SABS

INTEGRATED ANNUAL REPORT 2023

GIVING YOU THE QUALITY EDGE

SABS

PERFORMANCE OVERVIEW

Maintaining more than **7,400** national standards

Published **404 national standards** of which **145 publications are homegrown**

Invested R5.5-million in **staff training and development**

Net profit of R88.6-million

The SABS has completed the stabilisation stage of the **Turnaround Strategy**

Supported **26 Small, Medium and Micro Enterprises (SMMEs)**

Maintained Auditor, Scheme and Laboratory Accreditation from SANAS and RvA

Operating profit of R73.6-million

6,759 Active customers

R46.5-million invested in capital expenditure which includes **buildings and laboratory equipment**

Lost Time Injury Frequency Rate (LTIFR) is 0.21 per 200 000 hours worked

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SOUTH AFRICAN BUREAU OF STANDARDS

(Incorporated via an Act of Parliament and domiciled in the Republic of South Africa)

SABS COMMERCIAL SOC LIMITED

Registration Number: 2000/013581/30

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219

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PART A

INTRODUCTION

ABOUT **THIS REPORT**

1

The South African Bureau of Standards proudly presents its FY2023 Integrated Annual Report, which provides a comprehensive view of the organisation's activities during FY2023.

The report was compiled according to the International Integrated Reporting Council's (IIRC) Integrated Reporting Framework. The report structure and the information presented are aligned with international standards and frameworks, and discussions about value creation are built on the six capitals identified by the IIRC.

Our financial reporting complies with the International Financial Reporting Standards (IFRS), the South African Companies Act and the Public Finance Management Act (PFMA). The SABS subscribes to the principles of good governance of King IV and contributes to the achievement of the United Nations Sustainable Development Goals (UNSDGs). The Auditor General South Africa (AGSA) provided assurance on the group audited financial statements and issued an unqualified audit opinion.

SCOPE AND BOUNDARY

This integrated report covers our strategy and performance from 1 April 2022 to 31 March 2023. There were no significant changes to the scope and boundary from the previous financial year. The report represents our strategies, activities, operational & financial performance, outcomes, and risks. Our reporting considers the perspectives of key stakeholders with significant influence or considerable interest in the SABS.

We strive to strategically engage with a diverse representation of stakeholders as we implement key programmes and services aligned to our legislative mandate thereby enriching our credibility through transparent reporting practices. The report is produced annually and includes the SABS' performance and activities across various portfolio of services and locations. It contains the organisation's outlook and objectives for the short-, medium- and long-term. The short-term is up to 18 months, the medium-term is 18 to 36 months, and the long-term is more than 36 months.

DISCLOSURES

The SABS Board, supported by the Audit and Risk Committee, is responsible for providing oversight on governance including internal controls, which identify, evaluate, manage, and provide reasonable assurance on the Annual Financial Statements of the SABS. Our combined assurance model seeks to optimise assurance obtained from management, and internal and external assurance providers while embedding strong ethics and ensuring that there is good governance.

Using the Board-approved risk management process, the SABS management identifies key risks and implements internal controls and mitigation plans to ensure attainment of its strategic objectives. The Internal Audit Department provides independent and objective assurance to the Board regarding governance processes, management of risk and internal control systems that are adequate and effective in mitigating risks. All content that is contained in this report is gathered from various sources throughout the organisation.

GOVERNING PRINCIPLES AND STANDARDS

The report is aligned with the following:

- Public Finance Management Act, 1 of 1999
- Companies Act, 71 of 2008
- International Financial Reporting Standards (IFRS)
- King IV Code
- Standards Act, 8 of 2008
- Internally developed guidelines and policies

FORWARD-LOOKING INFORMATION

During the compilation of this report, management presented their views on the outlook of the SABS and its predicted performance based on forecasts of local and global economic and political conditions. Forward-looking statements were informed by the SABS' corporate plan. These statements are subject to future risk exposure and uncertainty and, therefore, are not audited nor can be taken as reliable information on which investment decisions may be made. We invite you to submit your feedback, queries, and comments to info@sabs.co.za.

BOARD APPROVAL

The SABS Board, with the support of its Board committees, acknowledges responsibility for the integrity and completeness of the integrated report. It is the Board's opinion that this report addresses the material issues that influence the organisation's ability to create value. The SABS Board considers the content of this report to be accurate, reliable, complete, and prepared in accordance with the Integrated Reporting Framework. This report was approved by the SABS Board on 27 September 2023.

Dr Sadhvir Bissoon
Chief Executive Officer (Acting)
South African Bureau of Standards
29 September 2023

Dr Sandile Malinga
Chairperson of the Board
29 September 2023

HOW TO NAVIGATE THE REPORT

Throughout the Integrated Annual Report, the following icons are used to show the connectivity between sections:

CAPITALS

| Financial

| Human

| Intellectual

| Manufactured

| Natural

| Social and Relationship

STRATEGIC OBJECTIVES

| Develop, promote and increase the use of standards

| Provide integrated conformity assessment service solutions

| Achieve and maintain financial sustainability

| Continuous improvement of internal systems and process

| Creating and maintaining a high-performance culture

| Indicates a **page or note reference** of information that can be found elsewhere in the report.

FEEDBACK

The SABS is committed to effecting further improvements to this report and would appreciate any constructive feedback. Comments can be directed to the General Manager: Corporate Strategy, Mr Nils Flaatten at info@sabs.co.za, or submitted at 1 Dr Lategan Road, Groenkloof, Pretoria, 0001.

MINISTER'S FOREWORD

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Mr Ebrahim Patel
Minister of Trade, Industry and Competition

I table the Annual Report of the South African Bureau of Standards (SABS) for the 2022/23 financial year. The Report sets out the performance information, governance report, human resources and financial information for the past financial year.

The SABS published 414 standards in the year, of which 140 standards are uniquely South African standards designed to meet specific local requirements. The SABS supported 121 SMME with services ranging from training to certification services. The entity invested R55m in capital expenditure including for laboratory equipment that will enhance organisational sustainability going forward.

I note that that the organization realised a profit for the second year in a row, however the Auditor General made emphasis of prior year errors in the financial statements of the previous three years. The Audit Report raises concerns with inadequate preventative controls implemented to prepare timely and accurate financial statements.

Focusing around these central outcomes allows the diverse set of entities in **the dtic** Group – comprising regulators, financiers and technical institutions – to pool our capacities and collaborate to best deliver for the South African people.

The Report reflects the work of SABS in implementing its core mandate, and the outcome of joint efforts to align work of the dtic's 18 entities towards a set of three shared outcomes:

- Increased industrialisation
- Strengthened transformation in the economy; and
- Building a capable state.

In the coming year, SABS will need to strengthen delivery on its core mandate and better align its work around a common set of outcomes defined for **the dtic** Group, including the forty-five central outcomes established for the 2023/24 Financial Year. These outcomes are focused on measuring performance in terms of real impact, defined through key measures like the number of jobs supported, investment unlocked, and output generated by our work.
I thank the Board led by Dr Sandile Malinga as well as the management and staff of SABS for the work done in the past year.

Ebrahim Patel
Minister of Trade, Industry and Competition

CHAIRPERSON OF THE BOARD STATEMENT

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Dr Sandile Malinga
Chairperson of the Board

The SABS Board of Directors were appointed on the 1st of December 2022 by the Executive Authority, Honourable Minister Ebrahim Patel of the Department of Trade, Industry and Competition ***(the dtic)****. It is a privilege and an honour to be appointed the Chairperson of the Board and in this capacity, I am delighted to present the South African Bureau of Standards (SABS) Annual Report for the FY2023.*

The Board would like to express its appreciation for the work accomplished in implementing the SABS turnaround plan by **the dtic** administrators, Ms Jodi-Lynne Scholtz and Dr Tshenge Demana since the SABS was placed under administration in 2018. In order to address the leadership vacuum of the SABS, the Board has appointed an Acting CEO and has initiated the process to prioritise the recruitment and appointment of a permanent CEO.

It is an immense pleasure to report that SABS has achieved an unqualified audit opinion from the Auditor General of South Africa for the period under review. This audit opinion exemplifies our unwavering drive as we pursue our strategic focus on financial sustainability while aligning the delivery of our products and services in support of **the dtic**'s reimagined industrial priority sectors.

The financial year FY2023 was a year of impactful progress as the SABS continued its unwavering commitment to implement its turnaround strategy within its legislative mandate of developing relevant national standards and the provision of conformity assessment services to support our country's industrialisation ambitions. Our strategic initiatives were designed not only to enhance operational efficiency and embrace technological advancements but also to reaffirm our competence by maintaining our accreditation status for the conformity assessment that we offer to the market.

A noteworthy accomplishment of this period is our continued participation and thought leadership in esteemed international and regional standardisation bodies such as the International Organisation for Standardisation (ISO), the International Electrotechnical Commission (IEC), the African Regional Standards Organisation (ARSO) and the African Electrotechnical Commission (AFSEC). These collaborations underscore our dedication to influencing global and regional standards while publishing relevant National standards through international best practices.

Amid our accomplishments, we are especially proud of the performance of our key operational divisions which include Standards, Certification and Laboratory services. The SABS team exhibited unwavering dedication to upholding the highest standards, ensuring the robustness of our standards development engagements, certification processes and the continued enhancement of delivery of services within the laboratory services. These achievements exemplify the commitment of our staff in the operating divisions as well as corporate services amidst significant challenges in providing standardisation and quality assurance services to our diverse portfolio of stakeholders in the public and private sector.

During this period, the organisation continued its comprehensive review of our organisational operating model and structure, placing paramount importance on defining a fit-for-purpose organisation whilst ensuring optimal staff placements with requisite skills and competencies that deliver value to our clients.

The Board is also mindful of a number of programmes and initiatives that are within the planning and implementation phases which will extend to the medium term of reporting. Some of these include enhancing our customer focus whilst driving operational excellence, supporting the AfCFTA through leadership and active participation in regional and international standardisation programmes, implementing a digital transformation strategy, prioritised infrastructure maintenance and ramping up of the Local Content Verification programme.

I would like to thank all members of the Board for their rigorous engagements with management in exercising their fiduciary duties of strategic oversight and governance of the SABS. The Board wishes to thank the Acting CEO, Dr Bissoon, his Executive team, the broader management of SABS and all the staff of the organisation for the sterling work and achievement for FY2023. Without their commitment and dedication, the SABS would not have achieved the level of success it has this financial year including an unqualified audit opinion. The Board looks forward to working with the SABS Executive team to pave a sustainable trajectory for the organisation aligned to its legislative mandate in support of **the dtic** industrialisation and related policies as we embark on a journey that seeks to position the SABS as the trusted standardisation and quality assurance organisation of choice. This report is a testament to our relentless pursuit of excellence, innovation, and sustainability.

Finally, amidst the accomplishment of our predetermined objectives, we extend our gratitude to Minister Patel, his Deputy Ministers, and the entire Department of Trade, Industry and Competition for their steadfast support of all national standardisation and quality assurance initiatives. This partnership has played a pivotal role in advancing our mission and ensuring that our nation remains at the forefront of quality assurance.

SS Malinga

Dr Sandile Malinga
Chairperson of the Board
29 September 2023

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

REPORT ON THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Opinion

1. I have audited the consolidated and separate financial statements of the South African Bureau of Standards (SABS) set out on pages 86 to 150, which comprise the consolidated and separate statement of financial position as at 31 March 2023, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, as well as notes to the financial statements, including a summary of significant accounting policies.

2. In my opinion, the consolidated and separate financial statements present fairly, in all material respects, the financial position of the SABS as at 31 March 2023 and its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS) and the requirements of the Public Finance Management Act 1 of 1999 (PFMA).

Basis for Opinion

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

4. I am independent of the public entity in accordance with the International Ethics Standards Board for Accountants' International Code Of Ethics For Professional Accountants (including Intemational Independence Standards) (IESBA code) as well as other ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.

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

Emphasis of Matters

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

Prior Errors

7. As disclosed in note 37 to the financial statements, the corresponding figures for 31 March 2021 and 31 March 2022 were restated as a result of an error in the financial statements of the public entity at, and for the year ended, 31 March 2023.

Uncertainty Relating to Future Outcome of Litigations

8. With reference to note 26 to the financial statements, the public entity is a defendant in lawsuits as well as Commission of Conciliation, Mediation and Arbitration (CCMA) employee disputes. The public entity is opposing these claims. The ultimate outcome of the matter could not be determined and no provision for any liability that may result was made in the financial statements.

Other Matters

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

National Treasury Instruction No. 4 of 2022-23: PFMA Compliance and Reporting Framework

10. On 23 December 2022, the National Treasury issued Instruction No. 4 of 2022-23, which came into effect on 3 January 2023, in terms of section 76 (1) (b), (e) and (f), 2 (e) and (4) (a) and (c) of the PFMA. The instruction note deals with the PFMA compliance and reporting framework and addresses, among others, the disclosure of unauthorised expenditure, irregular expenditure and fruitless and wasteful expenditure. Irregular expenditure and fruitless and wasteful expenditure incurred in prior financial years and not yet addressed no longer need to be disclosed in either the annual report or the disclosure notes to the annual financial statements. Only the current year and prior year figures are disclosed in note 35 to the financial statements of the public entity. Movements in respect of irregular expenditure and fruitless and wasteful expenditure also no longer need to be disclosed in the notes to the annual financial statements. The disclosure of these movements (e.g., condoned, recoverable, removed, written off, under assessment, under determination and under investigation) is now included as part of the other information in the annual report of the public entity.

11. I do not express an opinion on the disclosure of irregular expenditure and fruitless and wasteful expenditure in the annual report.

Responsibilities of the Accounting Authority for the Consolidated and Separate Financial Statements

12. The Accounting Authority is responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with the IFRS and the requirements of the 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.

13. In preparing the consolidated and separate financial statements, the Accounting Authority is responsible for assessing the public entity's ability to continue as a going concern; disclosing, as applicable, matters relating to going concern; and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the public entity or to cease operations, or has no realistic alternative but to do so.

Responsibilities of the Auditor-General for the Audit of the Consolidated and Separate Financial Statements

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

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

REPORT ON THE ANNUAL PERFORMANCE REPORT

16. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, I must audit and report on the usefulness and reliability of the reported performance information against predetermined objectives for the selected material performance indicators presented in the annual performance report. The accounting authority is responsible for the preparation of the annual performance report.

17. I selected the following material performance indicators related to strategic objectives presented in the annual performance report for the year ended 31 March 2023. I selected those indicators that measure the public entity's performance on its primary mandated functions and that are of significant national, community or public interest.

Strategic Objective	Pages in the annual performance report	Material performance indicators
Develop, promote and increase the use of standards	p56	• SANS supporting reimagined industrial priority sectors • Government, SOE, regulatory and related public sector engagements • Report on support provided by the SABS on key identified developmental policy interventions or any other ministerial directives
Provide integrated conformity assessment services solution	p56	• Number of new products, services, solutions launched

18. I evaluated the reported performance information for the selected material performance indicators against the criteria developed from the performance management and reporting framework, as defined in the general notice. When an annual performance report is prepared using these criteria, it provides useful and reliable information and insights to users on the public entity's planning and delivery on its mandate and objectives.

19. I performed procedures to test whether:

- the indicators used for planning and reporting on performance can be linked directly to the public entity's mandate and the achievement of its planned objectives
- the indicators are well defined and verifiable to ensure that they are easy to understand and apply consistently and that I can confirm the methods and processes to be used for measuring achievements

- the targets link directly to the achievement of the indicators and are specific, time bound and measurable to ensure that it is easy to understand what should be delivered and by when, the required level of performance as well as how performance will be evaluated
- the indicators and targets reported on in the annual performance report are the same as what was committed to in the approved initial or revised planning documents
- the reported performance information is presented in the annual performance report in the prescribed manner
- there is adequate supporting evidence for the achievements reported and for the reasons provided for any over- or underachievement of targets.

20. I performed the procedures for the purpose of reporting material findings only.

21. I did not identify any material findings on the reported performance information for the selected material performance indicators.

Other Matters

22. I draw attention to the matters below.

Achievement of Planned Targets

23. The annual performance report includes information on reported achievements against planned targets.

Material Misstatements

24. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were in the reported performance information for strategic objective 1: Develop, promote and increase the use of standards; and strategic objective 2: Provide integrated conformity assessment services solution. Management subsequently corrected all the misstatements, and I did not include any material findings in this report.

REPORT ON COMPLIANCE WITH LEGISLATION

25. In accordance with the PAA and the general notice issued in terms thereof, I must audit and report on compliance with applicable legislation relating to financial matters, financial management and other related matters. The accounting authority is responsible for the public entity's compliance with legislation.

26. I performed procedures to test compliance with selected requirements in key legislation in accordance with the findings engagement methodology of the Auditor-General of South Africa (AGSA). This engagement is not an assurance engagement. Accordingly, I do not express an assurance opinion or conclusion.

27. Through an established AGSA process, I selected requirements in key legislation for compliance testing that are relevant to the financial and performance management of the public entity, clear to allow consistent measurement and evaluation, while also sufficiently detailed and readily available to report in an understandable manner. The selected legislative requirements are included in the annexure to this auditor's report.

28. The material findings on compliance with the selected legislative requirements, presented per compliance theme, are as follows:

Annual Financial Statements

29. The public entity did not submit financial statements for auditing within the prescribed period after the end of the financial year, as required by section 55(1) (c) (i) of the PFMA.

30. The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework, as required by section 55(1) (b) of the PFMA.

31. Material misstatements in the statement of cash flows and disclosure items identified by the auditors in the submitted financial statements were corrected, resulting in the consolidated and separate financial statements receiving an unqualified audit opinion.

Revenue Management

32. Effective and appropriate steps were not taken to collect all revenue due to the public entity, as required by section 51(1) (b) (i) of the PFMA.

Expenditure Management

33. Effective and appropriate steps were not taken to prevent irregular expenditure, as disclosed in note 35 to the financial statements, as required by section 51(1) (b) (ii) of the PFMA.

34. Effective steps were not taken to prevent fruitless and wasteful expenditure, as disclosed in note 35 to the financial statements, as required by section 51(1) (b) (ii) of the PFMA.

OTHER INFORMATION IN THE ANNUAL REPORT

35. The accounting authority is responsible for the other information included in the annual report. The other information referred to does not include the consolidated and separate financial statements, the auditor's report and those selected material indicators in the scoped-in strategic objectives presented in the annual performance report that have been specifically reported on in this auditor's report.

36. My opinion on the consolidated and separate financial statements, the report on the audit of the annual performance report and the report on compliance with legislation do not cover the other information included in the annual report and I do not express an audit opinion or any form of assurance conclusion on it.

37. My responsibility is to read this other information and, in doing so, consider whether it is materially inconsistent with the consolidated and separate financial statements and the selected material indicators in the scoped-in strategic objectives presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

38. I did not receive the other information prior to the date of this auditor's report. When I do receive and read this information, and I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

INTERNAL CONTROL DEFICIENCIES

39. I considered internal control relevant to my audit of the consolidated and separate financial statements, annual performance report and compliance with applicable legislation; however, my objective was not to express any form of assurance on it.

40. The matters reported below are limited to the significant internal control deficiencies that resulted in the material findings on compliance with legislation included in this report.

41. Management did not ensure that adequate preventative controls were implemented to prepare timely and accurate financial statements and an annual performance report in line with the applicable reporting standards. This resulted in material findings on the performance reported as well as material misstatements in the financial statements that were subsequently corrected, which had an impact on compliance with legislation.

42. Management did not monitor effective internal controls in implementation of policies and procedures as well as compliance with legislation, specifically those dealing with expenditure management and revenue management.

OTHER REPORTS

43. I draw attention to the following engagements conducted which had, or could have, an impact on the matters reported in the public entity's financial statements, reported performance information, compliance with applicable legislation and other related matters. These reports did not form part of my opinion on the financial statements or my findings on the reported performance information or compliance with legislation.

44. I performed an agreed-upon procedures engagement on royalties payable by the SABS for the period 1 January 2022 to 31 December 2022. The procedures were performed solely to help the public entity evaluate the reasonableness of the royalties payable and to enable the authorised dealer to determine whether the royalties can be remitted in terms of the current exchange control permission it holds. The report was issued to the Accounting Authority on 5 July 2023.

45. Following the internal audit unit raising a matter received through whistle blowing regarding a payment made for the supply of goods not received, an internal investigation was concluded. The matter was reported to the South African Police Service and subsequently to the Directorate for Priority Crime Investigation (Hawks).

Auditor-General

Pretoria
31 August 2023

AUDITOR-GENERAL
SOUTH AFRICA
Auditing to build public confidence

Annexure to the Auditor's Report

The annexure includes the following:

- the Auditor-General's responsibility for the audit
- the selected legislative requirements for compliance testing.

AUDITOR-GENERAL'S RESPONSIBILITY FOR THE AUDIT

Professional Judgement and Professional Scepticism

As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the consolidated and separate financial statements and the procedures performed on reported performance information for selected material performance indicators and on the public entity's compliance with selected requirements in key legislation.

Financial Statements

In addition to my responsibility for the audit of the consolidated and separate financial statements as described in this auditor's report, I also:

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

Communication with Those Charged with Governance

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

I also provide the Accounting Authority with a statement that I have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence and, where applicable, actions taken to eliminate threats or safeguards applied.

COMPLIANCE WITH LEGISLATION - SELECTED LEGISLATIVE REQUIREMENTS

The selected legislative requirements are as follows:

Legislation	Sections or regulations
Public Finance Management Act No.1 of 1999 (PFMA)	Section 50 (3) Section 51 (1) (a) (iii); 51 (1) (a) (iv); 51 (1) (b) (i); 51(1) (b) (ii); 51 (1) (e) (iii) Section 52 (b) Section 54 (2) (c); 54 (2) (d) Section 55 (1) (a); 55 (1) (b); 55 (1) (c) (i) Section 56 Section 57 (b) Section 57 (d) Section 66 (3) (b)
Treasury Regulations for departments, trading entities, constitutional institutions and public entities	Treasury Regulation 29.1.1; 29.1.1(a); 29.1.1(c); 29.2.1; 29.2.2; 29.3.1 Treasury Regulation 31.1.2 (c) Treasury Regulation 31.2.5; 31.2.7 (a) Treasury Regulation 33.1.1; 33.1.3
Companies Act 71 of 2008	Section 45 (2); 45 (3) (a) (ii); 45 (3) (b) (i); 45 (3) (b) (ii);45 (4) Section 46 (1) (a); 46 (1) (b); 46 (1) (c) Section 112 (2) (a) Section 129 (7)
Prevention and Combating of Corrupt Activities Act 2 of 2004	Section 34 (1)
Construction Industry Development Board (CIDB) Act 38 of 2000	Section 18 (1) Section 22 (3)
CIDB Regulations	CIDB Regulations 17; 25 (1); 25 (5) & 25 (7A)
Preferential Procurement Policy Framework Act 5 of 2000	Sections 1 (i); 2.1 (a); 2.1 (b); 2.1 (f)
Preferential Procurement Regulations (PPR) of 2017	Paragraph 4.1; 4.2 Paragraph 5.1; 5.3; 5.6; 5.7 Paragraph 6.1; 6.2; 6.3; 6; 6.6 Paragraph 7.1; 7.2; 7.3; 7.5; 7.6; 7.8 Paragraph 8.2; 8.5 Paragraph 9.1; 9.2 Paragraph 10.1; 10.2 Paragraph 11.1; 11.2 Paragraph 12.1 and 12.2
PPR of2022	Paragraph 3.1 Paragraph 4.1; 4.2; 4.3; 4.4 Paragraph 5.1; 5.2; 5.3; 5.4
NT SCM Instruction Note 3 of 2021-22	Paragraph 4.1; 4.2; 4.2 (b); 4.3; 4.4; 4.4 (c); 4.4 (d); 4.6 Paragraph 5.4
NT SCM Instruction 4A of 2016-17	Paragraph 6
NT SCM Instruction Note 3 2019-20	Paragraph 5.5.1 (iv); 5.5.1 (x)
NT SCM Instruction Note 11 2020-21	Paragraphs 3.1; 3.4 (a); 3.4 (b); 3.9; 6.1; 6.2; 6.7
PFMA SCM Instruction 8 of 2022-23	Paragraph 3.2 Paragraph 4.3.2; 4.3.3
NT Instruction note 4 of 2015-16	Paragraph 3.4
Second amendment to NTI 5 of 2020-21	Paragraphs 4.8; 4.9; 5.1; 5.3
Erratum to NTI 5 of 2020-21	Paragraph 1
Erratum to NTI 5 of 2020-21	Paragraph 2
NT Instruction Note 5 of 2020-21	Paragraph 5.1 and 5.3

STATEMENT OF RESPONSIBILITY AND CONFIRMATION OF ACCURACY OF THE ANNUAL REPORT

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INTEGRATED ANNUAL REPORT AND ANNUAL FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2023

I hereby acknowledge that the Integrated Annual Report and the Annual Financial Statements of the South African Bureau of Standards (SABS) have been submitted to the Auditor-General for auditing in terms of section 55(1) (c) of the PFMA.

I acknowledge my responsibility for the accuracy of the accounting records and the fair presentation of the Annual Financial Statements and confirm, to the best of my knowledge, the following:

Annual Financial Statements

The Annual Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and the Public Finance Management Act (PFMA). All amounts and information in the Integrated Annual Report and Annual Financial Statements are consistent with the Annual Financial Statements submitted to the auditors for audit purposes.

Performance Information

The performance information fairly reflects the operations and actual output against planned targets for performance indicators as per the Corporate Plan of the SABS and approved amendments for the financial year ended 31 March 2023. The performance information has been reported in accordance with the requirements of the guidelines on annual reports as issued by the National Treasury. A system of internal control has been designed to provide reasonable assurance as to the integrity and reliability of performance information.

Human Resource Management

The human resource information contained in the respective tables in the Integrated Annual Report fairly reflects the information of the SABS for the financial year ended 31 March 2023.

In Respect of Material Issues

The Integrated Annual Report is complete, accurate and free from any omissions.

Preparation of the Annual Financial Statements

The annual financial statements have been prepared under the supervision of Lerato Matras Chief Financial Officer of the SABS who acted from 18 April 2023 until 30 June 2023.

Dr Sadhvir Bissoon
Chief Executive Officer (Acting)
South African Bureau of Standards
29 September 2023

SABS

PART B

WHO WE ARE

COMPANY **OVERVIEW**

1

The SABS is the peak national standardisation institution in South Africa. The entity exists as a public entity in terms of the Standards Act (Act No. 8 of 2008), under the Executive Authority of the Department of Trade, Industry and Competition **(the dtic).**

The SABS is a Schedule 3B public entity under the Public Finance Management Act (Act No. 1 of 1999). Schedule 3B entities are referred to as government business enterprises.

OUR MANDATE IS TO:

Develop, promote, and maintain South African National Standards (SANS)

Promote quality in connection to commodities, products, and services

Render conformity assessment services and related matters

OUR VISION:

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

OUR MISSION:

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

OUR VALUES ARE:

Day-to-day activities and business conduct are guided by the following values:

- Excellence
- Customer Centricity
- Accountability
- Integrity
- Innovation

OUR SHAREHOLDER:

The South African Bureau of Standards (SABS) is an agency of the Department of Trade, Industry and Competition mandated to provide standardisation services to support governments industrialisation and quality assurance objectives. The SABS develops relevant South African National Standards that underpins the provision of its training, testing, certification, inspection, and verification services to stakeholders in the public and private sector.

OUR
HISTORY

2

1945
SABS was established (Act No. 24 of 1945)

1947
ISO was established, with the SABS as a founding member

1969
SABS Design Institute established to stimulate industrialisation through engineering and product design

1970
The National Electrical Test Facility (NEFTA) is established

1977
Introduction of the SABS Mark for product approval

1982
Automotive, solar heating and endoparasite laboratories established

1983
Nuclear and acoustics testing laboratory established

1984
Radiation testing laboratory established

1986
National Building regulations effected

1988
Explosive testing laboratory established

1991
Meat testing laboratory established

1995
Appliance testing laboratory established

1998
Dedicated condom testing laboratory established

2008
SABS redefined through the Standards Act (Act No. 8 of 2008)

2012
Local Content Verification (LCV) office established

2016
Energy efficiency laboratory established

2017
Thermal testing for refrigeration trucks is established

2018
Reintroduction of testing to Customer Specific Requirements

2021
Appointed ISO Council Board Member
Local Content Verification Scheme Launched

2022
Appointed ARSO Council Board Member

Figure 1: History of the SABS

OUR
FUNDING MODEL

3

The organisation is funded through commercial revenues generated from operations and grant funding from **the dtic**.

WHERE
WE OPERATE

4

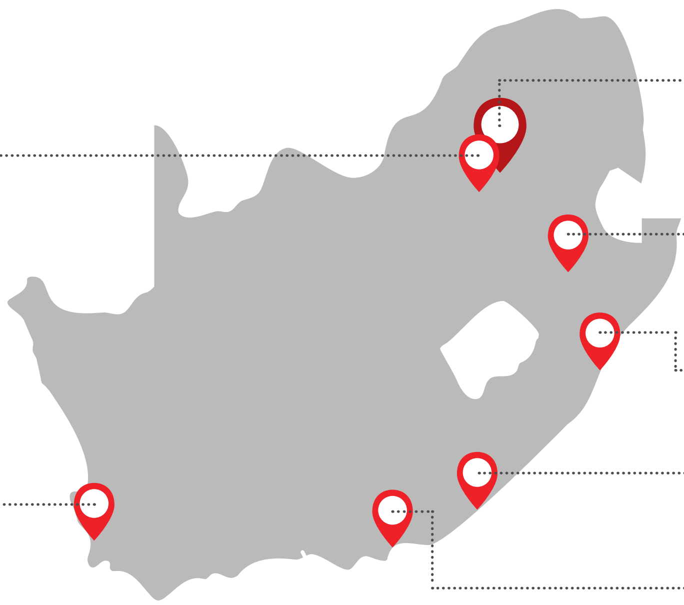


Figure 2: SABS National Footprint

OUR SERVICE OFFERING

5

The SABS provides services across the standards development and conformity assessment services value chain. The diagram below illustrates the assorted services as well as key sectors supported.

STANDARDS

- Facilitating the end-to-end process of developing national standards
- Publishing of National Standards
- Access of national standards to the market

- Accessibility
- Acoustics
- Adhesive and packaging
- Agrochemicals
- Automotive
- Building and construction

TRAINING

- Training on the understanding and implementation of standards

- Chemicals
- Chromatography
- Civil engineering
- Clothing and protective wear
- Electro-technical
- Electronic appliances
- Energy efficiency
- Engineering

ADVISORY

- Technical support to SMMEs, entrepreneurs & other stakeholders on standardisation services
- Providing business solutions to enhance quality of products & services

- Environment (EMS)
- Explosion prevention
- Fibre and polymers
- Food and beverages
- ICT
- Industrial chemistry
- Lighting technology
- Mechanical and fluid

CERTIFICATION

- Product certification (SABS Mark Scheme)
- System certification
- Consignment inspections
- Local content verification

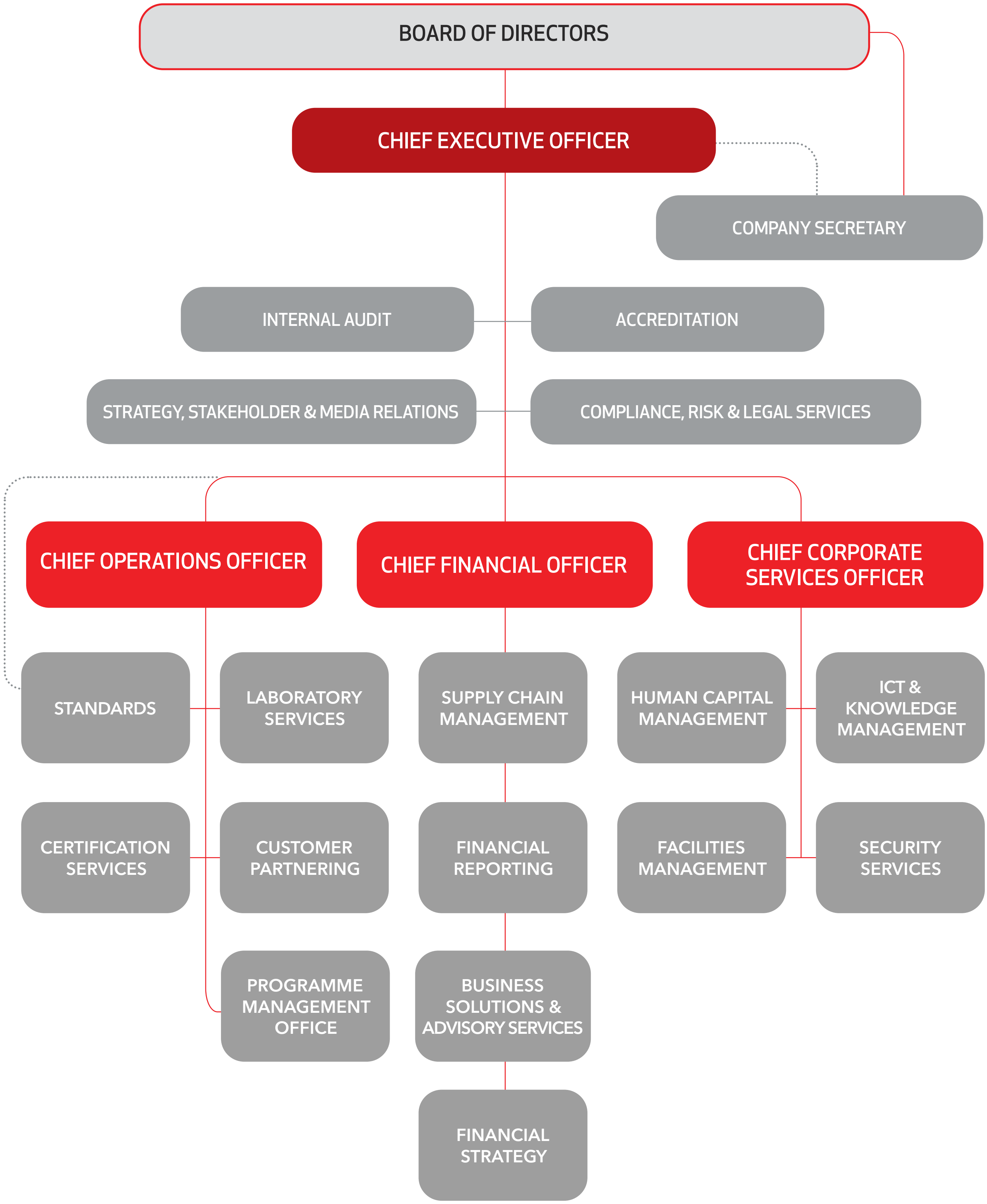
- Medical and health
- Metrology
- Mining and minerals
- Paints and sealants
- Petrochemical
- Pharmaceutical
- Radiation protection
- Rotating machinery

TESTING

- Testing of products in line with ISO/ IEC standards & international laboratories protocols
- Calibration & Proficiency Testing schemes

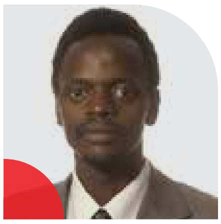
- Rubber and plastics
- Safety and security
- Solar water heating
- Textiles and leather
- Timber
- Transportation

OPERATIONAL STRUCTURE



ACCOUNTING **AUTHORITY**

7

Name	Period	Age	Gender	Race	Qualifications	Areas of experience
ADMINISTRATORS						
 **MS JODI-LYNNE SCHOLTZ** Lead Administrator	2 Jul 2018 until 30 Nov 2022	51	F	C	• MBA • BCom (Hons) • BA (Arts) • Postgraduate Diploma (Trade Policy)	Strategy, Operations, Risk Management and Governance
 **DR TSHENGE DEMANA**	2 Jul 2018 until 30 Nov 2022	61	M	A	• PhD (Chemistry)	Quality Management and Laboratory Services
ACCOUNTING AUTHORITY: NON-EXECUTIVE DIRECTORS						
 **DR SANDILE MALINGA** (Chairperson)	01 Dec 2022	55	M	A	• PhD (Physics) • MBA • MSc • BSc (Honours) • BSc (Physics and Mathematics)	Financial Management, Corporate Governance and Leadership
 **DR RUDZANI NEMUTUDI**	01 Dec 2022	52	M	A	• PhD (Physics) • MSc (Physics) • BSc (Honours) • Certificate (Management Development)	Strategic Planning Technical Infrastructure Development, Performance Monitoring, International Relations, Research Development and Institutional Sustainability
 **MS DEIDRE PENFOLD**	01 Dec 2022	59	F	W	• BCom (Honours) (Economics)	Research & Innovation, Stakeholder Engagement, SHEQ, and Strategic Planning & Performance

Name	Period	Age	Gender	Race	Qualifications	Areas of experience
 DR NANDIPHA MADIBA	01 Dec 2022	59	F	A	• PhD (Business Leadership and Management) • DBA • MBA • B Compt (Hons) • CD (SA)	Corporate Governance, Combined Assurance, Financial Reporting, Financial Management, Strategy and Human Capital
 MS GLORIA MNGUNI	01 Dec 2022	40	F	A	• CA (SA)	Financial Planning & Reporting, Internal & External Auditing, Strategic Planning, Reporting and Corporate Governance
 DR RONALD JOSIAS	01 Dec 2022	56	M	C	• PhD (Public Administration) • MPhil (International Business) • MBA • NHD (Mechanical Engineering)	Strategy & Development Research, Business Development, Regional Integration and World Trade
 DR MUKONDELELI GRACE KANAKANA-KATUMBA	01 Dec 2022	45	F	A	• D-Phil (Engineering Management) • MBA • B-Tech (Industrial Engineering)	Turnaround Strategy, Strategy Formulation, Organisational Leadership, Performance Planning & Management, Monitoring & Evaluation, Research & Development and Entrepreneurship Development
ACCOUNTING OFFICER						
 DR SADHVIR BISSOON Chief Executive Officer (Acting)	20 Jan 2023	51	M	I	• DTech (Biotechnology) • MSc (Biotechnology) • BSc (Hons)	Strategy Development & Implementation, Business Transformation, Research and Business Development

Board Committees

- *Audit and Risk*
- *Human Capital, Social and Ethics*
- *Finance, Investment and Strategy*
- *Chairperson*

EXECUTIVE COMMITTEE

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SADHVIR BISSOON (51)
Chief Executive Officer (Acting)

Date appointed as CEO (Acting): 20 January 2023

Date appointed to the SABS: 01 August 2003

Qualification: DTech:Biotechnology, MSc: Biotechnology & BSc (Hons)

KHOLOFELO MASOGA (45)
Chief Financial Officer (CFO)

Date appointed as CFO: 03 July 2023

Date appointed to the SABS: 03 July 2023

Qualification: CA(SA), MBA, EDP & IBLMP

LUNGELO NTOBONGWANA (45)
Chief Operations Officer (COO)

Date appointed as COO: 15 March 2023

Date appointed to the SABS: 01 August 2017

Qualification: MBA, MCom, BTech: Project Management, Diploma: Analytical Chemistry & EDP

LIZO MAKELE (53)
Chief Corporate Services Officer (CCSO)

Date appointed as Chief Corporate Services Officer: 01 September 2021

Date appointed to the SABS: 01 July 2018

Qualification: MBA, BTech: HR Management, National Diploma: HR Management & MDP

OUR STAKEHOLDERS AND PARTNERSHIPS

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The SABS legislated mandate encourages the SABS to ensure that we operate in an environment of inclusive stakeholder engagements. The SABS stakeholder plan defines our key stakeholder categories, our mode of engagement and our value proposition as depicted in the below table.

