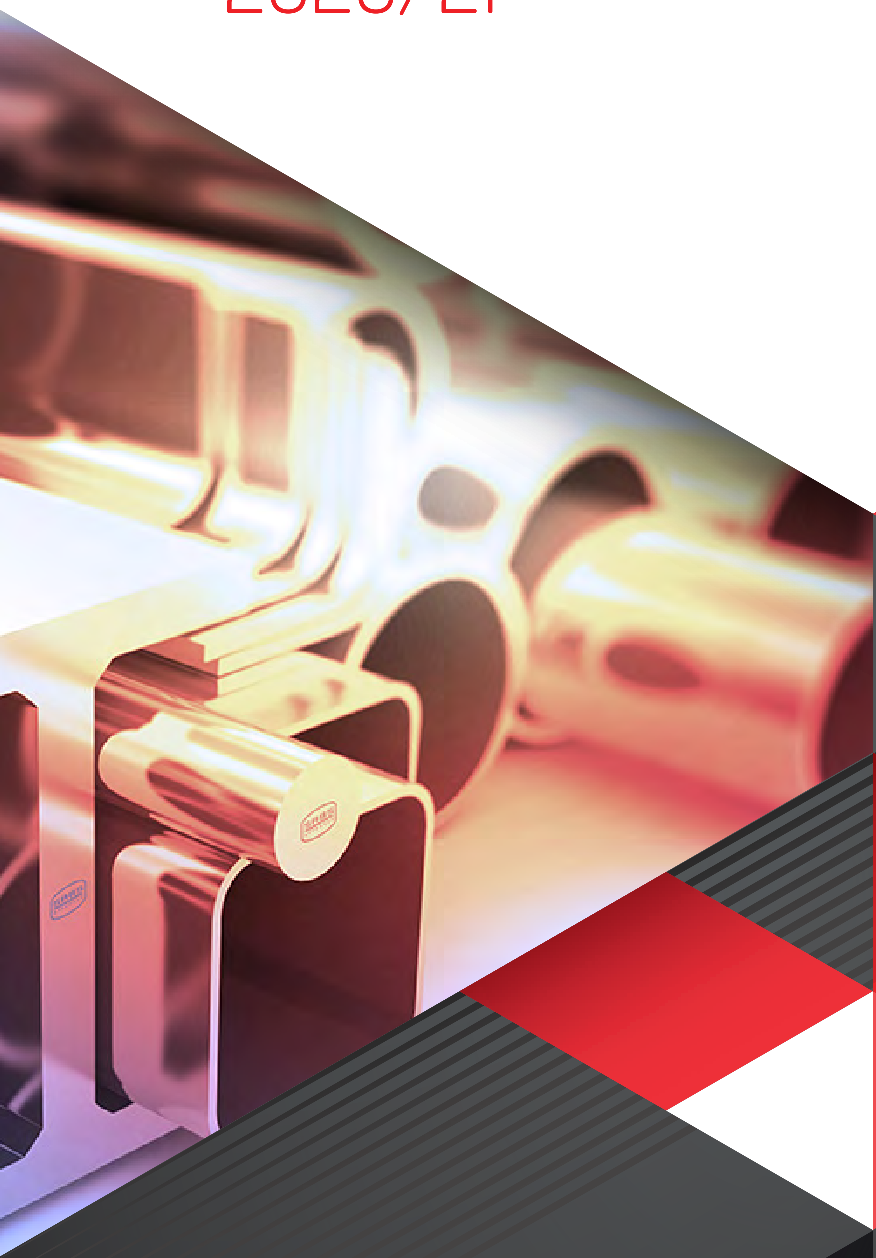
SABS

INTEGRATED ANNUAL REPORT 2020/21



GIVING YOU THE QUALITY EDGE

SABS

PERFORMANCE

OVERVIEW

Maintained accreditation from SANAS and RvA

Maintaining **7,848** national standards

Published **359** new standards of which **112** publications are home-grown

~**7,190** customers

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

R68.3 million invested in capital expenditure which includes **buildings and laboratory equipment**

Net loss of R43.6 million

Operating loss of R108.4 million

Supported **100 SMMEs**

Invested R1.4 million on staff training

LTIFR reduced to 0.0 per 200 000 hours worked

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PART D:
HUMAN RESOURCE MANAGEMENT

PART E:
FINANCIAL INFORMATION

REFERENCE INFORMATION:

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.

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 in 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.

THE SABS APPROACH

TO INTEGRATED REPORTING

The SABS is committed to the principles of integrated reporting as it aligns to the SABS' thinking and approach to long-term value creation and the role the SABS plays as a leading standards development, testing, certification and business solutions organisation. The report aims to provide the SABS stakeholders with a concise, material, transparent and understandable assessment of its governance, strategy, performance, and prospects.

SCOPE AND BOUNDARY OF REPORTING

Reporting Period

The SABS is pleased to present its 2020/21 Integrated Annual Report (IAR). It is the SABS' principal communication to stakeholders, and it is published once a year. This report covers the period 1 April 2020 to 31 March 2021 (FY2021) and reflects on the activities of the SABS and the SABS Commercial SOC Limited. Any material events after this date and up to the approval of the Accounting Authority on 10 September 2021 have also been included. The report also contains the Group's outlook, targets and objectives over the short-, medium- and long-term.

Financial and Non-financial Reporting

The report extends beyond financial reporting and includes non-financial performance, opportunities, risks and outcomes attributable to or associated with key stakeholders that have a significant influence on the ability to create shared value.

Targeted Readers

The SABS' Integrated Annual Report is the primary report to the provider of financial capital to the institution, being the government of the Republic of South Africa. It also provides information relevant to other key stakeholders, including the SABS clients, staff, government departments and institutions, regulators and the broader public.

Regulatory Reporting Requirements

The content of this report is aligned with the requirements of the International Integrated Reporting Framework (<IR> Framework) and, where appropriate, the King Code of Governance Principles for SA (King IV). As a Schedule 3B state-owned entity, it also aligns with the requirements of the Public Finance Management Act, 1999 (Act No. 1 of 1999) (PFMA). The Annual Financial Statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as well as the requirements of the PFMA.

INTEGRATED THINKING AND MATERIALITY

The SABS' value creation story (see page 24) is structured to reflect the relationship between the various elements involved in achieving its legislative mandate. By analysing the risks and opportunities identified in the operating context, the stakeholder engagement process and internally identified risks and opportunities, the focus is on matters that are most important to the SABS' value creation in the short-, medium- and long-term. These are utilised as points of reference to ensure the report covers those matters that have a bearing upon and could have a substantial effect on the ability of the SABS to deliver stakeholder value.

COMBINED ASSURANCE

The SABS applies a combined assurance model to provide assurance obtained from management and internal and external assurance service providers. The Auditor-General of South Africa (AGSA) and BDO Incorporated audited the consolidated annual financial statements for the 2020/21 financial year.

The SABS' financial, operating, compliance and risk management controls are assessed by the company's management team, reviewed by internal audit on a risk-assessed basis and the process is overseen by the Audit and Risk Committee.

FORWARD-LOOKING INFORMATION

This report contains certain forward-looking statements concerning the SABS' financial conditions, results, operations and businesses. These statements and forecasts involve risks and uncertainty as they relate to events and depend on circumstances that occur in the future. Various factors could cause actual results or developments to differ materially from those expressed or implied by these forward-looking statements.

RESPONSIBILITY OF THE ACCOUNTING AUTHORITY

The Accounting Authority, supported by the Audit and Risk Committee, has taken overall responsibility and accountability for this report. Executive management, assisted by a dedicated reporting team, was responsible for the preparation and consolidation of this report. The Accounting Authority has collectively reviewed this report and confirms the integrity of the content therein and believes that this report is a balanced and appropriate presentation of the profile and performance of the SABS.

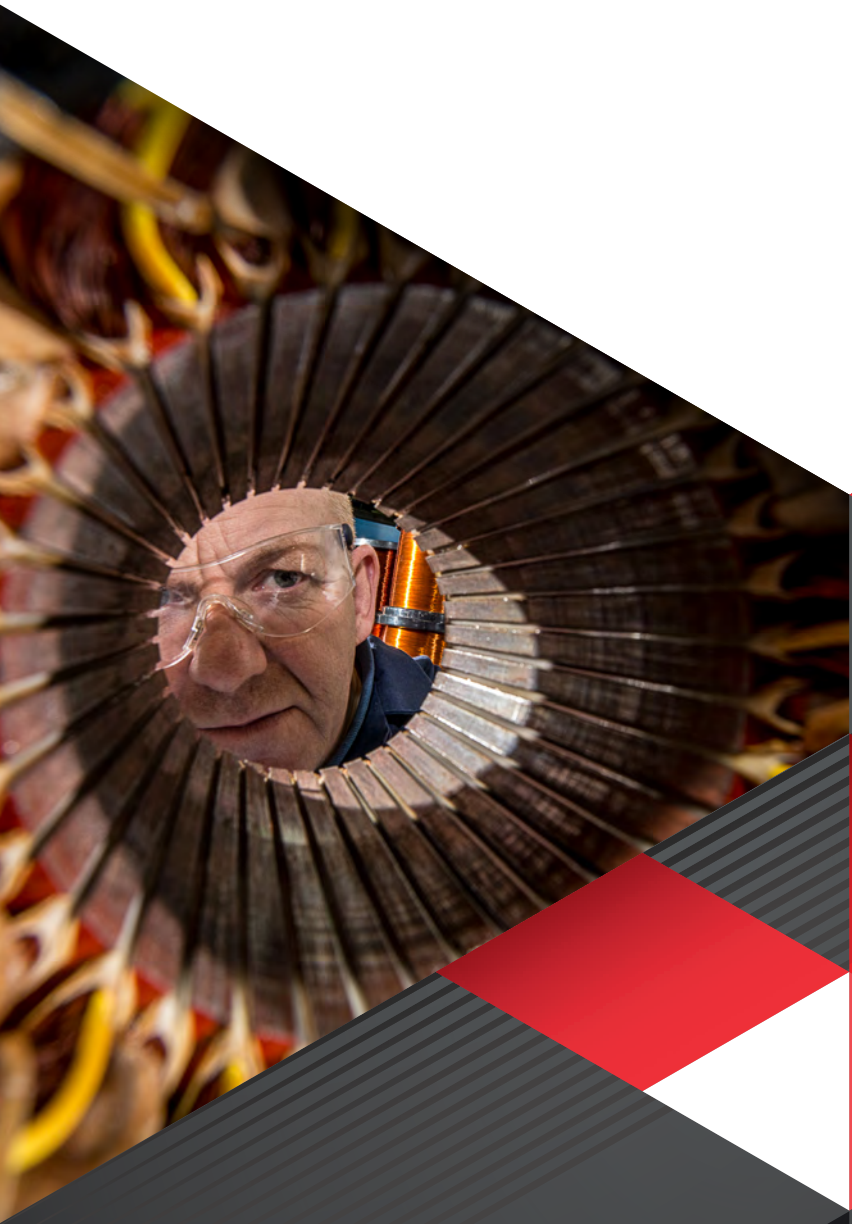
On recommendation from the Audit and Risk Committee, the Accounting Authority approved this report on 10 September 2021.

For and on behalf of the Accounting Authority

Ms Jodi Scholtz	**Dr Tshenge Demana**
Lead Administrator	Co-Administrator

PART A

GENERAL INFORMATION



01 | Minister's Foreword

Mr Ebrahim Patel
Minister of Trade, Industry and Competition

This Annual Report provides an account of the work of the South African Bureau of Standards (SABS) over the financial year ending in March 2021. This covers details of how the Bureau has discharged its statutory mandate to develop and promote national standards, to promote quality through the provision of conformity assessment services and to provide for the testing of goods and services in the South African economy.

Covid-19 affected the work of public and private institutions and the country lost talented persons. I wish to convey my condolences to the friends and families of all of our loved ones who passed away.

The SABS was one of many public entities that was called upon to play a role in combating the spread of the corona virus. It did so by providing supplier product vetting and inspection services to more than 1 500 products, it introduced a quick mechanism for the issue of letters of conformance (LoC) for product certification and made several business continuity standards available to business for free.

During this period the SABS was financially impacted by the economic slowdown and has experienced downward pressure on its cash collections which has resulted in increased financial strain on the bureau.

The Co-Administrators, who were appointed to develop and execute a turnaround plan and strategy, report that the SABS is now in the stabilisation phase of that plan after the SABS was place under administration. Although significant challenges still exist, such as the recapitalisation and modernisation of the laboratories, declining revenue collection and general economic slowdown, the SABS has managed to reduce its financial loss, implement cost containment measures and arrest the loss of customers.

With respect to the development of national standards the SABS has sustained it participation in international standards bodies, such as ISO, IEC and the African Organisation for Standardisation (ARSO) and reports that the work programme and the output of the national technical committees has been uninterrupted. The turnaround times to develop standards has improved from over 400 days down to 377 days and 359 new standards were promulgated. There is scope to improve further in these areas.

The SABS has maintained its various accreditations by the South African National Accreditation System (SANAS) and the Dutch accreditation body, RvA - Raad voor Accreditatie. This is the SABS' license to provide certification services and is fundamental to their continued ability to provide service to their customers.

In the coming financial year, the SABS will align its work to take account of and implement **the dtic**'s joint performance indicators, which are to:

- Increase industrialisation and localisation opportunities
- Increase export-readiness by South African firms, measured by knowledge of market opportunities and firm-level actions to utilise these opportunities, particularly irt the AfCFTA

- To assist strategic investment by enterprises (private and public) to support the growth of the South African economy,
- Contribute to intergovernmental action in implementation of the District Development Model towards district economic development,
- Promote a growing and inclusive economy,
- Grow the Green Economy and greening the economy, and
- Support functional, efficient and integrated services and entities to improve economic development and ease of doing business.

In closing I would like acknowledge the work done by the Co-Administrators, the independent Directors on the Audit and Risk Committee (ARC) and the Social and Ethics Committee (SEC), the Executive Committee and the SABS staff who have contributed to stabilise the national bureau of standards in the period under review. More will need to be done in the year ahead.

Mr Ebrahim Patel

Minister of Trade, Industry and Competition

02 | Lead Administrator's Foreword

Ms Jodi Scholtz
Lead Administrator
South African Bureau of Standards

GENERAL FINANCIAL REVIEW OF THE PUBLIC ENTITY

The impacts of the Covid-19 pandemic made it difficult to operate in a national economy that had been slowed down by reduced economic activity and this, in turn, had an impact on our operations. The SABS has, however, been able to stem the loss of customers, sustain and improve our cash collections and ensure that there were no interruptions in our operations. The management team quickly adapted to a hybrid-remote work strategy as we introduced a shift system in the laboratories and the customer contact centre, we also introduced remote audits for many of our certification customers and asked our staff members to work from home where possible.

During the year we conducted an organisational review which led us to the adoption of a new target operating model which includes a review of all job profiles and the skills required to staff this new structure. This was accompanied by a detailed implementation plan.

With respect to the financial achievement of the SABS, we generated a loss of R43.6 million for the FY2020-21 but failed to achieve important revenue targets in the Laboratory Services Division and the Training Academy. Certification exceeded its budget by R27.8 million and the sale of national standards also delivered positive results.

SPENDING TRENDS OF THE PUBLIC ENTITY

Spending on Administration and Operating Expenses during FY2020-21 was R756.6 million against an annual budget of R780.7 million. There were significant cost savings reflected in the consumables, local and foreign travel as well as in the marketing and communications categories. These were due to a decrease in economic activity resulting from the Covid-19 pandemic. Furthermore, the Bureau was able to renegotiate several supplier contracts, as part of our cost containment approach, and we were able to realise significant savings.

CAPACITY CONSTRAINTS AND CHALLENGES FACING THE PUBLIC ENTITY

The SABS continues to face several constraints that the administrators have not been able to fully resolve. There was a significant shortage of capital expenditure (CAPEX) which was required for the regeneration of the laboratories and other infrastructure of the organisation. In many laboratories, the shortage of available capital hampered efforts to modernise the testing infrastructure. However, good progress has been made on asset utilisation and during the December period of FY2020 the centralised pump room, which provides central heating, was reconditioned.

DISCONTINUED KEY ACTIVITIES/ACTIVITIES TO BE DISCONTINUED

During the last year the Small, Medium and Micro-Enterprises business unit, which provided consulting services to the small customer base was closed and relocated to the newly created consulting services group. As such the SABS will no longer report on SMME as a dedicated revenue item.

NEW OR PROPOSED KEY ACTIVITIES

The Corporate Scorecard for FY2021/22 requires that the SABS delivers new training products, new certification schemes and testing methods. The newly created Business Consulting (BSAS) group is preparing a set of Work Integrated Learning (WIL) solutions which we will take to market in the coming financial year. Furthermore, the SABS has created a new Business Partnering division that consolidates all marketing, sales, business development and customer services business units into a single unified structure that will improve the customer experience and will drive revenue generation.

SUPPLY CHAIN MANAGEMENT

Supply chain management is a critical component of the Turnaround Strategy, and the administrators can report vast improvements in this regard. There has been a decrease in audit findings and turnaround times on Requests for Proposal (RFP) has dropped to 45.6 days from 49.5 and Requests for Quotation (RFQ) have dropped to a turnaround of 20.4 days from an average of 29.5. Several supplier discounts were negotiated on ICT services, leases, sampling services, security services and travel management services to mitigate the slowdown in our operations.

ALL CONCLUDED UNSOLICITED BID PROPOSALS FOR THE YEAR UNDER REVIEW

During the FY2020/21, the SABS received a number of unsolicited bids. Regardless of the merit of these bids, the SABS did not engage in any of these offers and has nothing to report on the matter.

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

For the FY2020/21, BDO issued an audit opinion for the SABS Commercial (Pty) Ltd, namely, an unqualified opinion on the Financial Statement.

REQUESTS FOR ROLLOVER OF FUNDS

EVENTS AFTER THE REPORTING DATE

There have been no requests for the rollover of funds to the National Treasury (NT) and the Bureau has no significant prior events to report at the end FY2020/21.

OUTLOOK/PLANS TO ADDRESS FINANCIAL CHALLENGES

The SABS is currently going through Section 189 process, as per the Labour Relations Act, which could result in further offers of early retirement and voluntary severance packages to staff. This will be critial to bring the fixed cost of employment down and to align to the new operating model.

The Administrators will sustain the drive to improve laboratory operations and productivity. This will be achieved by the completion of the Laboratory Information Management System (LIMS) implementation. The Bureau is also at an advanced stage of rolling out the SABSCIMS in certification which will optimise auditor planning.

ACKNOWLEDGEMENTS

The SABS would like to thank Minister Mr E. Patel, Deputy Ministers Ms N. Gina and Mr F. Majola and Director-General Mr L. October of the Department of Trade Industry and Economic Development (**the dtic**), for their support and guidance during the year-under-review. This support has been invaluable and facilitated great alignment on important matters. We would also like to thank Dr Tshenge Demana, a co-administrator at the SABS; the non-executive members of the Audit and Risk Committee (ARC) and the Social and Ethics Committee (SEC); the Executive Management team; and all staff members of the SABS. A special mention must be made of the SABS customers who have operated under significantly difficult conditions brought on by the Covid-19 pandemic. We thank you for your continued support!

Ms Jodi Scholtz

Lead Administrator
South African Bureau of Standards

Date: 10 September 2021

03 | The SABS Leadership

EXECUTIVE MANAGEMENT [1 2]

JODI SCHOLTZ (48)
Lead Administrator

Date appointed as lead administrator:
6 February 2020

Date appointed to the SABS:
July 2018

Qualification:
MBA, BCom (Hons), BA: Arts & Postgraduate Diploma: Trade Policy

TINA MAHARAJ (40)
Chief Financial Officer

Date appointed as executive:
15 October 2018
(Acting CFO from 28 May 2018 to 14 October 2018)

Date appointed to the SABS:
1 September 2017

Qualification:
CA(SA), MBA & MCom: Tax

KATIMA TEMBA (42)
Executive: Certification Services (Acting)

Date appointed as acting executive:
1 March 2020

Date appointed to the SABS:
10 February 2014

Qualification:
MBA, BTech: Electrical Engineering & Diploma: Electrical Engineering: Electronics

THABO SEPURU (47)
Executive: Laboratory Services (Acting)

Date appointed as acting executive:
8 March 2021

Date appointed to the SABS:
1 May 2003

Qualification:
MSc: Applied Radiation Science and Technology, BSc: Chemistry and Physics, EDP

1 As at 31 March 2021.
2 A list of directorships is available from the Acting Company Secretary.

LUNGELO NTOBONGWANA (43)
Executive: Laboratory Services (Acting)

Date appointed as acting executive:
19 November 2019

Date appointed to the SABS:
1 August 2017

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

SADHVIR BISSOON (48)
Executive: Standards

Date appointed as executive:
1 August 2011

Date appointed to the SABS:
1 August 2003

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

LIZO MAKELE (51)
Executive: Human Capital

Date appointed as executive:
1 July 2018

Date appointed to the SABS:
1 July 2018

Qualification:
MBA, BTech: HR Management & MDP

04 | Confirmation of accuracy and fair presentation for the Annual Report

INTEGRATED ANNUAL REPORT AND ANNUAL FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2021

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 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 the International Financial Reporting Standards (IFRS). 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 2021. The performance information has been reported in accordance with the requirements of the guidelines on annual reports as issued by 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 2021.

In Respect of Material Issues

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

Preparation of the Annual Financial Statements

The financial results have been prepared under the supervision of Tina Maharaj CA (SA), the Chief Financial Officer of the SABS.

Ms Jodi Scholtz
Lead administrator

05 | Statement of Responsibility of the Accounting Authority

FOR THE YEAR ENDED 31 MARCH 2021

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

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

The Integrated Annual Report has been prepared in accordance with the guidelines as issued by National Treasury and the Annual Financial Statements, from pages 80 to 136, were prepared in accordance with the PFMA and IFRS.

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

The Lead Administrator, as the Accounting Authority, is responsible for the preparation of the Annual Financial Statements and the judgments made in this information.

The Accounting Authority, represented by the co-administrators, is responsible and accountable for the integrity of the Annual Financial Statements of the organisation and the objectivity of other information presented in the Integrated Annual Report.

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

The Auditor-General is engaged to express an independent opinion on the Annual Financial Statements. Their report is presented on pages 16 to19.

In our opinion, the Integrated Annual Report and Annual Financial Statements fairly reflect the operations, performance information, human capital information and financial affairs of the SABS for the financial year ended 31 March 2021.

