactions	10	12 448 891	11 288 934
Provisions	11	2 154 504	2 066 535
Income received in advance	12	579 665	196 260
Total Liabilities		15 183 060	13 551 729
Total Net Assets and Liabilities		436 203 955	297 423 408

7.

STATEMENT OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 31 MARCH 2016

Figures in Rand	Note(s)	2016	2015
Revenue		278 396 709	221 318 887
Revenue from exchange transactions	13	27 501 709	18 754 887
Rendering of services		11 927 947	9 803 389
Other income		1 516 979	632 323
Interest received		14 056 783	8 319 175
Revenue from non-exchange transactions		250 895 000	202 564 000
Transfer from controlling entity	13	250 895 000	202 564 000
Expenditure		(141 349 881)	(113 235 187)
Employee-related expenses	14	(72 335 980)	(58 808 158)
Depreciation and amortisation	3 & 4	(14 841 261)	(9 335 657)
Impairment loss	3	(1 234 969)	(1 045 416)
Credit losses on receivables	15	48 359	(174 795)
Repairs and maintenance		(3 203 239)	(2 824 386)
Contracted services		(108 089)	(98 295)
Operating expenses	16	(49 674 702)	(40 948 480)
		102 388	(27 709)
Loss on disposal of assets		234 876	-
Foreign exchange loss		(132 488)	(27 709)
Surplus/(deficit) for the year		137 149 216	108 055 991

8.

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR END 31 MARCH 2016

Figures in Rand	Accumulated surplus
Balance as at 31 March 2014	175 815 688
Changes in net assets	
Surplus for the year	108 055 991
Balance as at 31 March 2015	283 871 679
Changes in net assets	
Surplus for the year	137 149 216
Balance as at 31 March 2016	421 020 895

9.

CASH FLOW STATEMENT FOR THE YEAR END 31 MARCH 2016

Figures in Rand	Note(s)	2016	2015
Cash flows from operating activities			
Receipts		277 239 589	221 729 249
Rendering of services		12 287 806	10 118 230
Transfer from controlling entity		250 895 000	202 564 000
Interest income		14 056 783	8 319 175
Other income		-	727 844
Payments		(135 532 218)	(97 112 720)
Employee-related costs		(72 535 146)	(58 491 582)
Suppliers		(62 997 072)	(38 621 138)
Net cash flows from operating activities	17	141 707 371	124 616 529
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(100 935 031)	(28 267 112)
Purchase of other intangible assets	4	(1 659 318)	(695 039)
Proceeds from sale of assets		241 317	-
Rental deposit paid		-	(158 681)
Net cash flows from investing activities		(102 353 032)	(29 120 832)
Net increase/(decrease) in cash and cash equivalents		39 354 339	95 495 697
Cash and cash equivalents at the beginning of the year		190 549 245	95 053 548
Cash and cash equivalents at the end of the year	8	229 903 584	190 549 245

10.

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR END 31 MARCH 2016

Budget On Modified Accrual Basis Figures in Rand	Final Annual Budget	Actual 31 March 2016	Variance	% Variance	Notes
Revenue	273 180 000	278 631 585	(5 451 585)	(2%)	
Revenue from exchange transactions	22 285 000	27 736 585	(5 451 585)	(24%)	
Rendering of services	11 135 000	11 927 947	(792 947)	(7%)	29.1
Interest income	11 150 000	14 056 783	(2 906 783)	(26%)	29.3
Other income	-	1 516 979	(1 516 979)	(100%)	29.2
Surplus on disposal of assets	-	234 876	(234 876)	(100%)	29.4
Revenue from non-exchange transactions	250 895 000	250 895 000	-		
Transfer from controlling entity	250 895 000	250 895 000	-		
Expenditure					
Employee-related expenses	(79 700 541)	(72 335 980)	(7 364 561)	(9%)	29.5
Depreciation and amortization	-	(14 841 261)	14 841 261	100%	29.11
Impairment loss	-	(1 234 969)	1 234 969	100%	29.11
Credit losses on receivables	-	48 359	(48 359)	(100%)	29.11
Repairs and maintenance	(4 330 250)	(3 203 239)	(1 127 011)	(26%)	29.6
Contracted services	(85 000)	(108 089)	23 089	27%	29.7
Foreign exchange gain/(loss)	(50 000)	(132 488)	82 488	165%	29.8
Operating expenses	(47 468 209)	(49 674 702)	2 206 493	5%	29.9
Total Expenditure	(131 634 000)	(141 482 369)	9 848 369	7%	
Capital expenditure	(141 546 000)	(104 018 435)	(37 527 565)	(27%)	29.10
Surplus/(deficit) for the year	-	33 130 781	(33 130 781)		
Reconciliation					
Format and classification differences					
Cash flows from investing activities			104 018 435		
Property, plant and equipment	-		102 359 117		-
Intangible assets	-		1 659 318		-
Surplus in the Statement of Financial Performance	-		137 149 216		-

The differences are explained under disclosure note 29. During the financial year no adjustments were made to the budget, approved budget is final.

11.

ACCOUNT POLICIES

1. BASIS OF PREPARATION

The annual financial statements were prepared in accordance with the standards of generally recognised accounting practice (GRAP), including any interpretations, guidelines and directives issued by the Accounting Standards Board in accordance with Section 55 (1) (b) of the Public Finance Management Act, No. 1 of 1999 (PFMA), as amended.

These annual financial statements were prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. They are presented in South African Rand, which is NMISA's functional currency. Amounts in the financial statements are rounded to the nearest Rand.

The financial statements were prepared on the assumption that the entity is a going concern and will continue to be in operation for the foreseeable future.

A summary of the significant accounting policies, which are consistent with the prior year, are disclosed below.

Trade discounts and rebates are deducted in arriving at the cost.

The cost of an item of property, plant and equipment is recognised as an asset when:

- It is probable that future economic benefits or service potential associated with the item will flow to the entity; and
- The cost or fair value of the item can be measured reliably.

Property, plant and equipment are initially measured at cost.

Where an asset is acquired at no cost or at a nominal cost, its cost is its fair value as at the date of acquisition.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment is depreciated on the straight line basis over their expected useful lives to their estimated residual value.