Category	How we engage	Their needs and expectations	How we create value
Clients and Business Partners	• Focused meetings and key account sessions • Marketing and Promotional events • Social media messaging and promotions	• Effective communication and competitive pricing • Provision of services that are Accredited by a relevant authority i.e., SANAS • Efficient delivery of SABS products and services and meeting expected turnaround times	• Development of national standards through diverse stakeholder engagements aligned to international best practice principles of openness, transparency, consensus, relevance, and coherence. • Provision of trusted, independent, third-party quality assurance services that meet customer expectations.
Shareholder	• Engagements are underpinned by the SABS Corporate Plan and the Shareholder Compact • Quarterly reporting to the technical infrastructure directorate • Convening of meetings by the Minister with CEOs of **the dtic** entities • **the dtic** sector desks and other relevant entities of the dti	• Implementation of the Corporate plan and attainment of organisational objectives and performance targets. • Execute good corporate governance aligned to legislative prescripts. • Effective and timeous reporting within governance and legislated timelines . • Adequate investment in resources to provide quality services to industry. • Support the attainment of **the dtic** output target.	• The SABS to maintain good governance and compliance with all applicable legislation and policy directives. • Support the attainment of **the dtic** output targets. • Active engagement and reporting to **the dtic** on national, regional and international standardisation matters. • Demonstrate the impact of standardisation in the market.

<table>
<tr><th>Category</th><th>How we engage</th><th>Their needs and expectations</th><th>How we create value</th></tr>
<tr><td>Board of Directors</td><td>• Engagements are underpinned by the Board Charter.
• Establishment of Board committees and convening of Committee and Board meetings aligned to the annual workplan (at least 4 meetings per year).
• Convening of strategic workshops.</td><td>• Executive management to ensure effective implementation of the Corporate Plan and attainment of organisational objective and performance targets.
• Implementation of good corporate governance aligned to legislative prescripts.
• Effective and timeous reporting of strategic programmes and project.
• Ensure adequate investment in resources to attain organisational goals.
• Support the attainment of the dtic output targets.</td><td>• Effective execution of the SABS Corporate plan and attainment of our performance objectives as aligned to our legislated mandate.
• Rigorous implementation of good governance, compliance and regulatory prescripts.
• Operational efficiencies on all matters related to the effective execution of Boards mandate.
• Open, transparent and effective discussions and resolutions at Board committees and Board meetings.</td></tr>
<tr><td>Employees</td><td>• Regular staff meetings on performance, output and targets
• Management forums
• Staff address by the CEO
• Planned events on specific programmes i.e., Wellness, Women's Month, Health and Safety etc.
• Corporate communications</td><td>• Development of requisite skills and competencies to execute their roles.
• Recognition and reward on performance
• Effective communication
• Management support and mentoring to ensure continuous development.</td><td>• Provision of bursaries for further studies and attainment of requisite qualifications.
• Focused leadership development programmes.
• Effective corporate communications
• Implementation of individual development plans and performance management system to enhance organisational performance.</td></tr>
</table>

Category	How we engage	Their needs and expectations	How we create value
Government, SOEs and Regulators	• Focused strategic stakeholder engagements on the value of standardisation to the public sector. • Participation in SABS technical committees on the development of national standards. • Implementation of MOUs and MOAs on the provision of conformity assessment services on behalf of government entities and regulators. • Partnering on various programmes aligned to the quality agenda.	• Provision of relevant standards that will support policy and regulatory objectives. • Adequate capacity to provide testing and certification services on product assurance in the marketplace. • Effective promotion of standards and quality assurance to all stakeholders. • Provide relevant knowledge and tools on standardisation to drive government programmes and support industrialisation	• Publish relevant standards that provide technical solutions to policy makers and regulators to enable policy objectives. • Provide conformity assessment services and training on standards that support the quality of products and services in the marketplace. • Be the thought leader on standardisation matters related to national, regional and international trade.
Communities and Environmental Groups	• Promotion of SABS products and services through various social media platforms including newsletters. • SABS community outreach programmes to promote standardisation. • Co-hosting of marketing events and participation in workshops and conferences. • Advocate for the participation of technical experts in SABS technical committees.	• Access to South African National Standards. • Technical support for the implementation of national standards. • Participation in relevant SABS technical committees for the development of national standards.	• Effective promotion and communication of SABS value proposition. • Regular stakeholder meetings on standardisation. • Incentivise the uptake of SABS testing, training and certification services. • Provide tailor-made standardisation solutions that address climate change.

Table 1: Stakeholder engagement strategy

PART C

HOW WE CREATE VALUE

CHIEF EXECUTIVE OFFICER'S STATEMENT

1

Dr Sadhvir Bissoon
Chief Executive Officer (Acting)

GENERAL FINANCIAL REVIEW OF THE PUBLIC ENTITY

The SABS realised revenues from its service offering of R459.5-million (2022: R448.4-million) and has received a grant transfer from the dtic of R273.1-million (2022: R267.1-million). This amounted to a net profit of R88.6 million or 11% (2022: R57.1-million or 7%) after recognising tightly contained administration and operating expenses of R725.8-million (2022: R745.7-million, a reduction of 3%). An investment of R46.5-million (2022: R53.4-million) was made towards the acquisition of property, plant and equipment with a significant portion going towards laboratory equipment and earmarked for maximising returns on assets in the future. The acquisition, as noted, was partly subsidised by grant funding. The SABS achieved positive net cash movements of R74.6-million during the period under review, a significant improvement in performance from the previous period.

SPENDING TRENDS OF THE PUBLIC ENTITY

The declining trend of administrative and operating costs continues into the current reporting period, with a 2.7% decrease from R745.7-million reported in FY2022. The SABS has seen the lowest of the seven years administrative and operating cost of R725.8-million in FY2023. The impact of voluntary separation packages and early retirement continues to positively contribute to the employee benefits cost with the reduction of R49.3-million from FY2022 financial year. The COVID-19 lockdown between FY2021 to FY2022 resulted in a decrease in travel costs with audits being conducted remotely. When lockdown restrictions were lifted, in-person audits resumed, contributing to a 50% increase in FY2023 as compared to FY2022. The SABS continues to implement cost savings initiatives to ensure sustainability.

The SABS continues to replace assets in its laboratories and other facilities that are uneconomical to repair.

CAPACITY CONSTRAINTS AND CHALLENGES FACING THE PUBLIC ENTITY

Financial sustainability continues to be a key focus for the organisation as we operate in a highly competitive environment, providing quality assurance services in the form of testing, certification, and inspection services.

In the recent past we have not adequately invested in infrastructure renewal projects including upgrades of laboratory equipment and improvements to digital systems to ensure the efficient delivery of our services. Our comprehensive capital expenditure plan for the next three years is expected to ramp up our infrastructure thereby improving the delivery of products and services to our clients.

A fit for purpose organisational structure with the requisite skills and competencies have been defined in the prior year and transitioning to the new structure and placement of all staff members remain a key focus to secure stability and deliver value to our clients.

DISCONTINUED KEY ACTIVITIES

The SABS did not discontinue any activities during the year under review.

NEW OR PROPOSED KEY ACTIVITIES

The SABS has introduced a new portfolio of services called the Business and Advisory Services (BSAS) which is a consolidation of the activities of the SABS Training Academy and the introduction of advisory services into a single customer-facing unit. This business unit aims to diversify the SABS portfolio of services to articulate an enhanced value proposition for our customers.

SUPPLY CHAIN MANAGEMENT

The SABS has continued to focus on the time taken to advertise and close a Request for Quotation (RFQ) and Request for Proposal (RFP). The monthly average turnaround time for both processes have continuously been within the targets that have been set.

The 2022 Preferential Procurement Regulations as well as Instruction note 3 of 3 of FY2022 came into effect during the FY2023 financial year. The SABS has amended its policies and processes to ensure compliance with the regulations and the instruction note, while also ensuring agility and responsiveness to the needs of the organisation.

ALL CONCLUDED UNSOLICITED BID PROPOSALS FOR THE YEAR UNDER REVIEW

The were no unsolicited bids tendered to the SABS during the financial year under review.

AUDIT REPORT MATTERS IN THE PREVIOUS YEAR AND HOW IT WILL BE ADDRESSED

The SABS attained an unqualified audit opinion on financial statements with an emphasis on matters relating to errors in in the prior period and the uncertainty regarding the outcome of CCMA litigations. The audit report has noted material findings for non-submission of draft annual financial statements by the set deadline of 31 May, revenue management, expenditure management as well as non-compliance due to AFS having material adjustments. Management will engage in a robust root cause analysis which is to result in a systematic audit action plan that aims to address control weaknesses identified. We note that capacity constraints, which were a major contributing factor to the audit findings, are being addressed as part of the approved turnaround strategy. The SABS has embraced new disclosure requirements for irregular, fruitless and wastefull expenditure, following the issuance of the National Treasury Instruction No. 4 of 2022-23: PFMA Compliance and Reporting Framework. Full disclosure, as required, is included under p60 - 62 of the annual report.

OUTLOOK/PLANS TO ADDRESS FINANCIAL CHALLENGES

In the coming year, the SABS will complete the placement of all staff members into the new organisational structure, thereby ensure the availability of adequate skills and competencies to implement our portfolio of services to clients.

The SABS will initiate a comprehensive capital expenditure programme that will focus on the digitisation of systems, upgrading of infrastructure and the renewal of laboratory equipment that aims to enhance operational efficiencies. Customer engagement and outreach initiatives are expected to expand the SABS' client base while increasing the uptake of products and services of existing customers.

Opportunities to establish new standardisation products and services that meet market requirements will be researched and subjected to stakeholder engagements for effective investment and introduction into the market.

It is worthwhile to note that positive cash inflows from operations were attained in the FY2023 owing to operational efficiencies and cost-savings which helped the SABS to achieve optimal levels of performance towards long-term financial sustainability.

ACKNOWLEDGEMENTS

I would like to thank all members of the Board for their dedication and commitment in exercising their fiduciary duties of strategic oversight and governance of the SABS. We look forward to continuing our close working relationship to effectively deliver on our organisational objectives and legislative mandate.

Finally, the SABS wholeheartedly acknowledges and appreciates the unwavering support provided by the Executive Authority and the Department of Trade, Industry and Competition **(the dtic)**. Minister Patel's guidance and backing has been instrumental in empowering the SABS' endeavours in developing and promoting national standards and providing relevant conformity assessment services towards contributing to national industrialisation and market access. Thank you for your continued partnership and belief in our mission.

Dr Sadhvir Bissoon
Chief Executive Officer (Acting)
29 September 2023

OUR VALUE CREATION MODEL

2

THE CONTEXT FOR OUR BUSINESS MODEL

The SABS operates in a dynamic environment that traverses all economic sectors. The unique model of developing national standards and the provision of conformity assessment services sets the SABS apart from other organisations providing similar services in South Africa. Who we are, how we conduct ourselves and what we do are influenced by factors such as:

PROFILING OF TOP RISKS AND OPPORTUNITIES

There are internal and external factors that can impact the value-creation activities of the organisation if not mitigated properly; there are also factors that can substantially boost the performance of the organisation if those opportunities are realised.

Our top risks include:

- Cyber risk
- Business environment and operations risk
- People and culture risk
- Governance risk

Our opportunities are:

- Collaboration with key industry associations to improve SABS' brand reputation
- Strategic partnerships with universities and industry partners
- Focussed engagement with policy makers and regulators to support their objectives
- Opportunities arising from new market and industrial sectors such as hydrogen economy, hemp and cannabis industry, renewable energy and health economy.
- Development of new products, services and solutions targeted at addressing climate change

OUR EXTERNAL ENVIRONMENT

The macroeconomy (local, regional, and global) as well as international trends such as technological changes and environmental awareness inform the SABS' approach to addressing socio-economic development needs.

Refer to pages 41 to 42.

OUR STAKEHOLDERS

The SABS provides a governance framework that coordinates and leads stakeholder engagements that underpin the development, promotion, maintenance, and dissemination of national standards. Our key stakeholders include clients, our shareholder, industry, employees, and the government of the Republic of South Africa and they contribute to our value-creation efforts.

Refer to pages 29 to 31.

OUR APPROACH TO RESOURCE MANAGEMENT

Our ability to create value depends on our management of the six capitals, which is the value that we create for our stakeholders. We allocate resources based on our mandate as a national standardisation institution. We are also aligned with national and regional sustainable development strategies. The outcomes of our value creation process therefore contribute to the National Development Plan (NDP) at a national level and the United Nations Sustainable Development Goals (UNSDGs) at a global level.

SUPPORTED BY STRONG GOVERNANCE, ETHICS AND LEADERSHIP

Our ability to create value and deliver on sustainable development impact is dependent on our financial sustainability and the extensiveness of our robust governance, ethics, and integrity. The centre of our value-creation process is our solid leadership.

TURNING CAPITAL INTO VALUES

At the heart of the SABS' value-creation business model is the desire to support industrialization and improve the quality of life of our citizens. The SABS relies on various relationships and resources, also referred to as the six capitals, to create value. The inputs are required to deliver the strategy and generate value for all stakeholders. The SABS carefully considers the trade-offs between the capitals, aiming to maximise positive outputs and outcomes and limit any negative impacts.

INPUTS

FINANCIAL CAPITAL

Our strong asset base and the grant received from the government allow us access to capital and equity growth. These funds are used to run the business and to finance both expansion and replacement of plant and equipment.

- Equity: R930.5-million (FY2022: R838.9-million)
- Grant: R273.1-million (FY2022: R267.1-million)
- Assets: R1 600. 7-billion (FY2022: R1 494. 2-billion)

HUMAN CAPITAL

Employees play a critical role in attaining the SABS' vision, delivering on our strategy, serving our clients and fulfilling our mandate.

- 672 permanent employees (FY2022: 738)
- R5.5-million spent on training and development (FY2022: R2.6-million)

SOCIAL & RELATIONSHIP CAPITAL

Our relationships with key stakeholders include clients, partners, regulators, technical committees, SOEs and government.

- 176 technical committees meeting held (FY2022: 302)
- Engaged with top 40 clients
- Engaged with 11 regulators, SOEs and government departments (FY2022: 10)

INTELLECTUAL CAPITAL

Our brand, reputation, knowledge and experience

- More than 78 years of standards development, conformity assessment and promoting quality products.

NATURAL CAPITAL

Our natural resources

- Investment in energy-efficiency technologies.

MANUFACTURING CAPITAL

Our business structure, regional footprint, processes and information technology (IT) systems enable us to render our services nationally.

- Ongoing reorganisation review and new operating model.

RISKS ASSOCIATED WITH INPUTS

- Cyber risk
- Business environment & operations risk
- People and culture risk
- Governance risk

OUTPUTS

STANDARDS DEVELOPMENT
- 404 standards published
- 318 days to publish a standard
- 11 stakeholder engagements with government, SOEs and regulators

CERTIFICATION SERVICES
- Maintained all accreditations of SABS products and services with our accreditation bodies i.e., (SANAS, FSSC, FSC and RVA)
- Introduced two new certification schemes

LABORATORY SERVICES
- Introduced two new test methods
- Maintained relevant accreditations

CUSTOMER PARTNERING
- Improvement in Customer Satisfaction Rate
- The SABS participated in over 25 Expos', inclusive of presidential indaba's, MMSEZ workshops, International Standards workshops, NAAMSA, Proudly SA Buy Local and the UGSA Summit
- The SABS Marketing continued to drive digital communications on our platforms, growing our followers to over 85,000 and organically often exceeding 5% engagement rate (3,16% Global standard)

OUTCOMES

FINANCIAL CAPITAL
- Assets: R1 600.7-billion (FY2022: R1 494. 2-billion)
- Group Net profit: R88.6-million (FY2022: R57.1-million)

HUMAN CAPITAL
- R401.6 million paid in salaries, wages, and benefits (FY2022: R450.9-million)
- 91.37% black employees (FY2022: 90%)
- 48.07% female employees (FY2022: 49.0%)

SOCIAL & RELATIONSHIP CAPITAL
- Assisted 26 SMMEs
- Level 8 B-BBEE contributor (FY2022: non-compliant)

INTELLECTUAL CAPITAL
- 44 women participated in the Women in Leadership Programme
- 474 employees participated in various training interventions

NATURAL CAPITAL
- Electricity consumption (MWh): 19.1(FY2022: 21.8)
- Water consumption (kilolitres): 166 192 (FY2022: 145 134)
- Fuel consumption (litres): (FY2022:47 993 litres)

MANUFACTURING CAPITAL
- Broad footprint through presence in five provinces
- Information technology (IT) infrastructure

OUR STRATEGY

3

The SABS strategy embodies a forward-looking approach aimed at enhancing its pivotal role of developing relevant national standards and the provision of conformity assessment, advisory and training services thereby driving the national quality agenda. By maintaining adequately skilled personnel and technical infrastructure and prudently integrating external resources, the organisation aims to optimise its delivery of standardisation services to industry. Through proactive adaptation, the SABS seeks to sustain its financial equilibrium while prioritising service quality. This multifaceted strategy underscores the commitment to remain a pioneering force in providing unmatched conformity assessment services, thereby fostering the national quality agenda.

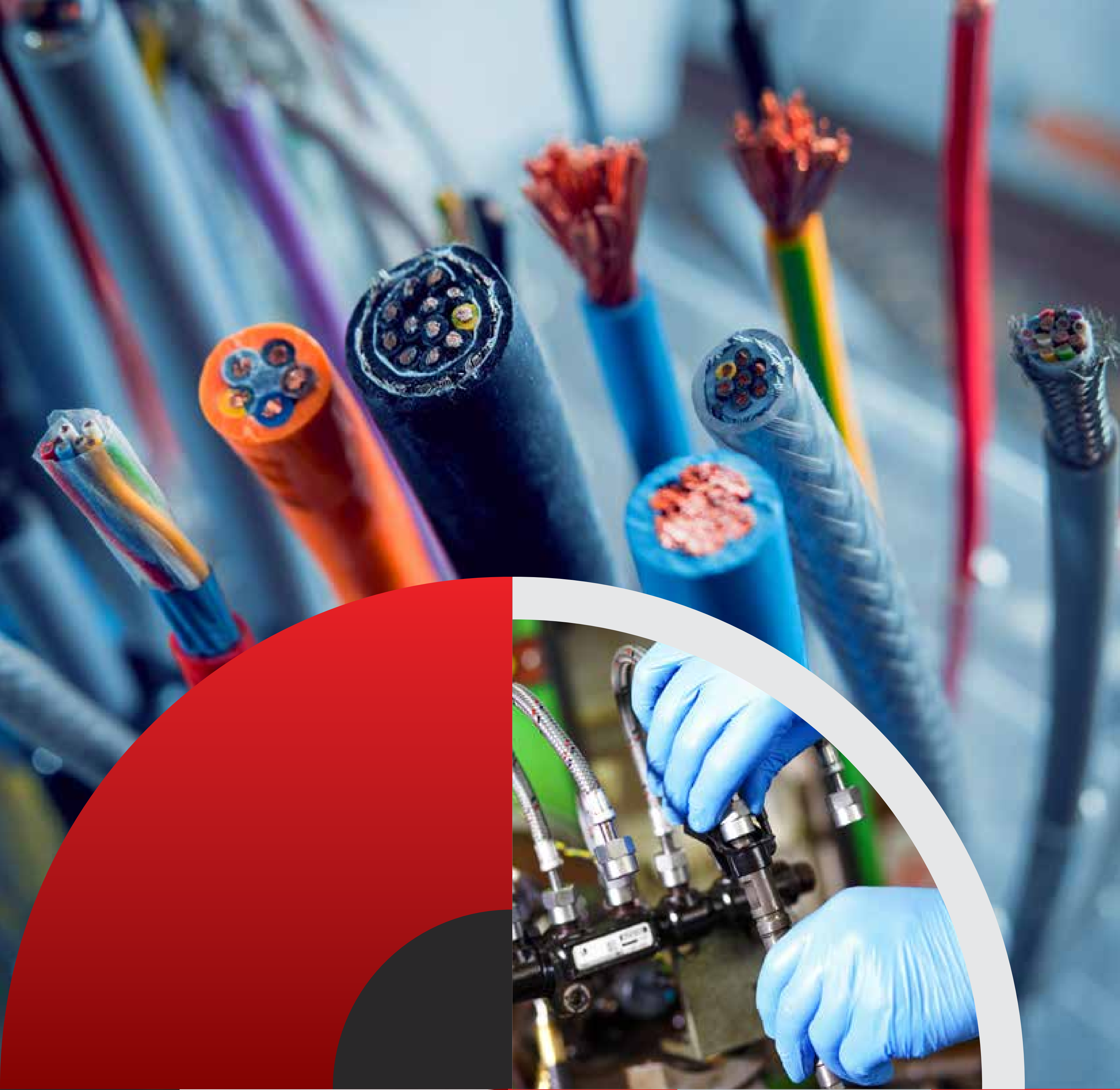
STRATEGY

In order to achieve its vision, the SABS aims to…

- **INCREASE THE USE OF STANDARDISATION SERVICES** by broadening the scope and reach of services offered
- **IMPROVE THE OPERATIONAL PERFORMANCE** of the SABS to enable the delivery of quality outputs for customers and the South African economy
- Put the **CUSTOMER AT THE FOREFRONT** of everything the SABS does
- **DEVELOP AND RETAIN COMPETENT HUMAN RESOURCES** that are aligned with the mandate of the organisation

BRANDS

- SABS APPROVED
- SABS ISO 9001
- SABS ISO 14001
- SABS ISO 45001



SABS

PART D

OUR OPERATING ENVIRONMENT

EXTERNAL ENVIRONMENT

1

POLITICAL

The external political environment plays a pivotal role in shaping the SABS's activities and prospects. Government policies, regulations, and political stability directly impact the society's operations. Changes in trade agreements and environmental policies can either support or hinder the society's mission of promoting agricultural and business endeavours. Political stability provides for a conducive environment for the SABS to implement its programmes and initiatives without disruptions.

The SABS operates within a local, regional, and global political framework. Internationally, trade agreements and diplomatic relations influence the SABS' ability to attract international participants. The implementation of the AfCFTA provides immense opportunities for trading of products and services within the continents and standardisation remain a key pillar in its operationalisation.

ECONOMIC

The evolution of the international trading system and its impacts on the global economy are uncertain. Even as the concepts of globalisation and multilateralism are increasingly challenged, the interdependence of global supply chains remains strong and essential. This context makes it difficult for organisations to predict their long-term development, as access to global markets for their products and services may be impacted.

Changes resulting from economic and trade uncertainty may affect the demand for and relevance of International Standards and conformity assessment services.

These economic external factors have affected the SABS operations as follows:

- Slow economic growth has a negative impact on the growth of customers and restricts their purchasing power.
- Rising inflation will increase the cost of sales for the SABS and many of our customer will be affected in their ability to purchase conformity assessment services.
- The inability of the government to stabilise fiscal debt/GDP over the medium term could impact grant funding commitments.

SOCIO-ECONOMIC

South Africa continues to struggle with the high rate of unemployment, poverty and poor delivery of basic services to its population. Public and civil society actors expect high levels of transparency and collaboration which includes their concerns and requests to be heard and addressed.

They expect individual rights to be upheld and are increasingly concerned that security should not come at the expense of privacy.

This urges organisations to be more inclusive, and more accountable, and to better integrate stakeholders in their decision-making processes, including by listening to feedback and anticipating stakeholder expectations.

For the SABS, this presents an opportunity to enhance our engagement with relevant stakeholders primarily during the process of developing national standards as well as during the provision of conformity assessment services. The SABS has the knowledge and tools in the form of national standards that can provide solutions to numerous socio-economic challenges faced by the country.

TECHNOLOGY

The growth of digital infrastructures and the integration of digital technologies with other more traditional technologies are rapidly and significantly changing the way people live and work around the world.

For organisations, advancements in digital technology can help boost efficiency and productivity, create competitive advantage, and promote innovation. It is, however, important to analyse which technologies have real value and relevance, not least from a social perspective, and where investments should be made.

International Standards can help society and businesses make the most of digitalisation and foster the spread of new technologies in a sustainable way. The SABS is currently in the process of implementing its digitisation strategy that would enable efficient delivery of services as well as create improved value to our clients. .

LEGAL

Evolving regulatory and compliance environment requires SABS to be agile to regulatory and policy impacts.

Compliance with labor laws and occupational health and safety regulations ensures the well-being of staff and various stakeholders. SABS needs to constantly monitor and adapt to its compliance and regulatory framework to ensure compliance to its applicable compliance universe. International laws related to trade, intellectual property, and data protection influence the SABS's ability to engage in cross-border collaborations, secure partnerships and protect proprietary information.

By staying informed about and compliant with the diverse legal regulations within which it operates, the SABS can foster a secure and ethically responsible environment for its activities, bolster stakeholder trust, and establish a foundation for sustainability.

ECOLOGICAL

The world faces major threats to the environment if it fails to adequately address risks such as climate change, biodiversity loss and pollution.

These and other issues cut across national borders and cannot be solved by one individual, company, or government alone. International cooperation is required, to achieve sustainability rather than short-term solutions. The SABS has a key role to play in the development of consensus based National Standards that provide important tools to support the shift towards a more sustainable future and help deepen industrialisation.

RISK & MATERIAL ISSUES

Enterprise risk management is an integral part of the SABS' efforts toward opportunity maximisation. The Accounting Authority actively manages risk in pursuit of organisational goals and objectives.

The Accounting Authority also recognises that the realisation of its mandate depends on the ability of the leadership team to effect innovative and bold steps to transform the institution into a highly professional services institution, as well as mitigate the risk of compromising the SABS' legislative mandate and delivery of quality service to all stakeholders, including those which are considered national public good services for which there is not a significant commercial return on investment.

MATERIAL RISKS

During the year under review, the strategic risk of the SABS was conducted, the risks were identified incorporated in the Combines Assurance Plan. The strategic risk register is monitored and reported to the Board through the Audit and Risk Committee on quarterly basis.

The below risk is significant to the SABS and it operating environment:

STRATEGIC RISK EXPOSURE

Low Risks	Medium Risks	High Risks
1. Standards Development, Governance & Promotion	2. Profitability performance (Efficiency)	3. Inadequate revenue
	4. Loss of stakeholder confidence and customer dissatisfaction	5. Inadequate modernisation and integration of ICT systems
	6. Loss of Accreditation	7. Inadequate management of talent and performance
	8. Security, Health & Safety	9. Infrastructure Constraints
	10. Compliance	

In line with the SABS risk management framework the above risks along with their mitigation actions are monitored, and where necessary the emerging risks are identified. The Audit and Risk Committee provides oversight over the management of these risks in line with the charter, furthermore, talent management, ethics and stakeholder management risks are managed and reported to the Human Capital, Social & Ethics Committee.

MANAGING OUR
RISKS AND OPPORTUNITIES

3

The SABS adheres to the risk policies and processes aligned with the King IV Code of Corporate Governance. The Audit and Risk Committee is responsible for risk management oversight. The organisation has adopted an Enterprise-wide Risk Management (ERM) approach to the management of risks impacting the strategic and operational objectives of the organisation.

The Compliance, Risk and Legal Services is responsible for the ERM portfolio and is tasked to implement effective and efficient systems of risk, ethics, and compliance management in the SABS in line with the Public Finance Management Act (PFMA) and relevant prescripts.

The risk and compliance department headed by the Head Compliance Risk and Legal Services is responsible for the ERM portfolio and is tasked to implement effective and efficient systems of risk, ethics, and compliance management in the SABS in line with the Public Finance Management Act (PFMA) and relevant prescripts.

The risk management portfolio includes:

- Financial Risk Management
- Strategic Risk Management
- Operational Risk Management
- Project Risk Management
- Anti-corruption, Fraud Prevention and Awareness
- Business Continuity Management
- Compliance Management
- Ethics Management

The SABS' Risk Management Framework

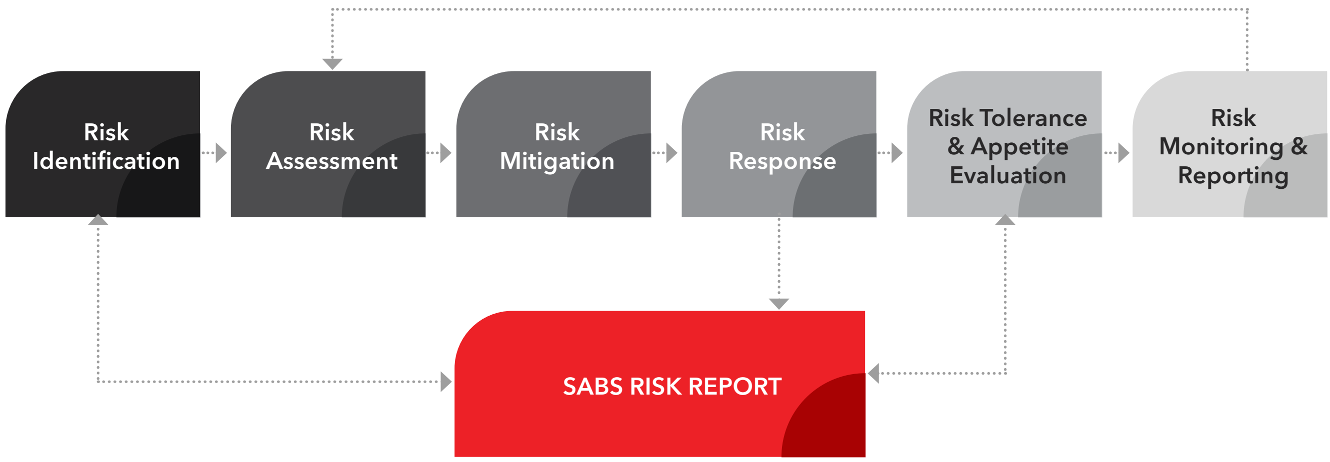


Figure 3: Risk management framework

COMBINED ASSURANCE
FIVE LINES OF DEFENCE FRAMEWORK

4

The SABS has adopted a "five lines of defence" model to manage risk. The model defines the roles and responsibilities for the management of risk and emphasises the fundamental concept that risk ownership and management are everyone's responsibility, from the Accounting Authority level and throughout the business.

The model is summarised below.