Ms Jodi Scholtz
Lead administrator
10 September 2021

Dr T Demana
Co-Administrator
10 September 2021

06 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 th South African Bureau of Standards and its subsidiaries (the group) set out on pages 80 to 137, which comprise the consolidated and separate statement of financial position as at 31 March 2021, the consolidated and separate statement of profit or loss and other comprehensive income, the statement of changes in equity and statement of cash flows for the year then ended, as well as notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

2. In my opinion, the consolidated and separate financial statements present fairly, in all material respects, the financial position of the South African Bureau of Standards as at 31 March 2021, 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 auditor-general's responsibilities 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 International 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.

An uncertainty relating to the future outcome of litigation

7. With reference to note 30 to the financial statements, the public entity is the defendant in a lawsuit as well as the Commission for Conciliation, Mediation and Arbitration (CCMA) employee disputes. The public entity is also engaged in a consultation process in terms of section 189 of the Labour Relations Act 66 of 1995.

Subsequent event

8. I draw attention to note 33 in the financial statements, which deals with subsequent events and specifically the notice of consultations in terms of section 189 of the Labour Relations Act 66 of 1995. The public entity concluded a portion of the consultation process in July 2021, which resulted in voluntary severance packages and early retirement being offered to qualifying employees. An adjustment was subsequently made to the financial statements for these payouts.

Prior period error

9. As disclosed in note 37 to the financial statements, the corresponding figures for 31 March 2020 were restated as a result of an error in the financial statements of the public entity at, and for the year ended, 31 March 2021.

Responsibilities of the accounting authority for the consolidated and separate financial statements

10. The co-administrators, who constitute the accounting authority, are 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 consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

11. 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.

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

12. 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.

13. 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 AUDIT OF THE ANNUAL PERFORMANCE REPORT

Introduction and scope

14. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, I have a responsibility to report on the usefulness and reliability of the reported performance information against predetermined objectives for selected strategic objectives presented in the annual performance report. I performed procedures to identify material findings but not to gather evidence to express assurance.

15. My procedures address the usefulness and reliability of the reported performance information, which must be based on the public entity's approved performance planning documents. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures do not examine whether the actions taken by the public entity enabled service delivery. My procedures do not extend to any disclosures or assertions relating to the extent of achievements in the current year or planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.

16. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected strategic objectives presented in the public entity's annual performance report for the year ended 31 March 2021:

Strategic Objective	Pages in the annual performance report
Strategic objective 1 - creation of knowledge for dissemination of new technologies and innovative practices, that facilitates fair trade, supports policy, regulatory.and industrialisation objectives, and creates tool for conformity assessments to enhance confidence of products.	29 - 30

17. I did not identify any material findings on the usefulness and reliability of the reported performance information for this strategic objective:

- Strategic objective 1 - creation of knowledge for dissemination of new technologies and innovative practices, that facilitates fair trade, supports policy, regulatory.and industrialisation objectives, and creates tool for conformity assessments to enhance confidence of products.

Other matters

18. I draw attention to the matters below.

Achievement of planned targets

19. Refer to the annual performance report on pages 29 to 30 for information on the achievement of planned targets for the year.

Adjustment of material misstatements

20. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were in the reported performance information of strategic objective 1 - creation of knowledge for dissemination of new technologies and innovative practices, that facilitates fair trade, supports policy, regulatory and industrialisation objectives, and creates tool for conformity assessments to enhance confidence of products. As management subsequently corrected the misstatements, I did not raise any material findings on the usefulness and reliability of the reported performance information.

REPORT ON THE AUDIT OF COMPLIANCE WITH LEGISLATION

Introduction and scope

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

22. The material finding on compliance with specific matters in key legislation is as follows:

Annual financial statements

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

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

OTHER INFORMATION

25. The accounting authority is responsible for the other information. The other information comprises the information included in the annual report. The other information does not include the consolidated and separate financial statements, the auditor's report and those selected strategic objectives presented in the annual performance report that have been specifically reported in this auditor's report.

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

27. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements and the selected strategic objectives presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

28. I did not receive the other information prior to the date of this auditor's report. When I do receive and read this information, if 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

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

30. Management did not ensure that adequate controls were implemented to prepare accurate financial statements that agree with the supporting schedules and are presented in line with the reporting standards. This resulted in material adjustments to the financial statements impacting on compliance with legislation.

OTHER REPORTS

31. I draw attention to the following engagement conducted by me 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. This report did not form part of my opinion on the financial statements or my findings on the reported performance information or compliance with legislation.

32. An agreed-upon procedures engagement was performed on royalties payable by the public entity for the period 1 January 2020 to 31 December 2020. 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. The report covered the period 1 January 2020 to 31 December 2020, and was issued to the accounting authority on 5 May 2021.

Auditor-General

Pretoria
14 September 2021

AUDITOR-GENERAL
SOUTH AFRICA
Auditing to build public confidence

Annexure - Auditor-general's responsibility for the audit

1. 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 strategic objectives and on the public entity's compliance with respect to the selected subject matters.

FINANCIAL STATEMENTS

2. In addition to my responsibility for the audit of the 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 by the co-administrators, who constitute the accounting authority
   - conclude on the appropriateness of the accounting authority's use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the ability of the South African Bureau of Standards to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify my opinion on the 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 financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation
   - obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

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

4. I also provide the accounting authority with a statement that I have complied with relevant ethical requirements regarding independence, and 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.

07 | Strategic Overview

VISION AND CORE VALUES

A business's core values are those highest aspirational values that guide a firm's actions, unite its employees, and define its brand.

VISION

We are the trusted standardisation and business assurance solution provider of choice

CORE VALUES

CONFIDENTIALITY
Being respectful of the need to safeguard confidential information shared with us

COURTESY
Being polite, civil and showing good manners to all we engage with

COLLABORATION
The process of two or more people or organisations working together to complete a task or achieve a goal

PROFESSIONALISM
Observing the highest standards in regards to being reliable; delivering work of the highest quality, on-time; and behav-ing in a manner worthy of the SABS creed

KNOWLEDGE-DRIVEN
Proactively seeking information and knowledge that always enables one to deliver the best possible relevant solutions, providing thought-leadership in areas of focus, and leading knowledge development in the sector

TRANSPARENCY
Being open in all communication and engagements

GOOD GOVERNANCE
Describes how the SABS will conduct public affairs and manage public resources in an effective and responsible manner

RESPONSIBILITY
Doing what is expected of us

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 processes
- Creating and maintaining a high-performance culture

THE SABS VALUE PROPOSITION

- The SABS has the largest pool of auditors and is accredited over the largest number of schemes in South Africa
- It has the largest number of laboratories and it is the only entity able to test high and low voltage electrical equipment in Africa
- In certain instances, it has the only laboratory in the country
- All accreditation bodies that are used by the SABS are IAF accredited

08 | Legislative Mandates of the SABS

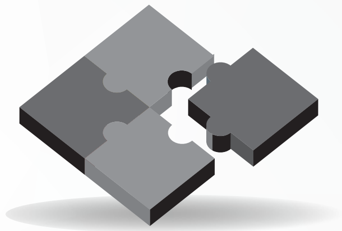
The SABS is the apex national standardisation institution in South Africa, established by the Standards Act, 1945 (Act No. 24 of 1945), and continues to exist under the Standards Act, 2008 (Act No. 8 of 2008).

The SABS is a Schedule 3B public entity under the Public Finance Management Act, 1999 (Act No. 1 of 1999) (PFMA). The objectives of the SABS are to:

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

VISION

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



MISSION

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

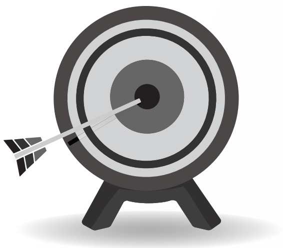
In order to achieve its vision, the SABS aims to…

STRATEGY

- 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

The implementation of the strategy is supported by the following set of

VALUES



- Transparency
- Professionalism
- Confidentiality
- Courtesy
- Responsibility
- Good Governance
- Collaboration
- Knowledge-driven

BRANDS

SABS APPROVED

SABS ISO 9001

SABS ISO 14001

SABS ISO 45001

MEMBERSHIPS

ISO

PASC PACIFIC AREA STANDARDS CONGRESS

IEC

ARSO

SADC STAN

AFSEC

ACCREDITATION OF THEVSABS COMMERCIAL SOC

sanas South African National Accreditation System

RAAD VOOR ACCREDITATIE

SABS FUNDING MODEL

THE SABS IS FUNDED THROUGH:

Annual grant transfer from the fiscus

Revenue generated from conformity assessment, testing and training

THESE FUNDS ARE USED TO

Support standards development and promotion activities as well as subsidise certain verification services such as local content verification as well as investment in infrastructure

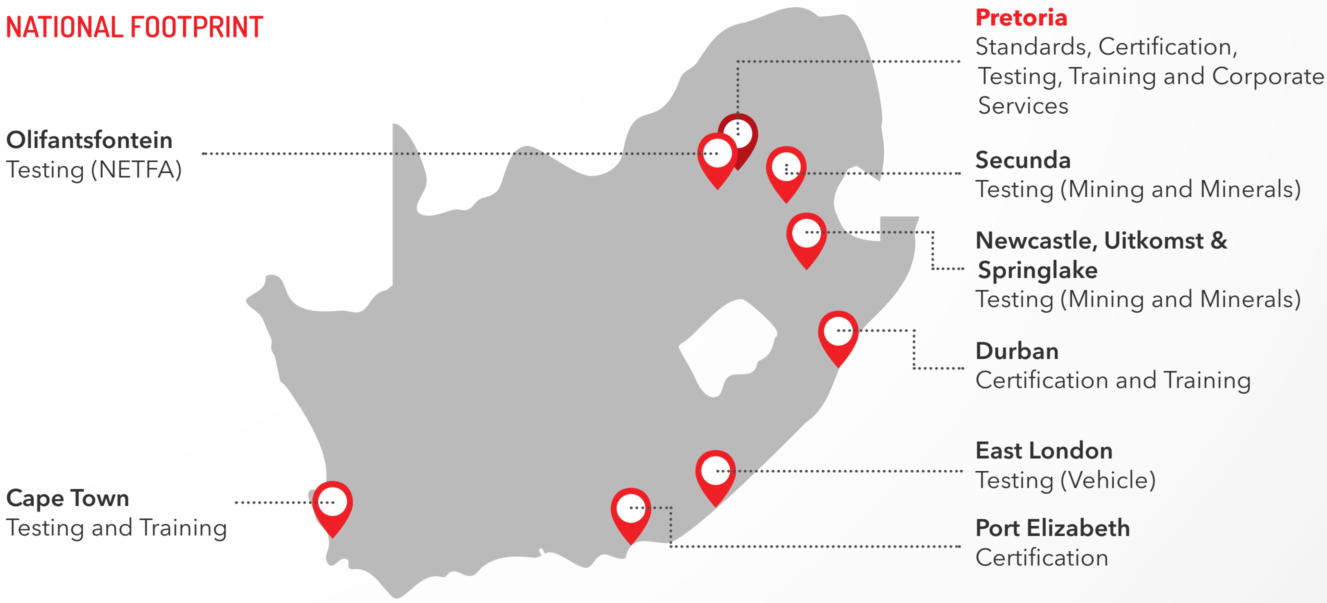
Provide conformity assessment services on commercial terms and earn revenue from clients

THE SABS' VALUE OFFERING TO BROADER SOCIETY, INDUSTRY AND SOUTH AFRICA

WHAT THE SABS DOES	BENEFIT TO SOCIETY	BENEFIT TO LOCAL INDUSTRY	BENEFIT TO SOUTH AFRICA
Provides the governance framework, coordinates and leads stakeholder engagements, promotion, maintenance and dissemination of national standards	Support inclusive growth	Fair and transparent process to determine standards and conformance	• Linkages to internal markets through standards and conformity assessments • Support for socio-economic development policies • Fair competition
Performs comformity assessment tests and produces test results that give important information about products' conformance to SANS and other technical regulations	• Quality assurance for consumers • Fairness in the market	Enable producers and suppliers to compete fairly	• Protect local employment • Enable local production • Fair competition • Safety to consumers
Provision of services to SMMEs and Black Industrialist programme	Facilitation of new and better processes, products and services by improving access to SMMEs and Industrial programme	Provide platform for support to access services by SMMEs and Industrial programme	• Increase production of intellectual capital • Improve speed to market • Faciliate new entrants to the market
Provide training on standards and conformity related assessment services	Correct implementation and use of standards	Ensure compliance to standards proficiency in quality management	Fair trade environment where standards are consistently applied in the procurement of products and services

INCLUSIVE ECONOMIC GROWTH

NATIONAL FOOTPRINT



09 | Value-Creating Business Model

At the heart of the SABS' value-creation business model is the desire to support inclusive growth

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.

THE SABS RELIES ON VARIOUS RELATIONSHIPS AND RESOURCES TO CREATE VALUE (INPUTS)

HUMAN CAPITAL Employees play a critical role in attaining the SABS' vision, delivering the strategy and living the core values. A vital part of this journey is to focus on aligning individual and organisational priorities by developing passionate, enabled and engaged people.	Total number of employees: 824 Investment in training and staff welfare: R1.4 million
MANUFACTURED CAPITAL Standards development, certification, testing and training occur at locations across South Africa. The SABS continues to invest in the upgrading of premises and equipment.	Head office in Pretoria with 7 regional offices across the country 25 test laboratories spread across 8 locations. Net book value of property plant and equipment: R712.4 million
INTELLECTUAL CAPITAL Access to strong technical knowledge, capabilities and technology is imperative to fulfil the SABS mandate.	26 Standards development professionals 111 Certification auditors 125 Test officers Accredited to an international body (RvA) and one national body (SANAS)
NATURAL CAPITAL The SABS requires energy, water, air and fuels to provide services in an increasingly sustainable manner.	Electricity consumed: 6.2 MWh Water consumption: 159 515 kilolitres Fuel consumed: 48 855 litres
FINANCIAL CAPITAL Comprises of grant funding received from the South African government to fund certain activities as well as funds generated from conformity assessment services. These funds are used to run the business and to finance both expansion and replacement of plant and equipment.	R208.6 million remaining of the grant received from the Government of South Africa for infrastructure. Capital and reserves: R786.8 million Cash and cash equivalents: R457.6 million
SOCIAL AND RELATIONSHIP CAPITAL Trusted relationships and a positive reputation with the shareholder, clients, regulators, suppliers and communities is core to the SABS' ability to realise its vision.	Established in 1945, the SABS has built a strong brand as the premier standards development and conformity assessment service provider in southern Africa.

PROVIDING SERVICES ACROSS THE STANDARDS DEVELOPMENT AND SERVICES VALUE CHAIN

STANDARDS DEVELOPMENT
- Facilitating the end-to-end standards development process

TRAINING
- Training on standards
- Technical support to SMMEs and entrepreneurs on standardisation services

ADVISORY
- Technical support to SMMEs and entrepreneurs on standardisation services

CERTIFICATION
- System certification
- SABS Mark scheme - Product certification
- Conducts local content verification
- Consignment inspections

TESTING
- Testing of products n line with international protocols for laboratories such as ISO/IEC
- Proficiency schemes

KEY SECTORS SUPPORTED (ACROSS VALUE CHAIN)

- Accessibility
- Acoustics
- Adhesive and packaging
- Agrochemicals
- Automotive
- Building and construction
- Chemicals
- Chromatography
- Civil engineering
- Clothing and protective wear
- Electro-technical
- Electronic appliances
- Energy efficiency
- Engineering
- Environment (EMS)
- Explosion prevention
- Fibre and polymers
- Food and beverages
- ICT
- Industrial chemistry
- Lighting technology
- Mechanical and fluids
- Medical and health
- Metrology
- Mining and minerals
- Paints and sealants
- Petrochemical
- Pharmaceutical
- Radiation protection
- Rotating machinery
- Rubber and plastics
- Safety and security
- Solar water heating
- Textiles and leather
- Timber
- Transportation

CREATING VALUE FOR STAKEHOLDERS

SHAREHOLDER (the dtic)
- 45 of 52 standardisation projects completed as part of the SANS supporting reimagined industrial priority sectors
- Operating loss of R108.4 million and net loss of R43.6 million
- R10.0 million cash generated from operating activities
- 100 SMMEs benefited from conformity assessment support

CLIENTS AND INDUSTRY ASSOCIATIONS
- 359 standards published of which 98 were homegrown
- The average turnaround time on standards developed is 337 days
- Rendered services to 7 190 clients
- R68.3 million invested in capital expenditure which includes buildings and laboratory equipment

EMPLOYEES
- R561.1 million paid in salaries and benefits
- 270 employees participated In training interventions
- 69 employees completed specialist training with leading partners
- Study bursaries of R1.38 million awarded
- 86% employee representation from historically disadvantaged groups
- 45% of the staff complement are women
- Lost time injury frequency rate is 0.0

INTERNATIONAL AND REGIONAL STANDARDS BODIES
- Adopted 247 new international standards
- Participation at various international and African standards forums
- IEC Council Board member
- ISO/CASCO chairman

GOVERNMENT AND REGULATORS
- Compliance with all regulatory requirements
- Provision of conformity assessment services in support of regulatory objectives

SOCIETY
- Purchased goods or services to the value of R46.7 million from EMEs and QSEs
- Disposed of 72.9 tonnes and incinerated 13.2 tonnes of hazardous waste
- Recycled 13 tonnes of non-hazardous material

10 | Organisational Structure

CHIEF EXECUTIVE OFFICER
Vacant

INTERNAL AUDIT
Oratile Mothudi

COMPANY SECRETARY
Joseph Leotlela (Acting)

STRATEGY, REPORTING, RESEARCH & MEDIA
Nils Flaatten

LEGAL SERVICES
Joseph Leotlela

ACCREDITATION
Leslie Chesango

STANDARDS
Sadhvir Bissoon

- STANDARDS DEVELOPMENT
- INTERNATIONAL RELATIONS (ISO, IEC, ARSO)
- PROCESSES & SYSTEMS
- TRAINING ACADEMY

CERTIFICATION
Katima Temba (Acting)

- LOCAL CONTENT VERIFICATION
- CONSIGNMENT INSPECTION
- PRODUCT & SYSTEMS CERTIFICATION

LABORATORY SERVICES
Thabo Sepuru (Acting)

- LABORATORY OPERATIONS
- INTEGRATION & TECHNICAL SUPPORT

CUSTOMER PARTNERING
Lungelo Ntobongwana (Acting)

- ICT & BUSINESS INTELLIGENCE
- CONSULTING SERVICES
- RECORDS MANAGEMENT
- SALES, MARKETING & CUSTOMER SERVICES

HUMAN CAPITAL
Lizo Makele

- HUMAN CAPITAL MANAGEMENT
- HEALTH, SAFETY & ENVIRONMENT
- ENTERPRISE RISK MANAGEMENT

FINANCE
Tina Maharaj

- FINANCIAL MANAGEMENT
- PROCUREMENT SERVICES
- ASSET MANAGEMENT
- FACILITIES & SECURITY SERVICES

PART B

PERFORMANCE INFORMATION

01 | Predetermined Objectives

FINANCIAL RESULTS

The SABS Group recorded a net loss of R43.6 million for the year ended 31 March 2021 against a budgeted loss of R148.8 million. The group achieved its revenue targets set for the period under review and is slightly above budget by R4.7 million.

Summarised information on the financial performance of the SABS is included in the unaudited group financial overview section on pages 45 to 48 of the Integrated Annual Report.

PERFORMANCE AGAINST APPROVED ANNUAL PERFORMANCE PLAN

The SABS was significantly impacted by the COVID-19 pandemic and subsequently achieved less favourable performance results for the year under review, meeting only six of the eleven targets that are set. The targets that were not met include:

- SANS supporting reimagined industrial priority sectors as defined by **the dtic**, 45 out of 52 SANS developed.
- Customer Satisfaction Rate. The target for Customer Satisfaction Rate is 75% and the SABS achieved 70.78%. The customer satisfaction survey was mainly impacted by unfavourable feedback from the Laboratory Services Division with the lowest score of 58%.
- Employee engagement rate. The target is 3 out of 5. The SABS did not conduct the employee engagement survey, the culture survey was conducted instead.
- 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 designated people into the SABS (internal focus).

Key Performance Area	Internal Focus (Actual)	Total		March 2021 (Target)
		March 2021 (Actual)	March 2021 (%)	
% of women supported	378	**378**	45.87%	46%
% of youth supported	150	**150**	18.20%	24%
Total supported / headcount	824	**824**		

Performance Against Strategic Objectives FY2020/21

Strategic Objective	Output and Key Performance Area	Annual Target	March 2021 Target	March 2021 Actual	Status
Creation of knowledge for dissemination of new technologies and innovative practices, that facilitates fair trade, supports policy, regulatory and industrialisation objectives, and creates a tool for conformity assessments to enhance confidence in products and services	SANS supporting reimagined industrial priority sectors as defined by **the dtic**	As per agreement with **the dtic**	As per agreement with **the dtic**	Not achieved as there is no agreement in place with **the dtic**	●
	Conduct 5 Government Stakeholder engagements	5	5	5	●
	Number of reports submitted	4	4	4	●

Strategic Objective	Output and Key Performance Area	Annual Target	March 2021 Target	March 2021 Actual	Status
Improved competitiveness support to South African enterprises by providing internationally recognised knowledge and business assurance solutions	Customer satisfaction rate	75%	75%	70.83%	
	Number of new products, services, solutions launched	3	3	10	
Financial sustainability	Net profit of the SABS Group	Loss below R148.8 million	Loss below R148.8 million	Loss of R43.6 million	
Improve operational efficiencies	Cost-to-income-ratio	132%	132%	125.0%	
Improve employee empowerment and competence	Employee engagement rate	Rating of 3 out of 5	Rating of 3 out of 5	Not achieved	
	% of women supported	46%	46%	45.87%	
	% of youth supported	24%	24%	18.20%	
	% of people of disabilities supported	1.8%	1.8%	2.18%	

02 | Situational Analysis

The SABS is an entity operating under a legislative and government policy mandate. The operational environment of the SABS is influenced by a wide range of internal and external factors, some of which are set out below.

2.1 EXTERNAL ENVIRONMENT

POLITICAL

The development and uptake of National Standards are of strategic national importance that supports the efficient functioning of the economy. It is a jointly funded activity between Government and the private sector, whereby the government provides for the institutional resources and infrastructure while the private sector invests in the technical resources for the development of national standards. The uptake of voluntary National Standards by industry provides a self-regulatory mechanism on the quality of products and services introduced into the market.