The useful lives of items of property, plant and equipment were assessed as follows:

Item	Useful Life in Years
Plant and Equipment	5 to 30
Furniture and Fixtures	2 to 10
Motor Vehicles	5 to 10
Office Equipment	3 to 30
Leasehold Improvements	Lease Period

The cost of leasehold improvements is depreciated over the shorter of the lease period or the useful life.

The residual value, the useful life and depreciation method of each asset are reviewed at the end of each

reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

Parts of some items of property, plant and equipment may require replacement at regular intervals, the cost of replacing parts of such an item is capitalised if the recognition criteria are met. The carrying amount of those parts that are replaced is derecognised in accordance with the derecognition provisions.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of, or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

1.2 INTANGIBLE ASSETS

An intangible asset is recognised when:

- It is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the entity; and

- The cost or fair value of the asset can be measured reliably.

Intangible assets are initially recognised at cost. The cost of intangible assets is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

After initial recognition an intangible asset is carried at its cost less any accumulated amortisation and any accumulated impairment loss.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful Life in Years
Software	2

Items of intangible assets are derecognised at the carrying amount when the intangible asset is disposed of or when there are no further economic benefits or service potential expected from the use of the intangible asset.

The gain or loss arising from derecognition of an item of intangible asset is included in surplus or deficit when the item is derecognised. The gain or loss arising from derecognition of an item of intangible asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

1.1 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one reporting period. This excludes investment property.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

1.3 FINANCIAL INSTRUMENTS

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

Initial Measurement of Financial Assets and Financial Liabilities

The entity measures a financial asset and financial liability initially at its fair value, plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Subsequent Measurement of Financial Assets and Financial Liabilities

Financial assets and liabilities are measured at amortised cost after initial recognition.

1.4 FINANCIAL ASSETS

NMISA's principal financial assets are trade and other receivables and cash and cash equivalents.

Trade and Other Receivables

Trade and other receivables are classified as financial assets at amortised cost. A provision for impairment of trade receivables is established when there is objective evidence that the entity will not be able to collect all amounts due, according to the original terms of receivables.

Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand and deposits held on call with banks and are classified as financial assets at amortised cost.

Impairment and Uncollectability

The entity assesses at the end of each reporting period, whether there is any objective evidence that a financial asset or group of financial assets is impaired.

A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a loss event) and that loss event (or events) has an impact on the estimated future cash flow of the financial asset or group of financial assets that can be reliably estimated.

It may not be possible to identify a single, discrete event that caused the impairment, since it may have been the combined effect of several events that did so.

Losses expected as a result of future events, no matter how likely, are not recognised. The entity first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and then follows a portfolio approach with the remaining financial assets.

The impairment loss estimates equal the best estimates within a range of long outstanding assets with similar credit risk characteristics.

If there is objective evidence that an impairment loss on financial assets, measured at amortised cost, was incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flow (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly or by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Derecognition

The entity derecognises a financial asset when:

- The contractual rights to the cash flow from the financial asset expire, are settled or waived;
- The entity transfers to another party substantially all of the risks and rewards of ownership of the financial assets; or
- The entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer.

1.5 FINANCIAL LIABILITIES

NMISA's principal financial liabilities are trade and other payables.

Trade and Other PAYables

Trade and other payables are classified as financial liabilities at amortised cost.

Derecognition

The entity derecognises financial liabilities when, and only when, the entity's obligations are discharged, cancelled or when they expire.

1.6 LEASES

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes land and buildings elements, the entity assesses the classification of each element separately.

Operating Leases – Lessee

Operating lease payments are recognised as an expense on a straight line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.7 INVENTORIES

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, and then their costs are their fair value as at the date of acquisition.

Subsequently, inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for :

- Distribution at no charge or for a nominal charge; or
- Consumption in the production process of goods to be distributed at no charge or for an nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the entity incurs to acquire the asset on the reporting date.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the entity.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs.

The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.8 PROVISIONS AND CONTINGENCIES

Provisions

A provision is recognised when:

- The entity 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 or service potential, will be required to settle the obligation; and
- A reliable estimate can be made of the amount of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of the time value of money is material, the amount of a provision shall be the present value of the expenditure expected to be required to settle the present obligation. The discount rate shall reflect current market assessments of the time value of money and risks specific to the liability.

The entity reviews provisions at each reporting date, and adjusts them if necessary, to reflect the current best estimate.

Provisions are reversed if it is no longer probable that an outflow of resources, embodying economic benefits or service potential, will be required to settle the obligation. Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

Contingent Liabilities

Contingent liabilities are recorded in the notes to the financial statements when there is a possible obligation that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not within the control of NMISA or when there is a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation or the amount of the obligation cannot be measured reliably.

1.9 COMMITMENTS

Commitments are recorded at cost in the notes to the financial statements when there is a contractual arrangement or an approval by management in a manner that raises a valid expectation that NMISA will discharge its responsibilities thereby incurring future expenditure that will result in the outflow of cash.

1.10 REVENUE FROM EX-CHANGE TRANSACTIONS

An exchange transaction is one in which an entity receives assets or services or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, service or use of assets) to the other party in exchange.

Rendering of Services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to NMISA;
- The stage of completion of the transaction at the reporting date can be measured reliably; and
- The costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

Revenue is measured at the fair value of the consideration received or receivable.

Interest

Interest is recognised, in surplus or deficit, using the effective interest rate method.

1.11 REVENUE FROM NON-EX-CHANGE TRANSACTIONS

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an entity either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the entity. NMISA receives an unconditional grant via the Department of Trade and Industry (the dti).

1.12 FOREIGN CURRENCY TRANSLATION

A foreign currency transaction is recorded, on initial recognition in the functional currency, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

At each reporting date:

- Foreign currency monetary items are translated using the closing rate; and
- Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

1.13 CHANGES IN ESTIMATES AND PRIOR PERIOD ERRORS

Changes in Estimates

Estimates involve judgement based on recently available, reliable information and therefore an estimate may change as new information becomes known, circumstances change or more experience is obtained.

The entity recognises the effects of changes in accounting estimates prospectively by including the effects in surplus or deficit in the period of the change if the change affects that period only, or in the period of the change and future periods, if the change affects both.