Line of Defence	Role	Responsibility
First	Management and Business	Owns and processes risk management policies and procedures
Second	Specialist Functions	Provides specialist support to management in the management of risk. Includes areas such as risk and compliance, accreditation as well as HSE units
Third	Internal Assurance providers	Supplies independent assurance on the effectiveness of risk management by internal auditors
Fourth	External Assurance Providers	Gives independent assurance on the effectiveness of risk management by SABS' external auditors and accreditation bodies such as SANAS and RvA
Fifth	Accounting Authority	Oversees the activities of SABS and accounts to the shareholder for strategy and performance

Table 2: Levels of Combined Assurance

PART

E

OUR OPERATING CONTEXT: PERFORMANCE AND OUTLOOK

STANDARDS DIVISION

1

STANDARDS DIVISION

BUSINESS OVERVIEW

BUSINESS OBJECTIVE

- Developing, maintaining, promoting and disseminating the South African National Standards (SANS) and other publications is the primary function of the Standards division of the SABS.
- National Standards provide solutions, knowledge and information that support national industrial objectives, and socio-economic and environmental priorities, and contribute to sustainable growth, thereby improving the lives of South African citizens.
- National Standards further catalyse economic activity by providing technical tools to support local industries' access to domestic, regional and global markets. National, regional and international collaboration of a diverse stakeholder representation provides the foundation for the development of state-of-the-art technical solutions that support the United National Sustainable Development Goals, the National Development Plan and the Re-imagined Industrial Strategy.

PRODUCTS AND SERVICES

- Develop and maintain South African National Standards (SANS), South African Technical Standards (SATS), South African Technical Reports (SATR) and other relevant publications.
- Represent South Africa and strategically participate and influence international and regional standards organisations such as ISO, IEC, ARSO, SADCSTAN, AFSEC and PASC.
- Marketing and distribution of standards and relevant publications through various channels and platforms.
- The SABS is the designated authority to the World Trade Organisation's "Technical Barriers-to-Trade" (WTO/TBT) national enquiry point in South Africa.

PERFORMANCE OVERVIEW

PERFORMANCE HIGHLIGHTS

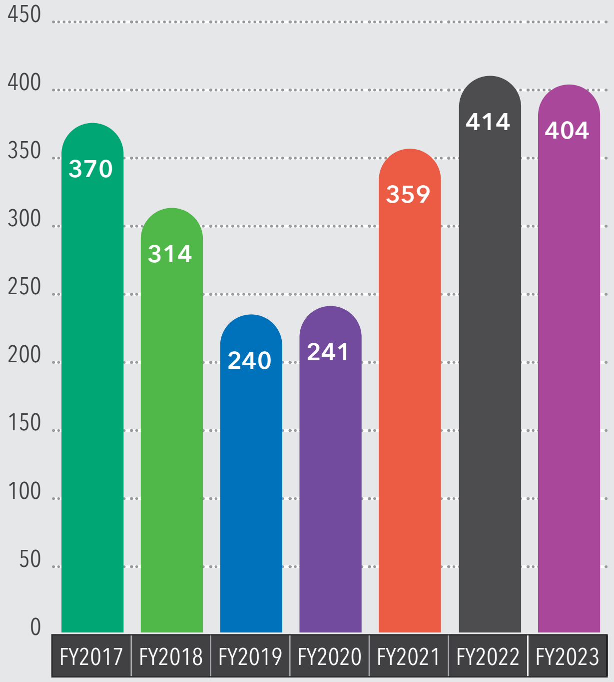
The Standards Divisions:

- Published 404 standards of which 145 are homegrown and 259 are national adoptions of ISO, IEC and other International Standards
- 318 days turnaround time to publish a standard
- Exceeded revenue target for sales of standards by R4-million.

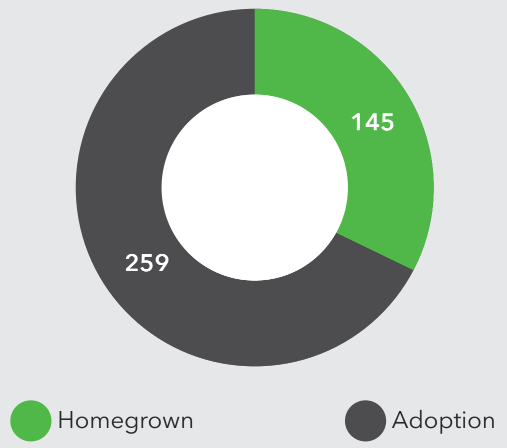
PERFORMANCE LOWLIGHTS

- Completed 53 of 66 SANS supporting Re-imagined Industrial priority sectors, as per **the dtic** joint indicator commitments

Total Number of Standards Published

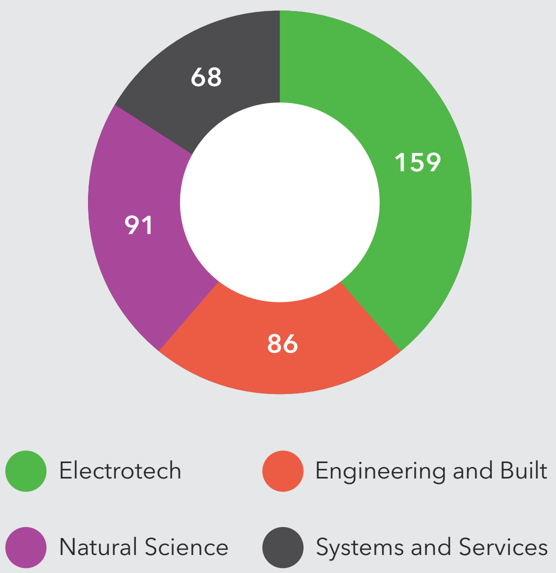


Homegrown Versus Adopted National Standards

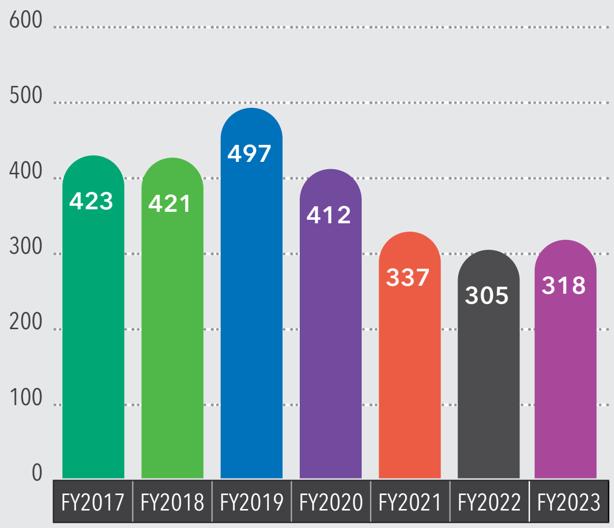


Adoption refers to standards adopted from ISO, IEC and other standards bodies and published as SANS. Homegrown standards are standards not adopted from other standards bodies and are mostly developed from base documents available in South Africa.

Standards Published per Segment



Average Number of Days to Publish a Standard



Measured from project approval date to approval of standard for publication

BY THE NUMBERS

		FY2023	FY2022
Staff	Number	64	77
Total standards publications	Number	8 548	8 144
Technical committees' meetings held	Number	197	302
Participants in technical committees	Number	2 304	>1 700
Technical committee satisfaction index	%	81%	85%
Standards published • Homegrown • Adoptions	 Number Number	 145 259	 140 274
Days to publication (turnaround times)	Days	318	305
Standards in various stages of development (at year-end)	Number	850	832
Sale of standards - External	Value/R	34.6 million	30.6 million
WTO/TBT • Total subscriptions	 Number	212	183

THE YEAR AHEAD

Development of Standards

- Develop relevant standards in support of the UNSDGs, NDP and the Re-imagined Industrial Strategy.
- Review of the quality management system for relevance and continuous improvement aligned to international best practice.

Stakeholder Engagement Programmes

- Review and enhancement of the gender-responsible standards and standards development action plan.

Promotion, Marketing and Access of South African National Standards including Other Publications Through Various Platforms and Distribution Channels

- Evaluate and expand the e-commerce platform functionality to enhance the access and distribution of standards.
- Evaluate and implement reseller and distributor opportunities to diversify the channels of access to Standards.

World Trade Organisation (WTO)

- To further improve support to industry and regulators, expand the WTO notification point to an information centre.

African Continental Free Trade Area (AfCFTA)

- Support harmonisation and convergence of Africa standards.
- Drive adoption of quality scheme amongst businesses in SADC and SACU.

Figure 4: Performance results – Standards

CERTIFICATION SERVICES DIVISION

2

CERTIFICATION SERVICES

BUSINESS OVERVIEW

BUSINESS OBJECTIVE

Certification is the provision of assessment services, by an independent body of written assurance (or a certificate), that the product, service or system in question meets specific requirements of a scheme. Certification can be a useful tool for adding quality and credibility, by demonstrating that a product or service meets companies' expectations. For some industries, certification is a legal or contractual requirement. The SABS Certification, a division of the SABS, provides independent third-party certification services, assuring that products, systems and services comply with pre-defined standards and customer specifications.

Although the certification scheme is voluntary by nature, however, for a number of products compliance to the SABS Mark is made compulsory by the relevant regulators under various considerations viz. public interest, protection of human, animal or plant health, the safety of the environment, prevention of unfair trade practices and national security. For such products, the regulators including government departments direct mandatory use of the SABS Mark of Approval, under a Licence arrangement.

Operating in an environment dominated by large multinational certification bodies, the Certification division will continue to focus its efforts on enhancing customer value, underpinned by several strategic initiatives. Core to this strategy is aligning the division with **the dtic's** industrialisation agenda and unlocking the opportunities for operational excellence through optimisation of processes and digital transformation of the business which will continue into the new financial year.

Procurement of locally manufactured products is one of the key demand-side industrial policy levers identified by Government to support industrial development in South Africa. The objective is for local manufacturers, including black-owned companies and black industrialists to benefit from a substantial share of public sector procurement.

The SABS has built the requisite capacity to conduct local content verification (LCV) to support the developmental agenda of the country, this is for both public and private sector. The division provides its services across all 39 European Accreditation Codes (EA Codes) whilst the SABS Mark Scheme has a presence in 33 countries.

PRODUCTS AND SERVICES

- Certification including quality management systems and product certification (Mark Scheme)
- Local content verification in terms of the implementation guidelines of the recently published Mining Charter as well as fulfilling the verification requirements of designated products and sectors for local procurement in line with the amended regulations to the Preferential Procurement Policy Framework Act (PPPFA)
- Consignment inspections

PERFORMANCE OVERVIEW

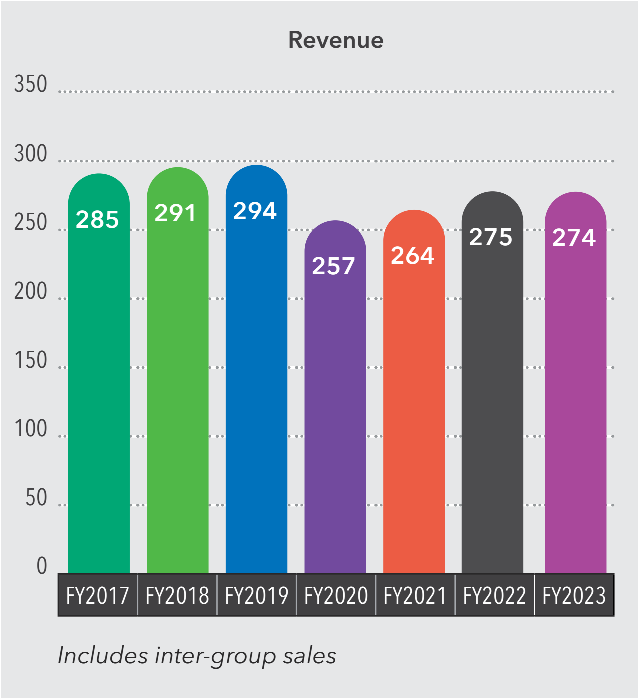
PERFORMANCE HIGHLIGHTS

The Certification Division:

- Development and implementation of new schemes in the Electrotechnical sector
- Accreditation scope expansion in the food sector for both ISO 17021 and ISO 17020
- Maintenance of all its Accreditations (SANAS, RvA & FSSC)
- The division continues to be a going concern with attractive profit margins

PERFORMANCE LOWLIGHTS

- Revenue budget not met due to economic conditions, since most customers are in the SMME category
- Sluggish technological advancement and mapping of core processes and activities



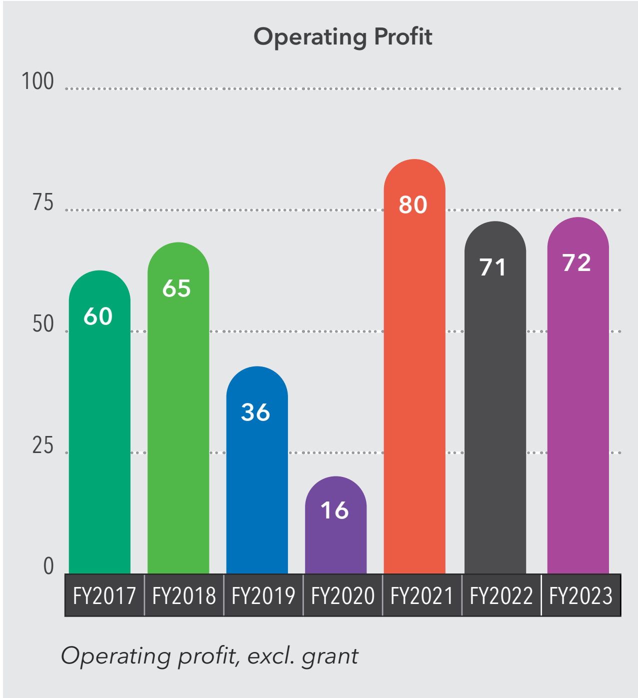


Figure 5: Performance results – Certification

BY THE NUMBERS

		FY2023	FY2022
Revenue - external	R million	274.3	274.9
Operating profit	R million	72.0	71.2
Staff	Number	136	174

THE YEAR AHEAD

- Continue to support Government priorities, particularly the localisation agenda by providing local content verification services to the designated sectors approved by **the dtic**
- Drive the adoption of local content verification services in the private sector
- Improve stakeholder relations through targeted engagements in collaboration with Customer Partnering
- Improve operational efficiency brought about by the implementation of the SABSCIMS system, which includes:
  - Auditor Utilisation
  - Demand planning for sample testing
  - Adherence to turnaround times

LABORATORY SERVICES DIVISION

3

LABORATORY SERVICES

BUSINESS OVERVIEW

The SABS' laboratory (or testing) activities provide an extensive array of testing, calibration, inspection and evaluation capabilities across a diverse range of technologies. The SABS testing capability is the most extensive and comprehensive service of its kind in Southern Africa.

Priority is given to the accreditation of laboratories. The most widely implemented accreditation is by SANAS in terms of SANS/ISO/IEC 17025 (general requirements for the competence of testing and calibration laboratories). Some of the laboratories are accredited to SANS/ISO 17043 for proficiency testing activities. Other laboratories are also recognised for good laboratory practice (OECDGLP) compliance.

In many cases, specific activities are approved by testing and/or inspection authorities for the Department of Labour, the Department of Health, the South African Pharmaceutical and Health Authority as well as the National Nuclear Regulator.

Operations are split across five business clusters: electrotechnical, automotive and mechanical, mining and minerals, food and health, as well as chemicals and materials.

PRODUCTS AND SERVICES

- Sampling, testing and analysis
- Environmental monitoring
- Proficiency Testing Schemes (PTS)
- Reference materials

PERFORMANCE OVERVIEW

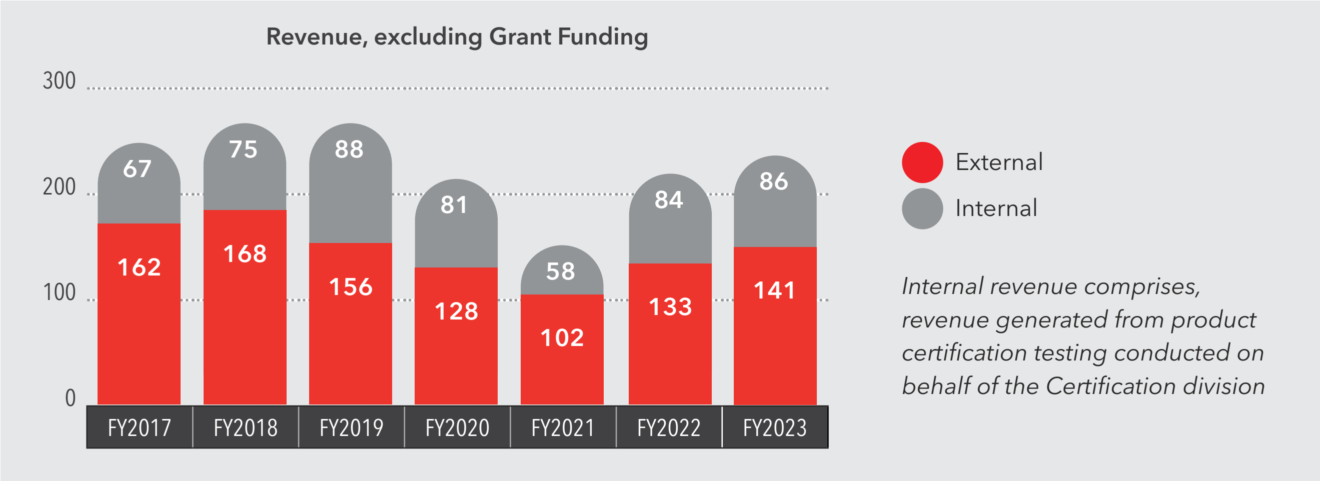
HIGHLIGHTS

The Laboratory Services Division:

- Introduced two new test methods
- Achieved external revenue of R141.4-million against the target of R139.1-million
- Managed to maintain accreditation in all assessed laboratories

LOWLIGHTS

- Not all laboratories were profitable
- Longer turnaround times
- Lost 607 customers
- Revenue target for Certificates of Compliances (CoC) not met



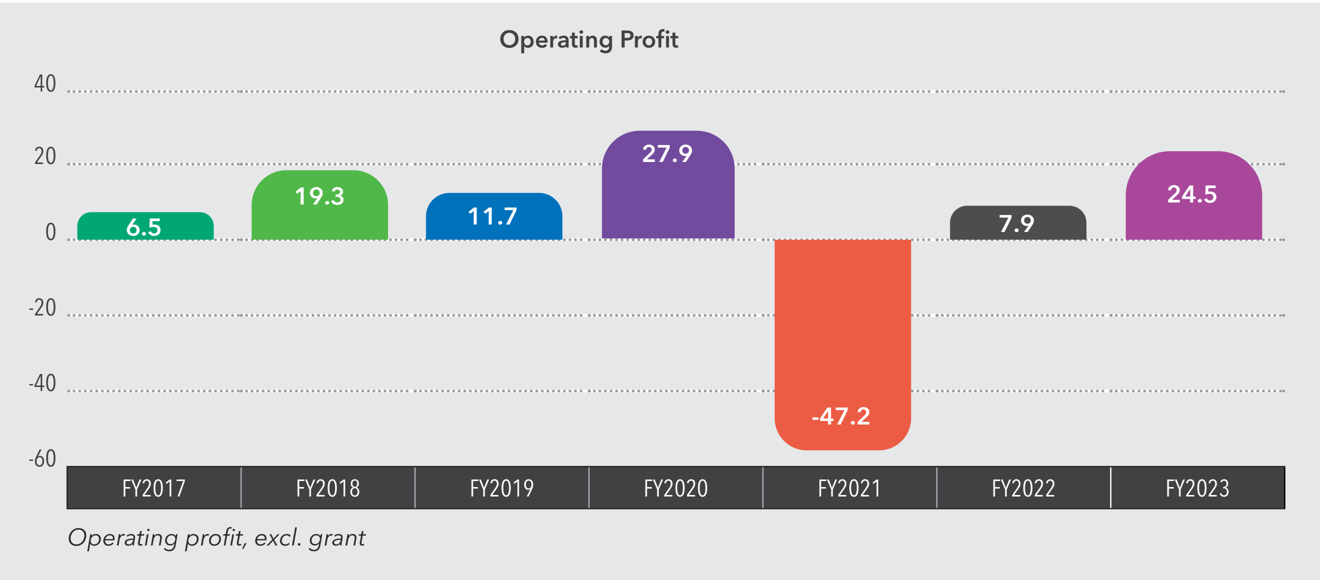


Figure 6: Performance results – Laboratories

BY THE NUMBERS

		FY2023	FY2022
Revenue - External	R million	141.4	133.2
Operating Profit (excluding grant)	R million	24.5	7.9
Test Laboratories	Number	28	28
Staff	Number	257	273

THE YEAR AHEAD

- Ongoing investment in new equipment and the maintenance of laboratory infrastructure
- Drive the sales of proficiency testing schemes
- Upgrade the cement laboratory to introduce an additional testing line
- Improve stakeholder relations through targeted engagements in collaboration with Customer Partnering
- Improve skills development and transfer with strategic partners such as universities and internal laboratories

CUSTOMER PARTNERING DIVISION

4

CUSTOMER PARTNERING DIVISION

BUSINESS OVERVIEW

BUSINESS OBJECTIVE

Customer Partnering consists of the Marketing and Communications, Sales and Customer Services departments and seeks to create an awareness of the SABS products and solutions, improve the customer experience, and enhance the financial sustainability of the Bureau through customer retention and acquisition. The SABS turnaround strategy is underpinned by the effective execution of customer retention and acquisition plans.

PRODUCTS AND SERVICES

All new assessment schemes, SABS products and services that will be taken to market will drive the Divisional strategic objectives and action plans with the intent to drive the market demand for SABS products and services. The key focus will be on recruiting competent and experienced skills to develop processes, systems, and procedures for implementation.

PERFORMANCE OVERVIEW

HIGHLIGHTS

- Customer Partnering Satisfaction Index 80% - above target by 10%
- Customer Queries effective closure follow-up 90% - above target by 10%
- Phase 1 of 2 of the Sales Quotation automation process completed
- Issued Quotes 2% above R125m target and 3,9% above compared to FY2022

LOWLIGHTS

- Lost 257 customers compared to FY2022
- Accepted Tenders target missed by 25%
- Accepted Quotes 17% below R56m target Finalisation of mapping of core processes, including integration points.

BY THE NUMBERS

		FY2023	FY2022
Total Value of Quotes Issued	R million	128	125
Total Value of Quotes Accepted	R million	47	56
Active Customers	Number	6 759	7 001
Staff	Number	33	54

Figure 7: Performance results – Customer Partnering

THE YEAR AHEAD

- Mapping of Customer Partnering processes, including integration points with Operations
- Collaboration with strategic partners (clients and other state-owned Companies)
- Align and implement Customer Partnering efforts with Divisional testing and auditing capabilities
- Implement an effective Customer Relationship Management system
- Conduct sector-focused engagements to promote the newly launched Local Content Scheme and other SABS value-added services

PREDETERMINED
OBJECTIVES

5

PERFORMANCE AGAINST APPROVED STRATEGIC OBJECTIVES

For the FY2023 the SABS had the following strategic objectives:

- Develop, promote, and increase the use of standards
- Provide integrated conformity assessment services solution
- Achieve and maintain financial sustainability
- Continuous improvement in internal systems and process
- Creating and maintaining a high-performance culture

The SABS achieved a favourable result for the year under review, meeting nine of the 11 targets that were set. The targets that are not met are as follows:

- Net promoter score – target is 70%. However, the KPI was implemented as an annual assessment and the methodology for the implementation of the KPI could not be finalised as the relevant experts in the SABS had left the organisation. The process of establishing the requisite capacity is underway.
- The SABS is expected to support the economic participation of designated groupings namely, women, youth, and persons with disabilities, in the industrial economy. The SABS contributes to the initiative by appointing youth and designated people into the SABS (internal focus). Due to the ongoing transition into the new structure and the limited opportunities for external recruitment, the proactive ability of the SABS to positively impact the KPI was hindered.

Key Performance Area	Internal Focus (Act)	Total		Target
		Actual	%	
Youth (35 and below)	131	131	19.5%	25.0%
Persons with disabilities	11	11	1.6%	2.0%
Total supported / headcount	672	672		

Table 3: Performance - economic participation

PERFORMANCE AGAINST
STRATEGIC OBJECTIVES FY2023

6

Strategic Objective	Outcome Indicator	FY2022		FY2023	
		Target	Actual	Target	Actual
Develop, promote, and increase the use of standards	SANS supporting reimagined industrial priority sectors	80% standardisation commitments	79% standardisation commitments	80% standardisation commitments	80% standardisation commitments
	Government, SOE, regulatory and related public sector engagements	7x Stakeholder engagements	11x Stakeholder engagements	10x Stakeholder engagements	11x Stakeholder engagements
	Report on support provided by the SABS on key identified developmental policy interventions or any other Ministerial directives	4x Reports	4x Reports	4x Reports	4x Reports
Provide integrated conformity assessment services solution	Customer Satisfaction Rate	80.00%	70.28%	Not measured	Not measured
	Net Promoter Score	Not measured	Not measured	70%	0.00%
	Number of new products, services, and solutions launched	• Introduce 2x new online courses • 2x new certification schemes • 2x new test methods	• Introduced 5x new online courses • 2x new certification scheme launched • Introduced 6x new test methods	• Introduce 3x new online courses • Launch 1x new certification scheme • Introduce 2x new test methods	• Introduced 3x new online courses • Launched 2x new certification schemes • Introduced 2x new test methods
	Net profit of SABS Group	Loss of R121.2-million	Profit of R51.2-million	Loss below R7.7-million	Profit of R88.6-million
Achieve and maintain financial sustainability	Cost-to-income-ratio	116.0%	98.0%	104.0%	90.3%
Continuous improvement in internal systems and process	Employee engagement rate	Rating of 3 out of 5	Survey not conducted	Rating of 3 out of 5	Rating of 3 out of 5
Creating and maintaining a high-performance culture	% of women supported	48.0%	48.5%	48.0%	48.1%
	% of youth supported	27.0%	21.7%	25.0%	19.5%
	% of persons with disabilities supported	1.9%	1.8%	2.0%	1.6%

Table 4: Performance against strategic objectives

FINANCIAL **PERFORMANCE**

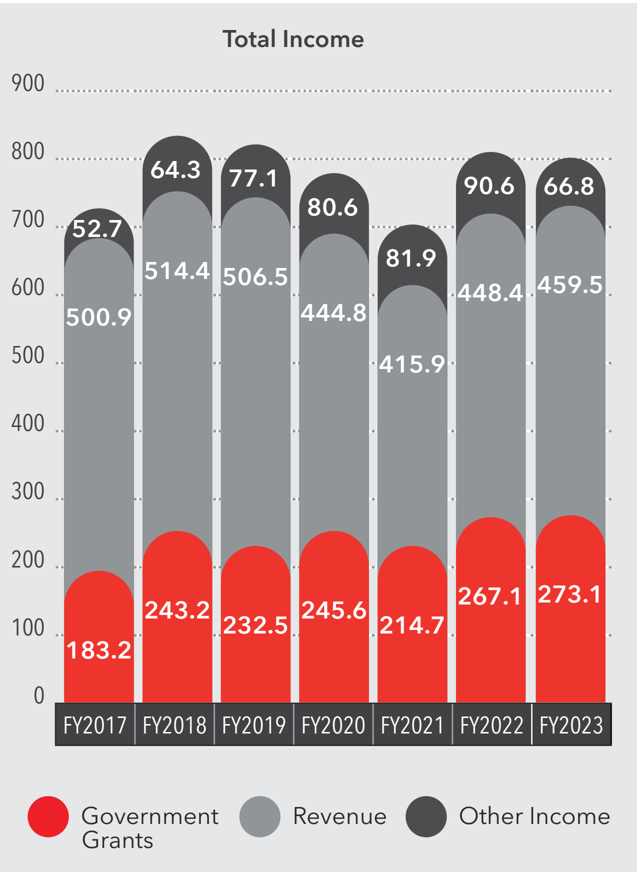
GROUP FINANCE OVERVIEW

Total Income

Total income for the year decreased by 0.82% to R799.4-million (2022: R806.0-million). The SABS received a government grant from **the dtic** of R273.1-million excluding VAT for the operational requirement for the year.

Revenue from conformity assessment services, comprising certification, laboratory services and training, increased by R7.1-million to R424.9-million (2022: R417.8-million).

Revenue from conformity assessment services increased with a significant contribution to the increase in laboratory services and training. Revenue from standard sales increased by R4.0-million to R34.6-million (2022: R30.6-million). Other income decreased due to the reduction in recognised deferred income, fair value adjustment on investments through profit and sundry income.



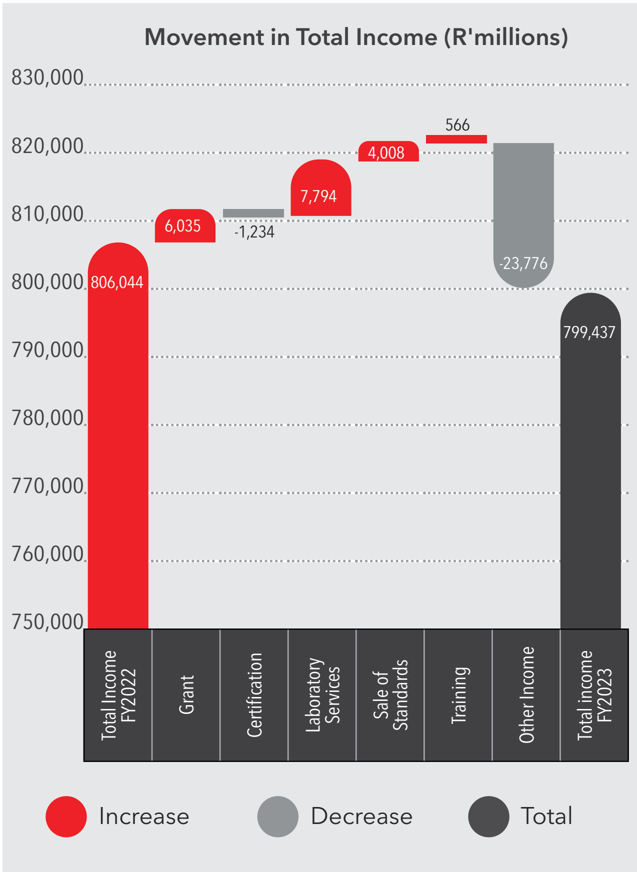


Figure 8: Total Income 7-year Review

Operating Expenditure

The SABS continued to contain its administration and operational expenditure. Total expenditure (including depreciation and amortisation) reduced by 2.5% to R725.8-million (2022: R744.5-million). Since FY2017, total operating expenditure has declined by 1.8% on an annual compound basis, which is below the prevailing inflation rate over the period. The decrease realised in the 2023FY is mainly attributable to the short-term savings from employee benefits.

Employee benefit expenditure comprises 55.3% (2022: 60.6%) of the SABS total administration and operational expenditure and amounted to R401.6-million (2022: R450.9-million).

Net Investment Income

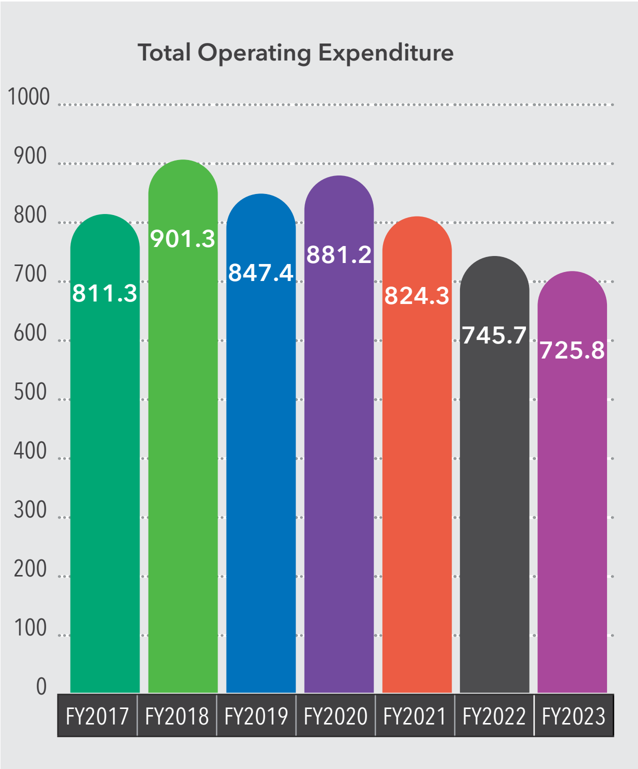
The SABS earns interest on bank accounts, money market investments, short-term deposits, and available-for-sale investments. In the year under review, the SABS earned finance income of R35.2-million (2022: R19.1-million).

Finance costs were realised from lease liabilities, banking facilities and late payments and have amounted to R1.9-million (2022: R1.5-million).

Operating Loss and Net Profit

The SABS profit from operating activities has increased by 22.1% to R73.6-million compared to an operating profit of R60.3-million in the previous financial year.

Including the net interest received of R33.3-million (2022: R17.6-million), the SABS recorded a net profit of R88.6-million for the year (2022: R57.1-million loss).