Policymakers and regulators utilise voluntary national standards to support the attainment of policy and regulatory objectives. Regulations are generally developed and enforced to protect the market from poor quality goods and services thereby protecting the health and safety of consumers and addressing environmental concerns. The development and enforcement of regulations by regulatory authorities should be established through effective stakeholder engagement and consultation and establishing an economic impact assessment. It is therefore in the interest of policymakers, legislators and regulators to work closely with the SABS standards development portfolio in order to reference relevant national standards that support the achievement of regulatory objectives.

The strategic value of standards in support of government policy and regulations is not clearly understood by the public sector and therefore requires an enhanced effort to engage with various stakeholders in government to promote the value of national standards and the application thereof.

The mooted progressive reduction in funding of the Standards Division should be assessed in order to provide the requisite resources and infrastructure in elevating the development, publication, distribution and promotion of the value of national standards.

ECONOMIC

The global economy is projected to grow 6.0 percent in 2021 and 4.9 percent in 2022. The 2021 global forecast is unchanged from April 2021, but with offsetting revisions. Prospects for emerging markets and developing economies have been marked down for 2022. By contrast, the forecast for advanced economies is revised up. The upward revision reflects additional fiscal support in a few large economies, the anticipated vaccine-powered recovery in the second half of 2021, and continued adaptation of economic activity to subdued mobility. High uncertainty surrounds this outlook, related to the path of the Covid-19 pandemic, the effectiveness of policy support to provide a bridge to vaccine-powered normalisation, and the evolution of financial conditions.

South Africa's private sector activity expanded during the first five months of 2021. South Africa also saw an increase in spending on durable household goods, digital media and entertainment, as well as hotels and restaurants. However, private-sector output declined in June 2021 due to the reintroduction of stricter lockdown measures. During the second week of July 2021, the country also experienced unrest in Gauteng and KwaZulu-Natal. These events and their economic impacts overlapped with a peak in the third wave of Covid-19 infections. These could reduce GDP growth by 0.4 percentage points this year.

The electricity supply shortages are expected to remain a binding constraint on growth over the next two years. The lockdown aided in alleviating demand pressures, with the utility supplier taking the opportunity to increase planned outages to ramp up maintenance of its fleet – which helped raise the EAF (energy availability factor) somewhat. Nonetheless, the average EAF for 2020 declined to about 65% from 67% and 72% in 2019 and 2018, respectively. Therefore, despite the economy projected to have contracted by 7.2% in 2020, the current EAF at 65% points to electricity shortages that will limit the strength of the recovery.

SOCIO-ECONOMIC

The South African government reintroduced stricter lockdown measures – level 3 was introduced on 16 June 2021 and level 4 from 28 June to 25 July 2021. The unrest in Gauteng and KwaZulu-Natal during the second week of July 2021 has put up to 50 000 jobs at risk.

In response to the pandemic, governments worldwide have increased health spending, introduced restrictions on economic activity to limit the spread of the virus, and taken steps to alleviate the effects of lockdowns on households and businesses. Authorities have prioritised income support and wage subsidies for workers, alongside tax relief, lower interest rates and favourable loan schemes to support businesses.

Government's R500-billion fiscal relief package provides significant support to households and businesses. But government's weak fiscal position going into the crisis means that it cannot afford to fully offset the effects of the pandemic.

The budget announced a 2.2% contraction in social grants over the medium term. While the special Covid-19 social relief of distress grant is extended to April 2022, overall grant spending is expected to increase by less than the inflation rate in 2021–22. This is likely to cause hardship, especially in rural areas that often rely on grants and provincial remittances to survive.

The lockdown has taken a severe toll on an already fragile economy. The data available suggests a steep contraction across all sectors. Construction, retail and hospitality were particularly hard hit, and retail sales restrictions had significant knock-on effects across the economy. Reduced global demand and border closures, alongside uncertainty about the application of lockdown regulations, further hampered activity.

High levels of uncertainty about the spread of Covid-19, and its containment and treatment, have complicated decision-making for businesses, investors and households the world over. In addition, regular economic surveys have been disrupted and delayed, making policymakers more reliant on smaller, less representative surveys. As a result, estimating the economic impact over the period ahead is exceedingly difficult.

Implications for the SABS

It is imperative that the SABS is aligned with and proactively supports Government, in a close collaborative effort with the private sector, in the complex task of the re-industrialisation of the economy and the national effort to overcome deep-seated structural problems which characterise the economy. Such a scaled-up effort requires a coherent and well-managed strategy for the institution to ensure that it achieves a greater level of financial sustainability; a cost-effective and efficient delivery of services across the conformity assessment and standards spectrum as well as higher levels of investment in infrastructure and equipment to enable the SABS to deliver on its mandate in a close collaborative relationship with all its stakeholders in the public and private sector.

As part of Government's June 2020 supplementary budget, the annual allocation to the SABS was reduced by R65 million for the FY2020/21 financial year.

The grant allocation was revised upwards by a net amount of R15.8 million in December 2020.

This has resulted in the SABS reassessing its operations and activities to mitigate the impact of the overall reduction in income.

The weak economic conditions and outlook mean the organisation is confronted with a very challenging business environment, with subdued growth anticipated in key sectors that utilise the SABS conformity assessment services.

Increasingly, the SABS must focus on promoting and increasing awareness of standardisation amongst decision-makers across the economy as well as rigorously focusing on cost-cutting measures.

COMPETITIVE LANDSCAPE

The conformity assessment industry is highly competitive and revenue opportunities and margins are increasingly constrained. The domestic market is made up of a few big players, including multinationals, who provide a broad range of conformity assessment services. Many have also started to offer their own mark schemes, in direct competition with the SABS Mark Scheme. In addition, there are also various small players who specialise in price-competitive niche markets, offering specialised testing services.

Implications for the SABS

In order to maintain its relevance in a highly competitive conformity assessment market, it is imperative that the SABS develop a robust market intelligence function to keep abreast of changing market dynamics and customer expectations. The SABS must continue to focus on providing quality certification and conformity assessment services, continuously investing in new equipment, systems and processes, as it is a vital pillar of being recognised as a partner of choice by customers.

TECHNOLOGY FACTORS

Globalisation and quantum leaps in technology will increasingly bring about significant disruptive impacts to the global and domestic economy. Digitisation and data utilisation, including connectivity, e-commerce and the internet of things (IoT), to name a few, have already and will increasingly drive economic disruption. Disruption is also flowing from agile, innovative competitors who, through access to global digital platforms for research, development, marketing, sales, and distribution, can displace well-established incumbents faster than ever, by improving the quality, speed or price at which value is delivered.

Major shifts on the demand side are also occurring, as growing transparency, consumer engagement, and new patterns of consumer behaviour emerge which are increasingly built upon access to mobile networks and e-commerce which is forcing companies to adapt the way they design, market and deliver products and services.

Globalisation and quantum leaps in technology will increasingly bring about significant disruptive impacts to the global and domestic economy. The 4IR underpinned by digitisation and data utilisation, including connectivity, e-commerce and the internet of things (IoT), to name a few, have already and will increasingly drive economic disruption. Disruption is also flowing from agile, innovative competitors who, through access to global digital platforms for research, development, marketing, sales, and distribution, can displace well-established incumbents faster than ever, by improving the quality, speed or price at which value is delivered.

Implications for the SABS

The SABS must embrace and adapt to the challenge of the digital revolution. This implies that SABS embraces new technology platforms to deliver a range of services in an increasingly digitised economy.

LEGISLATIVE FRAMEWORK

In the global and domestic market, companies operate in a more challenging environment with increased geopolitical uncertainty, uncertain trading conditions, increasing and complex regulatory requirements, including important environmental and societal challenges and expectations.

Regulations relating to occupational health and safety, environmental protection, data privacy and localisation continue to evolve, contributing to increased obligations for all organisations. Failure to comply with these requirements could have an adverse financial, operational and new business impact on organisations, the SABS included.

Implications for the SABS

It is anticipated that the regulatory environment will continue to be increasingly dynamic. This exposes the SABS to various and greater risks but also provides opportunities for greater and more competitive service provision to clients.

ENVIRONMENTAL FACTORS

Sustainable economic and industrial development is a key objective set out in a range of Government policy framework documents and as a requirement for South Africa to meet its global environmental commitments. This requires, amongst other considerations, a just transition to a less carbon-intensive energy programme; policies and programmes to minimise environmental degradation including with respect to the use of water, measures to minimise air pollution as well as a wide range of waste management and recycling policies and systems across the industrial economy.

Disruptive technologies and 'circular economies' in water recycling and sanitation; energy generation and efficiency; manufacturing processes; resource exploitation; transport and logistics; waste management and recycling and other factors - create enormous opportunities and simultaneously pose certain risks.

Implications for the SABS

As a technical infrastructure institution, the SABS must play a key role, in developing standards that have a positive impact on the environment and facilitate the exclusion of non-compliant and unsafe products from the economy.

Internally, the SABS is a significant energy and water consumer and will continue to focus on putting mechanisms in place to reduce its consumption of energy and water. The organisation also generates substantial amounts of hazardous and non-hazardous waste as part of its activities and processes. To mitigate the risk to the environment and society, the SABS will continue to implement an appropriate waste management programme to ensure that waste is collected, separated, stored, transported, recycled and/or disposed of, using environmentally responsible and legally compliant methods.

2.2 INTERNAL ENVIRONMENT

In the context of the governance, institutional, financial, and operational failings, the SABS was placed under administration by the Minister of Trade, Industry and Competition in June 2018 and three co-administrators were appointed.

The administrators were mandated to stabilise the organisation, conduct a diagnostic analysis of the SABS and develop and implement turnaround plans, in consultation with the shareholder, for the institution.

Following an in-depth analysis, turnaround planning and execution were implemented and focused on the following:

- Ensuring that the development of South African National Standards, the anchor point of the standards and conformity assessment value chain, is significantly upgraded.
- Undertaking urgent maintenance of long overdue and high-risk critical SABS infrastructure.

- Revitalising testing protocols, operations, and facilities in the laboratories; reinstating customer specific requirement testing; rolling out carefully sequenced and adequately designed investment in testing infrastructure, to overcome inefficiencies which, in some cases, resulted in a significant loss of capacity, capabilities and client services, confidence and revenue.

- Putting in place management and operational systems and consequence management to ensure that serious operational failures including the loss of accreditation and permit expiry processes do not re-occur.

- Ongoing cost containment, including assessment and reprioritisation of operating expenditure, review of all vacancies and only filling critical vacancies, implementing a new cost allocation and pricing model. No performance bonuses were paid for the 2019/20 and 2020/21 financial years. Salary increases were also not paid in the 2020/21 financial year.

- Strengthening institutional finance, governance, policy frameworks and operational plans for the entire institution. In doing so, pay attention to the implementation of a digital strategy to secure higher levels of integrated operational efficiency and productivity, increased stakeholder communication and engagement and client satisfaction.

2.3 INDUSTRY KEY SUCCESS FACTORS

Critical Success Factors	Origin of Critical Success Factors	Key Industry Requirements
Participation in the Technical Committee when developing new standards	Standards Division	• Ability to participate and represent the interests of the country in providing technical solutions (SANS) to national priorities and support industrial opportunities • Transparency during the standards-making process in the TCs
Skilled Auditors	Human Capital	• Knowledgeable and accredited auditors with deep industry knowledge • Auditors who are accredited across more than one management system • Reliable planning for audit dates
High Technology Laboratories	Laboratories Services	• State of the art testing equipment • A high degree of automation • Develop new testing methodologies to stay current with new technology
Efficient Operations	Laboratories Services	• Quick testing turn-around times • High levels of accuracy • Automation of equipment & systems • Remote digital sensors for product auditing • Energy efficiency and waste management control
Customer Experience (CX)	Customer Services and Marketing	• Rising customer expectations for a single channel to deliver all services • The industry has moved to delivery through single omnichannel
Industry Leadership	Certification and Testing	CB and Testing Houses that are leading technological developments, that understand the components of 4IR and can communicate these through thought-leadership, colloquiums, white papers, etc.

03 | Performance and Outlook

OPERATIONAL REPORTS

STANDARDS DIVISION

BUSINESS OVERVIEW

BUSINESS OBJECTIVE

Developing, maintaining and promoting South African National Standards (SANS) is the primary function of the Standards division of the SABS. National Standards serve as a vehicle for the dissemination of new technologies and innovative practices, facilitates trade and supports industrialisation objectives. Standards further support the technical aspects of social and environmental policies; contribute to sustainable development; and can be used as a basis for national technical regulations without causing unnecessary technical barriers to trade. SANS provides a range of tools for the various modes of conformity assessment to enhance confidence in products, systems, processes, and personnel thereby assisting consumers in making informed buying decisions - fit-for-purpose products and services.

PRODUCTS AND SERVICES

- Develop and maintain SANS, South African Technical Standards (SATS) and 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
- Market and distribution of standards and relevant publications
- The SABS is the designated authority to the World Trade Organisation's "Technical Barriers-to-Trade" (WTO/TBT) enquiry point in South Africa

PERFORMANCE OVERVIEW

PERFORMANCE HIGHLIGHTS

The Standards Divisions:

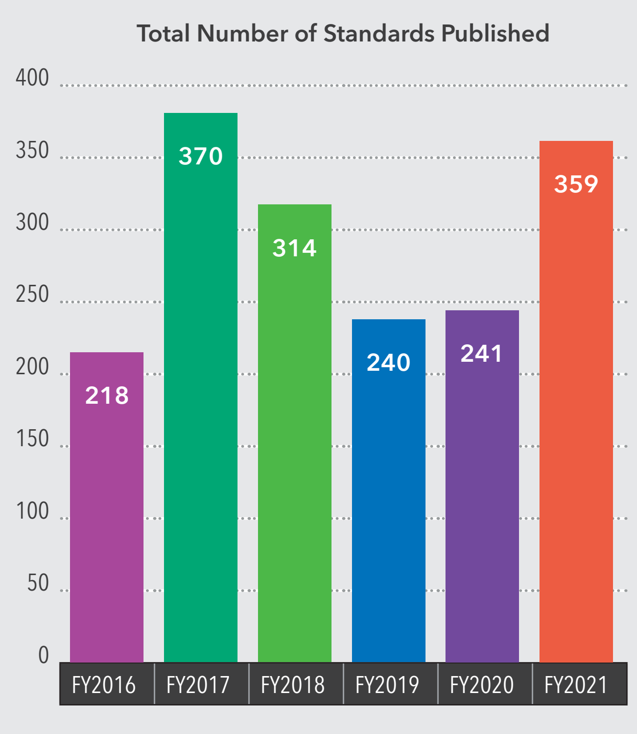
- Produced an average turnaround time of 337 days to publication, reflected a significant improvement compared to the 412 days to publication on 31 March 2020
- Published a total of 359 standards for the year
- Developed 112 homegrown standards of the total of 359 publications
- 48% reduction in overdue projects
- Finalised the gender responsible standards and standards development action plan as per our signing of the UNECE gender responsiveness declaration
- The SABS requested technical assistance from the WTO training institute on the WTO TBT agreement's transparency provisions and e-tools systems. The South African National Seminar on

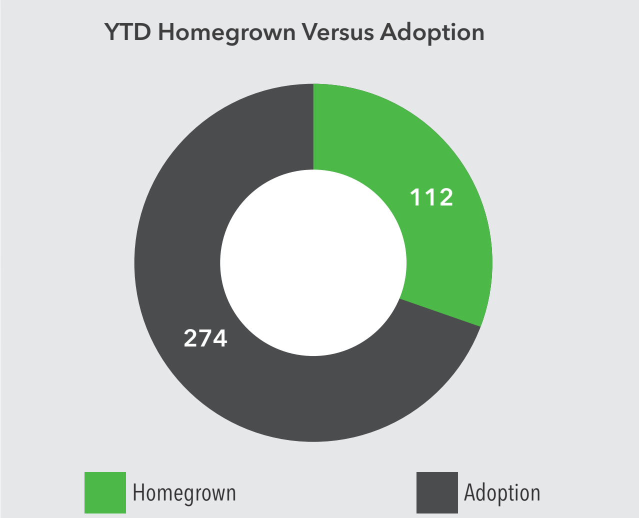
the WTO TBT Agreement's Transparency Provisions, organised by the SABS and facilitated by the Institute for Training and Technical Cooperation (ITTC), took place from 8 to 9 March 2021

- Standards sales earned R32.3 million against a budget of R30.4 million

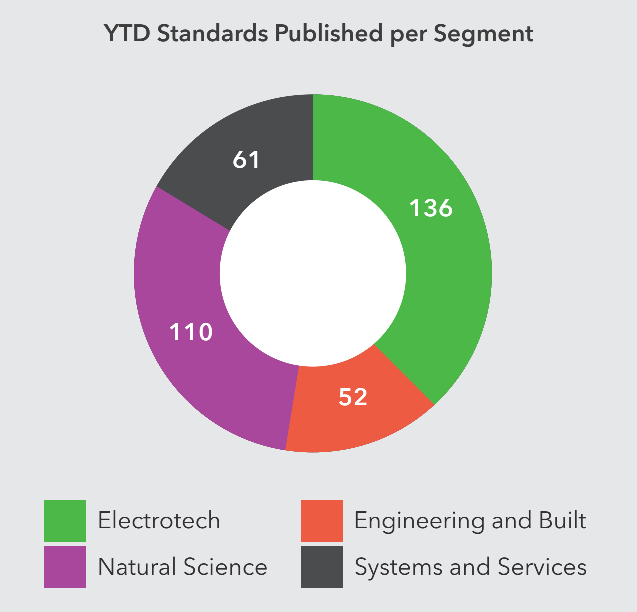
PERFORMANCE LOWLIGHTS

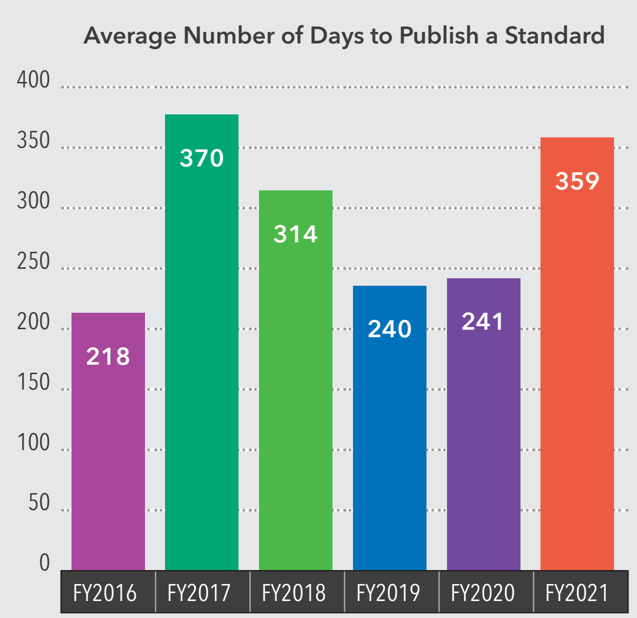
- Completed 45 of 52 SANS supporting reimagined industrial priority sectors as defined by **the dtic**





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.





Measured from project approval date to approval of standard for publication

BY THE NUMBERS

		FY2021	FY2020
Staff	Number	74	80
Total standards publications	Number	7 848	7 489
Technical committees' meetings held	Number	205	149
Participants in technical committees	Number	>1 500	2 758
Technical committee satisfaction index	%	76%	78%
Standards published • Homegrown • Adoptions	 Number Number	 112 247	 96 145
Days to publication (turnaround times)	Days	337	412
Standards in various stages of development (at year-end)	Number	860	820
Sale of standards - External	Value	R32.3 million	R31.7 million
WTO/TBT • Total subscriptions	 Number	183	310

THE YEAR AHEAD

Development of Standards

- Support Government Industrial Strategy through the development of SANS and related publications linked to the industrial sector Master Plans under development by **the dtic**
- Robust participation in international and regional standardisation forums that seeks to influence governance portfolios and technical programmes

Stakeholder Engagement Programmes

- Engage policymakers and regulators on the benefits of uptake and implementation of standards to support policy and regulatory objectives

Promotion, Marketing and Access of SANS and Other Publications Through Various Platforms and Distribution Channels

- Review and improve systems procedures and subscriptions models to improve access to standards

World Trade Organisation

- Expand the WTO TBT notification point to an information centre to further improve support to industry and regulators

BUSINESS OVERVIEW

BUSINESS OBJECTIVE

The SABS Certification is a division that provides independent third-party certification services, assuring that products, systems and services comply with pre-defined standards and customer specifications. The division provides its services across all 39 European Accreditation Codes (EA Codes) while the SABS Mark Scheme has a presence in 33 countries.

Certification as a component within the quality infrastructure is required for the effective operation of domestic mar-kets, and its international recognition is important for enabling access to overseas markets. It is a critical element in promoting and sustaining economic development, as well as environmental and social wellbeing. The SABS Certification as a service provider utilises the same standards that purchasers typically demand. In addition, the SABS Certification has to comply with International Standards such as ISO/IEC 17020, ISO/IEC 17021-1, ISO/IEC 17025, and ISO/IEC 17065, to be recognised as a competent body. Certification, in particular, is inclusive of testing for compliance of such products and services with these expectations, in accordance with relevant standards, regulations and other specifications. It helps to ensure that products and services deliver on their promises. In other words, it instils product value and confidence.

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.