Prior Period Errors

Prior period errors are omissions from, and misstatements in, the entity's financial statements for one or more prior periods, arising from a failure to use (or misuse of) reliable information that was available when the financial statements for those periods were authorised for issue and could reasonably be expected to have been obtained and taken into account in the preparation and presentation of those financial statements.

Such errors include the effect of mistakes in applying the accounting policy, oversight or misinterpretation of facts.

Prior period errors identified are corrected retrospectively, if material, as an adjustment to the carrying amount of assets or liabilities, statement of financial performance and offset to the opening balance of accumulated surplus. The prior period error note in the annual financial statements disclose the effect of the correction, as well as the cumulative effect on the change in net assets. All relevant comparative figures are restated.

1.14 FRUITLESS AND WASTE-FUL EXPENDITURE

Fruitless and wasteful expenditure as defined by Section 1 of the PFMA mean expenditure which was made in vain and would have been avoided had reasonable care been exercised.

Fruitless and wasteful expenditure is recorded in the notes to the financial statements when confirmed. The amount recorded is equal to the total value of the fruitless and wasteful expenditure incurred. The expenditure is removed from the notes to the financial statements when it is resolved or transferred to receivables for recovery.

Fruitless and wasteful expenditure receivables are measured at the amount that is expected to be recoverable and are de-recognised when settled or subsequently written-off as irrecoverable.

1.15 IRREGULAR EXPENDITURE

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure incurred in contravention of or that is not in accordance with a requirement of any applicable legislation—including:

- (a) The PFMA.
- (b) The State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act.
- (c) Any provincial legislation providing for procurement procedures in that provincial government.

Irregular expenditure is recorded in the notes to the financial statements when confirmed. The amount recorded is equal to the value of the irregular expenditure incurred unless it is impracticable to determine, in which case reasons therefore are provided in the note.

Irregular expenditure is removed from the note when it is either condoned by the relevant authority, transferred to receivables for recovery or not condoned and is not recoverable.

Irregular expenditure receivables are measured at the amount that is expected to be recoverable and are derecognised when settled or subsequently written off as irrecoverable.

1.16 BUDGET INFORMATION

Budgets are prepared on a modified accrual basis over the 12-month period of the financial year.

A comparison with the budgeted amounts for the current reporting period has been included in the statement of comparison of budget and actual amounts. The reasons for significant variances are disclosed in the notes to the annual financial statements

1.17 RELATED PARTIES

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions or if the related party and another party are subject to common control.

Related parties include individuals who have significant influence over the entity, such as members of the Board and key management personnel. Transactions between NMISA and related parties (other than members of the Board and key management personnel) during the reporting period, not on ordinary terms or not in the ordinary course of business, as well as comparative information are disclosed in the notes to the annual financial statements. Members and key management emoluments are also disclosed.

1.18 EVENTS AFTER REPORTING DATE

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- Those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- Those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The entity will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The entity will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

1.19 IMPAIRMENT OF NON-FINANCIAL ASSETS; CASH-GENERATING ASSETS

Assets are classified as cash-generating if the entity intends to generate positive cash influx from the asset and earn a commercial return that reflects the risk involved in holding the asset. Non-cash generating assets are primarily held for service delivery purposes in terms of NMISA's mandate.

At each reporting date, the entity reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flow is discounted to its 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 assets.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately as an expense.

Where an impairment loss subsequently reverses, the carrying amount of an asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately as surplus.

1.20 IMPAIRMENT OF NON-FINANCIAL ASSETS; NON-CASH-GENERATING ASSETS

Non-cash generating assets are assets other than cash-generating assets. When the carrying amount of non-cash generating asset exceeds its recoverable service amount, it is impaired. At each reporting date, the entity assesses whether there is any indication that a non-cash generating asset may be impaired.

If any such indication exists, an entity estimates the recoverable service amount of the asset.

The present value of the remaining service potential of a non-cash generating asset is determined using one of the following approaches:

- Depreciated replacement cost approach;
- Restoration cost approach; or
- Service units approach.

If the recoverable service amount of a non-cash generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss. An impairment loss is recognised immediately in surplus or deficit.

At each reporting date, the entity assesses whether there is any indication that an impairment loss, recognised in prior periods for a non-cash generating asset, may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable service amount of that asset.

A reversal of an impairment loss for a non-cash generating asset is recognised immediately in surplus or deficit.

1.21 EMPLOYEE BENEFITS

Short-Term Employee Benefits

The cost of short-term employee benefits, those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses and non-monetary benefits (such as medical care), are recognised in the period in which the service is rendered and are not discounted.

Defined Contribution Plan

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

1.22 SIGNIFICANT JUDGEMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts presented in the annual financial statements and related disclosures. Use of available information and the application of judgement are inherent in the formation of estimates.

Actual results in the future could differ from these estimates, which may be material to the annual financial statements. Significant judgements include: provision for doubtful debts, useful life, residual value and impairment of assets.

Provision for Doubtful Debts

NMISA estimates the level of provision required for doubtful debts on an ongoing basis, based on historical experience, as well as other specific relevant factors.

Useful Lives and Residual Values of Property, Plant and Equipment

Management made certain estimates with regard to the determination of estimated useful lives and residual values of items of property, plant and equipment, as discussed further in Note 3. An annual assessment and review of estimated useful lives and residual values is performed and any significant is accounted for as a change in accounting estimate in accordance with GRAP3.

Impairment

The recoverable service amount of non-cash generating assets and individual assets was determined, based on the higher of value in use and fair values of assets, less cost to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the value in use or fair value assumption may change, which may then impact on management's estimation and may then require a material adjustment to the carrying value of assets.

The entity reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. If there are indications that impairment may have occurred, estimates are made for value in use.

The entity assesses its financial assets carried at amortised cost for impairment at each reporting date. In determining whether an impairment loss should be recorded in surplus or deficit, the entity makes

12.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

2. NEW STANDARDS AND INTERPRETATIONS

GRAP 20: Related Parties

The objective of this standard is to ensure that a reporting entity's financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

This standard requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the financial statements of the reporting entity. The standard does not yet have an effective date.