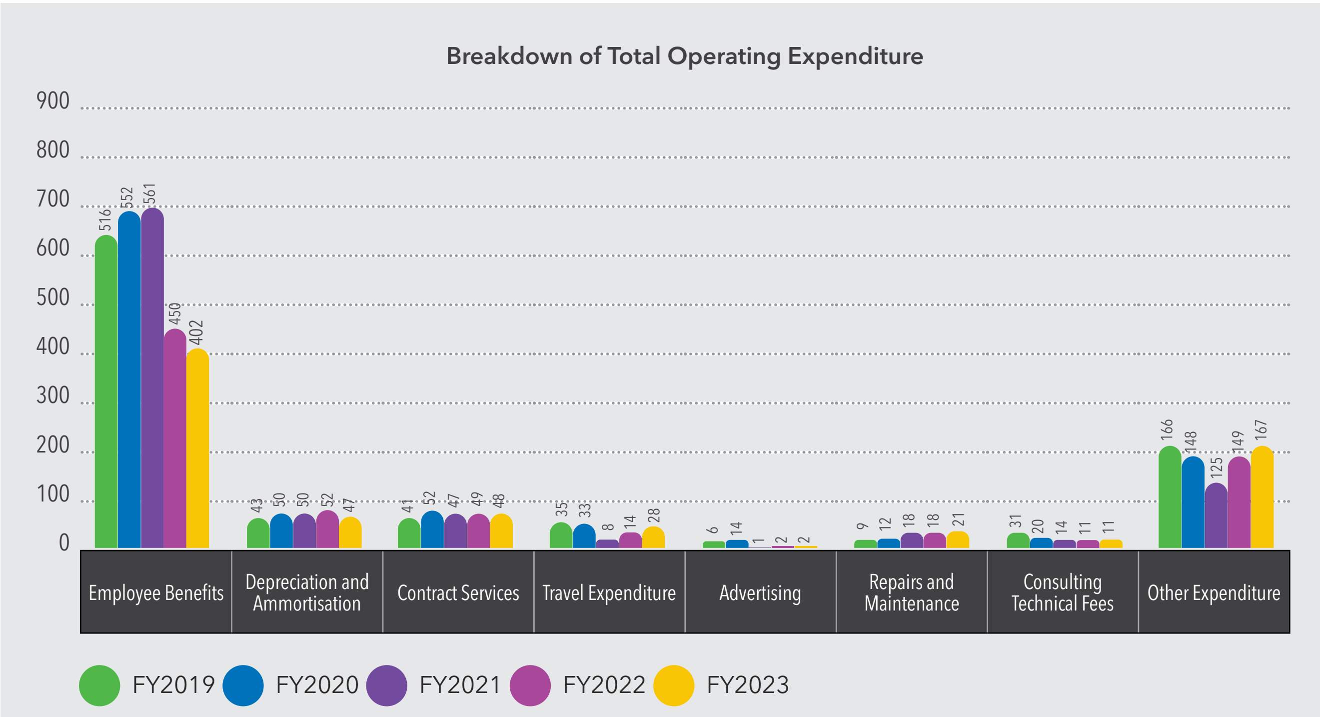


Table 5: Total Operating Expenditure 5-year Review

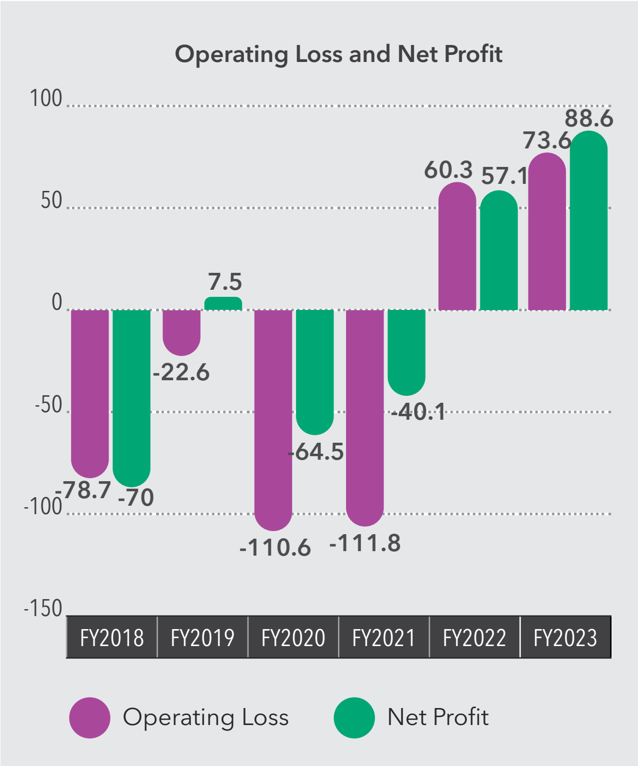


Figure 9: Operating Profit 6-year review

FINANCIAL POSITION

Total assets increased by 7.1% to R1.60-billion (2022: R1.49-billion). Non-current assets increased by 0.3% to R0.925-billion from R0.921-billion in FY2022.

Movement in Property, Plant and Equipment as well as Intangible Assets

New capital expenditure, including intangible assets, for the year, was R46.5-million (2022: R53.4-million). Investments into new laboratory equipment and ICT equipment were in line with the renewal strategy of the SABS.

Depreciation and amortisation totalled R46.7-million (2022: R52.1-million).

Investments at Fair Value through Profit and Loss

During the year, financial assets increased by R4.76-million to R137.5-million, mainly due to growth in financial assets measured at Fair Value through Profit and Loss (FVTPL).

Working Capital

Current assets increased from R572.3-million in the prior year to R675.6-million, mainly due to an increase in cash and equivalents and trade and other receivables.

Current liabilities increased by 6.9% to R214.7-million, mainly due to increase of trade and other payables.

Overall, the current ratio has improved from the prior year to 3.1 (2022:2.8).

Cash and Cash Equivalents

Cash flow generated from operations totalled R95.4-million (2022: R14.2-million). At year-end, the SABS' cash and cash equivalents totalled R480.8-million (2022: R406.2-million).

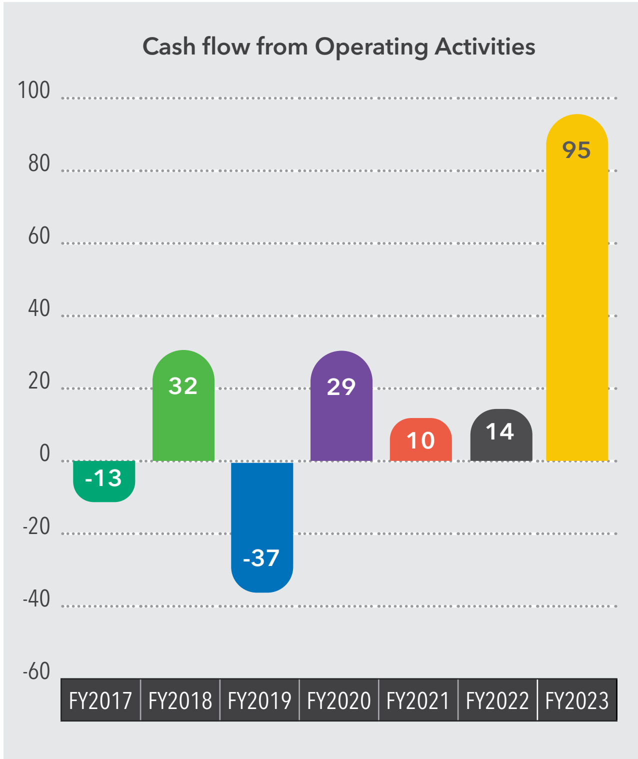


Figure 10: Cash flow emanating from operations Post-employment Healthcare Benefits Post-employment Healthcare Benefits

The SABS provides post-employment medical aid contribution subsidies to qualifying retirees. Employees who meet set criteria (detailed in note 21 of the annual financial statements) are also entitled to this benefit when they retire. Actuaries have valued the plan's liability at year-end. The post-employment healthcare benefit obligation was valued at R61.8-million (2022: R65.5-million).

The funds earmarked to defray the post-employment liability are preserved through the investments held at fair value through profit and loss, currently valued at R137,5-million (2022: R132,7-million).

Borrowings

The SABS has no outstanding borrowings, except for finance leases for operating assets.

Post-balance Sheet Events

No material events occurred after the reporting date and up to the date of this report.

Irregular, Fruitless and Wasteful Expenditure

During the current year, National Treasury issued a new PFMA Compliance and Reporting Framework for presenting the non-compliance, fruitless and wasteful expenditure and irregular expenditure that was effective on 03 January 2023. This framework replaces previous guidance. The SABS is committed to using its funds in a responsible manner. Corrective action is taken where situations lead to irregular, fruitless and wasteful expenditure.

FRUITLESS AND WASTEFUL EXPENDITURE

Reconciliation of fruitless and wasteful expenditure:

Description	FY2023 (R'000)	FY2022 (R'000)
Opening balance	**2 622**	**850**
Add: Fruitless and Wasteful Expenditure confirmed	6 090	1 772
Less: Fruitless and Wasteful Expenditure written off	-	-
Less: Fruitless and Wasteful Expenditure recoverable	-	-
Closing balance	**8 712**	**2 622**

Reconciling notes

Description	FY2023 (R'000)	FY2022 (R'000)
Fruitless and Wasteful Expenditure that was under assessment in 2022	-	-
Fruitless and wasteful expenditure that relates to 2022, identified in 2023	-	908
Fruitless and Wasteful Expenditure for the current year	6 090	864
Total	**6 090**	**1 772**

Details of current and previous year fruitless and wasteful expenditure (under assessment, determination, and investigation)

Description	FY2023 (R'000)	FY2022 (R'000)
Fruitless and Wasteful Expenditure under assessment	-	-
Fruitless and Wasteful Expenditure under determination	-	-
Fruitless and Wasteful Expenditure under investigation	-	-
Total	**-**	**-**

Details of current and previous year fruitless and wasteful expenditure recovered

Description	FY2023 (R'000)	FY2022 (R'000)
Fruitless and Wasteful Expenditure recovered	-	-
Total	**-**	**-**

Details of current and previous year fruitless and wasteful expenditure written off

Description	FY2023 (R'000)	FY2022 (R'000)
In progress	-	-
Completed	-	-
Total	**-**	**-**

Details of current and previous year disciplinary steps taken as a result of fruitless and wasteful expenditure

Disciplinary steps taken
Cases still under consideration through Financial Misconduct Committee (FMC)

Reconciliation of irregular expenditure

Description	FY2023 (R'000)	FY2022 (R'000)
Opening Balance	37 505	36 162
Add: Irregular expenditure confirmed	2 476	3 616
Less: Irregular Expenditure condoned	-	-2 273
Less: Irregular Expenditure not condoned and removed	-	-
Less: Irregular Expenditure recoverable	-	-
Less: Irregular Expenditure not recovered and written off	-	-
Closing Balance	**39 981**	**37 505**

Reconciling notes to the annual financial statement disclosure

Description	FY2023 (R'000)	FY2022 (R'000)
Irregular Expenditure that was under assessment in FY2022	-	40
Irregular Expenditure that relates to FY2022 and identified in FY2023	-	-
Irregular Expenditure for the current year	2 476	3 576
Total	**2 476**	**3 616**

Details of current and previous year irregular expenditure (under assessment, determination, and investigation)

Description	FY2023 (R'000)	FY2022 (R'000)
Irregular expenditure under assessment	10	40
Irregular Expenditure under determination	-	-
Irregular Expenditure under investigation	-	-
Total	**10**	**40**

Details of current and previous year irregular expenditure condoned

Description	FY2023 (R'000)	FY2022 (R'000)
Irregular Expenditure condoned	-	2 273
Total	**-**	**2 273**

Details of current and previous year irregular expenditure removed - (not condoned)

Description	FY2023 (R'000)	FY2022 (R'000)
Irregular Expenditure NOT condoned and removed	-	-
Total	**-**	**-**

Details of current and previous year irregular expenditure recovered

Description	FY2023 (R'000)	FY2022 (R'000)
Irregular Expenditure recovered	-	-
Total	**-**	**-**

Details of current and previous year irregular expenditure written off (irrecoverable)

Description	FY2023 (R'000)	FY2022 (R'000)
Irregular Expenditure written-off	-	-
Total	**-**	**-**

No inter-institutional transactions that have led to irregular expenditure.

Details of current and previous year disciplinary steps taken as a result of irregular expenditure

Description	FY2023 (R'000)	FY2022 (R'000)
In progress	2 476	-
Completed	-	3 576
Total	2 476	3 576
Total	**-**	**-**

SABS

SIX-YEAR
PERFORMANCE OVERVIEW

8

	FY2023	FY2022	FY2021	FY2020	FY2019 Restated	FY2018 Restated
	R'm	R'm	R'm	R'm	R'm	R'm
STATEMENT OF PROFIT OR LOSS						
Revenue	459.5	448.4	415.9	444.8	506.5	514.4
Parliamentary grant recognised as income	273.1	267.1	214.7	245.6	232.5	243.2
Expenditure	(725.8)	(743.5)	(824.3)	(881.2)	(847.4)	(901.3)
Operating (loss)/profit	73.6	60.3	(111.8)	(110.2)	(31.3)	(79.5)
Net investment income	33.3	17.6	27.6	48.6	30.1	29.1
Profit/(loss) for the year	88.6	57.1	(40.1)	(61.6)	(1.2)	(70.7)
STATEMENT OF FINANCIAL POSITION						
Property, plant, and equipment	726.2	720.1	710.1	684.0	687.7	713.4
Investment properties	6.5	6.8	7.2	7.5	7.7	7.9
Intangibles	12.9	15.4	14.2	13.4	20.1	24.4
Investments at fair value	137.5	132.7	120.3	100.5	312.6	430.5
Right-of-use assets	8.3	15.9	23.0	15.7		
Deferred taxation	33.6	31.0	40.6	-	-	-
Non-current assets/disposal group held for sale		-		-	-	-
Current assets excluding cash	194.8	166.1	177.1	154.4	202.6	167.1
Net cash and cash equivalents	480.8	406.2	457.6	531.9	259.2	126.0
Total assets	**1 600.6**	**1 494.2**	**1,550.1**	**1,507.4**	**1 489.8**	**1 469.2**
Capital and reserves	930.5	838.9	782.7	815.7	887.1	882.5
Other non-current liabilities	455.4	454.4	483.7	463.9	317.0	341.1
Current liabilities	214.7	200.9	283.7	222.5	285.7	245.6
Total equity and liabilities	**1 600.6**	**1 494.2**	**1,550.1**	**1,507.4**	**1,489.8**	**1,469.2**
CASH FLOWS						
Net cash flow from operating activities	95.4	14.2	10.0	29.3	(36.7)	32.1
Net cash flow from investing activities	(14.7)	(50.4)	(73.9)	251.9	169.8	1.9

	FY2023	FY2022	FY2021	FY2020	FY2019 Restated	FY2018 Restated
	R'm	R'm	R'm	R'm	R'm	R'm
Net cash flow from financing activities	(6.1)	(15.2)	(10.4)	8.4	-	-
Cash & cash equivalents at the beginning of the year	406.2	457.6	531.9	259.2	126.0	91.9
Cash and cash equivalents at the end of the year	480.8	406.2	457.6	531.9	259.2	126.0
RATIO ANALYSIS						
PROFITABILITY AND ASSET MANAGEMENT						
Asset turnover	0.3	0.3	0.3	0.3	0.4	0.4
Return on net assets	6.6%	5.5%	(10.0%)	(11.3 %)	(2.5%)	(5.9%)
Return on equity	7.9%	7.2%	(13.8%)	(13.4 %)	(3.5%)	(3.5%)
Current ratio	3.1	2.8	2.3	3.1	1.6	1.2
Operating margin %	16.0%	13.4%	(26.1%)	(24.8 %)	(6.2%)	(15.5%)
Revenue % to total income	62.7%	62.7%	66.0%	64.4%	68.5%	67.9%
PERFORMANCE						
Number of employees at year-end	672	738	824	856	877	922
Commercial revenue per employee	684	608	505	520	578	558
Cost per employee	1 080	1 010	983	1 029	966	978
Operating profit per employee	109.5	81.7	(131.5)	(128.7)	(35.7)	(86.2)
Remuneration as a % of total expenditure	55.3%	60.5%	69.3%	62.7%	60.9%	61.2%

Table 6: 6-Year financial performance overview

Ratio definitions

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

PART F

OUR HUMAN CAPITAL

It is a strategic imperative for the organisation to give recognition to the role and value of employees in successfully delivering on its institutional mandate. The Human Capital strategy guides the execution of the business's operating model and is anchored on the following elements:

- Talent acquisition, including recruitment, on-boarding and graduate placement.
- Learning and development, including competency assessments as well as leadership and skills development.
- Performance management, including contracting, tracking, evaluation, and enhancement.
- Compensation and benefits, including terms and conditions, collective agreements, incentives, and salary structures.

1. BUILDING OUR TALENT

To enable value creation in our new operating model, we are aligning efforts and working harder at enhancing talent, optimising performance, and coaching to unleash the full potential of our employees:

Our Employee Value Proposition:

- We develop employees and free their potential.
- Retain critical competencies.
- Create an environment that enables excellent performance.
- Attract competent, skilled, and dedicated professionals.

Our Value-Add Human Capital Offering:

- We enhance capacity to enable the organisation to deliver on its strategic objectives.
- We optimise the workforce plan to deliver on the operating model; and to lessen duplications across functions in line with standards and best practices.

2. LEARNING AND DEVELOPMENT

An integrated organisation-wide learning and development strategy delivered the following:

- Learning and Development Corporate Policy and Procedure
- A bespoke Leadership Competency framework
- Targeted high-impact leadership development programmes

In partnership with the University of Cape Town Graduate Business School, the Women in Leadership Programme was launched in August 2022 to develop women to build a robust talent pipeline:

- 44 participants in the Emerging Leader (18) and Developing Leader (26) completed the programme in March 2023.
- The Leadership Programme is designed to develop competencies to support the business's turnaround plan and the new operating model whilst creating a leadership community that embraces change, is agile and fosters performance excellence. The programme is also designed to cultivate leadership styles well-matched to leading through change.

- 307 employees attended 474 development interventions.

- 68 interns attended 237 learning programmes on their development plan.

- 711 training interventions implemented.

- Employee development spent: 56% against a target of 60% .

Training Investments: 3-year overview

FY2023:	R5,5m
FY2022:	R2,6m
FY2021:	R1,4m

3. CREATING A HIGH-PERFORMANCE CULTURE

In the period under review, the organisation stabilised and undertook several initiatives to embed an organisational design methodology.

The Structure Migration process to operationalise and integrate systems in line with the new operating model was implemented in November 2022. This included the definition of organisational hierarchies, naming conversion and Structure Mapping.

- Job Profiles were developed/reviewed in line with the new structure followed by the grading process to enable Structure implementation.

- The Change Management Framework and plan were approved for implementation in support of the new SABS Structure implementation.
- A total of 54 management positions (middle, senior and top management) were filled across the organisation.
- The revised Organisational Review Terms of Reference (ToR) were finalised and signed-off by Management and Organised Labour (NEHAWU) paving a way for the placement process of positions within the Bargaining Unit.
- The placement process for employees within the Bargaining Unit levels (Skilled level up to unskilled) commenced in November 2022.

The guidelines for the management of the Corporate Pool (employees that have not yet been placed in organisational structures) and transitional guidelines were adopted to ensure a swift Structural Migration.

4. STAFF REMUNERATION

Our remuneration philosophy aims to strengthen our ability to attract and retain talent to enable execution of our turnaround plan and strategy. Furthermore, to stimulate high performance and ensure equitable pay.

Our priority is to develop a fit-for-purpose Reward and Remuneration Framework:

- The new Pay Scales were designed and the Remuneration structure including Cost to Company (CTC) were reviewed and this led to the development of the Remuneration Charter.
- The Remuneration Audit will be conducted once the placement process has been concluded. The audit outcomes will feed into the remuneration harmonisation process, which seeks to address the historical salary disparities.

Our permanent employees' benefits:

- Short-term incentives
- Medical Aid
- Retirement Fund
- Tuition Fees
- Incapacity benefits
- Employee Assistance Programme
- Travel allowances (where applicable)

5. TRANSITION TOWARDS CUSTOMER-CENTRICITY

The sentiments to the Customer-Centric culture aim to improve our quality of interaction with customers, our commitment and willingness to go above and beyond to achieve results.

The milestones on our culture journey are reliant on embedding our operating model, and ensuring our people engage wholeheartedly with our strategy and values to deliver optimally against the needs of our customers.
The Development and implementation of the culture programme included:

- The review of the SABS values.
- The launch of the Customer Centricity Culture Development program attended by 184 employees.
- In the coming financial year, the programme will deliver a set of change management toolkits that can be adapted for different levels of change, for our employees to ease into the new way of working.

6. TRANSFORMATION

Diversity and Inclusion is a framework integral to the organisation's transformation initiatives:

1,6 % vs 2,0%	People with disability
48 %	Female representation
91 %	African, Coloured and Indian
19 %	Youth (35 years and under)

We are continuing to execute our diversity plans to strengthen African, Coloured and Indian (ACI) representation in our workforce, increase women representation in the workplace, and make progress with the inclusion of people with disabilities.

7. NUMBER OF EMPLOYEES

FY2023	672
FY2022	738
FY2021	824

672	96	Corporate Services (Human Capital, ICT & Knowledge Management, Facilities and Security Services)
	50	Finance (Reporting, Strategy, Supply Chain Management and Business Solutions & Advisory Services)
	494	Operations (Certification, Laboratory Services, Standards, Programme Management Office and Customer Partnering)
	32	Office of the CEO (Internal Audit, Risk & Compliance, Accreditation, Strategy, Stakeholder & Media Relations)

The downward trend in headcount is a result of prioritisation of roles and a continuous review of organisational structures, integrating our workforce plan with business requirements.

The restructuring process had an impact on the organisation's leadership pipeline and bench strength.

Though the attrition rate is low, the voluntary exits depleted the talent pipeline in the middle to senior leadership levels, creating a compelling case to develop capabilities internally.

We need to focus on the foundational talent development programmes for the various roles to ensure the steady development of capabilities needed to drive performance now and fill our talent pipelines for the future.

8. STAKEHOLDER ENGAGEMENT

We continue to nurture our collaborative relationships with employees and organised labour. Our employee relations approach continuously seeks to foster direct engagements on matters of mutual interest.

We comply with all labour-related legislation in all the areas within which we operate. In the reporting period, we had more regular engagements with the union on the organisational review process. Other areas of interest are:

- The consultation process between the organisation and organised labour (NEHAWU) to review the Recognition Agreement.
- The Labour Relations Act Section 189 process was concluded, and the organisation was able to implement the retrenchment process.

Of our employees are in the Bargaining Unit.

We are committed to upholding good labour principles and a working environment that is free of prejudice and harassment. Our Code of Ethics entrenches the rights of all employees to be treated with fairness and respect. Unfair discrimination is prohibited. The Human Capital team and our legal compliance frameworks are the focal point of good governance; ensuring that we protect the rights of our people.

9. EMPLOYEE WELLNESS

We focus on employee wellness by providing appropriate support.

The uptake on the Employee wellness programme is positive and employees and their families receive support in a wide range of wellbeing issues.

10. OCCUPATIONAL SAFETY

We continue to exert effort in educating our employees about safety reporting protocols to ensure consistency and comparison of safety data within the regions.

No Major incidents across the areas of occupational and process safety, environment. The LTIFR (Lost Time Injury Frequency Rate) is at 0.21 which is within the risk tolerance level of 0.5. The SABS has maintained a low LTIFR for more than 3 years, below the tolerance level.

Occupational Safety has two primary objectives, namely:

- prevention of injuries on duty; and
- the design, implementation, and administration of a safety management system that assures compliance with the applicable legal (OHS Act 85 of 1993).

The overall accountability for safety governance rests with the Executive Committee.

11. MONITORING

The Health, Safety and Environment (HSE) business unit oversees and monitor the organisation 'safety performance against targets monthly. Divisional Heads of Departments are accountable for safety performance in their respective operations.

PART

G

GOVERNANCE

GOVERNANCE REPORT

1

Good corporate governance is essential to the success of the SABS. Its role is to build an environment of trust, transparency, accountability, and business integrity while simultaneously protecting and advancing the interests of the country and its citizens impacted by the SABS' operations.

EXECUTIVE AUTHORITY AND PARLIAMENTARY OVERSIGHT

The SABS is wholly owned by the South African Government, and it is regulated in terms of the Standards Act, the PFMA and its accompanying Treasury Regulations. The SABS is classified as a Schedule 3B public entity under the PFMA.

As the Executive Authority of the entity, the Minister of the Department of Trade, Industry and Competition (**the dtic)** holds the Accounting Authority responsible for managing the SABS and delivering on its mandate.

In line with section 52 of the PFMA, the SABS is required to submit its Corporate Plan and Shareholder's Compact to **the dtic** in October and January of each year, respectively. The Shareholder's Compact, which serves as an agreement between the SABS and the Shareholder, documents key performance measures and targets for assessing organisational performance. The Corporate Plan is also submitted to the National Treasury in February of each year. The SABS' Accounting Authority reports on performance and related matters to the Shareholder through quarterly and annual reports.

The Executive Authority ensures that annual performance plans and the corporate plan are true to the mandate and the government's priorities. The Executive Authority also provides direction on developing and implementing strategic priorities and policies.

The Standing Committee on Public Accounts reviews the annual financial statements and the Auditor-General's audit reports.

GOVERNANCE FRAMEWORK

2

The Board's emphasis on the importance of enabling a corporate governance environment is reflected in its governance framework, which promotes efficient, effective, fair, and transparent operations through clearly assigned roles and responsibilities. The Shareholder and Board oversight ensures that the organisation's practices align with governance good practice, while policies, legislation and regulations govern operations. Although ultimately accountable, the Board delegates authority through a delegation matrix to its committees and to various structures of the organisation to ensure efficiency.

GOVERNANCE STRUCTURE

3

Figure 11: SABS Board and its Sub-Committees

ROLE OF THE BOARD OF DIRECTORS

4

The Board is responsible for the strategic direction, oversight of the organisation and for setting the tone for ethical and effective leadership. It approves the policies and plans that give effect to effective governance of the organisation based on good corporate governance practices; and monitors the implementation thereof by executive management. It provides decisive and effective leadership on key matters of strategic direction by bringing an independent and informed view.

The Board also promotes an ethical culture through regularly reviewed policies and practices and advocates for uncompromising integrity and transparency to embed excellence in every facet of the business. The Board charter, which regulates Board parameters and ensures good corporate governance in all dealings, outlines the roles and responsibilities of the Board, including adopting strategic plans, defining materiality clearly, monitoring operational performance, determining the integrity of policy processes, risk management and internal controls, and director selection, orientation, and evaluation.

COMPOSITION OF THE ACCOUNTING AUTHORITY

5

The SABS was placed under Administration by the Executive Authority in 2018. The Administration period came to an end when a new Board was appointed in December 2022.

COMPOSITION OF ADMINISTRATORS

Three administrators were appointed in 2018 until December 2023. In February 2020, the one administrator resigned, and two administrators were left.

The following Administrators meetings were held:

Name	Position	27 Oct 2022	30 Nov 2022
Ms Jodi-Lynne Scholtz	Lead Administrator	X	X
Dr Tshenge Demana	Administrator	X	X

Table 7: Schedule of Administrator's Meetings

In December 2022 the Accounting Executive appointed an eight-member board for a period of five years.

COMPOSITION OF THE BOARD

In constituting the Board, the Executive Authority ensures an appropriate balance of knowledge, skills, experience, power and diversity in gender, race, tenure, and socio-economic background. The Board composition encourages vigorous Board and committee debates that lead to relevant and effective judgment and guidance for management on strategy and objectives.

The Standard Act determines Board size, with a minimum of seven and a maximum of nine members appointed by the shareholder. All members except for the CEO are non-executive. The Board is comprised of one executive and eight non-executive members – four of whom are females and five (including the CEO) are males. Diversity of race and age ensures continuity and effective succession planning. The Chairperson and CEO positions are separate.

Terms in Office: Non-executive Board Members

Members	Period
Dr Sandile Bethuel Malinga	4 months
Mr Tumisang Tsehlo*	4 months
Dr Rudzani Nemutudi	4 months
Ms Deidre Penfold	4 months
Dr Nandipha Madiba	4 months
Ms Gloria Mnguni	4 months
Dr Ronald Josias	4 months
Dr Mukondeleli Grace Kanakana-Katumba	4 months

** Mr Tumisang Tsehlo resigned on 17 April 2023*

Table 8: Director's period of service

Demographics Non-Executive Directors

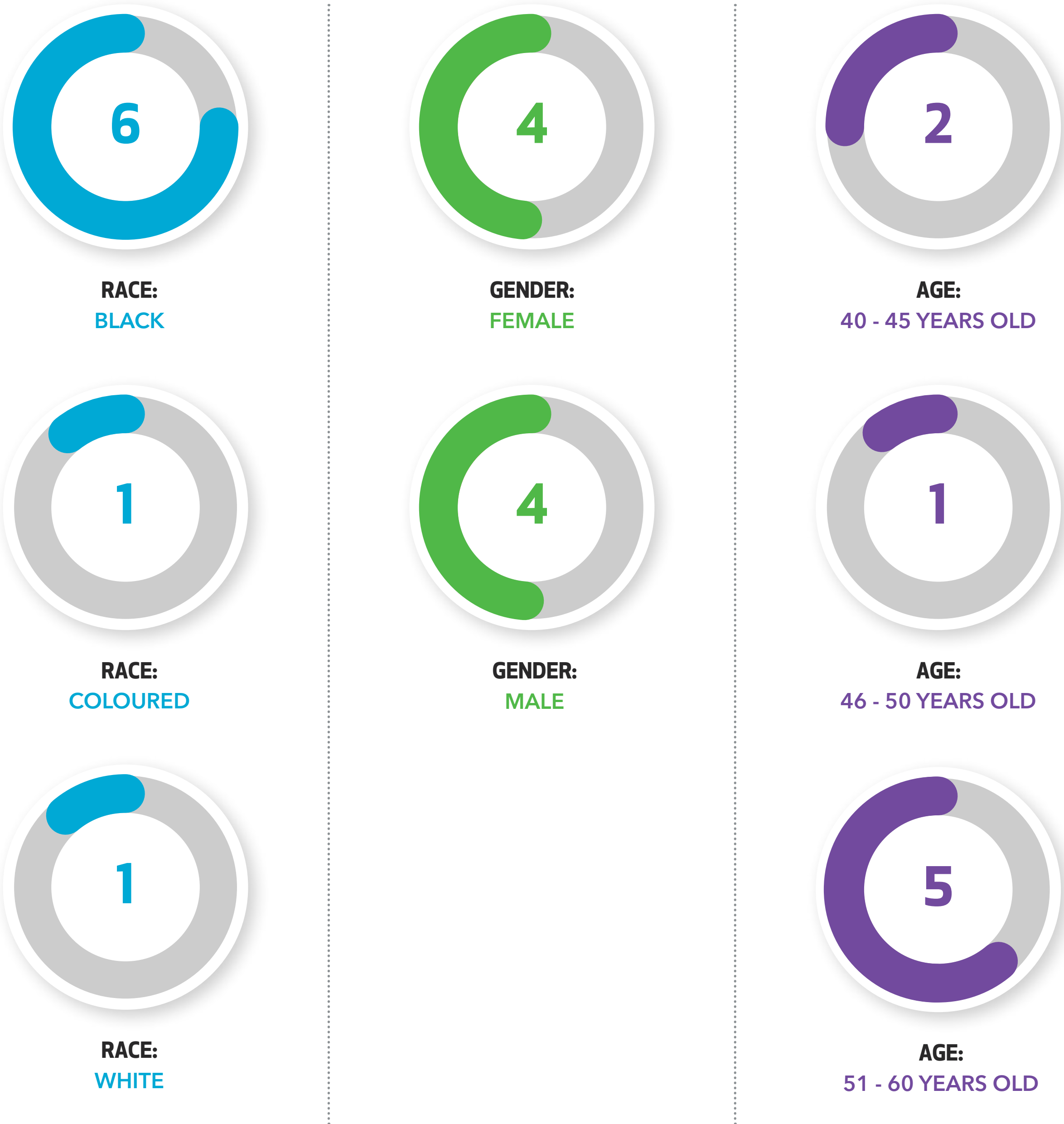


Figure 12: Demographics Non-Executive Directors

Board Meetings and Attendance

During the period under review, the board held ten scheduled meetings.

Name	Position	1 Dec 2022	13 Dec 2022	15 Dec 2022	21 Dec 2022	16 Jan 2023	30 Jan 2023	19 Feb 2023	8 Mar 2023	9 Mar 2023	30 Mar 2023
ADMINISTRATORS											
Ms Jodi-Lynne Scholtz[1]	Lead Administrator	√									
Dr Tshenge Demana[2]	Administrator	√									
ACCOUNTIG AUTHORITY											
Dr Sandile Malinga	Chairperson	√	√	√	√	√	√		√	√	√
Dr Grace Mukondeleli Kanakana-Katumba	Member	√	√	√	√	√	√	√		√	√
Dr Nandi Madiba	Member	√	√	√	√	√	√	√	√	√	√
Ms Gloria Mnguni	Member	√		√	√	√	√	√	√	√	√
Dr Rudzani Nemutudi	Member	√	√	√	√	√	√	√	√	√	√
Dr Ronald Josias	Member	√	√	√		√			√	√	
Ms. Deidré Penfold	Member	√	√	√	√	√	√	√		√	√
Mr Tumisang Tshelo	Member	√	√	√	√	√	√	√		√	
Dr Sadhvir Bissoon[3]	CEO (A)			√			√	√		√	√

Table 9: Board meetings and attendance

√ Attended

Member Independence and Conflicts of Interest

Directors have a fiduciary duty to disclose the nature of their interests at each Board and committee meeting. These are recorded in a register kept for this purpose. Each director's interests are updated at each Board meeting and this register is circulated at each Board meeting for information. The approved Conflict of Interest Policy is well-entrenched within the organisation.

The Company Secretary maintains a register of members' interests and for the FY2023 period, no conflicts of interest were reported.

Board Committees

The Board established three committees, namely the Audit and Risk Committee; Human Capital, Social and Ethics Committee; and the Finance, Investment and Strategy Committee. Each committee is chaired by a non-executive director who reports to the Board on discussions, conclusions, and recommendations. The Board Chairperson and the CEO are standing invitees to all committee meetings, while other executives attend as needed or when invited.

1 Ms Jodi-Lynne Scholtz left the organisation in November 2022 when the new board was appointed.
2 Mr Tshenge Demana left the organisation inNovember 2022 when the new board was appointed.
3 Mr. Sadhvir Bissoon became the Acting CEO from January 2023.

Audit and Risk Committee (ARC)

The Audit and Risk Committee's primary purpose is to oversee internal controls and financial assurances and ensure that they comply with statutory duties and responsibilities outlined in the Public Finance Management Act, the Companies Act and the King Code IV.

In terms of section 77(b) of the PFMA, an audit and risk committee must meet at least twice a year. The Committee met six times during the financial year that ended on 31 March 2023.

Statutory duties of the ARC include but are not limited to:

- Audit (internal and external) oversight
- Enterprise risk management and oversight to ensure effective internal controls
- Combined assurance
- Oversight of ICT and Digital Transformation (including ICT governance)
- Financial reporting
- Compliance

Human Capital, Social & Ethics Committee (HCSEC)

The Committee has both statutory and non-statutory mandates which include among others to:

- Ensure labour and employment matters specifically in relation to the organisations' standing on the International Labour Organisation's protocol on decent work and working conditions
- Monitor safety, health, and environment specifically in relation to the impact of activities on social and economic development
- Monitor the Employment Equity Act, and the Broad-Based Black Economic Empowerment Act
- Recommend the Ethics Management Framework and Ethics Strategy
- Provided guidance and advice on all sustainability matters
- Monitor customer and stakeholder relationships
- Implementation of the current King Report and Code on Corporate Governance
- Oversee and monitor the norms dealing with conflict of interest, remunerative work, gifts, and sponsorships for staff members of the SABS
- Ensure good corporate citizenship

Finance, Investment and Strategy Committee (FISCOM)

The Committee has both statutory and non-statutory mandates which include among others:

- Strategic planning (strategic plans, annual corporate plans including budgeting and strategic financial modelling & allocations)
- Institutional performance monitoring & evaluation (quarterly reports, annual reports)
- Strategic oversight over core related areas e.g., Standards, certification, testing, training and commercial
- Strategic oversight over project management
- Strategic investment

Board and Committee Evaluation

No board or sub-committee evaluations have been conducted for the period FY2023.

Board Remuneration

The non-executive members' fees, for the period FY2023 have been set at National Treasury-approved rates.

Non-executive directors do not receive performance-based remuneration or retainers. The fees paid to non-executive directors during the reporting period appear on page 136-137 of the Group Annual Financial Statements.

Chief Executive Officer

The management of day-to-day operations is the CEO's responsibility, assisted by the Executive Management Committee, working to detailed mandates.

Currently, the organisation is in the process of appointing a permanent CEO.