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

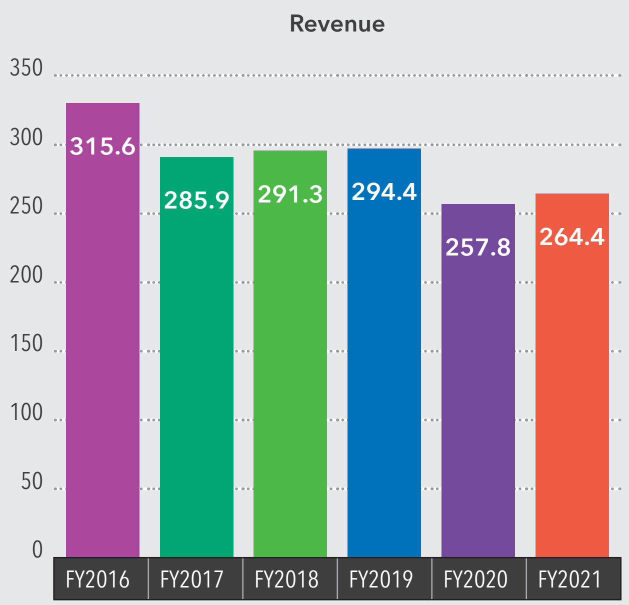
PERFORMANCE OVERVIEW

PERFORMANCE HIGHLIGHTS

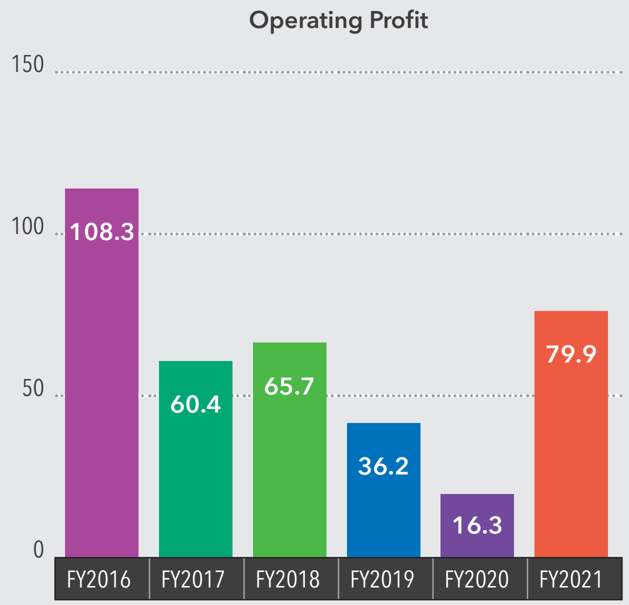
- The SABS Certification has managed to maintain both SANAS and RvA accreditation assessment for Consignment Inspection, Management Systems and Product Certification
- The SABS has been collaborating with Business for South Africa in verifying PPE products and Supplier Vetting process that get uploaded onto the B4SA Covid-19 manager website for possible procurement in line with national and/or international requirements before possible procurement takes place
- Achieved external revenue of R264.3 million, exceeding budget

PERFORMANCE LOWLIGHTS

- Suspension of FSSC accreditation for 3 months, however, the suspension was lifted



Includes inter-group sales



Operating profit, excl. grant

BY THE NUMBERS

		FY2021	FY2020
Revenue - external	R million	264.3	256.6
Operating profit	R million	79.9	16.3
Staff	Number	193	206

THE YEAR AHEAD

- Third-party management systems certification is increasingly becoming a critical tool for market access globally. Certification by an accredited certification body demonstrates compliance to a standard, an industry-specific code of practice or regulatory requirements, and is an important business improvement and sustainability tool. As South Africa continues to drive localisation as an industrial policy instrument, the provision of product and systems certification services, aligned with local content verification in an efficient and globally competitive manner, will be critical in supporting the industrialisation effort and the creation of a globally competitive industrial capacity in the country
- Key initiatives planned include: introducing new industry-focused certification schemes; loading assurance/pre-shipment inspection; localisation of certification schemes aimed at supporting designated sectors; roll out of local content verification in support of mining houses' Mining Charter obligations as well as the rollout of a proactive voluntary local content grading systems
- Consignment inspection services: Growth opportunity to support government and local industries, especially with the export of products to the rest of Africa

LABORATORY SERVICES

BUSINESS OVERVIEW

BUSINESS OBJECTIVE

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 test laboratories. The most widely implemented accreditation is by SANAS in terms of SABS/ISO/IEC 17025 (general requirements for the competence of testing and calibration laboratories)

PRODUCTS AND SERVICES

- Sampling, testing and analysis
- Environmental monitoring
- Proficiency testing
- Reference materials

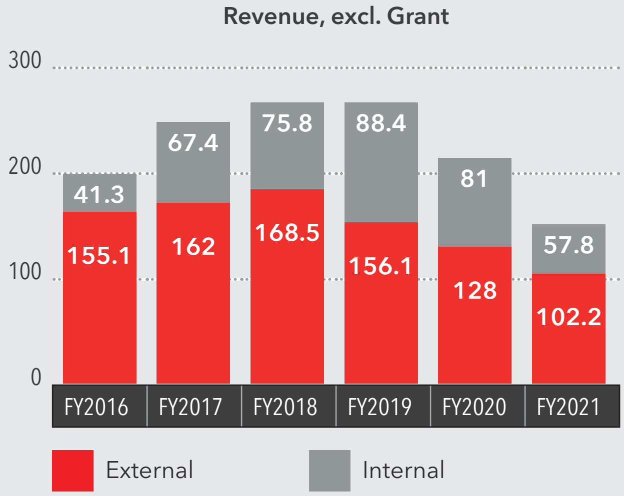
PERFORMANCE OVERVIEW

PERFORMANCE HIGHLIGHTS

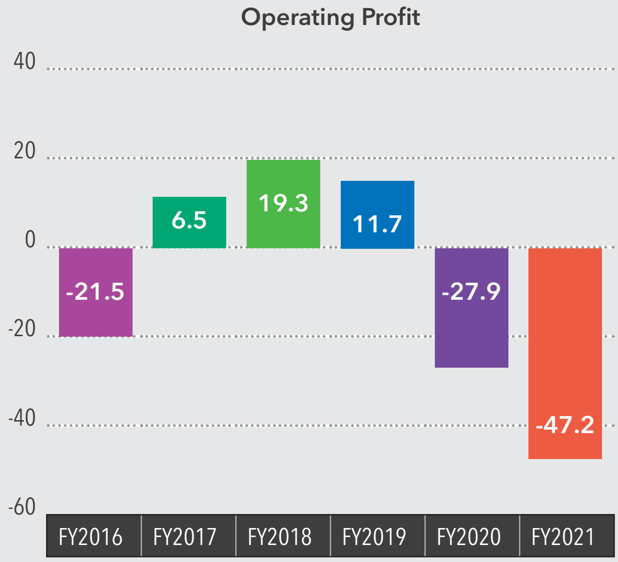
- All accredited laboratories that were assessed were recommended to continue with the accreditation
- Approval of the forecasting, planning, and scheduling tool CAPEX project making way for the implementation

PERFORMANCE LOWLIGHTS

- Operating loss of R47.2 million excluding grant



Internal revenue comprises, revenue generated from product certification testing conducted on behalf of the Certification division



Operating profit, excl. grant

BY THE NUMBERS

		FY2021	FY2020
Revenue - external	R million	102.2	128.1
Operating profit (excluding grant)	R million	-47.2	27.9
Test laboratories	Number	25	33
Staff	Number	296	306

THE YEAR AHEAD

- Ongoing investment in new equipment and the maintenance of laboratory infrastructure
- Development of tacit testing knowledge through the upskilling of existing test officers or the appointment of people with the required skills to enable the division to adapt to changes in testing methodologies
- Focus on continuous improvement in key systems and processes such as sample management to improve asset utilisation and workflow to reduce bottlenecks, extract operational and cost efficiencies as well as improve customer engagement
- Focus on new business development opportunities as well as converting sales and marketing efforts

TRAINING ACADEMY

BUSINESS OVERVIEW

BUSINESS OBJECTIVE

The SABS Training Academy seeks to enhance the skills of industry and government professionals to understand and implement SANS. Training is facilitated through the traditional classroom training model and is presented at training facilities in Gauteng, KwaZulu-Natal and the Western Cape

PRODUCTS AND SERVICES

The Academy currently offers a diverse portfolio of training courses, focusing mainly on management system standards which includes ISO 9001: Quality Management System (QMS), ISO 14001: Environmental Management System (EMS), ISO 45001, Occupational Health and Safety Management (OHS), ISO 22001: Food Safety Management System standards and FSSC-accredited courses, amongst others

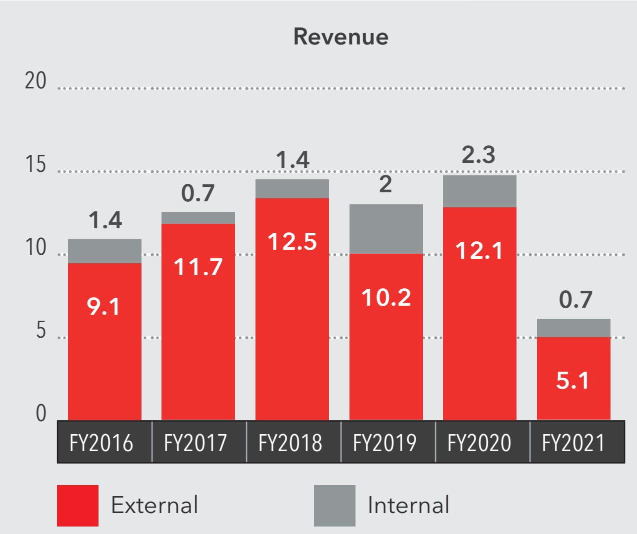
PERFORMANCE OVERVIEW

PERFORMANCE HIGHLIGHTS

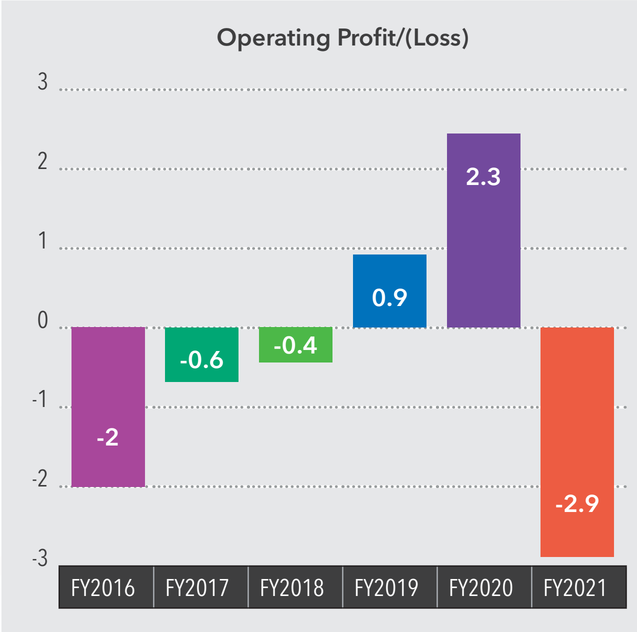
- Extension of accreditation to FSSC online courses received
- Launched 7 new products and services
- Launched 17 online courses

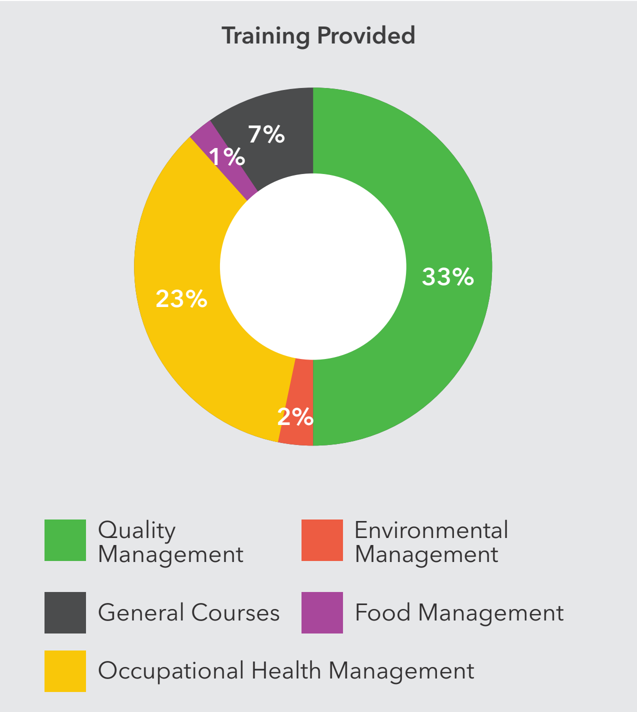
PERFORMANCE LOWLIGHTS

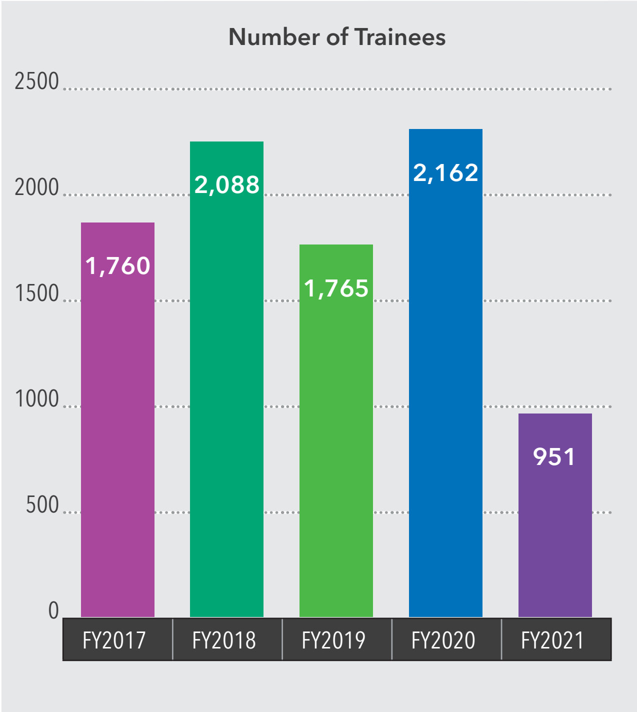
- Failure to secure structural changes to BSAS division to avoid conflict of interest and impartiality risks to Certification business
- The ongoing pandemic continuously impacted the department negatively. External revenue declined by R7 million from prior year.



Internal revenue comprises, revenue generated from the training provided to employees across the group







BY THE NUMBERS

		FY2021	FY2020
Revenue - external	R million	5.1	12.1
Operating profit/(loss)	R million	-2.9	2.3
Trainees (internal and external)	Number	951	2 162
Staff	Number	9	11

THE YEAR AHEAD

- Continue to develop partnerships with government entities in support of the need to develop management and technical skills of public sector employees
- Further develop and strengthen partnership with tertiary institutions to secure NQF accreditation for training
- Implement various sales and marketing strategies, tailored value propositions that meet the unique needs of industries and clients
- Investment in technology tools to improve engagement with trainees and enhance operational efficiencies

04 | Group Finance Overview

The 2020/21 financial year presented the SABS with significant challenges due to the Covid-19 pandemic and the impact it had on revenue generation. The overall performance has mirrored the decline in economic activities in the South African economy. The negative impact of Covid-19 is expected to continue while vaccines are being rolled out to the population. South African's economy contracted by 7% for the year 2020 (SARB, Statement of the Monetary Policy Committee, 25 March 2021). The SABS has seen its revenue decline by 6.5% (R28.9 million) when compared to the prior year while cash collections have declined by R87.9 million (15.6%) from R541.6 million (prior year) to R453.7 million, ending 31 March 2021.

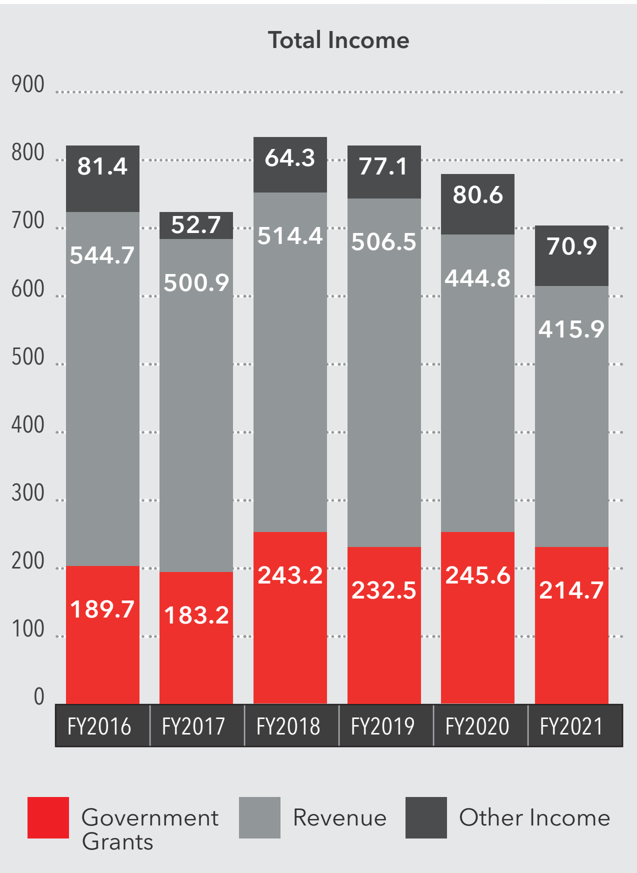
FINANCIAL PERFORMANCE

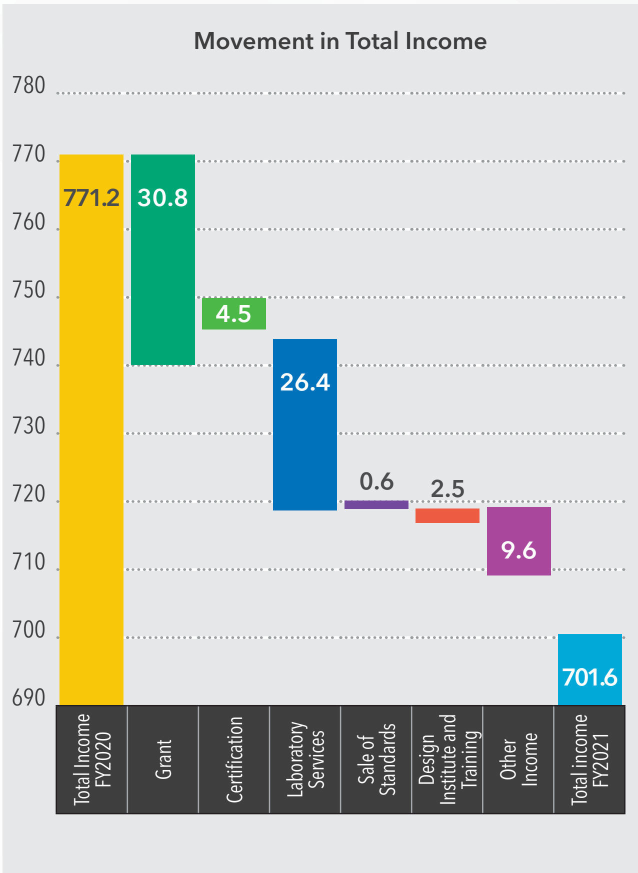
Total Income

Total income for the year was down by 9.0% to R701.6 million (FY2020: R771 million). The Group received a government grant from **the dtic** of R214.7 million excluding VAT for the operational requirement for the year after taking a net cut of R48.95 million (including VAT) during the year to assist government in funding economic stimulus packages.

Revenue from conformity assessment services, comprising of certification, laboratory services and training, declined by R29 million to R383.4 million (FY2020: R412.4 million). Revenue from conformity assessment services declined as a result of a loss of customers due to cancellations, which arose due to customers experiencing financial difficulties as well as standards that were withdrawn). Further to this, the Laboratory Services division was impacted by lower sample volumes as well as Covid-19 lockdowns. Revenue from Standard Sales grew by R0.6 million grew to R32.3 million (FY2020: R31.7 million). Other income increased mainly due to income recognised in local content and foreign exchange gains.

NOTE: For more on the operational performance for each of the operating units refer to pages 36 to 44.



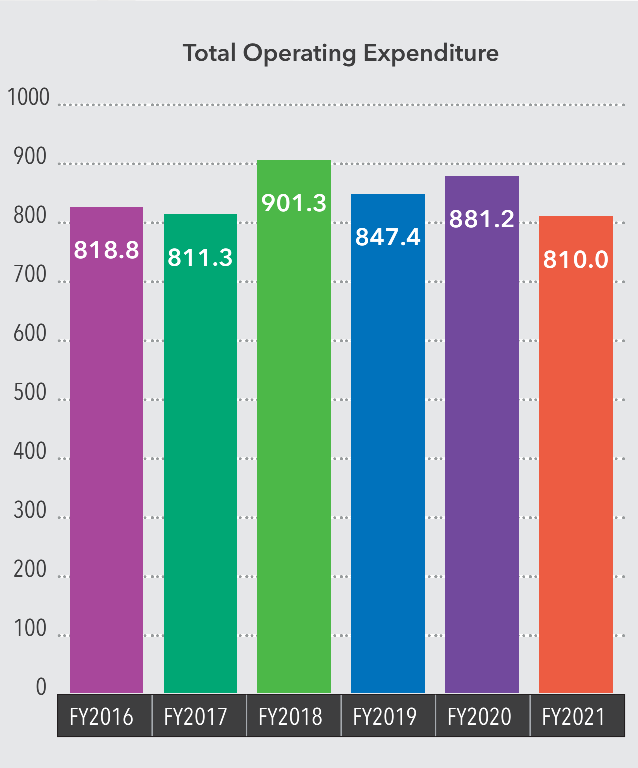


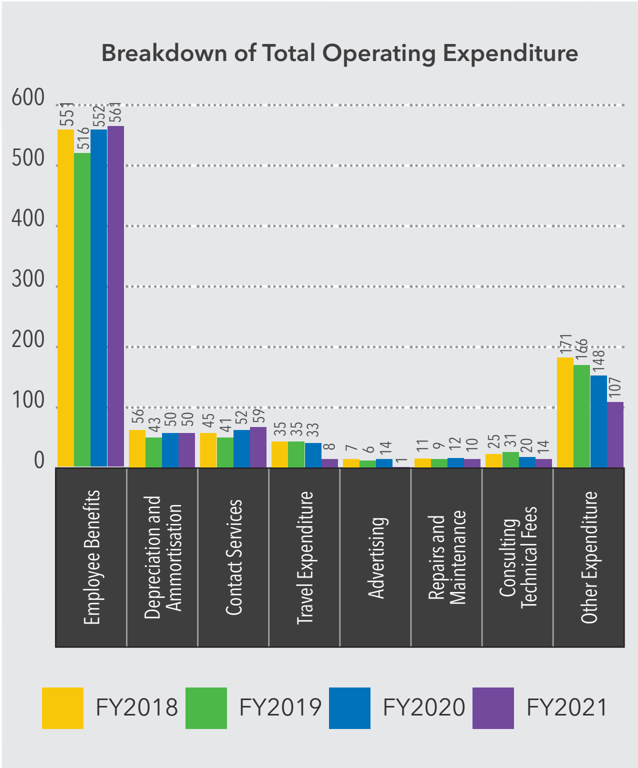
Operating Expenditure

The SABS continued to manage its operational expenditure. Total expenditure (including depreciation and amortisation) was reduced by 8.1% to R810.0 million (FY2020: R881.2 million). Since FY2016, total operating expenditure has declined by 0.2% on an annual compound basis, below the prevailing inflation rate over the period. The reason for the decrease in operating expenditure in the 2021 financial year is primarily due to savings from lockdown regulations that required working from home.

Employee benefit expenditure is the SABS' largest expense, comprising 69.3% or R561.1 million of total expenditure (FY2020: 62.7% or R552.5-million).

Employee benefits expenditure includes an accrual (R74.4m) for the Section 189 related cost as referred to under post balance sheet event.