GRAP 32: Service Concession Arrangements: Grantor

The objective of this standard is to prescribe the accounting for service concession arrangements by the grantor, a public sector entity. The standard applies to a contractual agreement between a grantor and an operator in which the operator uses the service concession asset to provide a mandated function on behalf of the grantor for a specified period of time.

The standard requires that the grantor shall recognise an asset provided by the operator as a service concession asset if the grantor controls or regulates what services the operator provides. NMISA does not currently have any service concession agreements, therefore this standard is not expected to have an impact. The effective date of the standard is not yet set by the Minister of Finance.

GRAP 108: Statutory Receivables

The objective of the standard is to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables. The effective date of the standard is not yet set by the Minister of Finance. NMISA currently has no receivables arising from legislative requirements; it is therefore unlikely that the standard will have material impact on the entity's financial statement.

IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset

The interpretation of the standards of GRAP provides guidance to the grantor where it has entered into a service concession arrangement, but only controls, through ownership, beneficial entitlement or otherwise, a significant residual interest in a service concession asset at the end of the arrangement, where the arrangement does not constitute a lease. The interpretation of the standards of GRAP shall not be applied by analogy to other types of transactions or arrangements.

A consensus is reached, in this interpretation of the standards of GRAP, on the recognition of the performance obligation and the right to receive a significant interest in a service concession asset. NMISA does not currently have any service concession arrangements; therefore this interpretation is not expected to have an impact. The effective date of the standard is not yet set by the Minister of Finance.

GRAP 109: Accounting by Principals and Agents

The objective of the standard is to outline principles to be used by an entity to assess whether it is party to a principal agent arrangement, and whether it is a principal or an agent in undertaking transactions in terms of such an arrangement. The standard does not introduce new recognition or measurement requirements for revenue, expenses, assets and/or liabilities that result from principal-agent arrangements.

The standard does however provide guidance on whether revenue, expenses, assets and/or liabilities should be recognised by an agent or a principal, as well as prescribe what information should be disclosed when an entity is a principal or an agent. The effective date of the standard is not yet set by the Minister of Finance.

3. PROPERTY, PLANT AND EQUIPMENT

	2016			2015		
	Cost	Accumulated depreciation and impairment	Carrying Value	Cost	Accumulated depreciation and impairment	Carrying Value
Furniture and Fittings	5 399 797	(3 097 109)	2 302 688	4 765 455	(2 507 284)	2 258 171
Office Equipment	10 088 009	(4 323 593)	5 764 416	6 952 782	(2 817 873)	4 134 909
Plant and equipment	237 850 206	(57 469 686)	180 380 520	140 314 787	(44 150 226)	96 164 561
Motor Vehicles	239 846	(96 201)	143 645	239 846	(46 565)	193 281
Leasehold Improvements	2 899 819	(1 974 427)	925 392	1 857 948	(1 857 948)	-
	256 477 677	(66 961 016)	189 516 661	154 130 818	(51 379 896)	102 750 922

Reconciliation of property, plant and equipment: 31 March 2016

	Opening Balance	Additions	Disposals	Depreciation	Impairment loss	Total
Furniture and Fittings	2 258 171	636 535	(2 066)	(512 369)	(77 583)	2 302 688
Office Equipment	4 134 909	3 145 242	(4 325)	(1 283 014)	(228 396)	5 764 416
Plant and equipment	96 164 561	97 535 469	(50)	(12 408 965)	(910 495)	180 380 520
Motor Vehicles	193 281	-	-	(31 142)	(18 494)	143 645
Leasehold Improvements	-	1 041 871	-	(116 479)	-	925 392
	102 750 922	102 359 117	(6 441)	(14 351 969)	(1 234 968)	189 516 661

Reconciliation of property, plant and equipment: 31 March 2015

	Opening Balance	Additions	Depreciation	Impairment loss	Total	
Furniture and Fittings	2 389 631	444 867	(541 082)	(35 245)	2 258 171	
Office Equipment	1 765 068	3 444 496	(959 723)	(114 932)	4 134 909	
Plant and equipment	80 560 342	24 190 570	(7 691 112)	(895 239)	96 164 561	
Motor Vehicles	38 457	185 595	(30 771)	-	193 281	
Leasehold Improvements	-	1 584	(1 584)	-	-	
	84 753 498	28 267 112	(9 224 272)	(1 045 416)	102 750 922	

Certain assets were written off during the current year. Impairment was recognised for these assets and accumulated depreciation was adjusted accordingly. These assets were withdrawn from use as at 31 March 2016, pending disposal.

During the asset verification process unrecorded assets of an immaterial amount were discovered. These assets were prospectively accounted for in the financial records and asset register.

4. INTANGIBLE ASSETS

	2016			2015		
	Cost	Accumulated depreciation and impairment	Carrying Value	Cost	Accumulated depreciation and impairment	Carrying Value
Software	3 528 352	(1 346 357)	2 181 995	1 869 034	(857 064)	1 011 970
Reconciliation of intangible assets: 31 March 2016						
	Opening Balance	Additions	Amortisation	Total		
Software	1 011 970	1 659 318	(489 293)	2 181 995		
Reconciliation of intangible assets: 31 March 2015						
	Opening Balance	Additions	Amortisation	Total		
Software	428 315	695 039	(111 384)	1 011 970		

5. RECEIVABLES FROM EXCHANGE TRANSACTIONS

Figures in Rand	2016	2015
Trade debtors	2 406 636	2 598 378
Employee advances and other receivables	111 309	18 031
Less: Provision for impairment of trade receivables	(63 611)	(194 770)
	2 454 334	2 421 639
NMISA does not hold any collateral as security. The impairment of trade receivables has been determined with reference to probability of collection of the amounts.		
Movement in the provision for impairment of trade receivables		
Opening balance	194 770	213 755
Amounts written off as uncollectible	(82 800)	-
Reversed during the year	(48 359)	(18 985)
	63 611	194 770

6. INVENTORIES

Figures in Rand	2016	2015
Raw materials	55 102	-
Finished goods	217 437	-
	272 539	-
Inventories recognised as an expense during the year, included under operating expenses	86 647	-
Inventory is carried at lower of cost or net realisable value		

7. PREPAYMENTS

Figures in Rand	2016	2015
Prepayments – current asset*	11 209 049	84 213
Prepayments – non-current asset*	60 374	-
	11 269 423	84 213
*During the 2016 financial year, management reconsidered the classification of the balance as exchange receivables and reclassified it to prepayments to better reflect the nature thereof. The reclassification only affected the disclosure of the item.		