Company Secretary

The Company Secretary plays a key role in guiding the Board members on the execution of their duties, keeping the Board aware of relevant changes in legislation and corporate governance best practice. The Company Secretary is also secretary to the Board committees and the Board members have unrestricted access to the services of the Company Secretary.

During the period under review, Mr Mulondi Nthulana fulfilled the role of Company Secretary. Mr Nthulana left the SABS with effect from 28 February 2023; Mr Joseph Leotlela was appointed as the Acting Company Secretary up until 3 July 2023 when Advocate Unarine Tshikovhi took over the role.

ROLE OF THE
BOARD OF DIRECTORS

6

The members of the Audit and Risk Committee held meetings with the Accounting Authority, SABS senior management, the internal audit function and the external auditors, collectively and individually, on matters related to governance, internal control, and risk in the SABS, throughout the reporting period.

AUDIT AND RISK COMMITTEE RESPONSIBILITIES

The Audit and Risk Committee complied with its responsibilities arising from section 51(1)(a)(ii) of the PFMA read with Treasury Regulation 27.1.8 and it also reports that it operated in terms of the Audit and Risk Committee Terms of Reference in conjunction with the Internal Audit Charter. The Audit and Risk Committee (ARC) herewith presents its report for the financial year ended 31 March 20221, as required by section 77 of the Public Finance Management Act, 1999 (Act No. 1 of 1999, as amended by Act No. 29 of 1999) (PFMA) read with Treasury Regulation 27.1.10.

AUDIT AND RISK COMMITTEE MEETINGS AND ATTENDANCE

In terms of section 77(b) of the PFMA, an audit and risk committee must meet at least twice a year. During the financial year ended 31 March 2023, the Committee met on six occasions.

The table below shows the attendance at these meetings and includes joint meetings:

Name	Position	24 May 2022	25 Aug 2022	26 Oct 2022	24 Jan 2023	25 Jan 2023	22 Mar 2023
AUDIT & RISK COMMITTEE							
ADMINISTRATORS							
Ms Jodi-Lynne Scholtz*	Lead Administrator	√	√	√			
Mr Sikkie Kajee*	Member		√	√			
Ms Rene Van Wyk*	Member	√	√	√			
Mr Shabeer Khan*	Member		√	√			
ACCOUNTING AUTHORITY							
Ms Gloria Mnguni	Chairperson				√	√	
Dr Nandi Madiba	Member				√	√	
Ms Deidré Penfold	Member				√	√	
Mr Tumisang Tshelo	Member				√	√	
Dr Sadhvir Bissoon	CEO (A)				√	√	
JOINT SUB-COMMITTEES OF THE BOARD							
Ms Gloria Mnguni	ARC Chairperson						√
Dr Nandi Madiba	ARC Member						√
Ms Deidré Penfold	ARC Member						√
Mr Tumisang Tshelo	ARC Member						√
Dr Grace Mukondeleli Kanakana-Katumba	FISCOM Member						√
Dr Rudzani Nemutudi	FISCOM Member						√
Dr Ronald Josias	FISCOM Chairperson						√
Dr Sadhvir Bissoon	CEO (A)						√

** Contracts ended after the appointment of the Board of Directors*

√ = Attended

Table 10: ARC meetings and attendance

The members of the Audit and Risk Committee held meetings with the Accounting Authority, senior management of the SABS, the internal audit function and the external auditors, collectively and individually, on matters related to governance, internal control and risk in the SABS, throughout the reporting period.

EFFECTIVENESS OF INTERNAL CONTROL

The Audit and Risk Committee reviewed the reports from internal and external auditors regarding audits undertaken within the internal control environment. Various matters that were not prevented or detected by the SABS' internal controls were placed before the Committee.

Based on the audits performed by the internal and external auditors, breakdowns in controls were identified. The Committee noted the issues raised and considered appropriate management responses. Where applicable, remedial measures were introduced and will be monitored.

THE QUALITY OF MANAGEMENT AND QUARTERLY REPORTS SUBMITTED IN TERMS OF THE PFMA

The Audit and Risk Committee is satisfied with the content and quality of management and quarterly reports prepared and issued during the year as required by the statutory framework. The Committee has engaged with management to remedy shortcomings, especially those concerning performance against predetermined objectives.

The Audit and Risk Committee has reviewed and commented on the SABS' Annual Financial Statements and the report on performance information.

INTERNAL AUDIT FUNCTION

In terms of the PFMA, the Accounting Authority must ensure that the SABS has an internal audit system that is controlled and directed by the Audit and Risk Committee. The Committee is satisfied that the internal audit function is operating effectively and has addressed key risks pertinent to the SABS. Therefore, effective internal quality assurance and other programmes cover all aspects of internal audit activity.

RISK MANAGEMENT FUNCTION

The Audit and Risk Committee oversees the risk management function. The SABS' Chief Risk Officer reports to the Audit and Risk Committee on the management of risk. The Committee has reviewed the risk register and the reports from the Chief Risk Officer and is generally satisfied with the standards of the risk management process.

FRAUD AND CORRUPTION

The Audit and Risk Committee oversees fraud and corruption prevention controls and mechanisms within the SABS operating environment. To this end:

- Risk incidents are logged in an operational risk register and monitored.
- The SABS has a toll-free whistleblowing hotline operated by an external service provider. Employees are encouraged to report any suspected corrupt, fraudulent, criminal, or unethical practices. All incidences of fraud or corruption reported through the toll-free whistleblowing hotline during the year were investigated.

EVALUATION OF THE FINANCE FUNCTION

The Audit and Risk Committee is satisfied that the finance function is performing effectively given current constraints. However, these constraints were identified that required the introduction of remedial plans, and capacity and will be monitored by the Committee.

INFORMATION TECHNOLOGY GOVERNANCE

The Audit and Risk Committee oversees Information Technology (IT) controls at the SABS. During the year, steps required to strengthen various IT controls and governance were identified. These issues are being addressed through projects that will upgrade these information systems.

Evaluation of the Integrated Annual Report and Annual Financial Statements

THE AUDIT AND RISK COMMITTEE HAS REVIEWED:

- Significant financial reporting judgements and estimates as contained in the Annual Financial Statements
- Clarity and completeness of disclosures and whether disclosures made have been set properly in context
- Quality and acceptability of, and any changes in, accounting policies and practices
- Compliance with accounting standards and legal requirements
- Significant adjustments and/or unadjusted differences resulting from the audit
- Reflection of unusual circumstances or events and management's explanation for the accounting treatment adopted
- Reasons for major year-on-year fluctuations
- Asset valuations and revaluations
- Calculation and levels of general and specific provisions
- Write-offs and reserve transfers

- The basis for the going concern assumption, including any financial sustainability risks and issues

The Committee has evaluated the Annual Financial Statements for the year ended 31 March 2023 and considers that they comply, in all material respects, with the requirements of the IFRS, and the requirements of the PFMA and the Companies Act and that the adoption of the going concern basis in preparing the Annual Financial Statements is appropriate.

EXTERNAL AUDITOR'S REPORT

Auditor-General of South Africa is the independent external auditor of the SABS Annual Financial Statements (AFS). The Audit and Risk Committee met with the external auditors to confirm that there were no unresolved issues arising from the AFS. We thank them for the cooperation and diligence they displayed during the process.

The Audit and Risk Committee accepts the conclusion and audit opinion of the external auditors on the AFS and agrees that the audited AFS can be accepted and read together with the external auditor's report.

OTHER MATTERS

The Audit and Risk Committee draws attention to the financial position of the SABS. While acknowledging that comprehensive business plans and actions are in place to achieve financial stability, we stress that these plans require the support and attention of the Board and Executive Authority if they are to be successfully implemented.

On behalf of the Audit and Risk Committee:

GMnguni

Ms Gloria Mnguni
Chairperson of the Audit and Risk Committee
South African Bureau of Standards
29 September 2023

COMPLIANCE WITH LEGISLATION

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The SABS derives its mandate from the Standards Act, No. 8 of 2008. As a schedule 3B public entity, together with its subsidiary, SABS Commercial SOC Ltd, the SABS is enjoined to comply with the provisions of the Public Finance Management Act, No. 1 of 1999. The SABS has implemented the compliance management policy. Compliance self-assessments have been conducted in the year under review and compliance reports, which include compliance mitigations are implemented and reported to the Board. In line with the combined assurance plan the compliance risks together with non-compliance incidents that have been identified by the external assessors i.e., External Auditors, Regulators and Accreditation Bodies are monitored and the implementation of the action plans are included in the compliance reports.

INTERNAL AUDIT

8

INTERNAL AUDIT SERVICES

The Internal Audit Services (IAS) department is an independent and objective assurance provider. It delivers on its mandate through a risk-based approach methodology, offering reasonable assurance on the effectiveness of the internal controls, risk management, compliance management and governance.

All audit activities conform to international standards for the professional practice of internal auditing as provided by the Institute of Internal Auditors (IIA). The IAS department operates according to its charter, which the Audit and Risk Committee approved. The internal audit services are sufficiently skilled and supported by those charged with governance (TCWG) to deliver on its mandate. To remain an objective and independent assurance provider, the head of IAS reports to the Acting Chief Executive Officer and functionally to the Audit and Risk Committee.

INTERNAL AUDIT PROGRAMME

The effectiveness of internal audit activity is assessed through internal and external evaluations. These programmes identify opportunities for improvement that are implemented and monitored by the head of IAS.

The internal auditors in the IAS department maintain their membership with the IIA of South Africa, which is affiliated with the international body.

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

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

The IAS' effective stakeholder management ensured efficiencies across all internal audit activities. Identified assurance gaps and duplications by SABS providers were addressed through integrated assurance (combined assurance) actions by the IAS and external auditors.

FRAUD AND CORRUPTION

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The Audit and Risk Committee provides oversight over the fraud and corruption prevention controls and mechanisms within the SABS' operating environment.

To this end:

- Risk incidents are logged in an operational risk register and monitored.
- The SABS has a toll-free whistleblowing hotline operated by an external service provider. Employees are encouraged to report any suspected corrupt, fraudulent, criminal, or unethical practices. All incidences of fraud or corruption reported through the toll-free whistleblowing hotline during the year were investigated.

MINIMISING CONFLICT OF INTEREST

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Conflict of Interest of Employees in the Performance of Services of the SABS

When joining the organisation, all employees commit to avoiding conflicts of interest, by signing the conditions of employment. All employees are required to annually submit a declaration of interest form to allow the company, through line management, to assess any conflict of interest.

Additionally, the services of the organisation are delivered through processes that allow complaints by external and internal stakeholders and appeal to a higher authority in the organisation.

The following key services have reinforced the SABS' protocols to minimise employees' conflicts of interest:

- Internal audit services
- Zero tolerance for fraud and corruption
- Encouraging whistleblowing with the implementation of a no-charge Fraud Line available on 0800 00 7112. In addition, email and website options are also available to report fraud and corruption

CODE OF **CONDUCT**

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The SABS' Code of Conduct provides a set of values, rules, standards, and principles that outline what the organisation expects from its employees. The primary focus of the Code is to help employees understand what the expectations are when they communicate internally and externally and act as representatives of the organisation.

The Code of Conduct also alerts existing and potential suppliers and customers of the values of the SABS so that they can comply with the organisation's business practices. Included in the Code of Conduct of the SABS are the organisation's values, acceptable and unacceptable behaviour, day-to-day business practices and how employees are mandated to interact with external parties.

Third parties are also expected to abide by the Code while dealing with SABS employees or visiting any of the SABS offices or sites.

HEALTH, SAFETY, AND **ENVIRONMENTAL MATTERS**

12

APPROACH TO HEALTH AND SAFETY

The SABS' approach to safety is built on a strong foundation of visible leadership and competency and is supported by clear policies and procedures.

SUPPORTING THE WELLBEING OF EMPLOYEES

Employee health, wellness and fitness for work are fundamental contributors to an employee's ability to effectively execute his or her designated responsibilities and implement innovative and value-adding initiatives for the business. Employee benefit arrangements include tailored healthcare insurance plans for employees and their direct dependants where this is practicable and appropriate. On-site clinics, employee assistance programmes and wellness support programmes are also available.

PROVIDING A SAFE WORKING ENVIRONMENT

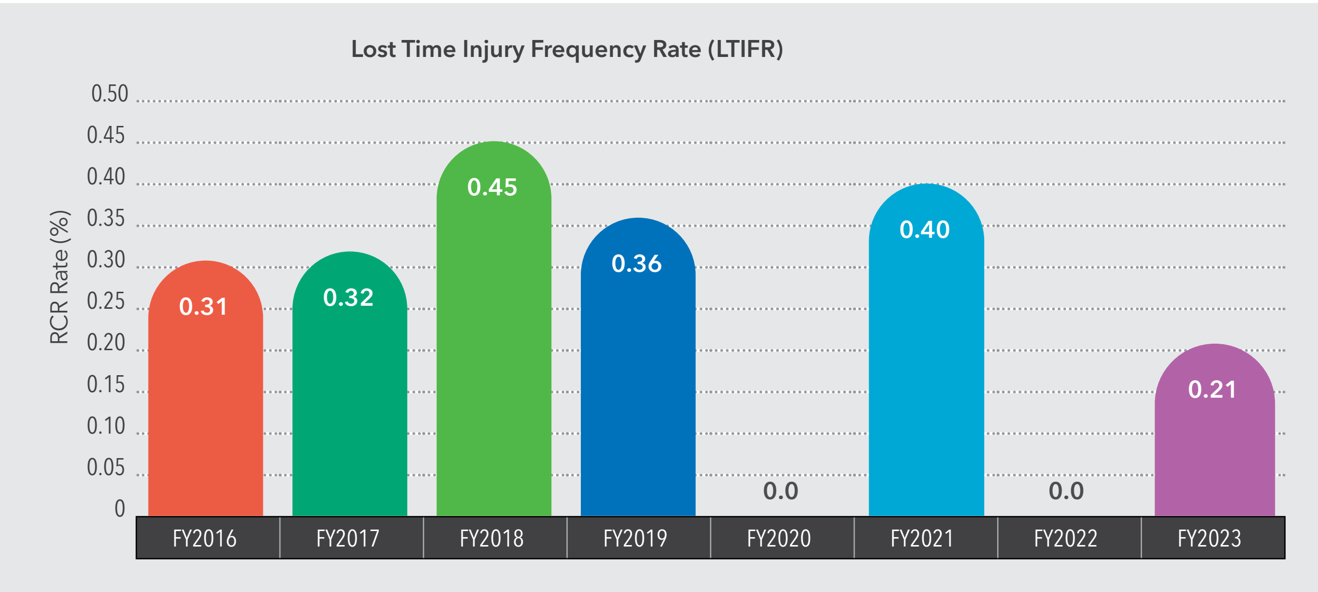
A safe work environment is a vital component of employee productivity, well-being, and performance. Therefore, to ensure a safe and healthy environment for employees and all stakeholders, the SABS focuses on complying with the Occupational Health and Safety Act, 85 of 1993 and its regulations as well as the Compensation for Occupational Injuries and Diseases (COID) Act, 130 of 1993.

A dedicated Health, Safety and Environmental (HSE) Management unit guides the SABS on all health and safety matters, legislation, and regulatory updates.

Figure 13: HSE Management Framework

MEASURING HEALTH AND SAFETY EFFORTS

- The lost time injury frequency rate (LTIFR) of 0.21 was achieved (FY2022: 0.00)
- The minor injury frequency rate (MIFR) of 0.02 was achieved (FY2022: 0.42)
- No fatalities were recorded in FY2023



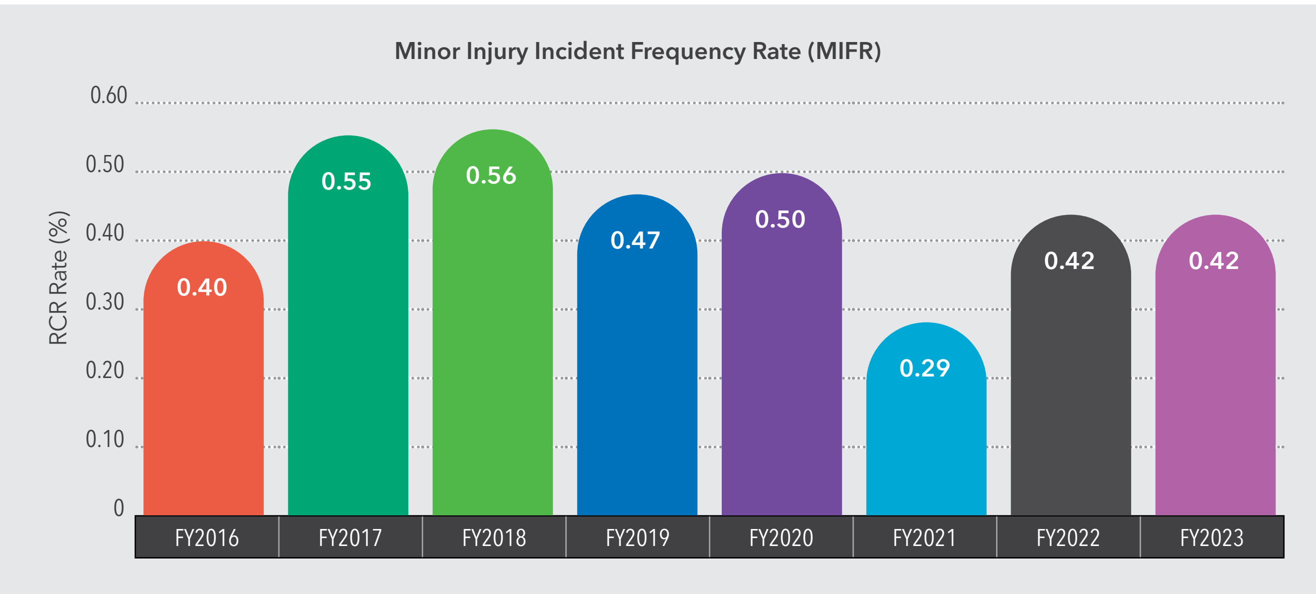


Figure 14: Lost Time Injury Frequency Rate (LTIFR) and Minor Injury Frequency Rate (MIFR)

SOCIAL RESPONSIBILITY

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RESPONSIBLE CORPORATE CITIZENSHIP

Responsible corporate citizenship is more than a compliance requirement; it is fundamental to the SABS' objectives. The SABS recognises that there are inseparable linkages between its sustainable growth, its relationships with key stakeholders and its contribution to society in the broader context.

CONDUCTING BUSINESS IN A RESPONSIBLE MANNER

The SABS' Code of Ethics encapsulates the organisation's inherent approach to conducting business ethically, with integrity and with commercial wisdom which strives to enhance the economic and social well-being of its employees, customers, and business partners.

ENGAGING STAKEHOLDERS

The SABS is committed to adopting a stakeholder-inclusive governance approach and sustaining strong relationships with its stakeholders through transparency and effective communication. The approach to stakeholder engagement is set out on pages 29-31 of this report.

CORPORATE GOVERNANCE

The SABS operates on an established foundation of strong corporate governance. More can be read about this in the Corporate Governance Report set out on pages 71-85 of this report.

ETHICS MANAGEMENT, ANTI-BRIBERY, AND CORRUPTION

The SABS is committed to zero tolerance for any fraudulent and unethical behaviour. Its fraud policy, fraud prevention plan and Code of Ethics are effectively implemented. For the reporting period the anti-corruption and fraud prevention policy was reviewed and the following initiatives were established:

- Ethics management Framework
- A minimum Anti-Corruption Capability Assessment
- Fraud and Corruption Risk Assessments
- The Anti-Corruption and Fraud Prevention Plan

To promote a culture of whistleblowing, an independent external service provider independently manages the SABS whistleblowing hotline. Logged calls are then managed by Internal Audit Services and the anonymity of whistle-blowers is guaranteed.

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

- Consequence management procedures
- Referrals to relevant agencies
- Institution of criminal proceedings
- Civil litigation
- Recovery of losses

The acceptance of gifts and benefits is covered in the SABS' fraud prevention plan that sets the framework of levels of employees, including Board members, who are prohibited from accepting or giving gifts or hospitality that are of a nominal value or participating in events sponsored by current or prospective customers or suppliers.

B-BBEE COMPLIANCE PERFORMANCE INFORMATION

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The SABS achieved a level 8 B-BBEE level contributor status at its most recent assessment (previously: Level Non-Compliant). The group's B-BBEE certification was performed by AmexBEE, an independent economic empowerment rating agency. Management is implementing an improvement plan to achieve a better level.

Has the SABS applied any relevant Code of Good Practice (B-BBEE Certificate Levels 1 – 8) with regards to the following?		
Criteria	**Response**	**Description**
Determining qualification criteria for the issuing of licences, concessions, or other authorisations in respect of economic activity in terms of any law?	N/A	
Developing and implementing a preferential procurement policy?	Yes	The SABS has developed and implemented a Group Preferential Procurement Policy (CP 405). The policy details the development of designated categories of suppliers which are implemented through open bidding processes and the application of the preference points in awarding bids
Determining qualification criteria for the sale of state-owned enterprises?	N/A	
Developing criteria for entering partnerships with the private sector?	N/A	
Determining criteria for the awarding of incentives, grants, and investment schemes in support of Broad-Based Black Economic Empowerment?	N/A	

Figure 15: B-BBEE Code of good practices

PART H

FINANCIAL INFORMATION

TABLE OF **CONTENTS**:

ANNUAL FINANCIAL STATEMENTS

Prepared under supervision of:

Lerato Matras CA(SA): Acting CFO*

Published:

31 August 2023

The Annual Financial Statements set out on page 88 to 150, which have been prepared on the going concern basis, were approved by the Accounting Authority on 31 August 2023, and were signed on its behalf by:

Dr Sandile Malinga

* Acting CFO from 18 April 2023 until 30 June 2023

STATEMENT OF FINANCIAL POSITION

As at 31 March 2023

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	Note(s)	Group 2023 R`000	Group 2022 Restated* R`000	Group 2021 Restated* R`000	SABS 2023 R`000	SABS 2022 Restated* R`000	SABS 2021 Restated* R`000
ASSETS							
Non-Current Assets							
Property, plant and equipment	2	726,196	720,084	710,060	481,746	477,825	470,207
Right-of-use assets	16	8,348	15,865	23,022	7,367	12,599	16,476
Investment property	3	6,478	6,828	7,179	132,536	142,133	148,453
Intangible assets	4	12,870	15,416	14,175	10,847	13,295	11,868
Investment in subsidiary	5	-	-	-	100,000	100,000	-
Deferred tax assets	11	33,620	31,045	40,619	-	-	-
Investment at fair value through profit or loss	8	137,531	132,738	120,335	137,531	132,738	120,335
Loan to/(from) group company	9	-	-	-	-	18,822	17,067
Total non-current assets		**925,043**	**921,976**	**915,390**	**870,027**	**897,412**	**784,406**
Current Assets							
Inventories	6	4,322	3,962	4,618	4,322	3,962	4,618
Trade and other receivables	7	171,475	160,393	168,928	19,163	16,039	18,568
VAT receivable		19,083	1,717	-	11,565	4,585	22,204
Loan to/(from) group company	9	-	-	-	1,254	-	-
Cash and cash equivalents	10	480,757	406,190	457,616	376,457	296,894	342,639
Total current assets		**675,637**	**572,262**	**631,162**	**412,761**	**321,480**	**388,029**
Total assets		**1,600,680**	**1,494,238**	**1,546,552**	**1,282,788**	**1,218,892**	**1,172,435**
EQUITY AND LIABILITIES							
EQUITY							
Accumulated Profit		840,241	751,620	694,527	733,609	683,395	578,206
General reserve	12	54,282	54,282	54,282	54,282	54,282	54,282
Other components of equity	13	35,930	32,989	31,601	21,878	20,793	19,370
		930,453	**838,891**	**780,410**	**809,769**	**758,470**	**651,858**
LIABILITIES							
Non-Current Liabilities							
Lease liabilities	16	796	2,251	14,884	687	1,217	10,657
Deferred income	17	388,045	381,605	395,100	334,951	322,121	328,633
Employee benefit obligations	18	66,657	70,552	73,717	37,586	40,443	43,017
Total non-current liabilities		**455,498**	**454,408**	**483,701**	**373,224**	**363,781**	**382,307**
Current Liabilities							
Provisions	14	1,566	1,436	-	1,566	1,436	-
Trade and other payables	15	180,299	162,769	233,761	76,381	72,641	110,650
Lease Liabilities	16	8,279	9,816	9,527	7,049	6,621	6,005
Deferred income	17	15,779	18,344	21,505	9,167	10,327	15,675
Employee benefit obligations	18	8,806	8,574	9,091	5,632	5,616	5,940
VAT payable	25	-	-	8,557	-	-	-
		214,729	**200,939**	**282,441**	**99,795**	**96,641**	**138,270**
Total Liabilities		**670,227**	**655,347**	**766,142**	**473,019**	**460,422**	**520,577**
Total Equity and Liabilities		**1,600,680**	**1,494,238**	**1,546,552**	**1,282,788**	**1,218,892**	**1,172,435**

Restated: refer to note 37 for the details of the prior period errors

STATEMENT OF PROFIT AND LOSS

and Other Comprehensive Income for the year ended 31 March 2023

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	Note(s)	Group		SABS	
		2023 R`000	2022 R`000	2023 R`000	2022 R`000
Revenue	19	459,517	448,383	35,579	32,167
Government grants		273,099	267,064	273,099	267,064
Other income	20	66,821	90,597	87,952	99,879
		799,437	**806,044**	**396,630**	**399,110**
Employee benefits expense	21	(401,575)	(450,898)	(171,015)	(195,010)
Depreciation and amortisation		(46,742)	(52,110)	(23,226)	(27,304)
Travel expenditure		(27,833)	(14,428)	(1,972)	(487)
Advertising expenditure		(2,399)	(1,572)	(1,610)	(1,182)
Contract services		(48,223)	(49,177)	(45,049)	(47,135)
Consulting and technical fees		(11,485)	(10,999)	(3,283)	(6,082)
Repairs and maintenance		(20,595)	(17,791)	(13,932)	(13,714)
Grant to subsidiary		-	-	-	(19,091)
Other operating expenditure	22	(166,937)	(148,773)	(116,023)	(8,861)
Profit from operating activities		**73,648**	**60,296**	**20,520**	**80,243**
Interest income	23	35,193	19,114	30,678	25,685
Finance costs	24	(1,874)	(1,474)	(984)	(741)
Profit (Loss) before taxation		**106,967**	**77,936**	**50,214**	**105,187**
Taxation	25	(18,352)	(20,850)	-	-
Profit (Loss) for the period		**88,615**	**57,086**	**50,214**	**105,187**
Other comprehensive income net of tax					
Components of other comprehensive income that will not be reclassified to profit or loss					
Gains on other component of equity	13	3,628	1,373	1,085	1,421
Income tax relating to post-employment healthcare benefits	13	(686)	14	-	-
Total other comprehensive income that will not be reclassified to profit or loss		**2,942**	**1,387**	**1,085**	**1,421**
Total other comprehensive income net of tax		**2,942**	**1,387**	**1,085**	**1,421**
Total comprehensive income		**91,557**	**58,473**	**51,299**	**106,608**

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2023

3

	Other components of equity	General reserves	Accumulated profit	Total
Group	R`000	R`000	R`000	R`000
Balance at 1 April 2021 as previously stated	31,602	54,283	696,791	782,676
Increase due to corrections of prior period errors	-	-	(2,255)	(2,255)
Balance at 1 April 2021 as restated	31,602	54,283	694,536	780,421
Changes in equity				
Profit for the year	-	-	57,086	57,086
Other comprehensive income	1,387	-	-	1,387
Total comprehensive income for the year	1,387	-	57,086	58,473
Balance at 31 March 2022	**32,989**	**54,282**	**751,620**	**838,891**
Balance at 1 April 2022	32,989	54,282	745,350	832,621
Increase (decrease) due to corrections of prior period errors	**-**	**-**	**6,270**	**6,270**
Balance at 1 April 2022 as restated	32,989	54,282	751,620	838,891
Changes in equity				
Profit for the year	-	-	88,615	88,615
Other comprehensive income	2,942	-	-	2,942
Total comprehensive income for the year	2,942	-	88,615	91,557
Balance at 31 March 2023	**35,930**	**54,282**	**840,241**	**930,453**

	Other components of equity	General reserves	Accumulated profit	Total
SABS	R`000	R`000	R`000	R`000
Balance at 1 April 2021 as previously stated	19,370	54,282	580,464	654,116
Increase (decrease) due to changes in accounting policy required by IFRSs	-	-	-	-
Decrease due to corrections of prior period errors		-	(2,255)	(2,255)
Balance at 1 April 2021 as restated	19,370	54,282	578,209	651,861
Changes in equity				
Profit for the year	-	-	105,186	105,186
Other comprehensive income	1,421	-	-	1,421
Total comprehensive income for the year	1,421	-	105,186	106,607
Balance at 31 March 2022	**20,793**	**54,282**	**683,395**	**758,470**
Balance at 1 April 2022	**20,793**	**54,282**	**683,395**	**758,470**
Changes in equity				
Profit for the year	-	-	50,214	50,214
Other comprehensive income	1,085	-	-	1,085
Total comprehensive income for the year	1,085	-	50,214	51,299
Balance at 31 March 2023	**21,878**	**54,282**	**733,609**	**809,775**

STATEMENT OF CASH FLOW

as at 31 March 2023

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	Note(s)	Group 2023 R`000	Group 2022 R`000	SABS 2023 R`000	SABS 2022 R`000
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash receipts from customers		470,755	500,193	63,667	109,798
Cash grant received from government		273,099	267,064	273,099	267,064
Cash paid to suppliers		(248,556)	(308,946)	(198,904)	(570,691)
Cash paid to employees		(405,021)	(460,740)	(176,147)	(198,852)
Cash grant paid to subsidiary		-	-	-	(19,091)
Cash generated from operations	32	90,277	(2,429)	(38,285)	(411,772)
Interest income	23	33,959	17,901	29,443	24,470
Dividends received (trading)		-	210	-	210
Finance costs		(1,361)	(1,478)	(984)	(741)
Tax paid	33	(27,469)	-	-	-
Net cash from operating activities		**95,406**	**14,204**	**(9,826)**	**(387,833)**
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of property, plant and equipment	2	(35,869)	(49,895)	(11,945)	(20,980)
Proceeds on disposal of property, plant and equipment		-	210	-	210
Purchase of intangible assets	4	(614)	(5,074)	-	(4,038)
Loans to group companies repaid	9	-	-	82,358	378,598
Grant funding	17	21,739	4,348	21,739	-
Net cash from investing activities		**(14,744)**	**(50,411)**	**92,152**	**353,790**
CASH FLOWS FROM FINANCING ACTIVITIES					
Payment on lease liabilities	16	(6,095)	(15,219)	(2,763)	(11,702)
Net cash from financing activities		**(6,095)**	**(15,219)**	**(2,763)**	**(11,702)**
Total cash movement for the period		**74,567**	**(51,426)**	**79,563**	**(45,745)**
Cash at the beginning of the period		406,190	457,616	296,894	342,639
Total cash at end of the period	**10**	**480,757**	**406,190**	**376,457**	**296,894**

1. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated and separate Annual Financial Statements are set out below.

1.1 BASIS OF PREPARATION

The consolidated and separate Annual Financial Statements have been prepared on the going concern basis in accordance with, and in compliance with, International Financial Reporting Standards ("IFRS") and International Financial Reporting Interpretations Committee ("IFRIC") interpretations issued and effective at the time of preparing these Annual Financial Statements, PFMA and the Companies Act of South Africa.

The Annual Financial Statements have been prepared on the historic cost basis, unless otherwise stated in the accounting policies which follow and incorporate the principal accounting policies set out below. They are presented in South African Rand (ZAR), which is the group and company's functional currency, and all values are rounded to the nearest thousand (R'000), except when otherwise stated.

The principal accounting policies applied in the preparation of these annual financial statements are set out below. These accounting policies are consistent with the previous years.

1.2 CONSOLIDATION

Basis of consolidation

The consolidated and separate Annual Financial Statements have been prepared on the going concern basis in accordance with, and in compliance with, International Financial Reporting Standards ("IFRS") and International Financial Reporting Interpretations Committee ("IFRIC") interpretations issued and effective at the time of preparing these Annual Financial Statements, PFMA and the Companies Act of South Africa.

The Annual Financial Statements have been prepared on the historic cost basis, unless otherwise stated in the accounting policies which follow and incorporate the principal accounting policies set out below. They are presented in South African Rand (ZAR), which is the group and company's functional currency, and all values are rounded to the nearest thousand (R'000), except when otherwise stated.

The principal accounting policies applied in the preparation of these annual financial statements are set out below. These accounting policies are consistent with the previous years.

Investments in subsidiaries in the separate financial statements

In SABS's separate Annual Financial Statements, investments in subsidiaries are carried at cost less any accumulated impairment. Where the carrying amount of the investment is greater than its estimated recoverable amount, it is written down to its recoverable amount and the difference is transferred to profit and loss. Investments in subsidiaries is tested for impairment on an annual basis. The Group records the below market element of the intercompany loan under investment in subsidiaries which is then assessed for impairment annually where applicable. In the event of settlement of intercompany loan, the below market element is derecognised from investment in subsidiaries.

1.3 SIGNIFICANT JUDGEMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

The preparation of Annual Financial Statements in conformity with IFRS requires management, from time to time, to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. These estimates and associated assumptions are based on experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Key sources of estimation uncertainty

Impairment of financial assets (excluding trade receivables)

The impairment provisions for financial assets are based on assumptions about risk of default and expected loss rates. The group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. For details of the key assumptions and inputs used, refer to the individual notes addressing financial assets.

Useful lives of property, plant and equipment

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

Revenue from contracts with customers

The Group applied the following judgements that significantly affect the determination of the amount and timing of revenue from contracts with customers:

- Identifying performance obligation: The Group provides Certification services that start off with a pre-assessment audit, prior to the customer receiving the rights to access the certification mark scheme. The pre-assessment audit and mark scheme use both a promise to transfer services in the future and are part of the negotiated exchange between the Group and the customer. The Group determined that both the pre-assessment audit and use of the mark scheme are capable of being distinct. The fact that the Group sometimes performs the pre-assessment audit and does not subsequently grant use of the mark scheme indicates that the two can be provided on a stand-alone basis. This indicates that the customer can benefit from both services on their own. The Group also determined that the promises to transfer the pre-assessment audit and mark scheme usage are distinct within the context of the contract.
- Determining the method to estimate variable consideration and assessing the constraint: Certain contracts for Laboratory Services do not have a value that can be determined upfront and some of the certification contracts have penalties for cancellations which give rise to variable consideration. In determining the variable consideration, the Group is required to use either the expected value method or the most likely amount method based on which method better predicts the amount of consideration to which it will be entitled. If this cannot be determined, the Group does not recognise any revenue until it knows the amount that will be recognised.

Retirement benefits

The expected costs of providing post-employment benefits under defined benefit arrangements relating to employee service during the period are determined based on financial actuarial assumptions. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty. Further details about post-retirement benefits are provided in note 18.

ECL allowance of trade receivables

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate.