Net Investment Income

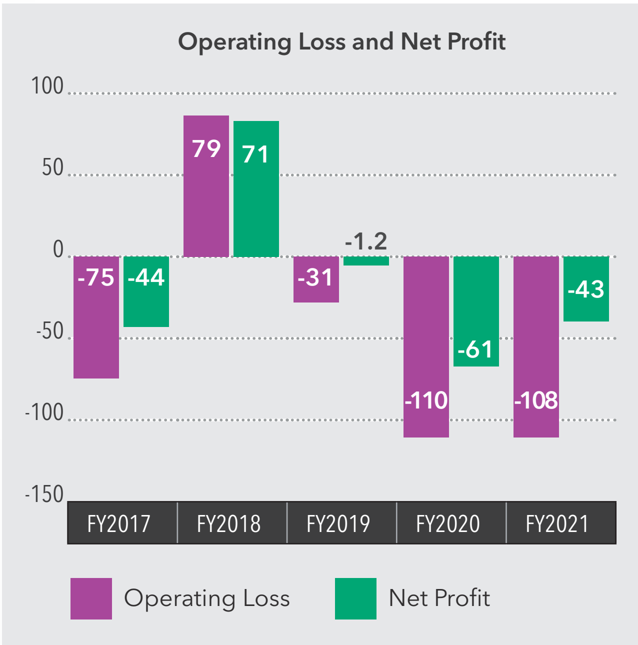
The SABS earns interest on bank accounts, money market investments, short-term deposits, and available-for-sale investments. In the year, the SABS received an interest income of R29.4 million (FY2020: R50.9 million).

Finance costs on lease liabilities, banking facilities and late payments amount to R1.9 million (FY2020: R2.3 million).

Operating Loss and Net Profit

The SABS Group's operating loss before net interest income was reduced by 1.7% to R108.4 million compared to an operating loss of R110.2 million in the previous financial year.

Including the net interest received of R27.6 million (FY2020: R48.6 million), the SABS Group recorded a net loss of R43.6 million for the year (FY2020 restated: R61.6 million).



FINANCIAL POSITION

Total assets grew by 2.4% to R1.54 billion (FY2020: R1.51 billion). Non-current assets increased by 10.6% to R0.9 billion from R0.82 billion in FY2020.

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

Capital expenditure, including intangible assets, for the year, was R68.3 million (FY2020: R40.8 million). Investments into new laboratory equipment and ICT equipment were in line with the renewal strategy of the Group.

Depreciation and amortisation totalled R50 million (FY2020: R50.4 million).

Investments at Fair Value through Profit and Loss

During the year, financial assets increased by R19.9 million to R120.3 million, mainly due to the profit on financial assets measured at FVTPL.

Working capital

Current assets decreased from R686.3 million in the prior year to R634.8 million, mainly as a result of a decrease in cash and equivalents.

Current liabilities increased by 23.6% to R275.0 million, mainly as a result of trade and other payables and VAT payable.

Overall, the current ratio has declined from prior year to 2.3 (FY2020: 3.1).

Cash and Cash Equivalents

Cash flow generated from operations totalled R10.0 million (FY2020: R29.3 million cash utilised). At year-end the SABS' cash and cash equivalents totalled R457.6 million (FY2020: R531.9 million).

Post-employment Healthcare Benefits

The Group provides post-employment medical aid contribution subsidies to qualifying retirees. Employees who meet set criteria (detailed in note 22 of the annual financial statements) are also entitled to this benefit when they retire. Actuaries have determined the expected liability. The post-employment healthcare benefit obligation was R67.0 million (FY2020: R73.8 million) as of 31 March 2021.

The funding of the liability is being managed through the investments held at fair value through profit and loss.

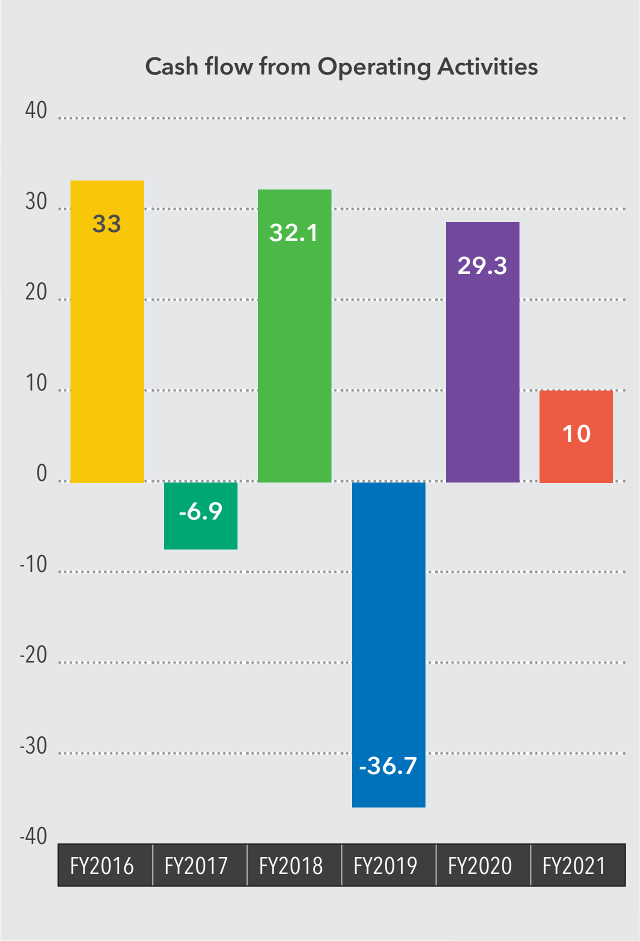
Borrowings

The SABS has no outstanding borrowings.

POST-BALANCE SHEET EVENTS

On 9 March 2021, the SABS issued a Notice of Consultations in terms of Section 189 of the Labour Relations Act No. 66 of 1995. The SABS is contemplating reducing its headcount base, through retrenchments, by 170 employees based on operational requirements to achieve estimated cost savings of R150 million. The SABS opted for a facilitated consultation process, by the CCMA. The first phase of Section 189 consultation process comprising of voluntary severance packages and early retirements was completed in July 2021 was extended by the employer with the affected employees exiting 31 July 2021. Necessary adjustments were made in the financial statements to reflect adjusting events after the financial year-end. The second phase of Section 189 consultation for further cost reduction is yet to be concluded.

Except for the matters mentioned above, no other matters occurred after the reporting date and up to the date of this report.



SEVEN-YEAR PERFORMANCE OVERVIEW

	FY2021	FY2020	FY2019	FY2018	FY2017	FY2016	FY2015
	R'm	R'm	R'm	R'm	R'm	R'm	R'm
			Restated	*Restated*	*Restated*		
INCOME STATEMENT							
Revenue	415.9	444.8	506.5	514.4	500.9	544.7	557.3
Parliamentary grant recognised as income	214.7	245.6	232.5	243.2	183.2	189.7	193.1
Expenditure	810.0	881.2	847.4	901.3	811.3	818.8	775.5
Operating (loss)/profit	(108.4)	(110.2)	(31.3)	(79.5)	(74.5)	(3.1)	10
Net investment income	27.6	48.6	30.1	29.1	30.1	25.4	22.7
Profit/(loss) for the year	(43.6)	(61.6)	(1.2)	(70.7)	(44.4)	22.4	32.2
STATEMENT OF FINANCIAL POSITION							
Property, plant and equipment	712.4	686.3	687.7	713.4	750.5	709.8	365
Investment properties	7.2	7.5	7.7	7.9	8.4	8.8	9.2
Intangibles	14.2	13.4	20.1	24.4	27.8	13.6	11.7
Investments at fair value	120.3	100.5	312.6	430.5	427.3	407.2	395.9
Right-of-use assets	23.0	15.7					
Deferred taxation	33.7	-	-	-	-	-	-
Non-current assets/disposal group held for sale		-	-	-	19.8	20.3	20.4
Current assets excluding cash	177.1	154.4	202.6	167.1	148.8	140.9	139.2
Net cash and cash equivalents	457.6	531.9	259.2	126.0	91.9	162.8	200.1
Total assets	**1 545.5**	**1 509.7**	**1 489.8**	**1 469.2**	**1 474.6**	**1 463**	**1141.4**
Capital and reserves	786.8	823.3	887.1	882.5	927.8	940.6	615.6
Other non-current liabilities	483.7	463.9	317.0	341.1	375.5	365.3	377.1
Current liabilities	275.0	222.5	285.7	245.6	171.3	157.5	148.6
Total equity and liabilities	**1 545.5**	**1 509.7**	**1 489.8**	**1 469.2**	**1 474.6**	**1 463.4**	**1 141.4**

	FY2021	FY2020	FY2019	FY2018	FY2017	FY2016	FY2015
	R'm	R'm	R'm	R'm	R'm	R'm	R'm
			Restated	*Restated*	*Restated*		
CASH FLOWS							
Net cash flow from operating activities	10.0	29.3	(36.7)	32.1	(12.5)	33.0	51.4
Net cash flow from investing activities	(73.9)	251.9	169.8	1.9	(64.0)	(70.4)	(137.5)
Net cash flow from financing activities	(10.4)	8.4	-	-	5.6	-	2.8
Cash and cash equivalents at beginning of the year	531.9	259.2	126.0	91.9	162.8	200.1	283.5
Cash and cash equivalents at end of year	457.6	531.9	259.2	126.0	91.9	162.8	200.1
RATIO ANALYSIS							
PROFITABILITY AND ASSET MANAGEMENT							
Asset turnover	0.3	0.3	0.4	0.4	0.4	0.4	0.6
Return on net assets	-10.0%	(11.3 %)	(2.5%)	(5.9%)	(5.4%)	(0.2%)	(1.1%)
Return on equity	-13.8%	(13.4 %)	(3.5%)	(3.5%)	(8.0%)	(0.3%)	(0.3%)
Current ratio	2.3	3.1	1.6	1.2	1.4	1.9	2.3
Operating margin %	-26.1%	(24.8 %)	(6.2%)	(15.5%)	(14.9%)	(0.6%)	(1.8%)
Revenue % to total income	66.0%	64.4%	68.5%	67.9%	73.2%	74.2%	74.30%
PERFORMANCE							
Number of employees at year-end	824	856	877	922	973	918	875
Commercial revenue per employee	505	520	578	558	515	593	637
Cost per employee	983	1 029	966	978	834	892	886
Operating profit per employee	(131.5)	(128.7)	(35.7)	(86.2)	(76.6)	(3.4)	11.4
Remuneration as a % of total expenditure	69.3%	62.7%	60.9%	61.2%	64.8%	61.1%	60.8%

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 C

GOVERNANCE

01 | Governance Report

Good corporate governance is paramount to the success of the SABS, and to protect and advance the interests of the country and its citizenry.

The SABS exists as a public entity in terms of the Standards Act, No. 8 of 2008 (the "Act"), under the Executive Authority of the Minister of Trade, Industry and Competition (**the dtic**). In accordance with the Act, the Board of the SABS is appointed by the Executive Authority (i.e. the Minister of **the dtic**).

The Act also makes provision for the appointment of the Chief Executive Officer of the SABS. In order to achieve its objectives, the SABS may perform, in so far as it is not inconsistent with the provisions of any Act of Parliament or regulation, such functions as the Minister may assign to the SABS. The SABS Commercial SOC Limited is a wholly-owned subsidiary of the SABS which houses the SABS' conformity assessment services business.

ACCOUNTING AUTHORITY

In June 2018, the then-Minister placed the SABS under the control of administrators. The Minister designated three co-administrators as the Accounting Authority of the SABS for the period 2 July 2018 to 31 January 2019. This period was subsequently extended to 31 October 2019 and then extended until the appointment of a board. The co-administrators were charged with producing a diagnostic report and turnaround action plan for the SABS. Following the resignation of Mr Garth Strachan, Ms Jodi Scholtz was appointed as the Lead Administrator.

Until such time as the appointment of a new board, the co-administrators have taken responsibility to provide effective oversight and stewardship in line with leading governance practices, ensure that the SABS delivers on its fiduciary duties, is transparent and accountable and delivers on its legal and statutory mandate and provide regular reports to **the dtic** on progress made with the turnaround strategy.

The co-administrators also established an Audit and Risk Committee (ARC) to undertake the necessary audit functions as set out in the law. In addition, a Social and Ethics Committee, which met for the first time after year-end, was established in 2018. It is envisaged that all other Board committees will be established once a Board has been appointed. The composition of the Accounting Authority reflects the appropriate mix of knowledge, skills, experience, diversity and independence to execute its roles and responsibilities.

AUDIT AND RISK COMMITTEE

At year-end, the Audit and Risk Committee comprised of two co-opted independent non-executive members, one non-executive member and the lead administrator. All members have the requisite financial skills and experience to fulfil the Committee's duties. The Committee's mandate is, amongst others, to review the effectiveness of internal controls, ensure satisfactory standards of governance and compliance, and maintain oversight of financial results and integrated reporting.

Governance Policies and Procedures in Place

Leadership, Ethics and Good Corporate Citizenship

- Shareholder's Compact
- Board charter
- Code of ethics
- Conflict of interest policy
- Anti-corruption and fraud prevention policy
- Safety, health, and environmental policy
- Annual declaration of outside interest policy

Strategy, Performance and Reporting

- Annual submission of the SABS Corporate Plan
- Planning and Reporting framework

Governance Functional

- Sub-committee terms of reference
- Remuneration policies
- Performance management frameworks
- Internal audit policy

Stakeholder Relationships

- Annual engagement plan for key stakeholders

02 | Portfolio Committees

The Lead Administrator and members of the Executive Committee of the SABS appeared before Parliamentary Committees on the following dates:

Committee Name	Date	Topic	No. of Members
Portfolio Committee on Trade, Industry and Competition	09 Dec 2020	Presentation to Deputy Minister Fikile Majola and DG Lionel October: **the dtic**	7
Portfolio Committee on Trade, Industry and Competition	15 March 2021	The SABS presentation on turnaround	7

03 | Remuneration Report

The SABS acknowledges that its ultimate source of value to the organisation's productivity and profitability is its valuable employees who contribute to the achievement of the business objectives.

Through the SABS' remuneration policy, the SABS seeks to:

- Reward employees equitably for their contracted work outputs.
- Make recommendations into the SABS human capital strategy.
- Design, motivate and reward performance.
- Encourage the development of skills and competencies required to meet future needs.
- Retain and attract high-quality individuals with the optimum mix of skills, competencies and values.
- Secure a commitment from people to the SABS' goals and purpose through the optimum mix of financial and non-financial rewards.

EMPLOYEE REMUNERATION

The SABS is committed to attracting, motivating, managing and retaining talented employees of the highest calibre for the SABS through the payment of fair, appropriately structured and competitive remuneration. The SABS recognises a mix of both competencies and performance in its remuneration structure.

The remuneration packages for employees are divided into fixed and variable components, including short-term performance incentives as well as additional benefits for bargaining unit employees.

Remuneration Element	Description
Guaranteed Pay	Inclusive of benefits (for eligible participants) such as pension fund savings, group life and disability cover, as well as contributions to company approved medical schemes
Variable Pay	Eligible permanent employees in the bargaining unit are paid a 13th cheque – in accordance with the prevailing wage agreement concluded during the 2016/17 financial year. Performance bonuses are designed to encourage, recognise and reward performance and are therefore linked to company and individual performance objective outcomes. Performance bonuses are paid in arrears, i.e. performance bonuses paid in 2017/18 were for the financial year 2016/17. **Performance Bonus Policy** The employee level along with two or three performance milestones determine performance bonus outcomes. Performance milestones include the SABS Group performance target, divisional objective measures, and individual performance scores. A minimum performance score of 3 out of 5 must be realised for an employee to be eligible for a pay-out The maximum performance bonus payable on guaranteed annual salary are as follows: • CEO (P1): 45% • Executives (P2-3): 35% • Group/general managers (P4): 25% • Management and specialists levels (P5–7): 20% * No bonuses were paid out for the period under review
Additional Benefits to Bargaining unit Employees	Bargaining unit employees refer to employees occupying grade levels P8-18. In accordance with the wage agreement, these categories of employees (where eligible) received additional benefits, including a medical aid subsidy and housing allowance.

The Accounting Authority reviews the Chief Executive Officer remuneration and makes recommendations to the Minister of Trade Industry and Competition for consideration.

* Details of remuneration earned by the Executive Management team are reflected in note 29.5 to the annual financial statements.

CO-ADMINISTRATORS AND BOARD REMUNERATION

Co-administrators

The SABS was placed under administration by the then-Minister of the dti, Dr Rob Davies, during the year and three co-administrators were appointed. Mr Garth Strachan was appointed as the acting Chief Executive Officer (ACEO) and is deemed a salaried employee of the SABS. The remaining two co-administrators are employees of **the dtic** and are not entitled to additional remuneration.

The Board

The Remuneration Committee reviews the non-executive members' fees and makes recommendations to the Board and the Minister of **the dtic** for consideration and approval.

No related party transactions with Board members occurred during the financial year, as there was no constituted Board in place.

* Details of fees earned by the non-executive members are reflected in note 29.5 to the annual financial statements.

04 | Executive Authority

SHAREHOLDER LINKAGE

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

The Minister of **the dtic**, as the Executive Authority, holds the Accounting Authority accountable for managing the SABS to deliver on this mandate. During the year, the Accounting Authority as a whole met regularly with **the dtic** which provided an opportunity for the Shareholder and the co-administrators to engage on strategic and operational matters.

In line with section 52 of the PFMA, the SABS submits a Shareholder's Compact and Corporate Plan to the Department of Trade, Industry and Competition during February of each year. This serves as an agreement between the SABS and the Shareholder and documents the key performance measures and targets against which organisational performance is assessed. The Corporate Plan is also submitted to the National Treasury. The SABS Accounting Authority reports on performance and related matters to the Shareholder by way of quarterly and annual reports.

05 | The Accounting Authority

INTRODUCTION

In June 2018 the then-Minister placed the SABS under the control of administrators. The Minister designated three co-administrators as the Accounting Authority of the SABS for the period 2 July 2018 to 31 January 2019. This period was subsequently extended to 31 October 2019 and then extended until the appointment of a board.

The co-administrators were charged with producing a diagnostic report and turnaround action plan for the SABS. Following the resignation of Mr Garth Strachan, Ms Jodi Scholtz was appointed as the Lead-administrator.

THE ROLE OF THE BOARD IS AS FOLLOWS:

Until such time as the appointment of a new board, the co-administrators have taken responsibility to provide effective oversight and stewardship in line with leading governance practices, ensure that the SABS delivers on its fiduciary duties, is transparent and accountable and delivers on its legal and statutory mandate and provide regular reports to **the dtic** on progress made with the turnaround strategy.

COMMITTEES

The co-administrators also established an Audit and Risk Committee (ARC) to undertake the necessary audit functions as set out in the law. In addition, a Social and Ethics Committee, which met for the first time after year-end, was established.

It is envisaged that all other Board committees will be established once a Board has been appointed. The composition of the Accounting Authority reflects the appropriate mix of knowledge, skills, experience, diversity and independence to execute its roles and responsibilities.

MEMBER INDEPENDENCE AND CONFLICTS

Members are required to declare all their direct and indirect material interests that may exist as a result of their association with any other company annually. As soon as an individual becomes aware of any conflict of interest, he or she is required to disclose such conflict and to recuse themselves from the discussions. The individual is precluded from voting on conflicted matters. The Company Secretary maintains a register of members' interests. In addition, each agenda of meetings contains an item for declaration of interests.

Members are encouraged to seek independent advice, at cost to the SABS, during the execution of their fiduciary duties and responsibilities if needed. During the financial year, no independent advice was sought by the Accounting Authority. Members also have, at all times, direct access to the SABS' internal and external auditors, the Company Secretary, the SABS internal support services and all members of the executive management.

BOARD AND COMMITTEE EVALUATIONS

As the SABS was placed under administration, no Board or committee evaluation was conducted.

COMPOSITION OF THE ACCOUNTING AUTHORITY

JODI SCHOLTZ (48)
Lead Administrator

Date appointed:
02 July 2018

Current Position:
Chief Operating Officer at **the dtic**

Qualification:
MBA

Areas of Expertise:
Strategy, operations, risk management and governance

DR TSHENGE DEMANA (60)
Co-Administrator

Date appointed:
02 July 2018

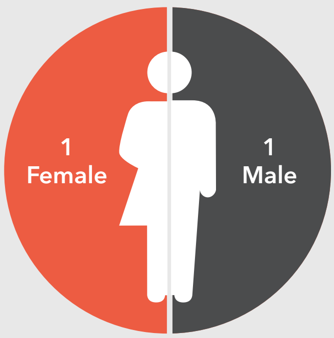
Current Position: Chief Director:
Technical Infrastructure Institutions at **the dtic**

Qualification:
PhD (Chemistry)

Areas of Expertise:
Quality management and laboratory services

ETHNIC DIVERSITY

GENDER DIVERSITY



ACCOUNTING AUTHORITY MIX

MEETINGS

Board or Co-Administrator attendance in Meetings During the 2021 Financial Year

Three meetings were held during the financial year. The table below reflects each member's attendance at the meetings.

MEMBERS	22 October 2020	08 February 2021	24 March 2021	Number of Meetings: 3
NON-EXECUTIVE MEMBERS				
Ms Jodi Scholtz (Lead Administrator)	√	√	√	3
Dr Tshenge Demana (Co-Administrator)	√	√	√	3
EXECUTIVE MEMBER				
Ms Tina Maharaj	√	√	√	3
Mr Lizo Makele	√	√	√	3
Dr Sadhvir Bissoon	√	√	√	3
Mr Lungelo Ntobongwana	√	√	√	3
Mr Katima Temba	√	√	√	3
Mr Thabo Sepuru			√	1
SENIOR MANAGERS (INVITEES)				
Mr Oratile Mothudi	√			1
Mr Molemo Mogolane	√			1
Mr Nils Flaatten	√			1

√ Attended

REMUNERATION OF BOARD MEMBERS

The SABS was placed under administration by the then-Minister of the dti, Dr Rob Davies, in 2018 and three co-administrators were appointed. The two co-administrators are employees of **the dtic** and are not entitled to additional remuneration.

No related party transactions with Board members occurred during the financial year, as there was no constituted Board in place.

Details of fees earned by the non-executive members are reflected in note 29.5 to the annual financial statements.

06 | Managing Risks

Enterprise risk management is an integral part of the SABS' efforts towards 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.