8. CASH AND CASH EQUIVALENTS

Figures in Rand	2016	2015
Cash and cash equivalents consist of:		
Cash on hand	12 000	12 000
Bank balances	3 121 910	2 749 627
Short term deposits*	226 769 674	187 787 618
	229 903 584	190 549 245
There are no restrictions on cash held with banks		
*Short term deposit is the Money Market account held with Standard Bank Credit quality of cash at bank and short term deposits, excluding cash on hand		
Cash and cash equivalents are held with Standard Bank, which is rated AA based on rating agency Fitch Ratings.		

9. RENTAL DEPOSIT

Figures in Rand	2016	2015
Rental deposit	605 419	605 419
The rental deposit is refundable to the entity at the end of the lease term.		

10. PAYABLES FROM EXCHANGE TRANSACTIONS

Figures in Rand	2016	2015
Trade payables	10 296 800	7 221 495
Provision for board members payments	-	107 322
Accrued expenses	2 147 863	3 960 117
Other payables	4 228	-
	12 448 891	11 288 934

11. PROVISIONS

Reconciliation of provisions - 2016			
	Opening Balance	Net movement during the year	Total
Leave provision*	2 066 535	87 969	2 154 504
Reconciliation of provisions - 2015			
	Opening Balance	Net movement during the year	Total
Leave provision*	1 857 282	209 253	2 066 535

*During the 2016 financial year, management reconsidered the classification of the balance as exchange payables and reclassified it to provision to better reflect the nature thereof. The reclassification only affected the disclosure of the item.

12. INCOME RECEIVED IN ADVANCE

Figures in Rand	2016	2015
Income received in advance*	579 665	196 260

*During the 2016 financial year, management reconsidered the classification of the balance as exchange payables and reclassified it to income received in advance to better reflect the nature thereof. The reclassification only affected the disclosure of the item.

13. REVENUE

Figures in Rand	2016	2015
Rendering of services	11 927 947	9 803 389
Non-exchange revenue	250 895 000	202 564 000
Other income	1 516 979	632 323
Interest received	14 056 783	8 319 175
	278 396 709	221 318 887
The amount included in revenue arising from exchanges of goods or services is as follows:		
Rendering of services	11 927 947	9 803 389
The amount included in revenue arising from other income is as follows:		
Credit losses recovered	-	193 780
Sundry income	1 458 231	416 730
Royalties income	-	11 158
Insurance claims	58 748	11 123
	1 516 979	632 791
The amount included in revenue arising from interest received is as follows:		
Interest received – external investments	13 982 056	8 302 636
Interest charged on trade and other receivables	74 727	16 539
	14 056 783	8 319 175
The amount included in revenue arising from non-exchange transactions is as follows:		
Transfer received from controlling entity towards operating expenditure	96 296 000	91 564 000
Transfer received from controlling entity towards capital expenditure	154 599 000	111 000 000
	250 895 000	202 564 000

14. EMPLOYEE RELATED COSTS

Figures in Rand	2016	2015
Basic earnings	44 127 850	37 040 251
Temporary Employees	124 475	289 142
Performance bonuses	1 979 497	784 794
Third party payments*	10 339 691	8 585 028
Unemployment Insurance fund (UIF)	487 830	420 640
Leave pay provision charge	87 969	209 253
Long-service awards	9 219	-
Pay As You Earn (PAYE)	15 046 053	11 393 320
Compensation for Occupational Disease and Injuries	133 396	85 730
	72 335 980	58 808 158

* Payments include costs related to medical aid, pension fund contributions, group life, etc.

15. CREDIT LOSSES

Figures in Rand	2016	2015
Debts written off	48 359	174 795

16. GENERAL EXPENSES

Figures in Rand	2016	2015
Auditor's remuneration	745 143	952 897
Bursaries	1 094 190	277 688
Catering, Events and Meetings	434 666	265 577
Chemical, Gas and Laboratory Consumables	3 501 671	3 219 721
Conference fees	341 454	48 397
Consulting and professional fees	1 350 393	2 453 251
Electricity	3 571 471	3 177 941
External Calibration Costs	908 740	523 860
Health and safety services	148 485	348 121
Insurance	484 854	471 630
IT expenses	2 612 713	4 790 124
International assessors expenses	472 965	146 324
Lease rentals on operating lease	8 852 821	7 669 839
Marketing and Advertising	1 773 421	450 123
Other expenses	863 220	718 786
PPP project expense	6 165 096	2 691 270
Payroll costs	309 702	250 106
Postage and Courier	594 136	575 364
Printing and stationery	1 769 830	1 537 183
Recruitment costs	700 182	845 492
SANAS Assessment/Quality expenses	496 305	413 583
Staff Welfare	292 140	29 781
Subscriptions and membership fees	451 903	674 872
Technical components	2 704 456	1 873 025
Telephone and fax	642 688	584 026
Training	2 152 337	1 568 390
Travel – local	2 328 562	1 418 681
Travel - overseas	3 911 158	2 972 428
	49 674 702	40 948 480

17. CASH GENERATED FROM OPERATIONS

Figures in Rand	2016	2015
Surplus	137 149 216	108 055 991
Adjustments for:		
Depreciation and amortisation	14 841 261	9 335 657
Surplus on sale of assets	(234 876)	-
Credit losses written off	(48 359)	174 795
Loss on foreign exchange	132 488	27 709
Impairment loss	1 234 969	1 045 416
Movement in provision for leave	87 969	209 253
Other sundry income – non cash	(1 424 086)	-
Board back pay accrual	(107 322)	107 322
Changes in working capital:		
Inventories	(272 539)	-
Receivables from exchange transactions	(116 824)	274 489
Prepayments	(11 185 210)	564 394
Payables from exchange transactions	1 267 279	4 753 567
Income received in advance	383 405	67 936
Cash generated from operations	141 707 371	124 616 529

18. COMMITMENTS

Figures in Rand	2016	2015
Already contracted for but not provided for		
Capital expenditure	148 947 991	55 347 496
Operating expenditure	21 984 296	20 844 335
	170 932 287	76 191 831
Not yet contracted for and authorised by Accounting Authority		
Capital expenditure	4 699 000	30 280 145
Total capital commitments		
Already contracted for but not provided for	148 947 991	55 347 496
Not yet contracted for and authorised by Accounting Authority	4 699 000	30 280 145
	153 646 991	85 627 641
Operating leases commitments - Photocopiers		
Due within one year	423 568	567 667
Operating leases commitments - Building		
Due within one year	8 821 134	8 019 213
Due between two to five years	21 125 259	-
	29 946 393	8 019 213
NMISA rents a building in terms of an operating lease for a period of 8 years, with a renewal option. The lease agreement for the building commenced on 01 April 2011 and is expiring on 31 March 2019. CSIR allows for an escalation each year based on the CSIR annually approved rental rates.		