Trade receivables are considered month to month with an expected life of one month. Settlement rate analysis was performed to assess the expected invoice settlement rate and it demonstrated that the expected life of trade receivables is one month and there is no significant financing component to the monthly invoices.

The provision rates are based on days past due on a collective basis for all trade and other receivables in totality. The provision matrix is initially based on the Group's historical observed default rates. Based on the nature of the of business and historical evidence the default point is set at 150 days past due. The historical default rates on ageing has been selected as the most appropriate methodology to develop the probabilities of default with a settlement rate analysis a twelve month performance window is used for the calculation of the probability of default to give time to trade receivables to reach settlement.

Upon transitioning to IFRS 9, the company collated sufficient data for the on-going business operations. IFRS 9 introduced stringent data requirements which was not previously compiled and collated for purposes of creating a Loss Given Default model in accordance with IFRS 9. Based on the available data at transition, management has been able to quantify and model an appropriate Loss Given Default Model which approximates the historical loss rate for the company. Management is recalibrating the Loss Given Default Model on an annual basis.

Income taxes

Computation of the Group's income tax expense and liability provisions for potential tax liabilities and,recognition of deferred tax assets are in terms of the group's taxation policy.

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised,based upon the likely timing and the level of future taxable profits together with future tax planning strategies. Refer to note 33.

1.4 INVESTMENT PROPERTY

Investment property is property (land or a building–or part of a building–or both) held by the entity to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for administrative purposes; or
- sale in the ordinary course of business.

Investment property is initially measured at cost, with transaction costs and other directly attributable expenditure being included in the the initial measurement.

Investment property is carried at cost less accumulated depreciation and less any accumulated impairment losses and are accounted for in line with the policy on property, plant and equipment.

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

Item	Useful life
Property - buildings	5 - 50 years

Investment properties are derecognised either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the statement of profit or loss in the period of derecognition. Transfers are made to (or from) investment property only when there is a change in use.

1.5 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are tangible assets which the group holds for its own use or for rental to others and which are expected to be used for more than one period.

An item of property, plant and equipment is recognised as an asset when it is probable that future economic benefits,associated with the item will flow to the group, and the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost or deemed cost. Cost includes all of the expenditure which is directly attributable to the acquisition or construction of the asset.

Expenditure incurred subsequently for major services, additions to or replacements of parts of property, plant and equipment are capitalised if it is probable that future economic benefits associated with the expenditure will flow to the group and the cost can be measured reliably. All other repair and maintenance costs are included in profit or loss in the period in which they are incurred.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria are included as a replacement in the cost of the item of property plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property plant and equipment is subsequently stated at cost less accumulated depreciation and less any accumulated impairment losses, except for land which is stated at cost less any accumulated impairment losses.

Depreciation of an asset commences when the asset is available for use as intended by management. Depreciation is charged to write off the asset's carrying amount over its estimated useful life to its estimated residual value, using a method that best reflects the pattern in which the asset's economic benefits are consumed by the group. Depreciation is not charged to an asset if its estimated residual value exceeds or is equal to its carrying amount. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale or derecognised.

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

Item	Depreciation method	Useful life
Buildings	Straight line	3 - 50 years
Motor vehicles	Straight line	3 - 35 years
Furniture & office equipment	Straight line	3 - 50 years
Laboratory equipment	Straight line	3 - 60 years
Artwork	Straight line	30 years

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting period. If the expectations differ from previous estimates, the change is accounted for prospectively as a change in accounting estimate.

Where significant parts (components) of an item of property, plant and equipment have different useful lives or depreciation methods to the item itself, these parts are accounted for as separate items of property, plant and equipment.

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

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

The Group capitalises all costs incurred in constructing assets to be available for use as intended to capital work in progress (WIP) and is not depreciated. Once the assets' construction has been completed and the assets are ready for use as intended by management, the Group transfers the WIP at cost to the various classes of property plant and equipment items to which they relate. The normal provisions of property plant and equipment items to which they have been transferred to will then apply.

The WIP account relates to acquired assets under construction awaiting transfer as all asset acquisitions are procured through the WIP account and capitalised from there. Capital work in progress is stated at cost net of accumulated impairment losses, if any.

1.6 INTANGIBLE ASSETS

An intangible asset is recognised when:

- it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and
- the cost of the asset can be measured reliably.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

The Group does not have any internally generated intangibles. The capital work in progress (WIP) account in intangibles (refer note 3) relates to acquired intangibles awaiting transfer as all intangible asset acquisitions are procured through the WIP account and transferred from there. Capital work in progress is stated at cost net of accumulated impairment losses, if any. The Group capitalises all costs incurred in developing the assets to be available for use as intended. WIP is not amortised. Once the assets' development has been completed and the assets are ready for use as intended by management, the Group transfers the capital work in progress at cost to intangible asset items to which they relate. The normal provisions of intangible asset items to which they have been transferred to will then apply.

Intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses, if any.

Intangible assets with finite lives or capital work in progress are assessed for impairment whenever there is an indication,that the intangible asset may be impaired. The amortisation period and the amortisation method for intangible assets are reviewed at the end of every reporting period.

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

Item	Useful life
Computer software, other	3 - 20 years

Gains or losses arising from derecognition of an intangibleasset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit or loss when the asset is derecognised.

1.7 FINANCIAL INSTRUMENTS

Financial instruments held by the group are classified in accordance with the provisions of IFRS 9 Financial Instruments.

Note 31 Financial risk management presents the financial instruments held by the group based on their specific classifications.

Loans receivable at amortised cost

Classification

Loans to group companies are classified as financial assets subsequently measured at amortised cost. Where the interest rate charged is not market related the Group determines the non-market portion of the loan and classified this to investment in subsidiaries.

They have been classified in this manner because the contractual terms of these loans give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding, and the group's business model is to collect the contractual cash flows on these loans.

Recognition and measurement

Loans receivable are recognised when the group becomes a party to the contractual provisions of the loan. The loans are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost.

Application of the effective interest method

Interest income is calculated using the effective interest method, and is included in profit or loss in interest income (note 23).

The application of the effective interest method to calculate interest income on a loan receivable is dependent on the credit risk of the loan as follows:

- The effective interest rate is applied to the gross carrying amount of the loan, provided the loan is not credit impaired. The gross carrying amount is the amortised cost before adjusting for a loss allowance.

Expected credit losses

The Group recognises a loss allowance for expected credit losses on all loans receivable measured at amortised cost. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective loans. There is a 12 month ECL allowance applied from initial recognition.

Significant increase in credit risk

In assessing whether the credit risk on a loan has increased significantly since initial recognition, the group compares the risk of a default occurring on the loan as at the reporting date with the risk of a default occurring as at the date of initial recognition. On initial recognition the Group measures the loss allowance at an amount equal to 12 month ECL.

Irrespective of the outcome of the above assessment, the credit risk on a loan is always presumed to have increased significantly since initial recognition if the contractual payments are more than 30 days past due unless the group has reasonable and supportable information that demonstrates otherwise.

The group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increases in credit risk before the amount becomes past due. Based on the assessment the group has assessed the risk of default as being high.

Definition of default

For purposes of internal credit risk management purposes the group consider that a default event has occurred if there is internal or external information that indicates that the subsidiary is unlikely to pay its loan balance in full per contractual terms.

Irrespective of the above analysis the group considers that default has occurred when a loan installment is more than 90 days past due unless there is reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Write off policy

The group writes off a loan when there is information indicating that the subsidiary is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the subsidiary has been placed under liquidation or has entered into bankruptcy proceedings. Loans written off may still be subject to enforcement activities under the group recovery procedures taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss. The group assessed the financial position of the subsidiary and have impaired the loan in full.

Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default loss given default (i.e., the magnitude of the loss if there is a default) and the exposure at default.

The assessment of the probability of default and loss given default is based on historical data adjusted by forward looking information as described above. The exposure at default is the gross carrying amount of the loan at the reporting date.

If the group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met. The group measures the loss allowance at an amount equal to 12 month ECL at the current reporting date, and visa versa.

An impairment gain or loss is recognised for all loans in profit or loss with a corresponding adjustment to their carrying amount through a loss allowance account. The impairment loss is included in other expenditure in profit or loss as a movement in credit loss allowance.

Credit risk

Details of credit risk related to loans receivable are included in the specific notes and the financial risk management (note 31).

Derecognition

Refer to the "derecognition" section of the accounting policy for the policies and processes related to derecognition.

Trade and other receivables

Classification

Trade and other receivables excluding, when applicable, VAT and prepayments are classified as financial assets subsequently measured at amortised cost (note 7).

They have been classified in this manner because their contractual terms give rise, on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding, and the group's business model is to collect the contractual cash flows on trade and other receivables.

Recognition and measurement

Trade and other receivables are recognised when the group becomes a party to the contractual provisions of the receivables. They are measured at initial recognition at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost.

The amortised cost is the amount recognised on the receivable initially, minus principal repayments, plus cumulative amortisation (interest) using the effective interest method of any difference between the initial amount and the maturity amount, adjusted for any loss allowance..

Trade and other receivables denominated in foreign currencies

When trade and other receivables are denominated in a foreign currency, the carrying amount of the receivables are determined in the foreign currency. The carrying amount is then translated to the Rand equivalent using the spot rate at the end of each reporting period. Any resulting foreign exchange gains or losses are recognised in profit or loss in other operating gains (losses) (note 20 an 22).

Details of foreign currency risk exposure and the management thereof are provided in the financial risk management (note 31).

Expected credit loss allowance

The group recognises a loss allowance for expected credit losses on trade and other receivables, excluding VAT receivable and prepayments. The amount of expected credit losses is updated at each reporting date.

Measurement and recognition of expected credit losses

For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical probability of default and credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The provision matrix is initially based on the Group's historical observed default rates. The Company will calibrate the matrix to adjust the historical and probability of default and credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Groups's historical probability of default and credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Company's trade receivables is disclosed in note 7.

Write off policy

The Group considers writing off a receivable as a bad debt when there is information that suggests reasons why a debt,may be considered as irrecoverable. Such reasons may include:

- Definite economic loss events: Reliable and verifiable information has been received pertaining to a customer entering into business rescue proceedings, liquidation, being subject to a winding up order the sole member / sole proprietor becoming deceased or an official deregistration of a company.

- Cost to recover exceeds or is likely to exceed the value of the debt: This must be ascertained in terms of the identification of any pertinent credit risk, the likelihood of successful collections, advices from the Group collections attorneys and the time value of money (i.e., the cost of recovery increases and success rate decreases the older the debt gets) and the legal strength of the Group position regarding any disputed debt.
- All reasonable / cost effective collections activities have been undertaken: i.e., all debt collection procedures have been followed and all cost effective legal collections avenues have been exhausted.
- No trace: The customer cannot be successfully traced in order to pursue them for payment.
- The three year period of prescription has been exceeded. As per the Prescription Act 68 of 1969.
- Any other pertinent reason: Not cited above that may lead to a debt being considered as irrecoverable

Receivables written off may still be subject to enforcement activities under the group recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Credit risk

Details of credit risk are included in the trade and other receivables note (note 7) and the financial risk management (note 31).

Derecognition

Refer to the derecognition section of the accounting policy for the policies and processes related to derecognition.

Investments in equity instruments

Classification

Investments in equity instruments are presented in note 8. They are classified at fair value through profit or loss.

Recognition and measurement

Investments in equity instruments are recognised when the group becomes a party to the contractual provisions of the instrument. The investments are measured at initial recognition, at fair value. All other transaction costs are recognised in profit or loss.

Investments in equity instruments are subsequently measured at fair value with changes in fair value recognised either in profit or loss.

Fair value gains or losses recognised on investments at fair value through profit or loss are included in other income (note 20).

Dividends received on equity investments are recognised in profit or loss when the group's right to received the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in other income (note 20).

Derecognition

Refer to the derecognition section of the accounting policy for the policies and processes related to derecognition.

Trade and other payables

Classification

Trade and other payables (note 15), excluding VAT and amounts received in advance are classified as financial liabilities subsequently measured at amortised cost.

Recognition and measurement

They are recognised when the group becomes a party to the contractual provisions and are measured at initial recognition at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating,interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Trade and other payables expose the group to liquidity risk and possibly to interest rate risk. Refer to note 31 for details of risk exposure and management thereof.

Trade and other payables denominated in foreign currencies

When trade payables are denominated in a foreign currency, the carrying amount of the payables are determined in the foreign currency. The carrying amount is then translated to the Rand equivalent using the spot rate at the end of each reporting period. Any resulting foreign exchange gains or losses are recognised in profit or loss in the other operating gains (losses) (note 20 or 22).

Details of foreign currency risk exposure and the management thereof are provided in the financial risk management (note 31).

Derecognition

Refer to the "derecognition" section of the accounting policy for the policies and processes related to derecognition.

Cash and cash equivalents

Cash and cash equivalents are stated at carrying amount which is deemed to be fair value. Cash and cash equivalents comprise of cash at bank and on hand and short-term and call deposits which are subject to insignificant risk of changes in value.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above.

Derecognition

Financial assets

The group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

Financial liabilities

The group derecognises financial liabilities when and only when, the group obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed is recognised in profit or loss.

1.8 TAX

Current tax assets and liabilities

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid,in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of goodwill or an asset or liability that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for all deductible temporary differences: the carry forward of unused tax,losses and unused tax credits, to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. A deferred tax asset is not recognised when it arises from the initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction affects neither the accounting profit nor taxable profit (tax loss).

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Tax expenses

Current and deferred taxes are recognised as income or an expense and included in the statement of profit or loss for the period, except to the extent that the tax arises from:

- a transaction or event which is recognised, in the same or a different period, to other comprehensive income, or
- a business combination.

Current tax and deferred taxes are charged or credited to other comprehensive income if the tax relates to items that are credited or charged in the same or a different period, to other comprehensive income.

Current tax and deferred taxes are charged or credited directly to equity if the tax relates to items that are credited or charged in the same or a different period, directly in equity.

Value added tax

Revenues, expenses and assets are recognised net of the amount of vat, except:

- Where the vat incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable.

1.9 LEASES - IFRS16

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

i.) Right of use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

- Buildings - 3 to 50 years
- Motor vehicles and other equipment - 3 to 20 years

The right-of-use assets are also subject to impairment and are tested annually or when there is an indication of impairment (policy note 1.11).

ii.) Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including insubstance fixed payments) less any lease incentives receivable variable lease payments that depend on an index or a rate.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

iii.) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term (refer to note 16).

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset,are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms,and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised,over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

1.10 INVENTORIES

Inventories are measured at the lower of cost and netrealisable value.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

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.

1.11 IMPAIRMENT OF NON- FINANCIAL ASSETS

The group assesses at each end of the reporting period or more frequently if there is any indication that an asset may be impaired. If any such indication exists, the group estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the group also:

- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cashgenerating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs of disposal and its value in use.

If the recoverable amount of an asset or CGU is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss. Any impairment loss of a revalued asset is treated as a revaluation decrease.

The Group assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If such indication exists, the Group estimates the assets's or CGU's recoverable amount.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets or CGU carried at cost less accumulated depreciation or amortisation is recognised immediately in the statement of profit or loss. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

1.12 RESERVES

The General reserve comprises profits that have been set aside to provide for replacement of assets or any other contingencies as deemed necessary by management. The reserve is build up to a maximum of 50% of one year's operational expenses and is disclosed under equity as it is part of the Group's net worth.

1.13 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.

The expected cost of compensated absences is recognised as an expense as the employees render services,that increase their entitlement or in the case of nonaccumulating absences, when the absence occurs.

The expected cost of profit sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Defined contribution plans

A defined contribution plan is a pension plan under which the Group pays fixed contributions. The Group has no legal,or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

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

Post-employment healthcare benefit obligation

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

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

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

Past service costs are recognised immediately in profit and loss.

Long service leave obligation

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

Termination benefits

A liability for termination benefit is recognised at the earlier of when the offer can no longer be withdrawn and when the related restructuring costs are recognised.

1.14 PROVISIONS AND CONTINGENCIES

Provisions are recognised when:

- the group has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement shall be recognised when and only when it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement is recognised as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are not recognised for future operating losses.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 26.

1.15 GOVERNMENT GRANTS

Government grants are recognised when there is reasonable assurance that:

- the group will comply with the conditions attaching to them; and
- the grants will be received.

Government grants are recognised as income over the periods necessary to match them with the related costs that they are intended to compensate.

A government grant that becomes receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the entity with no future related costs is recognised as income of the period in which it becomes receivable.

Government grants related to assets, including nonmonetary grants at fair value are presented in the statement of financial position by setting up the grant as deferred income and recognised as income in equal amounts over the expected useful life of the related asset (refer to note 20).

Grants related to income are presented as a credit in the profit or loss (separately).

1.16 REVENUE FROM CONTRACTS WITH CUSTOMERS

The group is in the business of providing sales of standards as well as laboratory services, training and certification services.

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has generally concluded that it is the principal in its revenue arrangements because it typically controls the goods or service before transferring them to customers.

To determine whether to recognise revenue the Group follows a five-step process:

1. Identifying the contract with a customer
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognising revenue when/as the performance obligation(s) are satisfied.

The Group enters into transactions for each product or service offering separately and the transaction price is determined based on each individual performance obligation.

The Company's transactions are per individual goods or service offerings, the company rarely enters into transactions involving a range of its products and services and where a contract requires for services to be provided by more than one division, the transaction is aggregated and not split.

Certain Group contracts have price uncertainty at the beginning of each billing period although services to be provided to the customer are determinable, the billable amount is only established post the delivery of the service. Transaction prices for services and sale of standards are mainly made up of the fixed rates and variable components such as annual escalation of fees,on the annual certification fees, penalty on cancellation of scheduled audits, reimbursements of re-certification costs,,discounts on annual payments. If the consideration in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

Revenue is recognised either at a point in time or over time, when (or as) the Group satisfies performance obligations by transferring the promised goods or services to its customers. Refer to note 19 for more detail.

The Group has adopted the practical expedient in applying IFRS 15, in the determination of the transaction price as there is no significant financing component as the payment terms are 30 days.

Contract Balances

Trade receivables - A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of trade receivables and other receivables for the accounting policy applicable to initial recognition and subsequent measurement.

Contract liabilities - A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

- ***Subscriptions cash customers:*** Contracts where the Group grants a customer a right to use complete collection, pre selected or self-selected number of standards. Under the subscription agreement, in addition to the right of use of standards over the subscription period, the customer is entitled to quarterly updates for the duration of the subscription period.
- ***Laboratory services (payment received for work not completed yet)***: Where there is timing difference between receipt of the customer payment and completion of work which leads to an overlap between two financial years, this results in a contract liability equal to the amount recorded in payment amount for which performance obligation has not been satisfied.
- ***Certification***: This applies to upfront payment where the permit period overlaps over two financial periods and upfront payment for pre-permit assessment where payment is received at year-end but performance obligation not yet fulfilled. This results in a contract liability equal to the amount recorded in payment amount for which performance obligation has not been satisfied.

- ***Training***: This applies to payment received where training has not been conducted yet or training has been conducted but a certificate has not been issued yet i.e in both cases performance obligation has not been fulfilled. This will result in a contract liability equal to the amount recorded in payment amount for which performance obligation has not been satisfied.

1.17 TRANSLATION OF FOREIGN CURRENCIES

Functional and presentation currency

Items included in the annual financial statements of each of the group entities are measured using the currency of the primary economic environment in which the entity operates (functional currency).

The consolidated annual financial statements are presented in Rand which is the group functional and presentation currency.

Foreign currency transactions

A foreign currency transaction is recorded on initial recognition in Rands 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 the end of the reporting period, foreign currency monetary items are translated using the closing rate

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous annual financial statements are recognised in profit or loss in the period in which they arise.

When a gain or loss on a non-monetary item is recognised to other comprehensive income and accumulated in equity, any exchange component of that gain or loss is recognised to other comprehensive income and accumulated in equity. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

Cash flows arising from transactions in a foreign currency are recorded in Rands by applying to the foreign currency amount the exchange rate between the Rand and the foreign currency at the date of the cash flow

1.18 OTHER EXPENDITURE

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

1.19 OTHER INCOME

Other income relates to income received other than from the normal business activities of the company. Significant,other income relating to other activities in the company are disclosed in a separate note in the annual financial statements.

1.20 OTHER COMPONENTS OF EQUITY

Other components of equity is the gains and losses associated to the post-employment healthcare benefit directly recognised in other comprehensive income. Refer to note 19 for the information about the characteristics of its defined benefit plans and the nature of the benefits provided by the plan.

1.21 FRUITLESS AND WASTEFUL AND IRREGULAR EXPENDITURE

Fruitless and wasteful expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of profit and,loss in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of profit and loss. The entity records the details of all alleged fruitless and wasteful expenditure in the register; investigates the incidents; where appropriate raise a debt.

1.22 RELATED PARTY TRANSACTIONS

A related party is a person or entity with the ability to control or jointly control the other party or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

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

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements

1.23 EVENTS AFTER THE REPORTING DATE

Recognised amounts in the Annual Financial Statements are adjusted to reflect significant events arising after the reporting date, but before the financial statements are authorised for issue, provided there is evidence of conditions that existed at the reporting date. Events after the reporting date that are indicative of conditions that arose after the reporting date are dealt with by way of a note if applicable. Refer to note 29.

2. PROPERTY, PLANT AND EQUIPMENT

2.1 Balances at year end and movements for the year

GROUP	R`000	R`000	R`000	R`000	R`000	R`000	R`000
	Land	Buildings	Motor vehicles	Office equipment	Laboratory equipment	Artwork	Total
Reconciliation for the year ended 31 March 2023							
Balance at 1 April 2022							
At cost	350,700	354,463	1,432	102,748	347,392	1,009	1,157,744
Accumulated depreciation	(2,309)	(129,111)	(1,263)	(86,345)	(218,317)	(315)	(437,660)
Carrying amount	**348,391**	**225,352**	**169**	**16,403**	**129,075**	**694**	**720,084**
Movements for the year ended 31 March 2023							
Addition from acquisitions	-	12,315	-	328	33,269	-	45,912
Depreciation	-	(7,968)	(15)	(5,990)	(19,772)	(40)	(33,785)
Impairment loss recognised in profit or loss	-	(5,968)	-	-	-	-	(5,968)
Disposals	-		-	(41)	(7)	-	(48)
Property, plant and equipment at the end of the year	**348,391**	**223,731**	**154**	**10,700**	**142,565**	**654**	**726,195**
Closing balance at 31 March 2023							
At cost	350,700	366,744	1,432	101,026	380,079	1,009	1,200,990
Accumulated depreciation	(2,309)	(143,013)	(1,278)	(90,325)	(237,514)	(355)	(474,794)
Carrying amount	**348,391**	**223,731**	**154**	**10,701**	**142,565**	**654**	**726,196**
Reconciliation for the year ended 31 March 2022							
Balance at 1 April 2021							
At cost	350,700	344,773	1,432	84,563	316,621	1,009	1,099,098
Accumulated depreciation	(2,309)	(120,030)	(1,235)	(59,685)	(205,504)	(275)	(389,038)
Carrying amount	**348,391**	**224,743**	**197**	**24,878**	**111,117**	**734**	**710,060**
Movements for the year ended 31 March 2022							
Additions from acquisitions	-	9,945	-	1,403	36,913	-	48,261
Depreciation	-	(9,336)	(28)	(9,768)	(18,901)	(40)	(38,073)
Disposals	-	-	-	(110)	(54)	-	(164)
Property, plant and equipment at the end of the year	**348,391**	**225,352**	**169**	**16,403**	**129,075**	**694**	**720,084**
Closing balance at 31 March 2022							
At cost	350,700	354,463	1,432	102,748	347,392	1,009	1,157,744
Accumulated depreciation	(2,309)	(129,111)	(1,263)	(86,345)	(218,317)	(315)	(437,660)
Carrying amount	**348,391**	**225,352**	**169**	**16,403**	**129,075**	**694**	**720,084**

SABS	R`000	R`000	R`000	R`000	R`000	R`000	R`000
	Land	Buildings	Motor vehicles	Office equipment	Laboratory equipment	Artwork	Total
Reconciliation for the year ended 31 March 2023							
Balance at 1 April 2022							
At cost	350,700	111,170	139	75,986	42,912	1,000	581,907
Accumulated depreciation	(2,309)	(29,506)	(122)	(63,677)	(8,159)	(310)	(104,083)
Carrying amount	**348,391**	**81,664**	**17**	**12,309**	**34,753**	**690**	**477,824**
Movements for the year ended 31 March 2023							
Additions	-	12,310	-	9	3,047	-	15,366
Depreciation	-	(3,852)	(9)	(4,262)	(2,234)	(40)	(10,397)
Disposals	-	-	-	(29)	-	-	(29)
Assets transferred to subsidiary	-	22	-	(1,042)	-	-	(1,020)
Property, plant and equipment at the end of the year	**348,391**	**90,144**	**8**	**6,985**	**35,566**	**650**	**481,745**
Closing balance at 31 March 2023							
At cost	350,700	124,991	139	73,675	45,998	1,000	596,503
Accumulated depreciation	(2,309)	(34,846)	(131)	(66,689)	(10,432)	(350)	(114,757)
Carrying amount	**348,391**	**90,145**	**8**	**6,986**	**35,566**	**650**	**481,746**
Reconciliation for the year ended 31 March 2022							
Balance at 1 April 2021							
At cost	350,700	99,930	139	76,580	33,996	1,000	562,345
Accumulated depreciation	(2,309)	(25,899)	(108)	(57,579)	(5,973)	(270)	(92,138)
Carrying amount	**348,391**	**74,031**	**31**	**19,001**	**28,023**	**730**	**470,207**
Movements for the year ended 31 March 2022							
Additions from acquisitions	-	10,137	-	450	8,970	-	19,557
Assets transferred from Investment Property	-	1,103	-	-	-	-	1,103
Depreciation	-	(3,607)	(14)	(7,095)	(2,240)	(40)	(12,996)
Disposals	-	-	-	(46)	-	-	(46)
Property, plant and equipment at the end of the year	**348,391**	**81,664**	**17**	**12,310**	**34,753**	**690**	**477,825**
Closing balance at 31 March 2022							
At cost	350,700	111,170	139	75,986	42,912	1,000	581,907
Accumulated depreciation	(2,309)	(29,506)	(122)	(63,676)	(8,159)	(310)	(104,082)
Carrying amount	**348,391**	**81,664**	**17**	**12,310**	**34,753**	**690**	**477,825**

During the current financial year, Sarkhot and Associates, an independent valuer with recognised and relevant professional qualification in property valuations, performed a valuation of items of pr

$ - Work-in-progress expensed relates to expenses incurred that did not result in an asset or did not meet the definition of an asset.

Registers with details of land and buildings are available for inspection by shareholders at the registered office of the company and its respective subsidiaries.

There were no assets that were pledged as security

2.0.1 Capital - work in progress

	Opening balance	Additions	Transfers to completed assets	Total
Group - Reconcilliation of work in progress - 2023	R`000	R`000	R`000	R`000
Building	47,873	12,470	(10,102)	50,241
Laboratory equipment	23,161	33,307	(29,586)	26,882
Office equipment	23.00	-	-	23
	71,057	**45,777**	**(39,688)**	**77,146**
Group - Reconcilliation of work in progress - 2022	R`000	R`000	R`000	R`000
Building	43,447	9,931	(5,505)	47,873
Laboratory equipment	17,324	36,909	(31,072)	23,161
Office equipment	-	228	(205)	23
	60,771	**47,068**	**(36,782)**	**71,057**

	Opening balance	Additions	Transfers to completed assets	Total
SABS - Reconcilliation of work in progress - 2023	R`000	R`000	R`000	R`000
Building	47,873	12,470	(10,102)	50,241
Laboratory equipment	20,556	3,086	(5,090)	18,552
Office equipment	23	-	-	23
	68,452	**15,556**	**(15,192)**	**68,816**
SABS - Reconcilliation of work in progress - 2022	R`000	R`000	R`000	R`000
Building	43,447	9,931	(5,505)	47,873
Laboratory equipment	11,598	8,958	-	20,556
Office equipment	-	228	(205)	23
	55,045	**19,117**	**(5,710)**	**68,452**

During the current financial year, management changed the presentation of the property, plant and equipment note by not disclosing capital work in progress as a separate asset class and combine it with Laboratory equipment as required by the accounting standard. The change in presentation is considered to be a reclassification and does not change the amounts disclosed on the statement of financial position, statement of comprehensive income and the statement of cash flows.

The amount disclosed in relation to the acquisition of assets in the Statement of Cash Flows represent the actual cash consideration paid and therefore excludes accruals made in relation to assets acquired but not yet paid.

3. INVESTMENT PROPERTY

	Note(s)	Group 2023 R`000	Group 2022 R`000	SABS 2023 R`000	SABS 2022 R`000
BALANCES AT YEAR END AND MOVEMENTS FOR THE YEAR					
Reconciliation for the year					
Balance at the beginning of the year					
At cost		12,983	12,984	236,362	239,369
Accumulated depreciation		(6,155)	(5,805)	(94,229)	(90,916)
Carrying amount		**6,828**	**7,179**	**142,133**	**148,453**
MOVEMENTS FOR THE YEAR					
Depreciation		(350)	(351)	(3,630)	(5,160)
Impairment loss recognised in profit or loss		-	-	(5,968)	-
Transfer from (to) inventories and owner- occupied property			-	1	(1,100)
Disposals		-	-	-	(60)
Investment property at the end of the year		**6,478**	**6,828**	**132,536**	**142,133**
Closing balance at the end of the year					
At cost		12,984	12,984	236,363	236,362
Accumulated depreciation and impairment		(6,506)	(6,156)	(103,827)	(94,229)
Carrying amount		**6,478**	**6,828**	**132,536**	**142,133**

Investment properties and significant components thereof are stated at the costs thereof. The investment properties were valued during the current financial period by Sarkhot and Associates, an independent valuer who holds a recognised and relevant professional qualification and has recent experience in the location and category of the investment property being valued. The fair value of investment properties was R18-million for the Group and R462-million for SABS in the 2023 financial year. There are no restrictions imposed on the realisability of investment properties.

During the current financial year, Sarkhot and Associates, an independent valuer with recognised and relevant professional qualification in property valuations, performed a valuation which resulted in impairment loss of R5.9-million for SABS.

	Note(s)	Group 2023 R`000	Group 2022 R`000	SABS 2023 R`000	SABS 2022 R`000
Amounts recognised in profit or loss					
Intercompany rental received in respect of land and buildings		-	-	43,695	43,638
Rental income from investment property		17,749	17,930	17,749	17,930
Direct operating expenses relating to investment properties that did not generate rental income		2,432	2,294	2,909	2,867
Direct operating expenses relating to investment properties that generated rental income		20,925	23,869	27,748	29,836

4. INTANGIBLE ASSETS

4.1 Reconciliation of changes in intangible assets

GROUP	R `000	R `000
	Computer software	Total
Reconciliation for the year ended 31 March 2023		
Balance at 1 April 2022		
At cost	78,591	78,591
Accumulated amortisation	(63,175)	(63,175)
Carrying amount	**15,416**	**15,416**
Movements for the year ended 31 March 2023		
Work in progress capitalisation	-	-
Additions	614	614
Amortisation	(1,989)	(1,989)
Impairment loss recognised in profit or loss	(1,172)	(1,172)
Intangible assets at the end of the year	**12,870**	**12,870**
Closing balance at 31 March 2023		
At cost	77,890	77,890
Accumulated amortisation	(65,020)	(65,020)
Carrying amount	**12,870**	**12,870**
Reconciliation for the year ended 31 March 2022		
Balance at 1 April 2021		
At cost	79,889	79,889
Accumulated amortisation	(65,714)	(65,714)
Carrying amount	**14,175**	**14,175**
Movements for the year ended 31 March 2022		
Additions	5,074	5,074
Amortisation	(3,833)	(3,833)
Intangible assets at the end of the year	**15,416**	**15,416**
Closing balance at 31 March 2022		
At cost	78,591	78,591
Accumulated amortisation	(63,175)	(63,175)
Carrying amount	**15,416**	**15,416**

SABS	R`000	R`000
	Computer software	Total
Reconciliation for the year ended 31 March 2023		
Balance at 1 April 2022		
At cost	53,888	53,888
Accumulated amortisation	(40,593)	(40,593)
Carrying amount	**13,295**	**13,295**
Movements for the year ended 31 March 2023		
Amortisation	(1,276)	(1,276)
Impairment loss recognised in profit or loss	(1,172)	(1,172)
Intangible assets at the end of the year	**10,847**	**10,847**
Closing balance at 31 March 2023		
At cost	52,573	52,573
Accumulated amortisation	(41,726)	(41,726)
Carrying amount	**10,847**	**10,847**
Reconciliation for the year ended 31 March 2022		
Balance at 1 April 2021		
At cost	49,850	49,850
Accumulated amortisation	(37,982)	(37,982)
Carrying amount	**11,868**	**11,868**
Movements for the year ended 31 March 2022		
Additions	4,038	4,038
Amortisation	(2,611)	(2,611)
Intangible assets at the end of the year	**13,295**	**13,295**
Closing balance at 31 March 2022		
At cost	53,888	53,888
Accumulated amortisation	(40,593)	(40,593)
Carrying amount	**13,295**	**13,295**

4.0.1 Capital - work in progress

		Group		SABS	
	Note(s)	2023 R`000	2022 R`000	2023 R`000	2022 R`000
Computer software					
Opening balance		11,453	6,554	10,417	6,554
Additions		264	4,899	-	3,863
Transfers to completed assets		(1,300)	-	-	-
Impairment		(1,172)	-	(1,172)	-
		9,245	**11,453**	**9,245**	**10,417**

During the current financial period, management changed the presentation of the Intangible assets note by not disclosing capital work in progress as a separate asset class and combine it with Computer software as required by the standard. The change in presentation is considered to be a reclassification and does not change the amount disclosed on the statement of financial position, statement of comprehensive income and the statement of cash flows.

5. INVESTMENT IN SUBSIDIARIES

The entity's principal subsidiary is:

		Note(s)	SABS 2023 R'000	SABS 2022 R'000
Name	**Ownership**			
SABS Commercial SOC Ltd	100%			
Opening balance			100,000	-
Impairment of investment in subsidiary reversed			-	100,000
			100,000	**100,000**

During the financial year ended 31 March 2022, the SABS reversed impairment in subsidiary previously recognised in the profit and loss in full.

An independent service provider was engaged to estimate the fair market value of SABS Commercial SOC Ltd as at 31 March 2023. They had appraised a fully marketable, controlling ownership interest in the business SABS Commercial SOC Ltd in accordance with internationally accepted appraisal standards. The valuation of SABS Commercial SOC Ltd as at 31 March 2023 was R143 592 470.

Fair value hierarchy for the valuation was categorised at level 3 given that the shares in SABS Commercial are not publicly traded and there is no active market for these shares.

The results obtained from the following three methods under the Income Approach were used to provide an estimate for the valuation of SABS Commercial:

- Discounted Cash Flow method- Deterministic
- Discounted Cash Flow method- Probabilistic
- Capitalisation of earnings

The Probabilistic Discounted Cash Flow Method accounts for the uncertainties in future cash flows more accurately. Each risk is specifically accounted for in the risk distribution formula. A higher weighting was assigned to this calculation method.