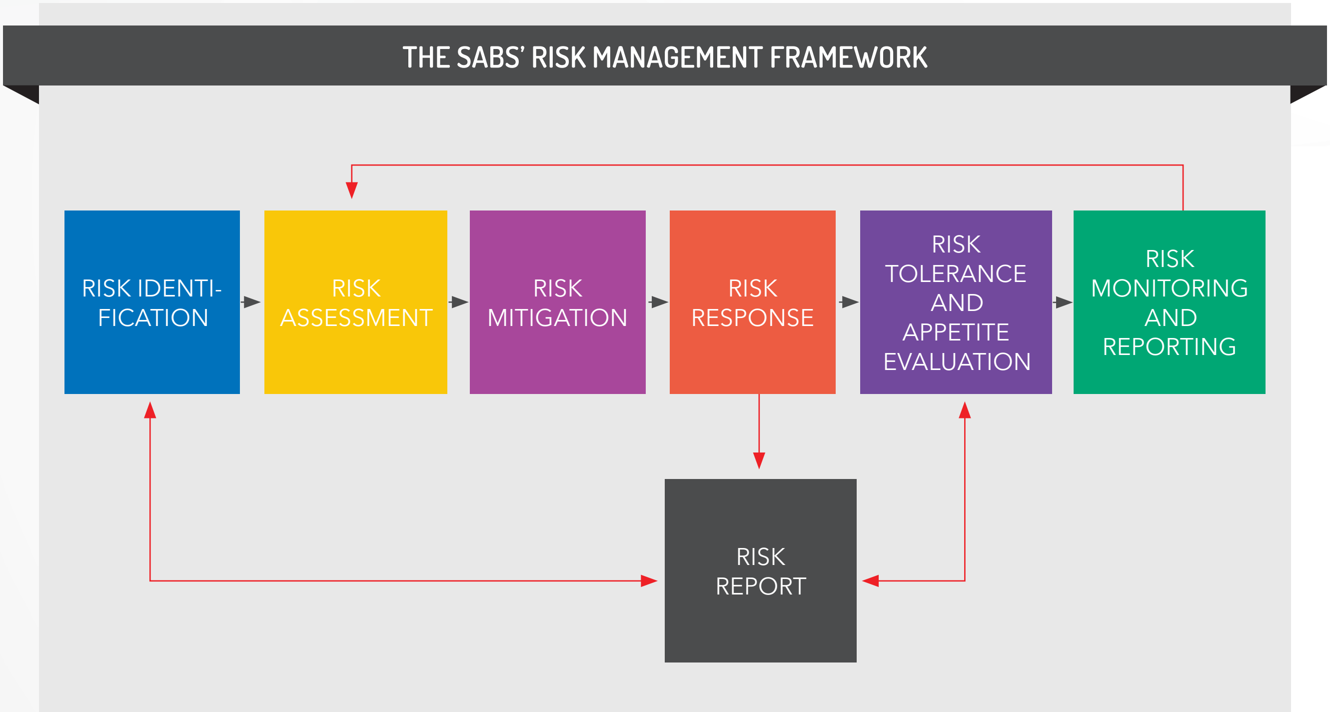
RISK MANAGEMENT

The SABS adheres to the risk policies and processes aligned to the King 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 risk and compliance department headed by the Chief Risk Officer is responsible for the ERM portfolio and is tasked to implement effective and efficient systems of risk, ethics and compliance management in the SABS in line with the Public Finance Management Act (PFMA) and relevant prescripts.

The risk management portfolio includes:

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



COMBINED ASSURANCE – FIVE LINES OF DEFENCE FRAMEWORK

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 is everyone's responsibility, from 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 the SABS' external auditors and accreditation bodies such as SANAS and RvA
Fifth	Accounting Authority	Oversees the activities of the SABS and accounts to the shareholder for strategy and performance

MATERIAL RISKS AND MITIGATION STRATEGIES

During the year, the Accounting Authority considered various reports from management on the key strategic risks facing the SABS. No changes to the key risks occurred in the year, however, the risk profile for three risks increased in the year. The remaining risks remained unchanged. Further detail, together with mitigation actions are presented below.

Risk	Residual Risk	Movement in Risk from FY2021	Key Mitigation Actions in Place or being Planned	Strategic Response
Financial sustainability	High	Risk increased	• Develop and execute the new business pipeline from sales to revenue conversion • Conclude partnerships with additional laboratories to enhance the SABS testing capability • Strengthening of cost containment measures • Establish new business opportunities • Upgrading the ageing infrastructure to improve productivity and operational efficiencies	Provide integrated conformity assessment service solutions Continuous improvement in internal systems and process Creating and maintaining a high-performance culture Achieve and maintain financial sustainability

Risk	Residual Risk	Movement in Risk from FY2021	Key Mitigation Actions in Place or being Planned	Strategic Response
Loss in stakeholder confidence and client satisfaction	High	Risk unchanged	• Implement government's industrial policy in line with the corporate plan which includes standards development and regional integration deliverables. • Enhance strategic relationships with regulators, industry associations government departments and other government entities to provide value-adding customised services • Developing new digital channels to improve the customer experience and improve service/product request and customer engagement turnaround times and provide better visibility of customer and stakeholder engagements • Review and implement the Stakeholder engagement plan	Continuous improvement in internal systems and process Provide integrated conformity assessment service solutions Develop, promote and increase the use of standards
Laboratory infrastructure constraints and facilities	High	Risk unchanged	• Develop and implement infrastructure upgrades and maintenance plans • Phased approach to replace and /or repair ageing infrastructure	Continuous improvement in internal systems and process
Loss of accreditation	High	Risk increased	• Automation of certification and accreditation processes (SABCIMS project) • Validation and closing of audit findings • Secure two technical signatories and apply for them at SANAS per method (ensure that technical signatories are part of workforce planning and prioritised) • Development and Implementation an Impartiality Framework)	Continuous improvement in internal systems and process Creating and maintaining a high-performance culture
Inadequate legislative compliance & legal action, including fraud and corruption	Medium	Risk unchanged	• Detailed compliance gap analysis of relevant legislation. Implement plans to close out legislative compliance gaps • Ongoing monitoring and evaluation of legislative compliance • Legal action and litigation management • Conduct minimum anti-corruption capability assessment • Implement an anti-corruption and fraud prevention implementation plan (including awareness) • Conduct fraud and ethics risk assessments • Develop and implement an ethics management strategy • Investigations and reporting	Continuous improvement in internal systems and process

Risk	Residual Risk	Movement in Risk from FY2021	Key Mitigation Actions in Place or being Planned	Strategic Response
Inadequate manage-ment of talent and performance	High	Risk unchanged	• Implement a performance management compliance framework to reinforce governance, compliance and improved culture • Implement a performance management system in line with the timeframes and other requirements, conduct compliance analysis and escalate non-compliance for management action • Implement a talent management strategy with more focus on the following key initiatives: » Development of a core and critical skills matrix and conducting a skills gap analysis » Revise and implement the talent sourcing plans to attract and retain skills	Creating and maintaining a high-performance culture Continuous improvement in internal systems and process
Standards develop-ment, Maintained and Promotion	Low	Risk Improved	• Develop and review Norm 2021 • Workshop and calibration of contributing committee stakeholders • Ongoing monitoring and review of the Standards Development Project tracks • Actively seek standard promotion opportunities in the marketplace	Develop, promote and increase the use of standards
Health and Safety (Covid-19 Impact)	Medium	Emerging risk	• Implementation of Physical Security Plan • Monitoring by Covid-19 Response Committee • Implementation of Return to Work Plan • Covid-19 risk and Compliance Assessment	Continuous improvement in internal systems and process

07 | Internal Control Unit

RESPECTING HUMAN RIGHTS

The SABS is committed to upholding the principles of respecting and protecting internationally proclaimed human rights, as well as ensuring that the SABS is not complicit in human rights abuses.

The SABS code of ethics details the organisation's commitment to fundamental human rights and the social and ethics committee monitors the effectiveness of ethics management in the SABS.

No businesses in the SABS are deemed to be at risk of violating human rights which protect child labour, forced or compulsory labour.

During the year, **no incidents of discrimination, forced labour or compulsory labour** were reported (FY2020:0)

LEGAL COMPLIANCE

Lawful compliance and respect for the rule of law underpin an ordered and effective society. The SABS and its employees are committed to complying with the applicable legal and regulatory requirements wherever it does business.

The legal and compliance officers are responsible for the implementation of an effective legislative compliance framework and provide the Board with the assurance that the SABS is compliant with applicable laws and regulations.

No material incidents of legislative infringements were recorded in the year (FY2020:0)

08 | Internal Audit and Audit Committees

INTERNAL AUDIT SERVICES

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

All audit activities are performed in conformance with the international standards for the professional practice of internal auditing as provided by the Institute of Internal Auditors (IIA).

The IAS operates in accordance with its charter, approved by the Audit and Risk Committee. 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 administratively to the CEO and functionally to the Audit and Risk Committee.

An effective quality assurance programme is in place to ensure that the internal audit services provide its service in accordance with the IIA standards and the internal audit code of ethics.

PROGRAMME

The programme includes both internal and external evaluations, which assess the effectiveness and efficiency of the internal audit activity, and identifies opportunities for improvement, which are implemented and monitored by the head of internal audit services.

The internal auditors in the internal audit services department maintain their membership with the IIA of South Africa, 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:

- Information technology system environment
- Reliability and integrity of financial and operational performance information
- Effectiveness of operations and performance of the SABS
- Adequacy of safeguarding of the SABS assets in compliance with relevant laws and regulations

The IAS' effective stakeholder management ensured efficiencies in the internal audit activities. Some of the assurance gaps and duplications by the SABS assurance providers were addressed through integrated assurance (combined assurance) activities by the internal audit services and external auditors. For more about the combined assurance model, refer to pages 63 to 66.

09 | Audit and Risk Committee Report

The Audit and Risk Committee's primary purpose is to oversee the internal control and financial assurance oversight on behalf of the Board in compliance with the statutory duties and responsibilities in terms of the Public Finance Management Act, Companies Act and the King Code.

LEGISLATIVE REQUIREMENTS

The Audit and Risk Committee (ARC) herewith presents its report for the financial year ended 31 March 2021, 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.

MEMBERSHIP AND ATTENDANCE

In July 2018, the then-Minister of the dti dissolved the SABS Board and appointed three co-administrators. The Audit and Risk Committee was established on 25 July 2018 in accordance with sections 51(1)(a)(ii) and 77 of the PFMA. The Committee, as a whole, has the requisite qualifications and experience to fulfil its duties and is comprised of the following members:

Name	Designation	Qualification	Areas of Experience
Mr Sikkie Kajee	Independent Non-Executive Chairman	• CA(SA) • MBA • BCompt (Hons) Accounting and Auditing	Finance, auditing, internal auditing, compliance and business turnaround
Ms Rene Van Wyk	Independent Non-Executive	• CA(SA) • MBA • Diploma in Advanced Banking	Finance, risk management and governance, human capital management, business turnaround
Ms Jodi Scholtz	Executive	• MBA • BCom (Hons) • BA Arts & Postgraduate Diploma: Trade Policy	Strategy, operations, risk management and governance
Mr Shabeer Khan	Non-Executive	• CA(SA)	Finance, auditing, governance and risk

In terms of section 77(b) of the PFMA, an audit committee must meet at least twice a year. During the financial year ended 31 March 2021, the Committee met on three occasions.

The table below shows the attendance at these meetings:

	27 July 2020	28 September 2020	25 January 2021	Total Number of Meetings: 3
Mr Sikkie Kajee	√	√	√	3
Ms Rene Van Wyk	√	√	√	3
Ms Jodi Scholtz (Co-Administrator)	√	√	√	3
Shabeer Khan	√	√	√	3

√ Attended

The members of the Audit and Risk Committee held meetings with the Accounting Authority, senior management of the SABS, 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 has complied with its responsibilities arising from section 51(1)(a)(ii) of the PFMA read with Treasury Regulation 27.1.8, and reports that it operated in terms of the Audit and Risk Committee Terms of Reference read in conjunction with the Internal Audit Charter.

EFFECTIVENESS OF INTERNAL CONTROL

The Audit and Risk Committee reviewed the reports of both the internal and external auditors, in respect of audits conducted on the internal control environment. Various matters were brought to the Committee's attention which was not prevented or detected by the SABS' system of internal controls.

Based on the extent of the audit work carried out by both the internal and external auditors, instances of breakdowns in controls were identified. The Committee took note of the matters raised and considered the appropriateness of the responses from management. Remedial action, where appropriate, will be monitored.

Based on the extent of the audit work carried out by both the internal and external auditors, nothing was brought to the Committee's attention that would suggest a material breakdown of any internal control system. The Committee was therefore satisfied that the internal financial control environment continued to function effectively.

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 under review in compliance with the statutory framework. The Committee has engaged with management to remedy shortcomings, especially relating to reports on performance against predetermined objectives.

The Audit and Risk Committee has reviewed and commented on the SABS' Annual Financial Statements and report on performance information and their timely submission to the external auditors by 31 May 2021.

INTERNAL AUDIT FUNCTION

The Accounting Authority is obliged, in terms of the PFMA, to ensure that the entity has a system of internal audit under the control and direction of the Audit and Risk Committee. The Committee is satisfied that the internal audit function is operating effectively and that it has addressed the key risks pertinent to the SABS.

The Committee is satisfied that the internal audit function maintains an effective internal quality assurance and programme that covers all aspects of the internal audit activity.

The last external assessment indicates that a generally "conforms rating" can be applied to the internal audit work and the term "Conforms with the International Standards for the Professional Practice of Internal Auditing" may be used by the function.

RISK MANAGEMENT FUNCTION

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

FRAUD AND CORRUPTION

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.

EVALUATION OF THE FINANCE FUNCTION

The Audit & Risk Committee is satisfied that the finance function performed effectively, with some constraints identified. The Committee will monitor the implementation of the remedial plans.

IT GOVERNANCE

The Audit & Risk Committee provides oversight over the IT controls within the SABS' operating environment. To this end, the Committee has noted the need to strengthen various IT general controls and IT governance. This is being addressed and is expected to be a multi-year project to modernise and upgrade 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 are 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 2021 and considers that it complies, 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

The Audit and Risk Committee concurs with and accepts the conclusion and audit opinion of the external auditors on the Annual Financial Statements. The Committee is of the view that the audited Annual Financial Statements be accepted and read together with the report of the external auditors.

The external audit function, performed by the Auditor-General of South Africa, is independent of the entity. The Committee has met with the external auditors to ensure that there are no unresolved issues, and the ARC acknowledges the diligence and cooperation of the external audit team.

OTHER MATTERS

The Audit and Risk Committee draws attention to the financial position of the SABS. It is acknowledged that there are comprehensive business plans in place, with defined action items to achieve financial sustainability. However, the action items proposed in the business plans require the support and the attention of the Board and Executive Authority to ensure successful implementation.

On behalf of the Audit and Risk Committee:

Mr Sikkie Kajee

Chairman of the Audit and Risk Committee

South African Bureau of Standards

10 | Compliance with Laws and Regulations

Lawful compliance and respect for the rule of law underpin an ordered and effective society. The SABS and its employees are committed to complying with the applicable legal and regulatory requirements wherever it does business. The legal and compliance officers are responsible for the implementation of an effective legislative compliance framework and provide the Board with the assurance that the SABS is compliant with applicable laws and regulations.

No material incidents of legislative infringements were recorded in the year (FY2020:0)

11 | Fraud and Corruption

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.

12 | Minimising Conflict of Interest

Conflict of Interest of Employees in 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 to fraud and corruption.
- Encouraging whistleblowing with the implementation of a no-charge Fraud Line available on 0800 00 7112. In addition, a fax line, email and website options are also available to report fraud and corruption.

13 | Code of Conduct

Brief description and nature of Code of conduct/ethics and the effect it has on the public entity. Discuss the process followed for the breach of the code of conduct.

14 | Health Safety and Environment Issues

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 WELL-BEING 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 to implement innovative and value-adding initiatives for the business. To this end, 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 for employee productivity, wellbeing 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.

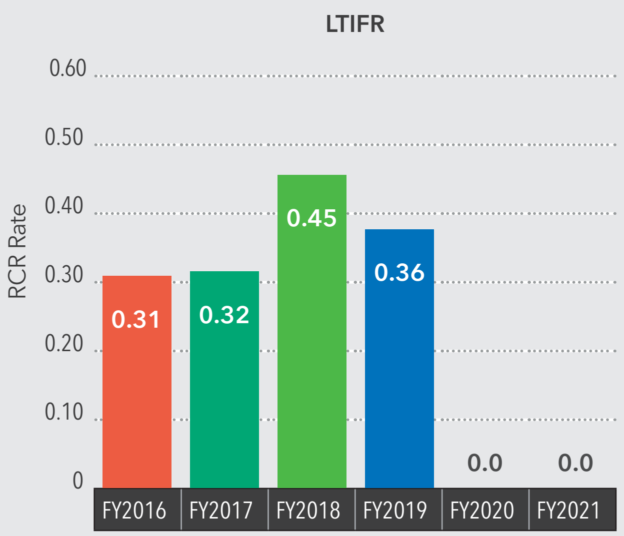
A dedicated Health, Safety and Environmental (HSE) Management unit guides the SABS on all health and safety matters, legislation and regulatory updates.

PROVIDING SERVICES ACROSS THE STANDARDS DEVELOPMENT AND SERVICES VALUE CHAIN

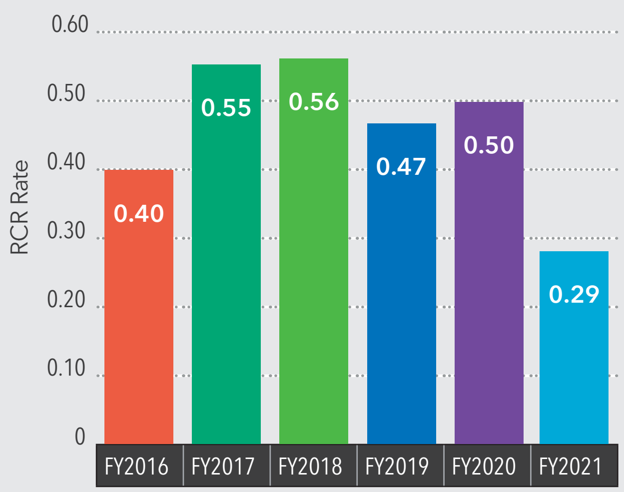
- **OHS policy** cascaded throughout the SABS
- Formalised **risk assessment** and mitigation plans
- **Reporting to and monitoring** at senior management level
- **Workforce representation** in safety and health management
- Ongoing focus on **training and process improvement**

MEASURING HEALTH AND SAFETY EFFORTS

The lost time injury frequency rate (LTIFR) of 0.00 achieved
The minor injury frequency rate (MIFR) of 0.29 achieved (FY2020: 0.56)
No fatalities were recorded in FY2021



Number of lost-time injuries for the past 12 months 0



Number of minor injuries for the past 12 months 0,29

15 | Company Secretary

Mr Joseph Leotlela, the Group Manager: Legal Services of the SABS, has served as the Acting Company Secretary of the SABS. The Company Secretary's primary role is to ensure that the Accounting Authority is cognisant and aware of its fiduciary duties and responsibilities as well as keep them aware of relevant changes in legislation and governance best practice.

Other key performance areas of the Company Secretary include overseeing the induction of new members as well as the ongoing education of members. The Company Secretary also provides similar support to the various sub-committees. The Accounting Authority has unfettered access to the services of the Company Secretary.

The Accounting Authority can confirm that the Company Secretary:

- The Company Secretary is not a member of the Accounting Authority and is not related to any of the members.
- Is independent of management and does not have executive duties and responsibilities, aside from the core responsibilities of a Company Secretary and as Head of Legal Services.

16 | Social Responsibility

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 of 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.

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 66 to 68 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 policy 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
- Status reports on anti-corruption and fraud management initiatives were presented to the Audit and Risk Committee and the Social and Ethics Committee

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

17 | B-BBEE Compliance Performance Information

The SABS achieved a Non-compliant BBBEE contributor status at its most recent assessment (previously: Level 8). The group's BBBEE certification was performed by FinXBEE, an independent economic empowerment rating agency. Management will continue to implement an improvement plan.

Has the SABS applied any relevant Code of Good Practice (B-BBEE Certificate Levels 1 – 8) with regards to the following:		
Criteria	**Response Yes / No**	**Discussion**
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 into 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	

PART D

HUMAN RESOURCE MANAGEMENT

01 | Introduction

BUILDING TALENT TO DRIVE PERFORMANCE EXCELLENCE

The strategic plan for the SABS gives recognition to the role and value of employees in successfully delivering on its institutional mandate. The emphasis is placed on ensuring that the SABS can attract dedicated and competent professional employees; develop the existing employees and free their potential; retain employees whose competencies are critical to the institution; and create an environment that enables excellent performance.

Consequently, the SABS Human Capital strategy, which the Human Capital division leads, is anchored on the following elements:

- Talent acquisition, including recruitment, on-boarding and graduate placement.
  - The recruitment and selection policy is yet to be distributed following approval by EXCO.
  - The onboarding and induction procedure was approved and it is still to be implemented in the organisation.
  - A total of 19 22 graduates were recruited (1 resigned) as part of a structured "Graduate Recruitment and Development Programme" for a period of two years to October 2021. 18 of them started in 2019 and their programme is ending in October 2021. The graduates are placed in the different divisions within the organisation with 12 of them placed with the Laboratory Services Department (LSD).
- Learning and development, including competency assessments as well as leadership and skills development
  - The Skills Audit commenced towards the end of the year (2020) and is aimed at assessing employees' current skills and knowledge against the organisation's skills requirements to ensure attainment of the organisational mandate. This initiative would enable the organisation to determine the skills gap and identify relevant developmental interventions and strategies to address identified skills deficiencies, career-pathing and talent management needs.
  - The training plan was revised following the submission of the Workplace Skills Plan (WSP) to SETA and the Individual Developmental Plans (IDP). This was informed by the impact of Covid-19 on the delivery of training in the organisation as a result of the inaccessibility of employees. With the relaxation of lockdown regulations training will be prioritised with more emphasis on the development of technical skills in LSD, Certification and Standards (the core divisions of the SABS).
  - A total of 13 Senior Managers enrolled for an Executive Development Programme (11 funded by the Services SETA and 2 funded internally) and 3 of these have since resigned. This is part of the talent management mechanism to develop leadership capabilities that are required to take the organisation forward given the current internal and external environment
  - In an effort to build technical capacity and capability within the core areas of the organisation, HC planned to offer bursaries targeting Masters and PhD studies for the 2021 academic year. Four bursaries were awarded for PhD (3 Certification, 1 LSD) and three for Masters (2 in Certification and 1 in Standards).

02 | Human Resource Oversight Statistics

The SABS is a team of committed individuals. Built on the foundation of strong values and a commitment to the SABS code of ethics, the SABS strives to provide a safe, challenging and rewarding environment for each of its employees.