19. RELATED PARTIES

Relationship	
Controlling entity	Department of Trade and Industry
Board members	
	Dr Prinsloo Nevhutalu
	Mr Thembani Bukula
	Ms Tshidi Molala
	Dr Rudzani Nemutudi
	Mr Tshokolo Nong
	Ms Jabu Mogadime
	Dr Cleopas Sanangura
	Dr Tshenge Demana (the dti representative)
	Ms Ursula Ntsubane (Appointed 01 March 2015)
	Ms Bongani Mathebula (Appointed 20 September 2015)
External members of the Audit and Risk Committee	
	Mr Kgosietsile Kgosiemang
	Ms Poni Ngwato
Members of key management	
	Mr Ndwakhulu Mukhufhi
	Mr Benjamin van der Merwe
	Ms Phetsile Magagula
	Dr Wynand Louw
	Ms Zakithi Msimang
	Ms Natasha Nel-Sakharova
	Dr Jayne de Vos

Entities under common control*

South African National Accreditation Systems (SANAS)
Small Enterprise Development Agency (SEDA)
Companies Tribunal (CT)
Export Credit Insurance Corporation (ECIC)
National Empowerment Fund (NEF)
South African Bureau of Standards (SABS)
National Credit Regulator (NCR)
National Gambling Board (NGB)
National Consumer Commission (NCC)
National Consumer Tribunal (NCT)
National Lotteries Board (NLB)
National Regulator for Compulsory Specifications (NRCS)
Companies and Intellectual Property Commission (CIPC)

* These entities are under common control of the Department of Trade and Industry, of which NMISA for forms part.

All other entities in the National Sphere of Government are considered to be related, but have not been disclosed unless transactions with those entities took place on terms that were not on ordinary terms or not in the ordinary course of business.

KEY MANAGEMENT INFORMATION

Class	Description	Number
Board members	Accounting Authority	10
Executive Committee	Directors	7

20. EXECUTIVE MANAGEMENT EMOLUMENTS 2016

	Basic Salary	Performance Bonus	13th Cheque	Pension Contribution	Allowances	Other expenses	Total
Mr Ndwakhulu Mukhufhi	1 633 840	-	27 889	39 229	42 384	12 411	1 755 753
Mr Benjamin van der Merwe	808 743	32 408	54 160	77 109	49 160	20 807	1 042 387
Ms Phetsile Magagula (Appointed 01 October 2015)	558 492	-	-	41 508	-	3 904	603 904
Dr Wynand Louw	1 034 329	41 761	-	84 887	163 581	12 293	1 336 851
Ms Zakithi Msimang	850 512	49 767	45 157	64 288	32 158	3 627	1 045 509
Mrs Natasha Nel-Sakharova	901 983	66 001	-	70 857	353	10 382	1 049 576
Mrs Jayne de Vos	835 393	49 319	54 130	77 894	571	10 516	1 027 823
	6 623 292	239 256	181 336	455 772	288 207	73 940	7 861 803

EXECUTIVE MANAGEMENT EMOLUMENTS 2015

	Basic Salary	Performance Bonus	13th Cheque	Pension Contribution	Allowances	Other expenses	Total
Mr Ndwakhulu Mukhufhi	1 511 564	-	26 114	36 298	71 421	15 522	1 660 919
Mr Benjamin van der Merwe	758 351	15 098	51 226	72 326	3 013	5 276	905 290
Mrs Irene Mathatho (Resigned 31 July 2014)	325 244	44 421	-	15 724	-	25 666	411 055
Dr Wynand Louw	985 837	30 482	-	81 270	40 232	113 313	1 251 134
Ms Zakithi Msimang	797 595	15 457	42 711	60 279	17 404	8 681	942 127
Mrs Natasha Nel-Sakharova	781 856	15 374	-	61 413	-	3 994	862 637
Mrs Jayne de Vos	783 285	15 318	50 940	73 066	13 515	4 848	940 972
	5 943 732	136 150	170 991	400 376	145 585	177 300	6 974 134

21. NON-EXECUTIVE MANAGEMENT EMOLUMENTS

Figures in Rand	2016	2015
Dr Prinsloo Nevhutalu	30 126	35 838
Mr Thembani Bukula	10 800	30 448
Mr Tshokolo Nong	35 870	32 657
Ms Tshidi Molala	23 744	36 235
Dr Rudzani Nemutudi	53 780	56 274
Advocate Catherine Letele (Resigned 14 October 2014)	-	12 120
Mr Kgosietsile Kgosiemang (External member)	19 401	8 315
Mrs Jabu Mogadime	40 910	28 316
Ms Tumelo Seaketso (Resigned 25 July 2014)	-	2 582
Dr Cleopas Sanangura	44 934	64 773
Ms Bongani Mathebula (Appointed 20 September 2015)	4 410	-
Ms Ursula Ntsubane (Appointed 1 March 2015)	41 135	-
	305 110	307 558

Dr Tshenge Demana (the dti representative) and Ms Poni Ngwato do not receive remuneration for the meetings they attend.

22. RISK MANAGEMENT

Financial Risk Management

NMISA's activities expose it to a variety of financial risks, namely liquidity risk, credit risk and market risk (including cash flow risk, interest rate risk and currency risk).

Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash. NMISA's primary source of funding is the grants received from the dti. NMISA maintains liquidity by limiting capital and operational expenditure within the pre-approved budget.

The table below illustrates NMISA's exposure to liquidity risk from financial liabilities:

2016						
	Carrying Amount	1 to 3 Months	6 to 9 months	1 to 12 months	2 to 5 years	more than 5 years
Trade and other payables	12 448 891	12 076 137	372 754	-	-	-
TOTAL	12 448 891	12 076 137	372 754	-	-	-
2015						
	Carrying Amount	1 to 3 Months	6 to 9 months	1 to 12 months	2 to 5 years	more than 5 years
Trade and other payables	11 181 613	11 068 936	112 677	-	-	-
TOTAL	11 181 613	11 068 936	112 677	-	-	-

Credit Risk

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. NMISA only deposits cash with major banks with high quality credit standing and limits exposure to any counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. If there is no independent rating available, risk control assesses the credit quality of the customer, taking into account its trade references, past experience and other factors.

Trade receivables are derived from revenue earned by, but not limited to, calibrating equipment for private companies. There is no independent rating and as a result management assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. NMISA establishes an impairment that represents its estimate of potential losses in respect of trade receivables.

NMISA is considering receivables between 90 and 120 days and individually, based on payment history, for impairment. The provision for impairment is 3% of the total receivables book. The majority of the receivables are from the private sector.

The maximum exposure to credit risk is as follows:

Figures in Rand	2016	2015
The maximum exposure to credit risk is as follows:		
Trade debtors	2 406 636	2 598 378
Less: Provision for impairment of trade receivables	(63 611)	(194 770)
Rental deposit	605 419	605 419
	2 948 444	3 009 027
As at 31 March 2016, the age analysis of the receivables from exchange transactions, net of provision for impairment of trade receivables, was as follows:		
Not Past due	1 778 604	2 004 745
Past due 31 - 60 Days	188 916	102 503
Past due 61 - 90 Days	55 921	235 388
Past due 90 days and over	319 584	60 972
	2 343 025	2 403 608

Cash Flow Risk

NMISA manages its cash flow risk by aligning the monthly allocation to its estimated monthly activity levels.

Interest Rate Risk

NMISA's interest rate risk arises from markets and economic factors, payables, cash and cash equivalents and receivables. NMISA's exposure to interest rate risk is minimal due to the following factors:

- Interest is levied on overdue trade receivables;
- Interest is not paid on trade payables as it is

the policy of the entity to settle within 30 days of invoicing; and

- The PFMA does not allow for the entity to utilise bank overdraft facilities.

Based on the activities of NMISA, the only area affected by interest rate risk is investment income, earned on call deposits. These call deposits are held short-term and the interest rate is linked to the prime rate. The exposure to the changes in interest rate for short-term deposits is considered not material.

NMISA's exposure to the risk of changes in market interest rates relates primarily to cash in call deposits held with banks:

Figures in Rand	2016	2015
Cash and cash equivalents		
Short-term deposits	226 769 674	187 787 618

Currency Risk

NMISA's exposure to currency risk is due to the purchase of specialised equipment from foreign suppliers. To the extent that the transactions are considered to be material, significant suppliers are required to provide firm prices to minimize the risk.

23. EVENTS AFTER REPORTING DATE

The accounting authority is not aware of any matters that arose after the reporting date that requires adjustment to the financial statement or additional disclosure.

24. GOING CONCERN

The annual financial statements were prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and the settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

25. CONTINGENT LIABILITIES

An amount of R 26 409 for the performance bonus of the director (physical metrology) who acted as interim CEO for the 2012/13 financial year, is still outstanding. The outcome of this matter will be confirmed by the performance evaluation feedback from the accounting authority.

An amount of R 193 652 for the performance bonus of the CEO for the 2013/14 and 2014/15 financial years is still outstanding. The outcome of this matter will be confirmed by the performance evaluation feedback from the accounting authority.

An application was made to the National Treasury under section 53 (3) of the PFMA to retain the surplus incurred in the current financial year ending 31 March 2016, totalling R 137 149 216. Should permission to retain this surplus not be granted, then NMISA may be required to declare a distribution to the National Treasury through its executive authority, the **dti**. NMISA considers the cash balance sufficient to pay over the surplus and funding will be replenished in the next year to fund the operations of the entity through the current budget allocation.

26. FRUITLESS AND WASTEFUL EXPENDITURE

Figures in Rand	2016	2015
Opening balance	32 037	-
Add: Fruitless and wasteful expenditure incurred during the year	36 330	32 037
Less: Written off during the year	(32 037)	-
	36 330	32 037

Details of the Incidents

1. Interest of R 3 057 was paid for late payment to Old Mutual resulting from pension fund contributions being paid into a closed Old Mutual bank account. Communication from Old Mutual regarding change of bank details was not channelled correctly. Due to the nature of the incident no disciplinary action was taken.
2. Replacement of lost monitors which were brought in for calibration, at a cost of R 10 602. Access to all NMISA buildings will be restricted to authorised individuals only, all visitors or CSIR contractors will be monitored. Due to the nature of the incident no disciplinary action was taken.
3. Replacement of a radiation monitor which was accidentally damaged during calibration at R5 000. This was an accident during calibration for which NMISA covers employees for, the R 5 000 represents the access amount not covered by the insurer. Due to the nature of the incident no disciplinary action was taken.
4. Payment of R 9 717 made in respect of a trip that was not undertaken and the cancellation was not made on time. Reason provided on circumstances leading to the cancellation were accepted as reasonable thus no further action was taken.
5. Interest, sheriff fees and legal fees of R 7 954 was paid for rescinding of a judgement issued against NMISA. Internal processes have been improved, such incidence will not occur in future. Due to the nature of the incident no disciplinary action was taken.

27. IRREGULAR EXPENDITURE

Figures in Rand	2016	2015
Opening balance	1 400 246	-
Add: Irregular expenditure – current year	526 450	1 400 246
Less: Amount condoned	(1 381 858)	-
	544 838	1 400 246

The above irregular expenditure is as result of non-compliance with SCM processes and regulations. NMISA is in the process of obtaining approval for condonment from the Accounting Authority in accordance with the regulations.