The fair rate of return (FRR) comprises five elements:

- The risk-free pre-tax return available to the investor (GLT).
- The normal tax rate of the investor (NTR).
- The systematic risk premium (SRP)
- The beta modifying the systematic risk premium (BTA).
- The unsystematic risk premium (URP).

The formula used to arrive at the fair rate of return for discounting cash flow in a valuation is: FRR = GLT x (1 – NTR) + Beta (SRP) + URP.

Description	DCF Deterministic	DCF Probabilistic	Capitalisation of earnings
Pre-tax risk-free rate	11.29%	11.29%	11.29%
Investors tax rate	27.00%	27.00%	27.00%
Systematic risk premium	7.30%	7.30%	7.30%
Beta	0.54	0.54	0.54
Small company premium	5.20%	5.20%	5.20%
Unsystematic risk	5.60%	3.60%	7.60%

Description	DCF Deterministic	DCF Probabilistic	Capitalisation of earnings
Fair Rate of return- calculated	22.96%	20.96%	24.96%
Long Term Growth Rate	5.00%	5.00%	5.00%
Capitalisation Rate	17.96%	15.96%	19.96%

SABS Commercial SOC Ltd

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

	SABS	
	2023 R'000	2022 R'000
Revenue	427,176	417,765
Other income	25,584	36,273
Grant from holding entity	-	19,091
Expenditure	(384,891)	(378,960)
Operating profit/(loss)	**67,869**	**94,169**
(Finance costs)/interest received	(8,764)	(23,020)
Taxation	(18,352)	(20,849)
Profit for the year	**40,753**	**50,300**

The amounts included on the statements of financial position comprise the following:

	Note(s)	Group		SABS	
		2023 R `000	2022 R `000	2023 R `000	2022 R `000
Investments in subsidiaries		-	-	100,000	100,000

6. INVENTORIES

	Group		SABS	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
Consumable stores	4,345	4,021	4,345	4,021
Obsolete stock written off	(23)	(59)	(23)	(59)
	4,322	**3,962**	**4,322**	**3,962**

No amounts other than obsolete stock were recognised as expense during the year (2022: R59 000).

7. TRADE AND OTHER RECEIVABLES

	Group		SABS	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
Trade receivables	194,629	187,979	9,735	10,076
Trade receivables impairment	(36,264)	(36,049)	(865)	(1,066)
Trade receivables - net	158,365	151,930	8,870	9,010
Deposits and payments in advance	10,331	7,214	10,096	6,951
Employee costs in advance	1,434	1,249	197	78
Other receivables	1,345	-	-	-
Total trade and other receivables	**171,475**	**160,393**	19,163	16,039

Trade receivables are discounted at an effective rate of 7,5% (2022: 7,75%). No interest is charged on overdue accounts. The credit period is 30 days from date of invoice. The carrying amounts approximate their fair value. No individual customer represents more than 10% of the Group's trade receivables.

The ECL allowance on trade receivables has been determined by reference to the IFRS 9 expected credit loss model and the current economic environment. No ECL allowance has been determined for other receivables as there is no history of default. The Company applied the simplified approach and the results of the model was utilised as the base case with adjustments thereafter that affected the base ECL as discussed below.

The group identified debt that has an extremely high probability of becoming bad debt write offs in the next financial year. It was considered prudent to include all such amounts at a 100% ECL. These includes:

- Prescribed invoices that have exceeded the three year period of prescription
- Adverse history of debts - customers that have been placed into provisional liquidation, final liquidation, final de-registration or business rescue
- Foreign withholding tax - Instances where foreign governments withhold a certain percentage of payments as part of their fiscal policy
- Debt that is likely to be prescribed as 31 March 2024

The Group identified that all invoices included on the year end credit note accrual that should not be included in the ECL calculation. These are not included as they will be credited and as such there is no possibility of them eventually being written off as a bad debt in the next financial year.

Within the context of ECL model the above was implemented by overriding the PD, LGD and DF all to 0%.

A PD scalar of 1.23 was applied to account for the macroeconomic sensitivity. 20 percentage points were added representing the difference of median default rate based on historic data to maximum default rate.

The credit period is 30 days from date of invoice. The carrying amounts approximate their fair value. No individual customer represents more than 10% of the Company's trade receivables.

ECL allowance of trade receivables:

	Group R'000	SABS R'000
Balance at 1 April 2021	(39,663)	(898)
Amount written off	13,313	309
Allowance for expected credit losses	(9,699)	(477)
As at 31 March 2022	**(36,049)**	**(1,066)**
Amount written off	15,551	2,250
Allowance for expected credit losses	(13,891)	(369)
Reversal of expected credit losses	-	195
As at 31 March 2023	**(34,389)**	**1,010**

Age analysis of trade and other receivables

As at 31 March 2023, the age analysis of trade and other receivables is as follows:

	Total	Not past due	Past due			
			> 30 days	> 60 days	>90 days	> 120 days
Group						
2023						
Carrying value (R'000)	195,975	60,617	15,782	14,819	6,836	97,921
	100%	31%	8%	8%	3%	50%
Impairment (R'000)	36,265	2,302	989	1,304	765	30,905
	100%	6%	3%	4%	2%	85%
2022						
Carrying value (R'000)	186,104	33,785	22,296	13,321	9,384	107,318
	100%	18%	12%	7%	5%	58%
Impairment (R'000)	36,049	2,988	1,654	1,248	999	29,160
	100%	8%	5%	3%	3%	81%
SABS						
2023						
Carrying value (R'000)	9,735	3,287	1,261	2,378	12	2,797
	100%	34%	13%	24%	0%	29%
Impairment (R'000)	865	96	71	177	1	520
	100%	11%	8%	20%	0%	60%
2022						
Carrying value (R'000)	8,201	3,619	702	502	150	3,228
	100%	44%	9%	6%	2%	39%
Impairment (R'000)	1,066	101	76	39	20	830
	100%	4%	7%	4%	2%	78%

8. INVESTMENT AT FAIR VALUE THROUGH PROFIT AND LOSS

	Note(s)	Group 2023 R'000	Group 2022 R'000	SABS 2023 R'000	SABS 2022 R'000
Opening balance		132,738	120,335	132,738	120,335
Profits on financial assets measured at FVTPL		3,223	10,980	4,793	10,980
Dividend		357	210	-	210
Interest		1,213	1,213	-	1,213
Closing balance		**137,531**	**132,738**	**137,531**	**132,738**

These investments are held in various diversified portfolios and are intended to create a base of plan assets to cover post-employment medical benefits and capital expansions.

9. LOANS TO/(FROM) GROUP COMPANY

Loan to/ (from) group company comprises the following balances:

	Note(s)	SABS 2023 R'000	SABS 2022 R'000
Loans to SABS Commercial SOC Ltd			
Balance at 1 April		18,822	17,067
Increase in loan to SABS Commercial SOC Ltd		64,737	380,675
Repayment of loan by SABS Commercial SOC Ltd		(88,000)	(389,424)
Interest income		5,643	10,827
Loan balance		1,202	19,145
ECL allowance		52	(323)
Balance at 31 March		**1,254**	**18,822**
Non-current assets		-	18,822
Current assets		1,254	-
		1,254	**18,822**

The interest on the loan is rated by mutual agreement and the loan is repayable 367 days after demand, but no later than 31 March 2050. In March 2020, interest rate payable per loan agreement was amended as of 1 April 2020 to prime rate plus 50 basis points. Furthermore, the addendum included a limit to the loan facility of R500-million and the fact that SABS Commercial shall be entitled to make early repayments and settle the loan in full or in part at any time before March 2050 which was effective immediately. SABS Commercial SOC Ltd was a subsidiary throughout the year and was directly held.

The ECL is a product of the probability of default (PD) and the loss given default (LGD). LGD of 45% proposed for SA corporates by South African Reserve Bank and supported by Credit Agencies was used as a basis of the maximum loss that an entity would experience during a loss event. This is also in line with Global Credit data. Given that the counterparty in the intercompany loan being assessed is a South African government backed public entity – SABS Commercial, there is insufficient data available to accurately assess and calculate a loss rate or PD from historical performance. Instead the PD estimate is arrived at by using the information and credit risk ratings available from Moody's. The PD is estimated from the credit risk rating provided by Moody's which is mapped to a PD. The group has measured the loss allowance at an amount equal to 12 month ECL.

Reconciliation of the ECL allowance of loan receivable

	SABS
	R'000
Balance at 1 April 2021	(153)
Allowance for expected credit losses	(323)
As at 31 March 2022	**(476)**
Reversal of expected credit losses	52
As at 31 March 2023	**(424)**

10. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in current assets:

	Group		SABS	
Cash	2023 R'000	2022 R'000	2023 R'000	2022 R'000
Cash on hand	-	10	-	10
Balances with banks	285,474	133,133	263,661	23,837
Other cash and cash equivalents	195,283	273,047	112,796	273,047
	480,757	**406,190**	**376,457**	**296,894**

The Group has cash management facilities, resulting in all bank balances being swept daily into the accounts held by SABS and SABS Commercial SOC Ltd. Short-term deposits are made for varying periods between one day and six months, depending on the immediate operational cash requirements of the Group, and earn interest based on the respective short-term deposit dates. The funds are available on demand and there are no restrictions placed on the funds except for the portion of funds earmarked specifically and exclusively for the acquisition of assets for the group amounting to R189.5-million (2022: R170-million).

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

The carrying value of cash and cash equivalents approximates fair value due to the short-term maturity of these instruments. The effective interest rate of money market instruments is 8.25% at 31 March 2023 (2022: 4.42%).

11. DEFERRED TAX

	Group		SABS	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
Temporary differences				
Accelerated wear and tear for tax purposes on property, plant and equipment	(8,057)	(10,899)	-	-
Intangible assets	(253)	(272)	-	-
Right of use assets	(16,546)	(25,442)	-	-
Lease liabilities	22,993	32,941	-	-
Other deductible temporary differences				
Employee related provisions	17,186	16,747	-	-
Doubtful debt allowance	5,744	5,877	-	-
Income received in advance	16,847	15,672	-	-
Temporary differences recognised in comprehensive income	(4,245)	(3,558)	-	-
Discounting of debtors	(49)	(21)	-	-
Deferred tax asset/(liability)	33,620	31,045	-	-
Deferred tax movement				
The movement for the period in the Group's deferred tax positions was as follows:				
Opening balance	31,045	40,619		
Tax rate change	(1,235)	-	-	-
Temporary differences on property, plant and equipment	2,452	2,163	-	-
Temporary differences on intangible assets	8	297	-	-
Temporary differences on right of use assets	7,989	12,862	-	-
Temporary differences on lease liabilities	(8,770)	(12,571)	-	-
Temporary differences on employee related provisions	1,037	(1,948)	-	-
nces on income received in advance	1,730	1,925	-	-
Temporary differences on tax losses	-	(11,672)	-	-
Reversing temporary differences on other deductible temporary differences	(786)	14	-	-
Temporary difference on expected credit loss allowance	77	(635)	-	-
Temporary differences on discounting debtors	73	(9)	-	-
Closing balance	**33,620**	**31,045**	**-**	**-**
Deferred tax liability				
Balance at the beginning of the period	31,045	40,619	-	-
Current year charge				
- per the statement of comprehensive income	(686)	14	-	-
- deferred tax assets/(liability)	3,261	(9,588)	-	-
Closing balance	**33,620**	**31,045**	**-**	**-**
Reflected in the statement of financial position as follows:				
Deferred tax assets	33,620	31,045	-	-
Deferred tax assets	**33,620**	**31,045**	**-**	**-**

12. GENERAL RESERVE

	Group		SABS	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
Balance	54,282	54,282	54,282	54,282

Ministerial approval has been granted to build up a general reserve to a maximum of 50% of one year's operational expenses, to provide for aspects such as replacement of assets and other contingencies. No funds have been transferred to the reserve during the period under review as it was not required.

13. OTHER COMPONENTS OF EQUITY

	Note(s)	Group		SABS	
		2023 R'000	2022 R'000	2023 R'000	2022 R'000
Employee benefits					
Opening balance		32,989	31,602	20,793	19,370
Movements during the period					
Remeasurement of defined liability		3,627	1,373	1,085	1,423
Tax expense		(686)	14	-	-
Closing balance		**35,930**	**32,989**	**21,878**	**20,793**

14. PROVISIONS

	Note(s)	Group		SABS	
		2023 R'000	2022 R'000	2023 R'000	2022 R'000
Other salary related provisions		1,566	1,436	1,566	1,436

Other salary related provisions - relates to backpay of salaries as a result of a CCMA case. The amount reflects the difference between the amount awarded by the CCMA and the amount determined legal experts. The CCMA erred in their calculation as the backpay period was in excess of the maximum 24 months as prescribed by Law. The Group has lodged a review application which is expected to be finalised during the 2024 financial year after which the final payment will be made if not successful.

Other salary related provisions	Note(s)	Group		SABS	
		2023 R'000	2022 R'000	2023 R'000	2022 R'000
Opening balance		1,436	-	1,436	-
Provisions		131	1,436	131	1,436
Closing balance		**1,567**	**1,436**	**1,567**	**1,436**

15. TRADE AND OTHER PAYABLES

	Group		SABS	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
Trade payables	85,664	67,678	25,406	26,185
Contract liabilities	23,876	27,368	7,532	9,993
Short-term employee obligations	32,113	35,340	12,084	15,342
Amounts received in advance	31,359	21,121	31,359	21,121
Tax payable	7,287	11,262	-	-
Total trade and other payables	**180,299**	**162,769**	**76,381**	**72,641**
Non-current assets	-	-	-	-
Current assets	180,299	162,769	76,381	72,641
	180,299	**162,769**	**76,381**	**72,641**

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

The amount disclosed as contract liabilities at the end of 2022 has been recognised as revenue in the current reporting period.

16. LEASE LIABILITIES AND RIGHT-OF-USE ASSETS

	Group		SABS	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
Liabilities	12,067	24,411	7,838	16,662
Interest	1,161	1,421	806	690
Payment	(7,256)	(16,644)	(3,568)	(12,392)
Additions	3,103	2,064	2,660	2,063
Remeasurement of lease liability	-	815	-	815
	9,075	**12,067**	**7,736**	**7,838**
Non-current assets	796	2,251	687	1,217
Current assets	8,279	9,816	7,049	6,621
	9,075	**12,067**	**7,736**	**7,838**

Exposure to liquidity risk

Refer to note 31 Financial risk management for the details of liquidity risk exposure and management. The maturity analysis of lease liabilities are disclosed in note 31.

16.2 Right-of-use assets

The group leases several vehicles. The average lease term is Three years. The group leases several buildings. The average lease term is 54 months. The group has one license lease and one lease of machinery. The average lease term is Three years. Details pertaining to leasing arrangements, where the group is the lessee are presented below:

Net carrying amounts of right-of-use assets

The carrying amounts of right-of-use assets are included in the following line items:

	Group		SABS	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
Buildings	958	2,841	-	-
Motor vehicles	23	837	-	411
IT equipment	1,308	1,990	1,308	1,991
Computer software	6,059	10,196	6,059	10,197
	8,348	**15,864**	**7,367**	**12,599**
The additions to the right of use assets are as follows:				
Remeasurements	-	815	-	815
Buildings	-	-	-	-
Computer software	**-**	**815**	**-**	**815**
Additions				
Buildings	413	2,064	-	2,064
Computer software	2,690	-	2,690	-
	3,103	**2,064**	**2,690**	**2,064**
Depreciation recognised on right-of-use assets				
Depreciation recognised on each class of right-of-use assets is presented below.				
Buildings	2,294	2,591	-	-
Motor vehicles	814	1,439	411	748
IT equipment	683	226	683	226
Computer software	6,827	5,597	6,827	5,563
	10,618	**9,853**	**7,921**	**6,537**
Other disclosures				
Interest expense on lease liabilities	1,161	1,423	806	690
Leases of low value assets included in operating expenses	1,056	968	-	(16)
Short term leases	567	-	-	-
Variable lease payments not included in the measurement of lease liabilities included in operating expenses	15	105	-	-
	2,799	**2,496**	**806**	**674**

The variable lease payments relate to a strategic partnership with a customer as explained in note 19.6. Due to the dependency of the lease payments on services to be rendered by SABS it is impractical to determine future cashflows. Lease payments are equal to 10% of revenue generated from the customer which is unknown into the future.

17. DEFERRED INCOME

	Group		SABS	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
Opening balance - Plant and equipment	399,949	416,605	332,448	344,308
Additional infrastructure grant received	21,739	-	21,739	-
Grant utilised to pay debtors	-	(167)	-	-
Grant funding received	(16,961)	(21,739)	(9,167)	(12,763)
Rental Income adjusted	(903)	903	(903)	903
Total Grant received from Sanedi	-	4,347	-	-
Closing balance	**403,824**	**399,949**	**344,117**	**332,448**
Deferred income not yet utilised	163,745	169,940	143,509	140,900
Deferred income utilised - released as the asset is depreciated	240,072	230,009	200,608	191,548
Non-current portion	388,045	381,605	334,950	322,121
Current portion	15,779	18,344	9,167	10,327
	403,824	**399,949**	**344,117**	**332,448**

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

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

The useful life of the relevant assets are:

- Bio fuel - 5 years
- Netfa encapsulated sphere - 5 years
- Laboratories - 50 years
- Set top boxes project - 3 to 10 years
- National Electrical Test Facility (Netfa) short circuit laboratory - 3 to 10 years
- Thermal test chamber - 10 years
- Computer equipment - 3 years

18. EMPLOYMENT BENEFIT OBLIGATIONS

18.1 Defined contribution plans

Retirement benefits are provided for through the SABS Retirement Fund to which the organisation and its employees,contribute. This fund operates as a defined contribution fund and is administered in terms of the Pension Funds Act, 1956 (Act No. 24 of 1956, as amended. Refer to note 21 for amounts recognised as an expense for defined contribution plans.

Post-employment healthcare benefits obligation

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

The funding of the liability is being managed through the Group's investments (refer to note 8). Valuations of these obligations are carried out annually by independent qualified actuaries. The most recent valuation was done as at 31 March 2023.

If an eligible employee is younger than age 55, employed before 1 September 1998 and not on a medical aid at the valuation date, it is assumed that the employee will join the medical aid before retirement and will receive the post- retirement healthcare benefit. These employees were included in the liability. At the reporting date, the Group had 374 (2022: 396) pensioners and 40 (2022: 46) active employees, whilst the SABS had 280 (2022: 301) pensioners and 10 (2022: 13) active employees entitled to the benefit.

Eight in-service employees have ceased being employed by the group and SABS

The total outstanding liability amounts to R61.8-million per the valuation performed during March 2023 (2022: R65,5-million)

	Group		SABS	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
Opening balance	65,457	67,003	41,393	43,675
Provisions made	6,349	6,134	3,911	3,889
Benefits paid	(6,385)	(6,307)	(5,603)	(4,750)
Remeasurements (Other component of equity)	(3,628)	(1,373)	(1,085)	(1,421)
Total liability	**61,793**	**65,457**	**38,616**	**41,393**

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

	Group		SABS	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
Actuarial gain/(loss) - change in financial assumptions	3,898	1,160	2,038	625
Experience gain	(270)	213	(953)	796
	3,628	**1,373**	**1,085**	**1,421**

The amount recognised in the statement of profit and loss for the year ended 31 March 2021 is determined as follows:

	Group		SABS	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
Current service cost	175	191	47	56
Interest cost	6,174	5,942	3,864	3,833
	6,349	**6,133**	**3,911**	**3,889**
Present value of the obligation				
Opening balance	65,457	67,003	41,393	43,675
Current service cost	175	191	47	56
Interest cost	6,174	5,942	3,864	3,833
Benefits paid	(6,385)	(6,308)	(5,603)	(4,750)
Actuarial (gain)/loss - change in financial assumptions	(3,898)	(1,159)	(2,038)	(625)
Experience (gain)/loss	270	(212)	953	(796)
Closing balance	**61,793**	**65,457**	**38,616**	**41,393**

18.2 Long service leave obligation

The Group provides employees employed before 1 March 2008 with three additional leave days after five years of service and another three days after ten years of service. Employees annual leave entitlement is increased with these days. The Group's net obligation in this regard is the amount of future benefit that employees have earned in return for their services in current and prior periods. The obligation is valued annually by independent qualified actuaries. Any unrecognised actuarial gains or losses and past service costs are recognised immediately. There are no plan assets for this liability. At the reporting date, the Group and SABS had 188 (2022: 196) and 57 (2022: 61) employees entitled to the benefit respectively.

The total outstanding liability amounts to R13.0-million (2022: R13.7-million).

	Group		SABS	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
Opening balance	13,669	15,805	4,667	5,282
Provisions made	2,298	437	749	281
Benefits vesting	(2,297)	(2,573)	(813)	(896)
Net liability in statement of financial position	**13,670**	**13,669**	**4,603**	**4,667**
Present value of funded obligations	**13,670**	**13,669**	**4,603**	**4,667**

The amount recognised in the statement of profit and loss for the year ended 31 march 2022 is determined as follows:

	Group		SABS	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
Current service cost	749	830	259	281
Interest cost	1,115	1,154	380	384
Actuarial loss - change in financial assumptions	(607)	56	(195)	18
Experience (loss)/gain	1,041	(1,603)	305	(402)
	2,298	**437**	**749**	**281**
Present value of the obligation	13,669	15,805	4,667	5,282
Current service cost	749	830	259	281
Interest cost	1,115	1,154	380	384
Actuarial (gain)/loss - change in financial assumptions	(607)	56	(195)	18
Experience (gain)/loss	1,041	(1,603)	305	(402)
Benefits vesting	(2,297)	(2,573)	(813)	(896)
Closing balance	**13,670**	**13,669**	**4,603**	**4,667**

18.3 Defined benefit obligation - current and non-current portion

	Group		SABS	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
Non-current				
Post-employment healthcare benefit	55,371	59,117	33,802	36,558
Long service leave	11,286	11,435	3,784	3,885
	66,657	**70,552**	**37,586**	**40,443**
Current				
Post-employment healthcare benefit	6,422	6,340	4,814	4,835
Long service leave	2,384	2,234	818	781
	8,806	**8,574**	**5,632**	**5,616**

18.4 Significant assumptions

Significant assumptions

The significant assumptions used in determining post-employment healthcare benefit and long service leave obligations are discussed below:

Post employment healthcare benefit obligation

- **Discount rate assumption** - The Group have set the discount rate by taking the average yields from the zero coupon SA Government bond curve with a duration of between 10 and 15 years. The recommended discount rate as at 31 March 2023 is 10.51%. The source is the Johannesburg Stock Exchange through Inet BFA data service. The duration for the previous valuation was between 10 and 15 years and resulted in a discount rate of 9.90%.
- **Future inflation assumption** - The general inflation assumption is used to estimate the base rate for determining the rate at which the future healthcare subsidies will increase. The Group have estimated the market's pricing of inflation by comparing the yields on nominal bonds to the yields on real bonds on the yield curve for bonds with a duration of between 10 and 15 years. The implied inflation assumption is therefore 5.24% per annum for future inflation. The source is the Johannesburg Stock Exchange through Inet BFA data service. The inflation assumption used for the previous valuation 5.41%.
- **Valuation method** - The accrued service liability is calculated by valuing all future payments expected to be made in respect of the benefits accrued up to the valuation date. The liability for pensioners in receipt of the subsidy is fully accrued for. Allowance has been made in these calculations for increase in line with inflation.

Long service leave award obligation

- **Discount rate** - The discount rate required by IAS 19 should be set with reference to the market yield on high quality corporate bonds. However, where there is no deep market in corporate bonds, which is the case in South Africa, IAS 19 requires the discount rate to be based on yields of government bonds. IAS 19 places emphasis on matching the discount rate to the duration of the liabilities. The discount rate have been set by using the best-fit discount rate as at 31 March 2023, based on the yields from the zero-coupon government bond curve. The best fit has been determined considering the cashflow-weighted duration of the liabilities, which is approximately 5 years. The recommended discount rate is 9.31%. The source is the Johannesburg Stock Exchange through Inet BFA data service. The duration for the previous valuation was 6 years and resulted in a discount rate of 8.86%.
- **Future salary inflation assumption** - The Group assumed that future salary inflation will exceed general inflation by 5.63% per annum. The implied salary inflation assumption is therefore 6.23% per annum.
- **Valuation Method** - The accrued service liability is calculated by valuing all future leave and payments expected to be made in respect of benefits accrued up to the valuation date. Allowance has been made in these calculations for salary increase where applicable and for investment returns up to the date that the benefit is received.

	GROUP	
	2023 R'000	2022 R'000
Discount rate per annum		
Post employment healthcare benefit obligation	10,51%	9,90 %
Long service leave award obligation	9,31%	8,86 %
Salary inflation		
Long service leave award obligation	5,63%	6,23 %
General inflation		
Post employment healthcare benefit obligation	5,24%	5,41%
Long service leave award obligation	5,63%	6,23%
Post-retirement mortality		
Post employment healthcare benefit obligation - Mortality during employment	SA 85-90 (Light) rated down 1 year for males and females	
Post employment healthcare benefit obligation - Mortality during employment	PA(90) -1 with a 1% mortality improvement p.a from 2010	
Expected retirement age - Males and females	SA 85-90 (Light) rated down 1 year for males and females	
Post employment healthcare benefit obligation	60/63 years	63 years

*The assumed retirement age is 63 for all employees, employed before 1 September 2000 and 60 for all employees, employed after 1 September 2000. No allowance was made for early retirement.

18.5 Sensitivity analysis - Post-employment healthcare benefit obligation

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

Below the effects on the obligation as at 31 March 2023 (central basis liability) results when assumptions are increased or decreased on:

	Group		SABS	
	Liability R'000	Change in liability %	Liability R'000	Change in liability %
Post employment mortality Age rating				
+1 year	59,571	(4)%	37,085	(4)%
Central	61,793	-	38,616	-
-1 year	64,025	4%	40,162	4%
Discount rate				
+1%	57,408	(7)%	36,281	(6)%
Central	61,793	-	38,616	-
-1%	66,859	8%	41,264	7%
Salary inflation				
+1%	66,919	8%	41,279	7%
Central	61,793	-	38,616	-
-1%	57,303	(7)%	36,239	(6)%

Future sensitivity on service and interest cost (March 2024)	Group		SABS	
	Service Cost R'000	Interest Cost R'000	Service Cost R'000	Interest Cost R'000
Discount rate				
+1 %	153	6,248	38	3,906
Central	175	6,165	44	3,811
-1 &	203	6,060	50	3,700
Post employment mortality				
+1 year	171	5,933	43	3,652
Central	175	6,165	44	3,811
-1 year	178	6,399	45	3,974

18.6 Sensitivity analysis - Long service leave award obligation

Below the effects on the obligation on 31 March 2023 (central basis liability) results when the assumptions are increased and decreased by:

	Group		SABS	
	Liability R'000	Change in liability %	Liability R'000	Change in liability %
Discount rate				
+1%	13,107	(4)%	4,419	(4)%
Central	13,670	-	4,602	
-1%	14,280	4%	4,799	4%
Salary inflation				
+1%	14,229	4%	4,781	4%
Central	13,670	-	4.602	
-1%	13,145	(4)%	4,433	(4)%
Normal retirement age				
+2 years	15,387	13%	5,214	13%
Central	13,670	-	4,602	-
-2 years	11,793	(14)%	3,904	(15)%

Future sensitivity on service and interest cost	Group		SABS	
	Service Cost R'000	Interest Cost R'000	Service Cost R'000	Interest Cost R'000
Discount rate				
+1 year	688	1,232	234	414
Central	714	1,164	243	391
-1 year	743	1,089	252	365
Average retirement age				
+2 years	806	1,323	277	448
Central	714	1,164	243	391
-2 years	615	993	205	328

18.7 Five year summary

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

	2023 R'000	2022 R'000	2021 R'000	2020 R'000	2019 R'000
Post-employment healthcare obligation benefit					
Present value of obligation	61,793	65,457	67,003	73,780	78,170
Actuarial gains/(losses)	3,628	1,371	(8,326)	(6,586)	(5,119)
Long service leave award					
Present value of obligation	13,670	13,669	15,805	21,679	24,352
Actuarial (losses)/gains	(433)	(1,547)	(5,448)	(2,221)	(849)

19. REVENUE

19.1 Revenue from contracts with customers

	Group		SABS	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
Sale of Standards	34,626	30,618	34,626	30,618
Laboratory Services	151,878	144,084	-	-
Intercompany sale of standards	-	-	953	1,549
Management fees - Design Institute	-	-	-	-
Certification	263,818	265,052	-	-
Training	9,195	8,629	-	-
	459,517	**448,383**	**35,579**	**32,167**

19.2 Disaggregation of revenue from contracts with customers

The company disaggregates revenue from customers as follows:

	Group		SABS	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
Sale of goods				
Sale of Standards	17,514	13,744	17,514	13,744
Intercompany sale of standards	-	-	953	1,549
	17,514	**13,744**	**18,467**	**15,293**
Rendering of services				
Laboratory Services	151,880	144,084	-	-
Certification	263,819	265,052	-	-
Training	9,195	8,629	-	-
	424,894	**417,765**	**-**	**-**
Other revenue				
Standards - subscription fees	17,111	16,874	17,111	16,874
Total revenue from contracts with customers	**459,519**	**448,383**	**17,111**	**16,874**
TIMING OF REVENUE RECOGNITION				
At a point in time				
Sale of goods	17,514	13,744	17,514	13,744
Laboratory Services	151,880	21,890	-	-
Certification (Pre assessment audits)	19,036	144,084	-	-
Training	9,194	8,629	-	-
Intercompany sale of standards	-	-	953	1,549
	197,624	**188,347**	**18,467**	**15,293**
Over time				
Certification	244,782	243,162	-	
Standards - Subscription fees	17,111	16,874	17,111	16,874
	261,893	**260,036**	**17,111**	**16,874**
Total revenue from contracts with customers	**459,517**	**448,383**	**35,579**	**32,167**

19.3 Transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the reporting date

The transaction price which has been allocated to performance obligations which are unsatisfied or partially unsatisfied at the reporting date are presented below. Due to the nature of the work performed in the Laboratory Services division it will be onerous to reliably estimate the expected completion dates of unsatisfied performance obligations at reporting date, depending on the nature of the tests performed completion could range from two weeks to three years. All unsatisfied performance obligations related to Certification division are expected to be completed within one year from reporting date.

Transaction price allocated to (to be recognised in future periods):

	Group		SABS	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
Laboratory services	29,264	14,139	-	-
Certification	11,289	3,884	-	-
	40,553	**18,023**	**-**	**-**

19.4 Group performance obligations

Training - The company recognises revenue when its performance obligations are met. This occurs at a point in time when the course is complete. Training services are invoiced once the training has been provided thus when the Company has satisfied its performance obligations. Payment of the transaction price is due 30 days from date of invoice.

Pre Assessment Audit (Certification) - The company recognises revenue from the pre-assessment audit once the audit has been completed, thus at a point in time. Work performed under the pre-assessment audit is invoiced upon completionof the audit. For credit customers payment is 30 days from date of invoice.

The Right of Use of Mark Scheme (Certification) - The company recognises revenue from the right of use of the mark scheme on a straight line basis over the term of the contract (period of Three years). As the amount of work required to be performed under these contracts do not vary significantly from month-to-month, the straight-line method provides a faithful depiction of the transfer of goods or services.There are compliance audits performed over the contract period for both system and product mark schemes. Billing related to the right of use under the mark scheme varies from monthly to quarterly to annually. For credit customers payment is 30 days from date of invoice.

Laboratory Services - The company provides laboratory services to customers. The laboratory services comprise of Product and Witness testing. The revenue for laboratory services is recognised at a point in time upon completion of the performance obligation. Laboratory services are invoiced upfront and payable in 30 days except for cash customers where payment is due on date of invoice.

19.5 Fair value of non-cash considerations

The company entered into strategic partnership in previous financial years with one of its customers whereby the customer leased to the company a technical equipment for use to conduct tests at a fee to all customers including the customer who is party to the partnership.

Control of the leased equipment which was delivered and installed at the company's premises will remain with the company for the duration of the lease period. Lease payments of 10% of revenue generated from the customer could not be recognised as the right of use asset and corresponding lease liability could not be determined at commencement.

Lease expense for the year of R15 190 was recognised in profit and loss. An amount of R15 190 was also recognised within laboratory services revenue as a fair value of non-cash consideration received for services rendered.

20. OTHER INCOME

Other income comprises:

	Group		SABS	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
Sundry income	10,343	18,201	10,008	7,753
Royalties received	-	-	1,879	1,917
Inter Company recoveries	-	-	-	-
Foreign exchange gains	2,932	2,383	473	1,814
Deferred income relating to expenditure recognised	-	2,392	-	2,392
Rentals received in respect of land and buildings	280	271	1,421	271
Intercompany rental received in respect of land and buildings	-	-	43,695	43,638
Income relating to SMME's	6,852	3,011	-	-
Dividends from investment	357	210	357	420
Rental income on investment property	17,749	17,930	17,749	17,930
Income recovery from dosimeters	4,508	6,758	-	-
Income recognised for local content verification	3,478	6,260	-	-
Fair Value adjustments on investment through profit and loss	3,203	10,980	3,203	10,980
Bad debts recovered	157	462	-	-
Dividends from investments	-	-	-	-
Deferred income iro government grants	16,962	21,739	9,167	12,763
Total other income	**66,821**	**90,597**	**87,952**	**99,879**

In prior years only certain Other Income items were disclosed whereas all other income items have been disclosed in the current year. Prior year comparative information have consequently also been included for fair presentation.

In analysing the other income items it was identified that certain internal charges between business units within SABS were incorrectly included in other income and other expenditure. This was corrected in the current year and the prior year comparative information was also corrected. Also refer to note 22 - Other operating expenditure and note 36 - Prior period errors.