CREATING AN ENVIRONMENT IN WHICH EMPLOYEES CAN THRIVE

Skilled, accountable and passionate employees is a critical success factor for the organisation. The employee turnover rate: the SABS seeks to attract, develop and retain appropriately qualified and experienced individuals who present the right mix of technical and behavioural competencies that address targeted business requirements.

THE SABS HUMAN CAPITAL STRATEGY IS UNDERPINNED BY THE FOLLOWING FOCUS AREAS:

TALENT MANAGEMENT

Combining the right processes, programmes and cultural elements to ensure that the SABS can attract, develop, mobilise, optimise, engage and retain the best people

LEADERSHIP AND CULTURE

Creating awareness of the required behavioural changes to bring about cultural and leadership shifts to ensure that the SABS transitions towards a service and client-centric culture

REWARD AND RECOGNITION

Establishing a "fit-for-purpose" remuneration and reward philosophy and framework

PERFORMANCE MANAGEMENT

Implementing performance management practices that set and evaluate goals on a different basis, that requires ongoing performance feedback focused on learning and future development, to ensure that appropriate steps are taken to enhance performance and help employees grow their careers

As the SABS continues to deliver on its mandate, the HR function is evolving with the business to provide more integrated and relevant solutions. HR particularly focused on:

- Implementing programmes to support the growth of technical and functional expertise in core operational business areas.
- Review of the performance management system as a key driver for building a high-performance culture.
- Strengthening the working relationship between employees to support constructive dialogue and meaningful partnerships.

THE SABS WORKFORCE PROFILE AT A GLANCE

824 Employees
and fixed-term contractors

45.87%
Female representation

86.29%
Black representation

18.20%
of staff complement aged 35 and below

5.4%
Total employee turnover rate
(FY2020: 4.7%)

16 **New staff** members appointed

19 **Resignations**

05 **Contracts ended**

16 **Retired**

02 **Medically unfit**

00 **Dismissed**

00 **Abscondments**

45% Female
55% Male

HEADCOUNT

FY2016	FY2017	FY2018	FY2019	FY2020	FY2021
918	973	922	887	856	824

AGE PROFILE

150
35 AND UNDER

465
AGES 36 - 50

209
OVER 50

78%
African

14%
White

5%
Indian

3%
Coloured

The SABS workforce profile according to the Department of Labour occupational levels

	MALES				FEMALES				FY2021			FY2020
OCCUPATIONAL LEVEL	A	C	I	W	A	C	I	W	MALE	FEMALE	TOTAL	TOTAL
Top Management (P1- 3)	1	-	1	-	-	-	1	-	2	1	3	4
Senior Management (P4)	6	-	2	3	1	-	1	-	11	2	13	14
Middle Management (P5 -7)	50	3	9	22	45	3	4	10	84	62	146	153
Junior Management (P8 -11)	178	11	15	33	209	8	10	42	237	269	506	518
Semi- and Unskilled	110	-	-	2	40	1	2	1	112	44	156	167
Total FY2021	**345**	**14**	**27**	**60**	**295**	**12**	**18**	**53**	**446**	**378**	**824**	**856**
Total FY2020	358	15	32	68	297	12	18	56	473	383	856	

BUILDING TALENT TO DRIVE PERFORMANCE EXCELLENCE INTO THE NEXT GROWTH HORIZON

The SABS' operating environment requires employees to be adaptable, results-driven, self-motivated, decisive and 237 responsive team players. All employees are provided with equal opportunities for development, advancement and promotion on merit and without prejudice.

A structured performance management process is in place across the SABS, with performance reviews based on functional and business unit strategic objectives. Short-term performance incentives, as well as annual salary increments for assessed staff, are determined with reference to the completed appraisals. Development and training needs are also identified during this process. Business unit managers are responsible for the implementation of effective training programmes to address identified skills development needs with the support of the HR department.

Training interventions across the SABS included short training courses, attendance at seminars and workshops, management and leadership development programmes as well as executive coaching programmes.

The total number of employees trained for the year is 270. R1.38 million has been invested in training interventions against the annual budget of R4.3 million.

As part of the turnaround plan of the SABS, the focus will be on reviewing and finalising the SABS policy suite; ongoing work on employment relations (labour and management forum); scorecards and performance management; implementation of equity policy, specifically with respect to gender; employment contracts review, organisation review, skills audit, talent acquisition and retention and building of HC divisional capacity.

270 Employees

participated in

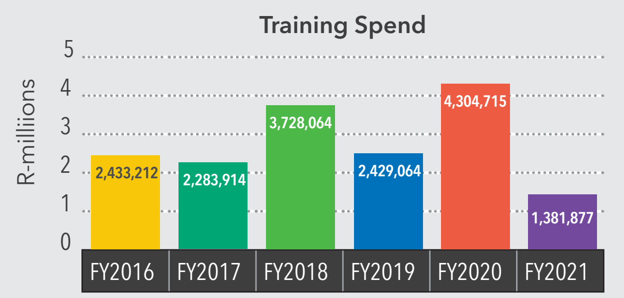
69 training interventions in the year

R1.4 million

The SABS' total investment

in employee training, excluding bursaries.

(FY2020: R4.1 million)



Includes seminars and workshops

ECONOMIC PARTICIPATION OF DESIGNATED GROUPINGS

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 designated people into the SABS (internal focus).

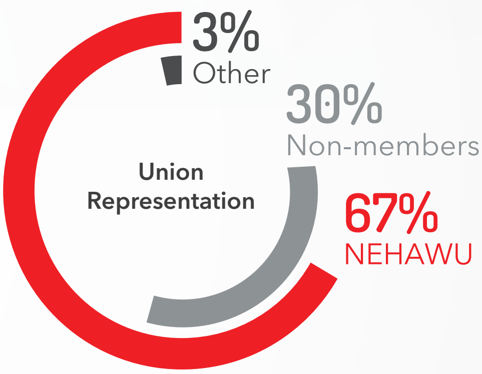
As of 31 March 2021, the SABS progressed as follow:

Key Performance Area	Internal Focus Actual[1]	Total		Target
		Actual	%	
Women	378	378	45.87%	46%
Youth (35 and below)	150	150	18.20%	24%
Persons with disabilities	18	18	2.18%	1.8%
Total supported / headcount	824	824	100.0%	No Target

[1] *Based on headcount at 31 March 2021 (internal)*

RESPECTING EMPLOYEE RIGHTS

The SABS is committed to upholding good labour principles and a working environment that is free of prejudice, bias, harassment and/or violation. The SABS' code of ethics entrenches the right of all employees to be treated with fairness, equality and respect. Unfair discrimination of employees on the basis of gender, race, physical health, sexual orientation, individual belief systems and/or any other prejudicial grounds is prohibited. Human Capital, employee relations and legal compliance frameworks are in place to uphold employee rights and ensure compliance with labour legislation.



Employee wage rates across the SABS comply with legislated wage rates. Where applicable, employees are paid in accordance with rates agreed on with trade unions and/or collective bargaining councils. Salaries are benchmarked against industry standards to ensure that employees are offered competitive remuneration packages that promote retention objectives.

Employees are free to exercise their rights to belong to trade unions and collective bargaining councils. Relationships with trade union representatives, considered to be key stakeholders, are managed in a proactive and responsible manner by Human Capital managers. Formal processes are in place to foster a culture of transparency and constructive engagement with trade union representatives in each territory. Material operational changes are communicated to the employee trade unions, as necessary, within legislated timeframes and these vary across the territories.

Formal grievance procedures are in place and communicated to employees in each business unit. During the previous year, a case of unfair labour practice dispute relating to the provision of benefits was collectively lodged by the managers. At year-end, the matter had not been resolved.

PART E

FINANCIAL INFORMATION

TABLE OF
CONTENTS:

ANNUAL FINANCIAL STATEMENTS

Prepared under supervision of Tina Maharaj CFO (SA); CA(SA)

31 August 2021

The Annual Financial Statements set out on pages 80 to 136, which have been prepared on the going concern basis, were approved by the Accounting Authority on and were signed on its behalf by:

J Scholtz

01 | Statement of Profit and Loss

for the year ended 31 March 2021

	Note(s)	Group 2021 R	Group 2020 Restated* R	SABS 2021 R	SABS 2020 Restated* R
Revenue	1	415 891	444 813	32 665	33 120
Government grants	29	214 706	245 559	214 706	245 559
Other income	2	70 988	80 659	139 970	140 226
		701 585	**771 031**	**387 341**	**418 905**
Employee benefit expenditure	3	(561 148)	(552 474)	(245 216)	(240 085)
Depreciation and amortisation	8-11	(49 977)	(50 396)	(23 884)	(21 974)
Travel expenditure		(8 070)	(32 660)	(557)	(5 958)
Advertising Expenditure		(1 227)	(13 766)	(1 028)	(12 523)
Contract Services		(58 517)	(51 782)	(57 623)	(48 470)
Consulting and technical fees		(14 057)	(20 215)	(11 262)	(13 445)
Repairs and maintenance		(9 561)	(11 806)	(6 663)	(7 093)
Grant to subsidiary		-	-	(93 687)	(123 565)
Other operating expenses	4	(107 407)	(148 136)	(94 770)	20 934
Operating expenditure		**(809 964)**	**(881 235)**	**(534 690)**	**(452 179)**
Operating loss		(108 379)	(110 204)	(147 349)	(33 274)
Interest income	5	29 416	50 974	36 042	45 595
Finance costs	6	(1 865)	(2 345)	(784)	(1 039)
(Loss) profit before taxation		**(80 828)**	**(61 575)**	**(112 091)**	**11 282**
Taxation	7	**37 271**	-	-	-
(Loss)/Profit for the period		**(43 557)**	**(61 575)**	**(112 091)**	**11 282**

02 Statement of Comprehensive Income

for the year ended 31 March 2021

		Group		SABS	
		2021	2020	2021	2020
	Note(s)		Restated*		Restated*
		R	R	R	R
(Loss)/Profit for the period		(43 557)	(61 575)	(112 091)	11 282
Other comprehensive income:					
Items that will not be reclassified to profit or loss:					
Remeasurement of post-employment healthcare benefit	21	8 326	6 586	3 870	3 328
Income tax relating to post-employment healthcare benefits	7	(1 248)	(912)	-	-
Other comprehensive income for the period net of taxation		7 078	5 674	3 870	3 328
Total comprehensive income (Loss)/Profit		(36 479)	(55 901)	(108 221)	14 610

03 Statement of Financial Position

As at 31 March 2021

	Note(s)	Group 2021 R	Group 2020 Restated* R	Group 2019 Restated* R	SABS 2021 R	SABS 2020 Restated* R	SABS 2019 Restated* R
ASSETS							
Non-Current Assets							
Property, plant and equipment	8	712 370	686 324	687 700	472 516	445 315	438 246
Right-of-use assets	9	23 022	15 749	-	16 476	5 859	-
Investment property	10	7 179	7 530	7 734	148 453	152 865	157 431
Intangible assets	11	14 175	13 413	20 081	11 868	9 808	13 630
Loans to group companies	15	-	-	-	17 067	93 462	6 414
Investment at fair value through profit and loss	13	120 335	100 460	312 583	120 335	100 460	312 583
Deferred tax	14	33 698	-	-	-	-	-
		910 779	**823 476**	**1 028 098**	**786 715**	**807 769**	**928 304**
Current Assets							
Inventories	16	4 618	3 947	3 125	4 618	3 947	3 125
Trade and other receivables	17	172 438	149 147	199 464	22 082	22 702	24 156
VAT receivables	25	-	1 271	-	22 203	21 911	1 964
Cash and cash equivalents	18	457 616	531 888	259 161	342 639	393 735	186 733
		634 672	**686 253**	**461 750**	**391 542**	**442 295**	**215 978**
Total Assets		**1 545 451**	**1 509 729**	**1 489 848**	**1 178 257**	**1 250 064**	**1 144 282**
EQUITY AND LIABILITIES							
EQUITY							
General Reserve	19	54 282	54 282	54 282	54 282	54 282	54 282
Other components of equity	20	31 601	24 523	18 849	19 370	15 500	12 172
Accumulated profit		700 888	744 445	806 020	582 773	694 864	683 582
Discontinued operations		-	-	(94)	-	-	-
		786 771	**823 250**	**879 057**	**656 425**	**764 646**	**750 036**
LIABILITIES							
Non-Current Liabilities							
Lease liabilities	9	14 884	9 004	-	10 657	1 207	-
Employee benefit obligation	21	73 717	85 336	92 203	43 017	49 062	53 066
Deferred income	22	395 100	367 282	223 427	328 633	342 521	203 838
Deferred tax	14	-	2 324	1 412	-	-	-
		483 701	**463 946**	**317 042**	**382 307**	**392 790**	**256 904**
Current Liabilities							
Trade and other payables	23	224 994	140 077	156 641	111 905	72 071	65 547
Lease liabilities	9	9 527	7 575	-	6 005	4 599	-
Employee benefit obligation	21	9 091	10 123	10 319	5 940	6 857	6 899
Deferred income	22	21 505	64 404	125 721	15 675	9 101	64 896
Provisions	24	-	353	784	-	-	-
VAT payable	25	9 862	-	190	-	-	-
		274 979	**222 532**	**293 655**	**139 525**	**92 628**	**137 342**
Liabilities of disposal groups		-	-	94	-	-	-
Total Liabilities		**758 680**	**686 478**	**610 791**	**521 832**	**485 418**	**394 246**
Total Equity and Liabilities		**1 545 451**	**1 509 729**	**1 489 848**	**1 178 257**	**1 250 064**	**1 144 282**

04 | Statement of Changes in Equity

for the year ended 31 March 2021

	Other components of equity	Discontinued operations	Accumulated profit	General reserves	Total equity and reserves
Group					
Opening balance as previously reported	18 849	(94)	814 019	54 282	887 056
Prior period error - Contract liabilities	-	-	(7 999)	-	(7 999)
Restated* Balance at 01 April 2019	**18 849**	**(94)**	**806 020**	**54 282**	**879 057**
Profit for the period	-	94	(61 575)	-	(61 481)
Other comprehensive income	5 674	-	-	-	5 674
Total comprehensive income for the period	**5 674**	**94**	**(61 575)**	**-**	**(55 807)**
Balance at 01 April 2020	**24 523**	**-**	**744 445**	**54 282**	**823 250**
(Profit)/loss for the period	-	-	(43 557)	-	(43 557)
Other comprehensive income	7 078	-	-	-	7 078
Balance at 31 March 2021	**31 601**	**-**	**700 888**	**54 282**	**786 771**
Note(s)	20		37	19	
SABS					
Opening balance as previously reported	12 172	-	691 581	54 282	758 035
Adjustments					
Prior period error adjustments - contract liabilities	-		(7 999)		(7 999)
Restated* Balance at 01 April 2019	**12 172**	**-**	**683 582**	**54 282**	**750 036**
Profit for the period	-	-	11 282	-	11 282
Other comprehensive income	3 328	-	-	-	3 328
Total comprehensive income for the period	**3 328**	**-**	**11 282**	**-**	**14 610**
Balance at 01 April 2020	**15 500**	**-**	**694 864**	**54 282**	**764 646**
Profit for the period	-	-	(112 091)	-	(112 091)
Other comprehensive income	3 870	-	-	-	3 870
Balance at 31 March 2021	**19 370**	**-**	**582 773**	**54 282**	**656 425**
Note(s)	20		37	19	

05 Statement of Cash Flows

for the year ended 31 March 2021

	Note(s)	Group 2021 R	Group 2020 Restated* R	SABS 2021 R	SABS 2020 Restated* R
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash receipts from customers	37	453 672	541 551	92 575	50 137
Cash received from government	29	214 706	245 559	214 706	245 559
Cash grant paid to subsidiary	29	-	-	(93 687)	(123 565)
Cash paid to suppliers and employees	37	(688 769)	(810 315)	(501 672)	(477 003)
Cash (used in)/generated from operations	26	(20 391)	(23 205)	(288 078)	(304 872)
Interest income	5	29 416	50 974	26 457	43 917
Dividends received (trading)		1 390	1 507	1 390	1 507
Finance costs	6	(382)	(16)	(381)	(15)
Net cash from operating activities		**10 033**	**29 260**	**(260 612)**	**(259 463)**
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of property, plant and equipment	8	(67 063)	(39 474)	(42 295)	(22 419)
Sale of property, plant and equipment	8	-	3	-	5
Purchase of other intangible assets	11	(1 195)	(1 282)	(1 195)	(872)
Loans to group companies repaid	15	-	-	265 000	202 000
Purchase of investments at fair value	13	(5 659)	(5 804)	(5 659)	(5 804)
Sale of investments at fair value	13	-	208 000	-	208 000
Infrastructure grant funding received	22	-	90 436	-	90 436
Net cash from investing activities		**(73 917)**	**251 879**	**215 851**	**471 346**
CASH FLOWS FROM FINANCING ACTIVITIES					
Payment on lease liabilities		(10 388)	(8 412)	(6 335)	(4 881)
Net cash from financing activities		**(10 388)**	**(8 412)**	**(6 335)**	**(4 881)**
Total cash movement for the period		**(74 272)**	**272 727**	**(51 096)**	**207 002**
Cash at the beginning of the period		531 888	259 161	393 735	186 733
Total cash at end of the period	**18**	**457 616**	**531 888**	**342 639**	**393 735**

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.

These accounting policies are consistent with the previous period.

1.2 CONSOLIDATION

Basis of consolidation

The consolidated Annual Financial Statements incorporate the Annual Financial Statements of the company and all subsidiaries. Subsidiaries are entities (including structured entities) which are controlled by the group.

The group has control of an entity when it has power over the entity and is exposed to or has rights to variable returns from involvement with the entity and it has the ability to affect those returns through its power over the entity.

The results of subsidiaries are included in the consolidated Annual Financial Statements from the effective date of acquisition to the effective date of disposal.

Adjustments are made when necessary to the Annual Financial Statements of subsidiaries to bring their accounting policies in line with those of the group.

All inter-company assets, liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation .

Investments in subsidiaries in the separate financial statements

In the 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. 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. Refer to note 12.

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 & 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.

Refer to note 1 for additional disclosure.

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 21.

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.

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 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.

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 Group'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 Group's trade receivables is disclosed in note 17.

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 14.

1.4 INVESTMENT PROPERTY

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property.

Cost model

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 (refer to note 10)

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.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment.

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 and 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 11) 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 intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit or loss when the asset is derecognised.

1.7 FINANCIAL INSTRUMENTS

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

Note 28 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 (note 15) 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 5).

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.
- If a loan is purchased or originated as credit-impaired, then a credit-adjusted effective interest rate is applied to the amortised cost in the determination of interest. This treatment does not change over the life of the loan, even if it is no longer credit-impaired.
- If a loan was not purchased or originally credit-impaired, but it has subsequently become credit-impaired, then the effective interest rate is applied to the amortised cost of the loan in the determination of interest. If, in subsequent periods, the loan is no longer credit impaired, then the interest calculation reverts to applying the effective interest rate to the gross carrying amount.

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.

For loans receivable the simplified approach is used in calculating ECL's. The ECL is a product of a probability default and loss given default. The probability of default is pegged against the South African credit risk rating. The loss given default is expressed as a percentage of the exposure at default using based on historical data. In circumstances where there are limitations in obtaining historical data in unavailable other sources of LGD information are used.

As the simplified approach to the ECL calculation has been applied by the Group, the application of macro-economic factors under various scenarios to overlay forward looking estimates in the ECL calculation is not necessary.

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.

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.

Lifetime ECL is measured on a collective basis in cases where evidence of significant increases in credit risk are not yet available at the individual instrument level. Loans are then grouped in such a manner that they share similar credit risk characteristics, such as nature of the loan, external credit ratings (if available), industry of counterparty etc.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

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 (note 15).

Credit risk

Details of credit risk related to loans receivable are included in the specific notes and the financial risk management (note 28).

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 17).

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 2 or 4).

Details of foreign currency risk exposure and the management thereof are provided in the financial risk management (note 28).

Expected credit loss allowance

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

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.

Measurement and recognition of expected credit losses

The group makes use of a provision matrix as a practical expedient to the determination of expected credit losses on trade and other receivables. The provision matrix is based on historic probability of default and credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current and forecast direction of conditions at the reporting date, including the time value of money, where appropriate.

The customer base is widespread and does not show significantly different loss patterns for different customer segments. The loss allowance is calculated on a collective basis for all trade and other receivables in totality. Details of the provision matrix is presented in note 17.

An impairment gain or loss is recognised in profit or loss with a corresponding adjustment to the carrying amount of trade and other receivables, through use of a loss allowance account. The impairment loss is included in profit or loss as a movement in credit loss allowance (note 17).

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 de-registration 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 17) and the financial risk management (note 28).

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 13. 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 4).

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 4).

Derecognition

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

The gains or losses which accumulated in equity in the reserve for valuation of investments for equity investments at fair value through other comprehensive income are not reclassified to profit or loss on derecognition. Instead, the cumulative amount is transferred directly to retained earnings.

Trade and other payables

Classification

Trade and other payables (note 23), 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 28 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 2 or 4).

Details of foreign currency risk exposure and the management thereof are provided in the financial risk management (note 28).

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.

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

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 1.3) .

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 10) .

iv.) 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 net realisable 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 comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

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 NON-CURRENT ASSETS (DISPOSAL GROUPS) HELD FOR SALE OR DISTRIBUTION TO OWNERS

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets and disposal groups are classified as held for distribution to owners when the entity is committed to distribute the asset or disposal group to the owners. This condition is regarded as met only when the distribution is highly probable and the asset (or disposal group) is available for immediate distribution in its present condition, provided the distribution is expected to be completed within one year from the classification date.

Non-current assets (or disposal groups) held for sale (distribution to owners) are measured at the lower of their carrying amount and fair value less costs to sell (distribute).

A non-current asset is not depreciated (or amortised) while it is classified as held for sale (held for distribution to owners), or while it is part of a disposal group classified as such.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale (distribution to owners) are recognised in profit or loss.

1.12 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 cash-generating 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.

1.13 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.

1.14 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 non-accumulating 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 the SABS. Specifically the SABS employees with six to ten years' service are awarded an additional three days leave per annum for the rest of employment and the 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.

1.15 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.

If an entity has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 30.

1.16 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 (refer to note 29).

Government grants related to assets, including non-monetary 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 22).

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

1.17 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.

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 1 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.

1.18 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.

The following are approximate values at reporting date for selected currencies:

	2021	2020
Euro	17,50	19,80
Pound Sterling	20,50	22,19
US Dollar	14,91	17,91
Swiss Franc	15,84	18,71

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.

1.19 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.

1.20 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.

1.21 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.

1.22 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. Fruitless and wasteful expenditure is reported monthly to National Treasury and quarterly to the Board.