DETAILS OF IRREGULAR EXPENDITURE – CURRENT YEAR

	Disciplinary steps taken	Amount
Purchase order issued after invoice date	A warning has been given to the relevant individuals.	191 261
SBD forms not completed by foreign supplier	Processes and procedures have been put in place to ensure compliance going forward.	287 252
Invoice amount exceeds purchase order	A warning has been given to the relevant individuals and improvements will be made on the accounting system which will ensure that users are not able to receipt more than the purchase order value.	47 937
		526 450

28. RETIREMENT BENEFITS

Figures in Rand	2016	2015
Defined contribution plan	7 013 410	5 959 771

NMISA Provides retirement benefits through a defined contribution plan to all its employees. The fund is governed by the Pension Fund Act, 1956 (Act No. 24 of 1956). The entity is under no obligation to cover any unfunded benefits.

29. BUDGET DIFFERENCES

Material Differences Between Budget and Actual Amounts

- 29.1. The actual revenue earned exceeds the budgeted amount due to an increase in demand for calibration services and certified reference materials.

29.2. NMISA does not budget for other income.

29.3. This is in line with the commitments balance reported; mainly attributed to capital expenditure tenders awarded and not yet delivered. These undischarged funds are kept in the NMISA Money Market account, earning better than expected interest from the larger funds base.

29.4. NMISA does not budget for income from the disposal of assets hence the reported full variance.

29.5. The variance is line with the reported funded vacancy rate of 8% and is therefore a financial depiction of the number of vacant posts in the financial year.

29.6. Purchase orders have been issued to service providers, the goods and services were not delivered/rendered as at 31 March 2016, thus funds remain committed.
- 29.7. The variance is due to price escalations that came above than what was budgeted for.

29.8. An increase in procurement of goods and services (including equipment) from foreign suppliers and significant deterioration of the rand resulted in higher foreign exchange losses than budgeted for.

29.9. Variance is due to prior year commitments expensed during the current financial year.

29.10. NMISA received additional funding from the dti towards the recapitalisation project, which includes the replacement of aged equipment and a possible PPP project. Tenders have been awarded during the financial year for the procurement of equipment, but due to the specialised nature of the equipment and associated manufacturing time, the goods have not yet been received. As a result, the majority of the funds have been committed but expenditure has not yet been incurred. Refer to note 18 for the amount included under commitments.

29.11. Depreciation, impairment and credit losses were not budgeted for.

LIST OF ABBREVIATIONS/ ACRONYMS

AFFRMP	Africa Food and Feed Reference Materials Project
AFM	Atomic Force Microscope
AFRIMETS	Intra-Africa Metrology System
B. Eng	Bachelor of Engineering
BAM	Bundesanstalt für Materialforschung und –prüfung
BEE	Black Economic Empowerment
BIPM	International Bureau of Weights and Measures
CAPEX	Capital Expenditure
CCs	Consultative Committees
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CIPM	International Committee for Weights and Measures
CMC	Calibration and Measurement Capabilities
CRM	Certified Reference Materials
CT	Companies Tribunal
DDT	Dichlorodiphenyltrichloroethane
DoT	Department of Transport
Dr	Doctor
ECIC	Export Credit Insurance Corporation
EDS	Energy Dispersive Spectroscopy
EHS	Environment, Health and Safety
EM	Electricity and Magnetism
ERP	Enterprise Resource planning
ERP-CMS	ERP-Customer Management System
EXCO	Executive Committee
FAMES	Fatty Acid Methyl Ester
GRAP	Generally Recognised Accounting Practice
HCD	Human Capital Development
HR	Human Resources
HVAC	Heating Ventilating and Air Conditioning
IAEA	International Atomic Energy Agency
ICT	Information and Communications Technology
IEC	International Electrotechnical Commission
IPAP	Industrial Policy Action Plan
IR	Ionising Radiation
ISO	International Organization for standardization
IT	Information Technology
KPI	Key Performance Indicator
LED	Light Emitting Diode
LGC	Laboratory of the Government Chemist
MoU	Memorandum of Understanding
MRA	Mutual Recognition Arrangement
MSc	Master of Science
NCC	National Consumer Commission
NDP	National Development Plan
NEF	National Empowerment Fund
NGB	National Gambling Board
NIM	National Metrology Institute
NMI	National Metrology Institute

NMISA	National Metrology Institute of South Africa
NMISIANS	Employees of the National Metrology Institute of South Africa
NMS	National Measurement Standard
NNR	National Nuclear Regulator
NRCS	National Regulator for Compulsory Specification
NSI	Namibian Standards Institute
NTBs	Non-tariff Barriers
OHSAS	Occupational Health and Safety Management System
PAYE	Pay As You Earn
PFMA	Public Finance Management Act
PHD	Doctor of Philosophy
PM	Physical Metrology
POP	Persistent Organic Pollutants
PPE	Property Plant and Equipment
PPP	Public Private Partnership
PT	Proficiency Testing
REMCO	Committee on Reference Materials
Ra	The arithmetical average value of all absolute distances of the roughness profile
RIID	Research International and Infrastructure Development
Rz	Average maximum peak to valley of five consecutive sampling lengths
SABS	South African Bureau of Standards
SAN	Storage Area Network
SANAS	South African National Accreditation System
SANS	South African National Standards
SARS	South African Revenue Services
SCM	Supply Chain Management
SEDA	Small Enterprise Development Agency
SEM	Scanning Electron Microscope
SET	Science, Engineering and Technology
SHEQ	Safety Health Environment Quality
SI	International System of Units
SKA	Square Kilometre Array
SME	Small and Medium Enterprise
TA	Technical Advisor
TAF	Technical Advisory Forum
TBT	Technical Barriers to Trade
TC	Technical Committee
the dti	Department of Trade & Industry
TI	Technical Infrastructure
TQMS	Total Quality Management Systems
TR	Treasury Regulations
UIF	Unemployment Insurance Fund
UKZN	University of Kwazulu Natal
UP	University of Pretoria
UV	Ultraviolet
UVC	Ultraviolet band C
UVGI	Ultraviolet germicidal irradiation
VAT	Value Added Tax
WWW	World Wide Web
XPS	X-ray Photoelectron Spectroscopy
YTD	Year to Date