21. EMPLOYEE BENEFIT EXPENSE

Employee benefits expense comprises:

	Group		SABS	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
Salaries and wages	321,059	335,373	141,116	157,129
Medical aid and other employment benefits	48,988	60,282	15,038	14,529
Pension contributions	22,302	37,826	9,621	15,758
Termination benefits	-	10,847	-	3,426
Board emoluments (Note 28)	580	-	580	-
Total employee benefits expense	**392,929**	**444,328**	**166,355**	**190,842**
Post-employment healthcare benefits (note 18)	6,349	6,133	3,911	3,889
Long service leave benefits (note 18)	2,298	437	749	280
	401,576	**450,898**	**171,015**	**195,011**

22. OTHER OPERATING EXPENDITURE

Other operating expenditure comprise:

		Group		SABS	
	Note(s)	2023 R'000	2022 R'000	2023 R'000	2022 R'000
Administrative expenses		-	-	-	(47)
Allowance/(Reversal) of allowance for expected credit losses		214	(3,613)	(201)	168
Assessment rates and municipal charges		66,278	69,925	64,469	68,443
Auditors remuneration		6,488	6,244	5,045	4,924
Bad debts		15,551	13,313	2,250	309
Calibration cost		2,947	1,844	4	2
Computer expenses		10,498	13,343	10,437	13,111
Consumables		6,432	3,616	297	80
ECL allowance/(reversal of allowance) on loan to subsidiary			-	(52)	326
Exchange losses	15	3,998	542	2,190	73
Fines and penalties		4,235	(217)	2,578	-
General expenses		6,033	13,381	5,501	7,537
Impairment of assets		7,141	-	7,141	-
Insurance		3,284	2,664	3,253	2,664
Legal expenses		1,142	1,577	1,142	1,577
Loss/(gain) on disposal of property,plant and equipment		52	(45)	29	(164)
Membership fees		4,808	5,411	3,571	4,737
Outsourced laboratory services		12,482	7,643	-	-
Postage		2,983	3,708	171	437
Printing and stationery		2,155	2,191	1,185	1,041
Recruitment cost		1,451	116	1,449	110
Reversal of impairment of investment in subsidiary		-	-	-	(100,000)
Royalties - Deductible		728	846	634	597
Short term leases and low value items		2,618	992	1,286	7
Telephone and fax		2,317	2,740	568	548
Training		3,102	2,552	3,076	2,381
Total other operating expenditure		**166,937**	**148,773**	**116,023**	**8,861**

In prior years only certain Other Operating Expenditure items were disclosed whereas all other income items have been disclosed in the current year. Prior year comparative information have consequently also been included for fair presentation. Also refer to note 20 for explanation of a prior period error.

23. FINANCE INCOME

Finance income comprises:

	Group		SABS	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
Bank balance	33,960	17,901	23,802	13,645
Interest received from subsidiaries	-	-	5,643	10,827
Interest on Investments FVTPL	1,233	1,213	1,233	1,213
Total finance income	**35,193**	**19,114**	**30,678**	**25,685**

24. FINANCE COST

Finance costs included in profit or loss:

	Group		SABS	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
Lease obligations	1,161	1,421	806	690
Interest on banking facilities and late payments	535	-	-	-
Interest on banking facilities and late payments	178	53	178	51
Total finance costs	**1,874**	**1,474**	**984**	**741**

25. INCOME TAX EXPENSE

	Group		SABS	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
Reconciliation of the tax expense				
Accounting profit	59,105	71,149	-	-
Accounting profit before income tax	**59,105**	**71,149**	**-**	**-**
Taxation at 27% (2022: 28%)	15,958	19,922	-	-
Tax effect of adjustments on taxable income				
Amounts not credited to the income statement	(10,171)	10,562	-	-
Movement in provision	(21,762)	(9,575)	-	-
Tax deducatible amounts not claimed in profit and loss	18,341	(22,180)	-	-
Non-deductible expenditure	16,847	19,965	-	-
Adjustment in resect of current income tax of previous year	2,397	-	-	-
Assessed loss brouht forward	-	(10,103)	-	-
Normal Taxation	**21,610**	**8,591**	**-**	**-**

	Group		SABS	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
Deferred tax on temporary differences	(4,492)	12,259	-	-
Rate change	1,234	-	-	-
Deferred taxation	**(3,258)**	**12,259**	-	-
Taxation	**18,352**	**20,850**	**-**	**-**
Deferred tax expense recognised directly in other comprehensive income	(686)	14	-	-

The SABS has been exempted from income tax in terms of the provisions of section 10(1)cA(I) of the Income Tax Act. The Group figures disclosed represents the SABS Commercial SOC Ltd taxation.

26. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Contigent liabilities

	Group		SABS	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
Third parties	**7,558**	**3,000**	**7,558**	**3,000**

The contingent liabilities are partly due to alleged negligence in testing products, which is largely covered by insurance, as well as CCMA employee disputes. The cases are still pending.

Contingent assets

The SABS has instituted legal proceeding against a lessee in which the entity obtained a court order for outstanding rental. The court order will be executed with the service of eviction summons. This has given rise to a contingent asset estimated at R0.3-million.

27. RELATED PARTIES

National Government and state-controlled entities

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

Principal related parties

Related party	**Country of incorporation**	**Nature of relationship**
SABS Commercial SOC Ltd	South Africa	Subsidiary

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

27.1 Loans receivable from/(payable) to related parties - SABS

	SABS	
	2023 R'000	2022 R'000
SABS Commercial SOC Ltd	1,254	18,822
Net loan receivable from group companies	**1,254**	**18,822**

27.2 Other group transactions - income

	SABS	
	2023 R'000	2022 R'000
Royalties received	1,879	1,917

27.3 Purchases from related parties

The following transactions were carried out with related parties within the ambit of **the dtic** (Executive Authority) and is included in trade and other payable balances. Refer to note 15:

	2023			
	Group		SABS	
	Purchases R'000	Balances Outstanding R'000	Purchases R'000	Balances Outstanding R'000
National Regulator for Compulsory Specifications	9	14	2	-
National Metrology Institute of South Africa	264	33	-	-
South African National Accreditations System	2,016	61	-	-
SABS Commercial SOC Ltd - Intercompany	953	-	-	-
the dtic	-	-	-	-
Industrial Development Corporation	-	28	-	-
National Consumer Commission	-	391	-	391
	3,242	**526**	**2**	**391**

	2022			
	Group		SABS	
	Purchases R'000	Balances Outstanding R'000	Purchases R'000	Balances Outstanding R'000
National Regulator for Compulsory Specifications	16	3	-	-
National Metrology Institute of South Africa	112	65	-	-
South African National Accreditations System	1,982	28	1,982	28
SABS Commercial SOC Ltd - Intercompany	-	-	-	-
the dtic	-	-	-	-
National Consumer Commission	-	903	-	903
	2,110	**999**	**1,982**	**931**

27.4 Related parties

	2023				2022			
	Sales and other R'000	ECL Allowance R'000	Bad debts written off R'000	Balances Outstanding R'000	Sales and other R'000	ECL Allowance R'000	Bad debts written off R'000	Balances Outstanding R'000
Group								
the dtic	-	-	-	-	304	-	-	204
National Regulator for Compulsory Specifications	19,176	247	-	2,878	13,050	172	155	4,089
National Metrology Institute of South Africa	176	4	-	44	182	3	-	29
South African National Accreditations System	726	90	1	705	431	40	-	38
National Consumer Commission	8,900	-	-	-	7,962	-	-	-
National Gambling Board	3	-	-	3	-	-	-	-
	28,981	**341**	**1**	**3,630**	**21,929**	**215**	**155**	**4,360**
SABS								
SABS Commercial SOC Ltd - Intercompany sale of standards	953	-	-	-	1,549	-	-	-
SABS Commercial SOC Ltd - Rentals: Land and Buildings	43,695	-	-	-	43,638	-	-	-
SABS Commercial SOC Ltd - Overheads recoveries	1,487	-	-	-	1,388	-	-	-
SABS Commercial SOC Ltd - Royalties Terms and conditions	1,879	-	-	-	1,917	-	-	-
National Regulator for Compulsory Specifications	11,506	16	-	472	10,090	99	-	2,425
National Metrology Institute of South Africa	19	2	-	19	16	-	-	-
South African National Accreditations System	726	90	1	705	431	40	-	38
National Gambling Board	3	-	-	3	**-**	-	-	-
National Consumer Commission	8,900	-	-	-	7,962	-	-	-
	69,168	**108**	**1**	**1,199**	**66,991**	**139**	**-**	**2,463**

27.5 Key management compensation

	Note	Committee fees R'000	Salary / director's fees R'000	Bonus / payments R'000	Retirement and medical fund R'000	Other R'000	Total R'000
Group - 2023							
Executive							
Dr Sadhvir Bissoon	^	-	451	-	67	62	**580**
Non-executive							
Jodi Scholtz	& #	-	-	-	-	-	**-**
Dr Tshenge Demana	& #	-	-	-	-	-	**-**
Dr Sandile Malinga	& %	-	-	-	-	-	**-**
Dr Rudzani Nemutudi	& %	-	-	-	-	-	**-**
Dr Mukondeleli Grace Kanakana-Katumba	& %	-	-	-	-	-	-

	Note	Committee fees R'000	Salary / director's fees R'000	Bonus / payments R'000	Retirement and medical fund R'000	Other R'000	Total R'000
Group - 2023							
Audit and Risk Committee paid by SABS							
Mr Tumisang Tshehlo	**	24	-	-	-	-	**24**
Ms Deidre Penfold	* %	33	-	-	-	-	**33**
Dr Nandipha Madiba	* %	56	-	-	-	-	**56**
Dr Ronald Josias	* %	33	-	-	-	-	**33**
Ms Gloria Mnguni	& %	-	-	-	-	-	**-**
Sikkie Kajee	*	50	-	-	-	-	**50**
Rene Van Wyk	*	35	-	-	-	-	**35**
		230	**451**	**-**	**67**	**62**	**810**

^ Appointed acting CEO on 19 January 2023
& Treasury guideline - Employees of national, provincial and local government or agencies and entities of Government serving on boards of public entities are not entitled to additional remuneration.
 # Term ended 17 February 2023
** Committee meetings - fees included in the group results*
*** Appointed on 17 February 2023 and resigned 17 April 2023*
% Appointed 17 February 2023

	Note	Committee fees R'000	Salary / director's fees R'000	Bonus / payments R'000	Retirement and medical fund R'000	Other R'000	Total R'000
SABS - 2023							
Executive							
Dr Sadhvir Bissoon	^	-	431	-	67	62	560
Non-executive							
Jodi Scholtz	& #	-	-	-	-	-	-
Dr Tshenge Demana	& #	-	-	-	-	-	-
Dr Rudzani Nemutudi	& %	-	-	-	-	-	-
Dr Mukondeleli Grace Kanakana-Katumba	& %	-	-	-	-	-	-
Audit and Risk Committee							
Mr Tumisang Tshehlo	**	24	-	-	-	-	**24**
MS Deidre Penfold	* %	33	-	-	-	-	**33**
Dr Nandipha Madiba	* %	56	-	-	-	-	**56**
Dr Ronald Josias	* %	33	-	-	-	-	**33**
Ms Gloria Mnguni	& %	-	-	-	-	-	**-**
Shabeer Khan	& #	-	-	-	-	-	**-**
Sikkie Kajee	*	50	-	-	-	-	**50**
Rene Van Wyk	*	35	-	-	-	-	**35**
		230	**431**	**-**	**67**	**62**	**790**

^ Appointed acting CEO on 19 January 2023
& Treasury guideline - Employees of national, provincial and local government or agencies and entities of Government serving on boards of public entities are not entitled to additional remuneration.
 # Term ended 30 November 2022
** Committee meetings - fees included in the group results*
*** Appointed on 1 December 2022 and resigned 17 April 2023*
% Appointed 01 December 2022

	Note	Committee fees R'000	Salary / director's fees R'000	Bonus / payments R'000	Retirement and medical fund R'000	Other R'000	Total R'000
Group - 2022							
Executive							
-							
Non-executive							
Jodi Scholtz	& #	-	-	-	-	-	-
Dr Tshenge Demana	& #	-	-	-	-	-	-
Audit and Risk Committee							
R Van Wyk		96	-	-	-	-	**96**
S Khan	&	-	-	-	-	-	-
S Kajee		85	-	-	-	-	**85**
		181	**-**	**-**	**-**	**-**	**181**

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

Appointed administrators - 14 September 2018.

	Note	Committee fees R'000	Salary / director's fees R'000	Bonus / payments R'000	Retirement and medical fund R'000	Other R'000	Total R'000
SABS - 2022							
Executive							
-							
Non-executive							
Jodi Scholtz	& #	-	-	-	-	-	-
Dr Tshenge Demana	& #	-	-	-	-	-	-
Audit and Risk Committee							
R Van Wyk		96	-	-	-	-	**96**
S Khan	&	-	-	-	-	-	-
S Kajee		85	-	-	-	-	**85**
		181	**-**	**-**	**-**	**-**	**181**

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

Appointed administrators - 14 September 2018.

Key management personnel compensation - other

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

	Note	Salary R'000	Bonus/ performance payments R'000	Retirement and medical fund R'000	Other (a) R'000	Total R'000
Group - 2023						
Executive management						
T Maharaj (CFO)	&	2,277	9	317	-	2,603
Dr S Bissoon (Standards)	^	1,825	9	266	-	2,100
LH Makele (Human Capital)		2,110	9	218	-	2,337
SABS		**6,212**	**27**	**801**	**-**	**7,040**
KJ Temba (Acting Executive Certification)		1,692	9	251	93	2,045
L Ntobongwana (Acting Executive: Customer Partnering)		1,599	9	129	86	1,823
Thabo Sepuru (Acting Executive: Laboratory Service)		1,312	9	113	70	1,504
Subsidiary		**4,603**	**27**	**493**	**249**	**5,372**
SABS GROUP		**10,815**	**54**	**1,294**	**249**	**12,412**
Group - 2022						
Executive management						
T Maharaj (CFO)		2,225	-	294	-	2,519
Dr S Bissoon (Standards)		2,100	-	320	-	2,420
LH Makele (Human Capital)		2,101	-	212	-	2,313
SABS		**6,426**	**-**	**826**	**-**	**7,252**
KJ Temba (Acting Executive Certification)		1,561	-	242	180	1,983
L Ntobongwana (Acting Executive: Customer Partnering)		1,552	-	126	168	1,846
Thabo Sepuru (Acting Executive: Laboratory Service)		1,248	-	110	136	1,494
Subsidiary		**4,361**	**-**	**478**	**484**	**5,323**
SABS GROUP		**10,787**	**-**	**1,304**	**484**	**12,575**

& *Resignation 17 April 2023*

^ *Appointed acting CEO on 19 January 2023*

27.6 Transfer of assets (to)/from related parties

There was no transfer of assets in the current year (2022: R3.9 million)

	SABS	
	2023 R'000	2022 R'000
WIP transfer to subsidiary	-	3,912
SABS - assets transferred from subsidiary	-	-
	-	**3,912**

27.7 Government grants

There was no transfer of a grant in the current year to SABS Commercial SOC Ltd (2022: R19.1-million cash transfer as an unconditional grant).

	Group		SABS	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
Received from **the dtic**	273,099	267,064	273,099	267,064
Grant funding transferred to SABS Commercial SOC Ltd from SABS	-	-	-	(19,092)
	273,099	**267,064**	**273,099**	**247,972**
Other government grants				
Received from SANEDI	-	4,348	-	-
	-	**4,348**	**-**	**-**

28. CHANGE IN ACCOUNTING ESTIMATES

Property, plant and equipment

The group assessed the useful lives of certain assets, and the result of the assessment was an increase/(decrease) in the remaining useful lives of some of these assets. The effect of the change in estimate for the current period is a decrease in depreciation of R3.3-million (SABS: R1.4-million) and an increase in future periods of R3.3-million (SABS: R1.4-milion).

29. EVENTS AFTER THE REPORTING DATE

The directors are not aware of any material event which occurred after the reporting date and up to the date of this report.

30. GOING CONCERN

At 31 March 2023, the SABS had accumulated surpluses of R733.6-million (2022: R683.3-million). Total assets exceeded total, liabilities by R809.8-million (2022: R785.4-million). The going concern consideration regarding the SABS subsidiary, SABS Commercial SOC Ltd is included below:

At 31 March 2023, SABS Commercial SOC Ltd had accumulated profit of R84.1-million (2022: R43.2-million) and the company' total assets exceed its liabilities by R198.1-million (2022: R155.4-million). This company has made profits in the last three years which is indicative of measures put in place to turn operations around.

The SABS Group continues to implement and evolve the turnaround strategy which has been endorsed by **the dtic.**

Management has implemented and continues to implement stringent cost-cutting and aggressive revenue generation initiatives. Management believes that the Group will continue to remain a going concern due to various initiatives currently being implemented.

The financial statements for the Group have thus been prepared on the basis of accounting policies applicable to a going concern.

31. FINANCIAL RISK MANAGEMENT

31.1 Foreign currency risk management

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

Forward exchange contracts - recognised transactions.

No forward exchange contracts were entered into during the financial year ended 31 March 2023 (2022: None)

Uncovered foreign exchange exposure.

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

	Group		SABS	
Foreign amount:	2023 R'000	2022 R'000	2023 R'000	2022 R'000
United States Dollar	(5,172)	5,543	(8,278)	(3,299)
Great Britain Pounds	-1412	696	(23)	272
Euro	(2,518)	403	46	394
Swiss Franc	613	351	426	351
Australian Dollar	(113)	-	-	-
Canadian Dollar	(14)	-	-	-
Danish krone	(2)	-	(2)	-

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

31.2 Interest rate risk management

The Group is exposed to interest rate risk as it places funds in the money market floating interest rates. Interest rate risk is managed through effective cash management. Finance income as at 31 March 2023 was R35-million (2022: R 19,1-million). Finance cost as at 31 March 2023 was R1,9-million (2022: R1,5-million). The exposure of financial assets and financial liabilities to interest rate risk is as follows:

	2023			2022		
	Interest bearing financial assets	Non-interest bearing financial assets	Total	Interest bearing financial assets	Non-interest bearing financial assets	Total
	Floating rate R'000	Other R'000	R'000	Floating rate R'000	Other* R'000	R'000
Group						
Cash and cash equivalents	480,757	-	480,757	406,190	-	406,190
Trade receivables	-	158,365	158,365	-	151,930	151,930
	480,757	**158,365**	**639,122**	**406,190**	**151,930***	**558,120**
SABS						
Cash and cash equivalents	376,457	-	376,457	296,894	-	296,894
Trade receivables	-	8,870	8,870	-	9,010	9,010
Loans to group companies	1,254	-	1,254	18,822	-	18,822
	377,711	**8,870**	**386,581**	**315,716**	**9,010**	**324,726**

*In prior year, other receivables were incorrectly disclosed as part of financial assets. This resulted in overstatement of balances disclosed above. This has since been corrected in the current year.

	2023			2022		
	Interest bearing financial liabilities	Non-interest bearing financial liabilities	Total	Interest bearing financial liabilities	Non-interest bearing financial liabilities	Total
	Floating rate R'000	Other R'000	R'000	Floating rate R'000	Other* R'000	R'000
Group						
Trade payables	-	85,664	85,664	-	67,678	67,678
Financial liabilities exposure to interest rate risk	**-**	**85,664**	**85,664**	**-**	**67,678**	**67,678**
SABS						
Trade payables	-	25,406	25,406	-	26,183	26,183
Financial liabilities exposure to interest rate risk	**-**	**25,406**	**25,406**	**-**	**26,183**	**26,183**

*In prior year, other payables were incorrectly disclosed as part of financial liabilities. This resulted in overstatement of balances disclosed above. This has since been corrected in the current year.

The following table demonstrates the sensitivity to a reasonable possible change in interest rate for the Group.

Group	Increase/decrease in basis points	Effect on profit (R'000)
2023		
Rand	+50	2,358
Rand	-50	(2,358)
2022		
Rand	+50	2,031
Rand	-50	(2 031)

31.3 Liquidity risk management

The Group manages liquidity risk through the compilation and monitoring of cash flow forecasts as well as ensuring that there are adequate banking facilities. Trade and other payables are settled within 12 months for both the the Group and SABS. The maturity analysis relating to lease liability is based on undiscounted cash flows:

	Financial liabilities				
	Within 1 month R'000	1 - 3 months R'000	3 - 12 months R'000	1 - 5 years R'000	Total R'000
Group					
GROUP - 2023					
Financial Liabilities					
Financial liabilities amortised at cost					
Lease liabilities	7,434	522	1,383	845	10,184
GROUP - 2022					
Financial Liabilities					
Financial liabilities amortised at cost					
Lease liabilities	454	909	9,084	2,623	13,070

	Financial liabilities				
	Within 1 month R'000	1 - 3 months R'000	3 - 12 months R'000	1 - 5 years R'000	Total R'000
SABS					
SABS - 2023					
Financial Liabilities					
Financial liabilities amortised at cost					
Lease liabilities	7,246	147	671	719	8,783
SABS - 2022					
Financial Liabilities					
Financial liabilities amortised at cost					
Lease liabilities	137	275	6,531	1,503	8,446

31.4 Credit risk management

Credit risk is managed on a group basis (refer to note 7).

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

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

Trade receivables comprise a large number of customers, dispersed across different industries and geographical areas. Credit evaluations are performed on the financial condition of these debtors. Where appropriate, the necessary credit guarantees are arranged. Trade receivables are shown net of ECL allowance. Management assessed that there is minimum to no risk related to other receivables as disclosed in note 7.

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

The group applied IFRS 9 simplified approach to calculate expected credit losses for all trade receivables as they are considered to be month to month with an expected life of one month. A settlement rate analysis was performed during model development to assess the expected invoice settlement rate and it was determined that 51% of the invoices settled in the first month, 85% and 97% by 6 and 12 months respectively. It was determined then that this is sufficient to demonstrate that the expected life of their trade is 1 month and there is no significant financing components to their monthly invoice (no effective interest rate applied). It is also deemed unnecessary to incorporate a forward looking overlay on the probabilities of default. The group did not consider there to be any significant concentration of credit risk which had not been insured or adequately provided for.

The maximum exposure to credit risk is as follows:

	Group		SABS	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
Cash and cash equivalents	480,757	406,190	376,457	296,894
Trade receivables	158,365	151,930	8,870	9,010
Loan to group companies	-	-	1,254	18,822
	639,122	**558,120**	**386,581**	**324,726**

In prior year, other receivables were incorrectly disclosed as part of financial assets. This resulted in overstatement of balances disclosed above. This has since been corrected in the current year.

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

	Group		SABS	
	2023 %	2022 %	2023 %	2022 %
South Africa	97	97	75	77
Other	3	3	25	23
Total	**100**	**100**	**100**	**100**

31.5 Capital risk management

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

	Group		SABS	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
Trade payables	(85,665)	(67,678)	(25,406)	(26,185)
Lease liabilities	(9,075)	(12,067)	(7,736)	(7,838)
Cash and cash equivalents	480,757	406,190	376,457	296,893
	386,017	326,445	343,315	262,870
Equity	**930,453**	**838,891**	**809,769**	**758,470**

In prior year, other payables were incorrectly disclosed as part of financial liabilities. This resulted in overstatement of balances disclosed above. This has since been corrected in the current year.

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

31.6 Fair value of financial instruments

The carrying amount of all financial instruments approximated fair value.

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

Fair value hierarchy

The Group used the following hierarchy for determining and disclosing the fair value of the financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities
- Observable market data

As at 31 March 2023, the Group held the following financial instruments measured at fair value:

	Level 1 R'000	Total R'000
Group		
2023		
FVTPL - Equities and bonds	137,531	**137,531**
2022		
FVTPL - Equities and bonds	132,738	**132,738**
SABS		
2023		
FVTPL - Equities and bonds	137,531	**137,531**
2022		
FVTPL - Equities and bonds	132,738	**132,738**

The cost of the asset is deemed fair value.

There were no transfers between level 1 and level 2 in the year ended 31 March 2023 (2022: 0).

32. CASHFLOWS FROM OPERATING ACTIVITIES

	Group		SABS	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
Loss/(profit) before taxation	106,967	77,935	50,214	105,187
Adjustments for:				
Finance income	(35,193)	(19,114)	(30,678)	(25,685)
Finance costs	1,874	1,474	984	741
Plant and other equipment related government grants amortised	(16,961)	(21,739)	(9,167)	(12,763)
Depreciation on PPE	44,401	47,926	18,319	19,534
Depreciation on investment properties	351	351	3,630	5,158
Amortisation on intangible assets	1,988	3,833	1,276	2,612
Loss/(profit) on disposal of property, plant and equipment	52	(46)	29	(105)
Gains on foreign exchange	(2,932)	(2,383)	(473)	(1,813)
Losses on foreign exchange	3,999	543	2,189	73
FVTPL investment movement	(3,203)	(10,980)	(3,202)	(10,980)
Provision for employment benefit obligations	6,351	3,997	3,847	3,272
Employee benefits paid from provisions	(6,385)	(6,307)	(5,603)	(4,751)
Increase/(decrease) in ECL allowance of trade receivables	214	(3,613)	(201)	168
Dividend income	(357)	(210)	(357)	(210)
Expense transferred out of work-in-progress and assets	-	1,635	-	1,422
Reversal/allowance of ECL of loans to group companies	-	-	(52)	327
Movements in provisions	131	1,437	131	1,436
Bad debts written off	15,539	13,238	2,250	310
Inventory write-off	(23)	59	(23)	59
Deferred income expensed - opex for capex	-	(2,392)	-	(2,392)
Impairment reversal	-	-	-	(100,000)

	Group		SABS	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
Impairment of PPE and Investment property	7,141	-	7,141	-
Non-cash inter company transactions	-	-	(64,736)	(380,674)
Unpaid SARS penaltiesincluded in expenses	1,369	-	-	-
Transfer of assets to sub	-	-	1,020	-
Grant funded rental income adjustment	(904)	903	(904)	903
	124,419	**86,547**	**(24,366)**	**(398,171)**
Changes in working capital:				
Increase in inventory	(337)	597	(337)	597
Decrease/(increase) in trade and other receivables	(23,904)	11,922	(4,699)	5,124
(Decrease)/increase in trade and other payables	7,465	(89,916)	(1,902)	(36,939)
VAT receivable	(17,366)	(11,580)	(6,981)	17,618
	(34,142)	**(88,977)**	**(13,919)**	**(13,600)**
	90,277	**(2,429)**	**(38,285)**	**(411,771)**

33. INCOME TAX PAID

	Group		SABS	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
Amounts receivable / (payable) at the beginning of the year	(11,262)	-	-	-
Amounts (receivable) / payable at the end of the year	7,286	8,590	-	-
Taxation expense (credit)	(18,352)	(20,850)	-	-
Penalties	(1,368)	-	-	-
Interest expense	(515)	-	-	-
Less deferred tax included in taxation expense	(3,258)	12,259	-	-
	(27,469)	**(1)**	**-**	**-**

34. COMMITMENTS

Capital commitments

Commitments for the acquisition of property, plant and equipment:

	Group		SABS	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
Contracted	**61,958**	**71,859**	**42,072**	**41,381**

Capital commitments are funded through internally generated funds and grants received specifically and exclusively for that purpose.

35. IRREGULAR, FRUITLESS AND WASTEFUL DISCLOSURE AND NON-COMPLIANCE

During the current year, National Treasury issued a new PFMA Compliance and Reporting Framework for presenting the non-complaince, fruitless and wasteful expenditure and irregular expenditure that was effective on 03 January 2023. This framework replaces previous guidance.

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

	Group		SABS	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
Unauthorized expenditure	-	-	-	-
Irregular expenditure	2,476	3,616	2,307	2,818
Fruitless and wasteful expenditure	6,090	1,772	2,756	228
	8,566	**5,388**	**5,063**	**3,046**

36. NEW STANDARDS AND INTERPRETATIONS

Standards and interpretations not yet effective

The following standards and interpretations have been published and are mandatory for the company's accounting periods beginning on or after 01 April 2022 or later period but are not relevant to its operations.

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• IFRS 17 Insurance Contracts	1-Jan-23	Unlikely there will be a material impact
• Classification of Liabilities as Current or Non-current - Amendments to IAS 1	1-Jan-23	Unlikely there will be a material impact
• Definition of Accounting Estimates - Amendments to IAS 8	1-Jan-23	Unlikely there will be a material impact
• Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2	1-Jan-23	Unlikely there will be a material impact
• Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12	1-Jan-23	Unlikely there will be a material impact
• Amendment to IFRS 16 – Leases on sale and leaseback	1-Jan-24	Unlikely there will be a material impact

37. PRIOR PERIOD ERRORS

JOBS FUND

Group and SABS

SABS was an equal partner in a development project with Jobs Fund (National Treasury). SABS contributed more than Jobs Fund and consequently a receivable existed when the decision was taken to phase the project out. Jobs Fund exited the partnership in 2019 and after a period of reconciliation final reports were received on 31 March 2021. Management however omitted to write off the remaining receivable at this time and that there were some reversals due to incorrect accounting entries and expenditure incurred during the notice to withdraw which Jobs Fund has declined to reimburse. As a consequence retained earnings, Trade and other payables and trade and other receivables were overstated by R2.3-million, R1.3-million and R3.5-million for the year ended 31 March 2021 while bad debts write off and retained income was understated by R1.9-million for the 31 March 2023 respectively.

TRADE AND OTHER PAYABLES

Group

During the finalisation of the 2022 financial statements management incorrectly adjusted for prior period errors which were made in the re-classification of accounts receivable balances in credit. As a consequence it resulted in a understatement of other income and trade and other payables by R8,7-million as well as understatement of tax expense and tax payable by R2,4-million.

CONTRACT LIABILITIES

Group

During finalisation of the current year-end process management identified an error in the determination of the 2022 contract liabilities. The error identified resulted in an understatement of R 9 540 200 on accounts receivable and contract liabilities, and a consequential understatament of R2 671 256 on deferred tax and tax payable in the prior year.

INTERNAL CHARGES NOT SET OFF IN SABS

SABS

During the current year management identified an error on the prior year SABS separate AFS where internal charges between business units within SABS were not set-off against each other but incorrectly included in other operating expenditure and other income respectively. Whilst this had no impact on the profit for the year the items were incorrectly disclosed on the prior year AFS.

The impact of the errors on the financial statements

	Previously reported 2022 R'000	Impact R'000	Restated amount 2022 R'000
		Group	
Impact on the statement of financial position			
Trade and other receivables	154,364	6,030	160,394
Vat Receivable	3,024	(1,307)	1,717
Current assets	567,540	4,723	572,263
Total assets	1,486,845	4,723	1,491,568
Trade and other payables	(159,388)	(3,381)	(162,769)
Current liabilities	(197,558)	(3,381)	(200,939)
Total liabilities	(651,966)	(3,381)	(655,347)
Net impact on Accumulated profit	(747,609)	(4,014)	(751,623)
Net impact on equity	(834,879)	(4,014)	(838,893)
Impact on the statement of profit and loss			
Other income	(81,889)	(8,708)	(90,597)
Operating profit	(51,588)	(8,708)	(60,296)
Profit before taxation	(69,228)	(8,708)	(77,936)
Taxation	18,411	2,439	20,850
Profit for the period	(50,817)	(6,269)	(57,086)
Impact on statement of cashflows			
The errors had no impact on the statement of cashflows			

	Previously reported 202 R'000	Impact R'000	Restated amount 2021 R'000
	Group		
Impact on the statement of financial position			
Trade and other receivables	172,438	(3,510)	168,928
Vat Receivable	-	-	-
Current assets	634,672	(3,510)	631,162
Total assets	1,550,063	(3,511)	1,546,552
Trade and other payables	(235,008)	1,254	(233,754)
Current liabilities	(283,687)	1,246	(282,441)
Total liabilities	(767,388)	1,246	(766,142)
Net impact on Accumulated profit	(696,792)	2,265	(694,527)
Net impact on equity	(782,675)	2,265	(780,410)
Impact on the statement of profit and loss			
The errors had no impact on the statement of profit and loss			
Impact on statement of cashflows			
The errors had no impact on the statement of cashflows			

	Previously reported 2022 R'000	Impact R'000	Restated amount 2022 R'000
	SABS		
Impact on the statement of financial position			
Trade and other receivables	19,550	(3,511)	16,039
Current assets	324,990	(3,510)	321,480
Total assets	1,222,402	(3,510)	1,218,892
Accumulated profit	(685,649)	2,254	(683,395)
Impact on equity	(760,722)	2,252	(758,470)
Trade and other payables	(73,899)	1,258	(72,641)
Total current liabilities	(97,899)	1,258	(96,641)
Total liabilities	(461,680)	1,258	(460,422)
Total equity and liabilities	(1,222,402)	3,510	(1,218,892)
Impact on the statement of profit and loss			
Other income			
Other operating expenses	(119,236)	19,357	(99,879)
Operating profit	28,219	(19,357)	8,862
Profit before taxation	(80,241)	-	(80,241)
Profit for the period	(105,185)	-	(105,185)
	(105,185)	-	(105,185)
Impact on statement of cashflows			
The errors had no impact on the statement of cashflows			

	Previously reported 2021 R'000	Impact R'000	Restated amount 2021 R'000
	SABS		
Impact on the statement of financial position			
Trade and other receivables	22,082	(3,514)	18,568
Current assets	391,542	(3,513)	388,029
Total assets	1,175,948	(3,513)	1,172,435
Accumulated profit	(580,464)	2,258	(578,206)
Impact on equity	(654,116)	2,258	(651,858)
Trade and other payables	(111,905)	1,255	(110,650)
Total current liabilities	(139,525)	1,255	(138,270)
Total liabilities	(521,832)	1,255	(520,577)
Totl equity and liabilities	(1,175,948)	3,513	(1,172,435)
Impact on the statement of profit and loss			
The errors had no impact on the statement of profit and loss			
Impact on statement of cashflows			
The errors had no impact on the statement of cashflows			

ABBREVIATIONS AND **ACRONYMS**:

AFCFTA
African Continental Free Trade Area

AFS
Available-for-sale

AFSEC
African Electro-technical Standardisation Committee

ARSO
African Regional Standards Organisation

B-BBEE
Broad-Based Black Economic Empowerment

CEO
Chief Executive Officer

CFO
Chief Financial Officer

CGU
Cash generating unit

DCF
Discounted cash slow

EE
Employment equity

EIR
Effective interest rate

EME
Exempt micro enterprises

ERM
Enterprise wide management

GAAP
Generally Accepted Accounting Principles

GCS
Global Conformity Services

IAS
International Accounting Standard

IASB
International Standards on Auditing Board

ICT
Information communication technology

IEC
International Electro-technical Commission

IFRS
International Financial Reporting Standards

IIA
Institute of Internal Auditors

IPAP
Industrial Policy Action Plan

ISA
International Standards on Auditing

ISO
International Organisation for Standardization

IT
Information technology

KING IV
King Report on Governance for South Africa and the King Code of Governance Principles

KPI
Key performance indicator

LTIFR
Lost time injury incident frequency rate

LTI
Lost time injury

MI
Minor injury

MIIFR
Minor injury incident frequency rate

MWh
Megawatt hour

NDP
National Development Plan

NETFA
National Electrical Test Facility

NRCS
National Regulator for Compulsory Specifications

OCI
Other Comprehensive Income

PAA
Public Audit Act

PFMA
Public Finance Management Act

PPPFA
Preferential Procurement Policy Framework Act

QSE
Qualifying small enterprise

R&D
Research and development

RvA
Raad voor Accreditatie

SA
South Africa

SABS
South African Bureau of Standards

SADC
Southern Africa Development Community

SADCSTAN

Southern Africa Development Community Co-operation on Standardisation

SANAS
South African National Accreditation System

SANS
South African National Standards

SATR
South African Technical Report

SATS
South African Technical Specifications

SMME
Small, medium and micro-enterprise

SOC
State-owned Company

SOE
State-owned Enterprise

SQAM
Standards, Quality, Accreditation and Metrology

the dti
The Department of Trade and Industry

the dtic
The Department of Trade, Industry and Competition

TI
Technical Infrastructure

VAT
Value Added Tax

VDA
German Association of the Automotive Industry

WIP
Work-in-progress

ZAR
South African Rand

SABS

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