1.23 IRREGULAR EXPENDITURE

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

- this Act; or
- the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- any provincial legislation providing for procurement procedures in that provincial government

National Treasury in terms of sections 76(1) to 76(4) of the PFMA requires the following:

- Irregular expenditure that was incurred and identified during the current financial year and which was condoned before year end and/or before finalisation of the financial statements is recorded appropriately in the irregular expenditure register. In such an instance, no further action is required with the exception of updating the note to the financial statements.
- 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.

- Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements will be updated with the amount condoned
- Irregular expenditure written off by the Board is submitted to National Treasury for condonation.
- Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps will be taken to recover the amount from the person concerned. If recovery is not possible, the accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register will be updated accordingly.

1.24 RELATED PARTY TRANSACTIONS

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

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.

1.25 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 33.

1. REVENUE

	Group		SABS	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
REVENUE FROM CONTRACTS WITH CUSTOMERS				
Sale of Standards	32 254	31 665	32 254	31 665
Laboratory Services	123 840	150 298	-	-
Intercompany sale of standards	-	-	194	694
Management fees - Design Institute	217	761	217	761
Certification	254 431	249 974	-	-
Training	5 149	12 115	-	-
	415 891	**444 813**	**32 665**	**33 120**
DISAGGREGATION OF REVENUE FROM CONTRACTS WITH CUSTOMERS				
The group disaggregates revenue from customers as follows:				
Sale of goods				
Sale of Standards	13 676		13 676	14 861
Intercompany sale of standards	-	-	194	694
	13 676	**14 861**	**13 870**	**15 555**
Rendering of services				
Laboratory Services	123 840	150 298	-	-
Management fees - Design Institute	217	761	217	761
Certification	254 431	249 974	-	-
Training	5 149	12 115	-	-
	383 637	**413 148**	**217**	**761**
Other revenue				
Standards - subscription fees	18 578	16 804	18 578	16 804
Total revenue from contracts with customers	**415 891**	**444 813**	**32 665**	**33 120**
TIMING OF REVENUE RECOGNITION				
At a point in time				
Sale of standards	13 676	14 861	13 676	14 861
Certification (Pre-assessment audit)	17 758	9 251	-	-
Laboratory services	123 840	150 298	-	-
Training	5 149	12 115	-	-
Intercompany sale of standards	-	-	194	694
	160 423	**186 525**	**13 870**	**15 555**
Over time				
Certification	236 673	240 723	-	-
Standards - Subscription fees	18 578	16 804	18 578	16 804
Management fees - Design Institute	217	761	217	761
	255 468	**258 288**	**18 795**	**17 565**
Total revenue from contracts with customers	**415 891**	**444 813**	**32 665**	**33 120**

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 varied nature of work performed in the Laboratory Services division it will be very onerous to reliably categorise the expected completion date for the unsatisfied performance obligations. Depending on the nature of the tests performed, completion can range from weeks to over two years. However for the Certification division unsatisfied performance obligations are expected to be completed within one year from reporting date:

	Group		SABS	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
TRANSACTION PRICE ALLOCATED TO (to be recognised in future periods):				
Certification	13 096	7 756	-	-
Laboratory services	5 990	10 377	-	-
	19 086	**18 133**	**-**	**-**

Group performance obligations

Sales of Standards - Revenue from sale of standards is recognised at the point in time when control of the asset is transferred to the customer, generally on collection/delivery of the Standard. The invoice is also raised at this time. The courier costs are expensed when incurred. Standards are invoiced at the point in time when control of the asset is transferred to the customer. For credit customers payment is 30 days from date of invoice.

Subscription Standard Sales - Customers are provided with the right to access standards which falls under the rules of the "right to license agreements" under IFRS 15. The right to access results in revenue being recognised on a straight line basis over the term of the contract (period of 1 year). As the amount of work required to perform under these contracts does not vary significantly from month-to-month, the straight-line method provides a faithful depiction of the transfer of goods or services. Standard Subscriptions are invoiced to customers and payable 30 days from date of invoice. The client receives the right to access standards for the duration of the subscription period and the Group's performance obligations are satisfied over time as
this right to access is provided.

Training - The Group 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 course has been completed thus when the Group has satisfied its performance obligations. For credit customers payment is 30 days from date of invoice.

Pre Assessment Audit (Certification) - The Group 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 completion of the audit. For credit customers payment is 30 days from date of invoice.

The Right of Use of Mark Scheme (Certification) - The Group recognises revenue from the right of use of the mark or certificate on a straight line basis over a period of 3 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 by the Group over the period of the contracts. Billing relating to the right of use of the mark or certificate varies from monthly to quarterly to annually. For credit customers payment is 30 days from date of invoice.

Laboratory Services - The Group provides laboratory services to customers. The laboratory services comprise of Product and Witness testing. The revenue for this 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.

FAIR-VALUE OF NON-CASH CONSIDERATIONS:

The group entered into strategic partnership during the financial year with one of its customers whereby the customer leased to the group 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 group's premises will remain with the group 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 R54 567 was recognised in profit and loss. An amount of R54 567 was also recognised within laboratory services revenue as a fair value of non-cash consideration received for services rendered.

2 OTHER INCOME

	Group		SABS	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Includes:				
Royalties received	-	-	3 151	2 503
Rental income on investment property	16 970	16 161	16 970	16 161
Bad debts recovered	177	424	12	2
Foreign exchange gains	3 393	5 963	1 192	84
Deferred income recognised	4 725	4 777	4 725	4 777
Intercompany rentals received in respect of:				
- Land and buildings	-	-	43 219	41 082
Income relating to SMME's	3 011	1 234	-	-
Dividends received from investments	1 390	1 507	1 390	1 507
Management fees relating jobs fund programme	1 581	1 315	1 581	1 315
Income relating to Design Institute	1 192	891	1 192	891
Income recovery dosimeters	7 653	7 060	-	-
Corporate services recovery	-	-	28 240	42 900
Deferred income in respect of government grants	12 940	7 697	7 337	4 031
Income recognised for local content verification	3 794	18 161	-	-

3. EMPLOYEE BENEFIT EXPENDITURE

	Group		SABS	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Salaries and wages	411 321	463 196	180 245	199 499
Medical aid and other employment benefits	44 048	42 327	17 177	16 379
Pension contributions	33 134	34 619	14 794	15 618
Termination Benefits	66 768	-	29 156	-
Board emoluments (Note 29)	79	2 601	79	2 601
	555 350	542 743	241 451	234 097
Post-employment healthcare benefits (Note 21)	8 338	8 566	5 116	5 364
Long service leave benefits (Note 21)	(2 540)	1 165	(1 351)	624
	561 148	**552 474**	**245 216**	**240 085**

4. OTHER EXPENDITURE

	Note(s)	Group		SABS	
		2021 R'000	2020 R'000	2021 R'000	2020 R'000
Includes:					
Auditors remuneration - external auditors		4 127	5 826	2 205	4 003
Bad debts					
- Trade receivables written-off		16 857	9 430	504	272
- Allowance/(reversal of allowance) for expected credit losses		(15 217)	7 776	(1 060)	861
Computer software and license fees		7 365	9 936	7 371	9 929
Consumables		17 985	20 623	2 469	1 469
Direct operating expenses relating to investment properties that:					
- Generated rental income		18 976	15 139	23 830	21 311
- Did not generate rental income		2 624	2 484	3 295	3 497
ECL allowance/(reversal of allowance) on loan to subsidiary	15	-	-	(577)	701
Loss on disposal of property, plant and equipment		120	2 278	51	1 462
Realised foreign exchange losses		8 179	3 220	2 238	954
Non-executive board member emoluments	29	-	224	-	224
Fair value adjustment on investments through profit and loss	13	(14 216)	9 927	(14 216)	9 927
Insurance		2 478	2 311	2 478	2 311
Legal costs		1 913	2 524	1 913	2 524
Membership fees		3 220	7 262	2 874	6 559
Municipal services		59 024	47 455	57 592	45 728
Postal services		1 663	2 481	59	730
Reversal of impairment of investment in subsidiary		-	-	-	(133 880)
Gain on settlement of loan to group companies		-	-	-	(6 405)
Fair value adjustment on new loan to group companies		-	-	-	6 066
Training		1 363	4 104	1 372	3 983

5. INTEREST INCOME

	Group		SABS	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Interest income				
Bank	3 497	9 533	538	2 476
Money market investments, short-term deposits and investments at fair value through profit and loss Interest on	25 919	43 119	25 919	43 119
Interest on loans to group companies	-	-	9 585	-
Total interest income	**29 416**	**52 652**	**36 042**	**45 595**

6. FINANCE COSTS

	Group		SABS	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Leases liabilities	1 483	2 329	403	1 024
Interest on banking facilities and late payments	382	16	381	15
Total finance costs	**1 865**	**2 345**	**784**	**1 039**

7. TAXATION

Major components of the tax income

Reconciliation of the tax expense

The charge for the period can be reconciled to the profit statement of profit and loss as follows:.

	Group		SABS	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Accounting profit	22 215	47 564	-	-
Accounting profit before income tax	**22 215**	**47 564**	**-**	**-**
Taxation at 28% (2020: 28%)	6 220	13 318	-	-
Tax effect of adjustments on taxable income				
Amounts not credited to the income statement	10 943	-	-	-
Movement on provision	(6 609)	-	-	-
Tax deductible amounts not claimed in income statement	(21 542)	-	-	-
Exempt income and expenses	(1 569)	(1 027)	-	-
Non-deductible expenditure	22 483	102	-	-
Assessed loss brouht forward	(9 926)	(12 393)	-	-
Taxation	**-**	**-**	**-**	**-**
Deferred tax on temporary differences	(37 271)	**-**	-	-
Taxation	**(37 271)**	**-**	**-**	**-**
Deferred tax expense recognised directly in other comprehensive income	**(1 247)**	**(912)**	**-**	**-**

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

The SABS note has been adjusted to reflect the exemption. The Group figures disclosed represents the SABS Commercial SOC Ltd taxation.

8. PROPERTY, PLANT AND EQUIPMENT

	2021			2020		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Group						
Land	350 700	-	350 700	350 700	-	350 700
Buildings	301 327	(120 030)	181 297	299 842	(114 030)	185 812
Furniture and office equipment	103 177	(78 299)	24 878	107 563	(90 931)	16 632
Motor vehicles	1 432	(1 235)	197	1 432	(1 175)	257
Laboratory equipment	299 297	(205 504)	93 793	265 449	(191 127)	74 322
Artwork	1 009	(275)	734	1 009	(235)	774
Capital - Work-in-progress	60 771	-	60 771	57 827	-	57 827
Total	**1 117 713**	**(405 343)**	**712 370**	**1 083 822**	**(397 498)**	**686 324**
SABS						
Land	350 700	-	350 700	350 700	-	350 700
Buildings	56 483	(25 899)	30 584	54 806	(24 479)	30 327
Furniture and office equipment	95 194	(76 193)	19 001	82 279	(72 178)	10 101
Motor vehicles	139	(108)	31	139	(94)	45
Laboratory equipment	22 398	(5 973)	16 425	8 461	(4 756)	3 705
Artwork	1 000	(270)	730	1 000	(230)	770
Capital - Work-in-progress	55 045	-	55 045	49 667	-	49 667
Total	**580 959**	**(108 443)**	**472 516**	**547 052**	**(101 737)**	**445 315**

Reconciliation of property, plant and equipment - Group - 31 March 2021

Group									
GROUP	Opening balance	Additions	Assets transfered (to)/from Subsidiary	Disposals	Transfer to Intangible Assets	Work-in-progress capitalisation	Work-in-progress expensed $	Depreciation	Total
Land	350 700	-	-	-	-	-	-	-	350 700
Buildings	185 812	-	45	(41)	-	3 795	-	(8 314)	181 297
Furniture and office equipment	16 632	16 544	417	(42)	-	-	-	(8 673)	24 878
Motor vehicles	257	-	-	-	-	-	-	(60)	197
Laboratory equipment	74 322	-	-	(37)	-	38 456	-	(18 948)	93 793
Artwork	774	-	-	-	-	-	-	(40)	734
Capital - Work-in-progress	57 827	50 519	(462)	-	(3 753)	(42 251)	(1 109)	-	60 771
Total	**686 324**	**67 063**	**-**	**(120)**	**(3 753)**	**-**	**(1 109)**	**(36 035)**	**712 370**

Reconciliation of property, plant and equipment - Group - 31 March 2020

Group								
GROUP	Opening balance	Additions	Assets transfered to Subsidiary	Disposals	Work-in-progress capitalisation	Work-in-progress expensed $	Depreciation	Total
Land	350 700	-	-	-	-	-	-	350 700
Buildings	181 206	-	-	(855)	13 481	-	(8 020)	185 812
Furniture and office equipment	21 606	4 927	(46)	(269)	-	-	(9 586)	16 632
Motor vehicles	323	-	-	-	-	-	(66)	257
Laboratory equipment	79 879	-	46	(553)	14 160	-	(19 210)	74 322
Artwork	815	-	-	-	-	-	(41)	774
Capital - Work-in-progress	53 171	34 547	-	-	(27 641)	(2 250)	-	57 827
Total	**687 700**	**39 474**	**-**	**(1 677)**	**-**	**(2 250)**	**(36 923)**	**686 324**

Reconciliation of property, plant and equipment - SABS - 31 March 2021

SABS	Opening balance	Additions	Assets transfered (to)/from Subsidiary	Disposals	Transfer to Intangible Assets	Work-in-progress capitalisation	Work-in-progress expensed $	Depreciation	Total
Land	350 700	-	-	-	-	-	-	-	350 700
Buildings	30 327	-	45	(25)	-	3 579	-	(3 342)	30 584
Furniture and office equipment	10 101	14 907	(47)	(26)	-	-	-	(5 934)	19 001
Motor vehicles	45	-	-	-	-	-	-	(14)	31
Laboratory equipment	3 705	-	-	-	-	13 937	-	(1 217)	16 425
Artwork	770	-	-	-	-	-	-	(40)	730
Capital - Work-in-progress	49 667	27 388	(418)	-	(3 753)	(17 516)	(323)	-	55 045
Total	**445 315**	**42 295**	**(420)**	**(51)**	**(3 753)**	**-**	**(323)**	**(10 547)**	**472 516**

Reconciliation of property, plant and equipment - SABS - 31 March 2020

SABS	Opening balance	Additions	Assets transfered to Subsidiary	Disposals	Work-in-progress capitalisation	Work-in-progress expensed $	Depreciation	Total
Land	350 700	-	-	-	-	-	-	350 700
Buildings	20 597	-	26	(540)	13 159	-	(2 915)	30 327
Furniture and office equipment	15 534	1 431	128	(208)	-	-	(6 784)	10 101
Motor vehicles	59	-	-	-	-	-	(14)	45
Laboratory equipment	3 158	-	-	(32)	1 314	-	(735)	3 705
Artwork	810	-	-	-	-	-	(40)	770
Capital - Work-in-progress	47 388	20 988	(3 527)	-	(14 473)	(709)	-	49 667
Total	**438 246**	**22 419**	**(3 373)**	**(780)**	**-**	**(709)**	**(10 488)**	**445 315**

$ - 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.

9. RIGHT OF USE ASSETS

The group leases several vehicles. The average lease term is 3 years. The group leases several buildings. The average lease term is 3 years. The group has one license lease and one lease of machinery. The average lease term is 3 years.
Details pertaining to leasing arrangements, where the group is lessee are presented below: The group adopted IFRS 16 for the first time in the previous (2020) financial year.

	Group		SABS	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Net carrying amounts of right-of-use assets				
The carrying amounts of right-of-use assets are included in the following line items:				
Buildings	5 430	8 342	-	-
Motor vehicles	2 276	3 391	1 160	1 843
IT equipment	169	-	169	-
Computer software	15 147	4 016	15 147	4 016
	23 022	**15 749**	**16 476**	**5 859**
Depreciation recognised on right-of-use assets				
Depreciation recognised on each class of right-of-use assets, is presented below:				
Buildings	2 612	2 551	-	-
Motor vehicles	1 527	869	771	411
IT equipment	581	-	581	-
Computer software	4 686	3 398	4 686	3 398
	9 406	**6 818**	**6 038**	**3 809**
Other disclosures				
Interest expense on lease liabilities	1 483	2 329	403	1 024
Leases of low value assets included in operating expenses	-	932	-	300
Variable lease payments not included in the measurement of lease liabilities included in operating expenses	55	-	-	-
Lease liabilities				
The carrying amount of the lease liabilities is as follows:				
Liabilities	16 579	22 662	5 806	9 663
Interest	1 483	2 329	403	1 024
Payment	(10 388)	(8 412)	(6 335)	(4 881)
Additions	17 066	-	16 788	-
Remeasurement of lease liability	(329)	-	-	-
	24 411	**16 579**	**16 662**	**5 806**
Non-current liabilities	14 884	9 004	10 657	1 207
Current liabilities	9 527	7 575	6 005	4 599
	24 411	**16 579**	**16 662**	**5 806**

Exposure to liquidity risk

Refer to note 28 Financial risk management for the details of liquidity risk exposure and management. The maturity analysis of lease liabilities are disclosed in note 28.

10. INVESTMENT PROPERTY

	2021			2020		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Group						
Investment property	12 984	(5 805)	7 179	12 984	(5 454)	7 530
SABS						
Investment property	239 369	(90 916)	148 453	239 369	(86 504)	152 865

Reconciliation of investment property

Group

	Opening balance	Depreciation	Total
GROUP - 31 March 2021			
Investment property	7 530	(351)	7 179
GROUP - 31 March 2020			
Investment property	7 734	(204)	7 530

SABS

	Opening balance	Disposals	Depreciation	Total
SABS - 31 March 2021				
Investment property	152 865	-	(4 412)	148 453
SABS - 31 March 2020				
Investment property	157 431	(83)	(4 483)	152 865

Investment properties and significant components thereof are stated at the costs thereof. In the previous financial year (2020), the investment properties were valued by IKG (Pty) Ltd 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 (2020: management's assessment). The fair value of investment properties was R 30.3 million for the Group and R739.4 million for the SABS in the 2020 financial year. Refer to notes 2 and 4 for income and expenditure related to investment properties.There are no restrictions imposed on the realisability of investment properties.

Investment properties for SABS consist of :
- A property in East London
- All the buildings on the Groenkloof Campus except for the administration building Block A

Investment properties for the Group consist of :
- Buildings N, R and Z including the parking located on the Groenkloof Campus
- A property in East London

11. INTANGIBLE ASSETS

	2021			2020		
	Cost	Accumulated amortisation	Carrying value	Cost	Accumulated amortisation	Carrying value
Group						
Computer software, other	73 335	(65 714)	7 621	71 931	(61 648)	10 283
Capital work in progress	6 554	-	6 554	3 130	-	3 130
Total	**79 889**	**(65 714)**	**14 175**	**75 061**	**(61 648)**	**13 413**
SABS						
Computer software, other	43 296	(37 982)	5 314	41 892	(35 214)	6 678
Capital work in progress	6 554	-	6 554	3 130	-	3 130
Total	**49 850**	**(37 982)**	**11 868**	**45 022**	**(35 214)**	**9 808**

Reconciliation of intangible assets - 31 March 2021

	Opening balance	Additions	Transfers	Amortisation	Total
Group					
Computer software, other	10 283	1 195	328	(4 185)	7 621
Capital work in progress	3 130	-	3 424	-	6 554
	13 413	**1 195**	**3 752**	**(4 185)**	**14 175**
SABS					
Computer software, other	6 678	1 195	328	(2 887)	5 314
Capital work in progress	3 130	-	3 424	-	6 554
	9 808	**1 195**	**3 752**	**(2 887)**	**11 868**

Reconciliation of intangible assets - 31 March 2020

	Opening balance	Additions	Disposals	Capital work in progress transfers/ capitalisation	Work in progress expensed $	Amortisation	Total
Group							
Computer software, other	15 792	410	(604)	1 135	-	(6 450)	10 283
Capital work in progress	4 289	872	-	(1 135)	(896)	-	3 130
	20 081	**1 282**	**(604)**	**-**	**(896)**	**(6 450)**	**13 413**
SABS							
Computer software, other	9 341	-	(604)	1 135	-	(3 194)	6 678
Capital work in progress	4 289	872	-	(1 135)	(896)	-	3 130
	13 630	**872**	**(604)**	**-**	**(896)**	**(3 194)**	**9 808**

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

There are no restrictions imposed on the realisability of intangible assets.

12. INVESTMENT IN SUBSIDIARIES

The entity's principal subsidiary is:

		Note(s)	SABS 2021 R'000	SABS 2020 R'000
Name	**Ownership**			
SABS Commercial SOC Ltd	100%			
Opening balance			-	-
Below market portion of loan to group companies adjustment of loan		15	-	136 960
Impairment of investment in subsidiary reversed on derecognition			-	133 880
Below market value reversal on derecognition on settlement of loan			-	(270 840)
			-	-
The results of SABS Commercial SOC Ltd for the financial periods can be summarised as follows				
Revenue			383 419	412 387
Other income			39 830	38 993
Grant from holding entity			93 687	123 565
Expenditure			(466 594)	(509 860)
Operating profit/(loss)			**50 342**	**65 085**
(Finance costs)/interest received			(28 126)	(17 521)
Taxation			37 270	-
			59 486	**47 564**

13. INVESTMENT AT FAIR VALUE THROUGH PROFIT AND LOSS

	Note(s)	Group 2021 R'000	Group 2020 R'000	SABS 2021 R'000	SABS 2020 R'000
Opening balance		100 460	312 583	100 460	312 583
Additions (net of costs)		5 659	5 804	5 659	5 804
Disposals		-	(208 000)	-	(208 000)
Profits / (Losses) on financial assets measured at FVTPL	4	14 216	(9 927)	14 216	(9 927)
		120 335	**100 460**	**120 335**	**100 460**
These financial assets measured at FVTPL comprise:					
Equity instruments		120 335	100 460	120 335	100 460

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.

14. DEFERRED TAX

	Group		SABS	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Temporary differences				
Accelerated wear and tear for tax purposes on property, plant and equipment	(10 571)	(12 715)	-	-
Intangible assets	(569)	(887)	-	-
Right of use assets	(38 303)	(49 204)	-	-
Lease liabilities	45 512	53 589	-	-
Assessed losses	11 671	9 594	-	-
Other deductible temporary differences				
Employee related provisions	12 087	13 480	-	-
Expected credit losses allowance	6 512	11 114	-	-
Income received in advance	10 943	9 617	-	-
Discounting of debtors and straightlining of assets	(12)	(22)	-	-
Reversal of temporary differences	(3 572)	-	-	-
	33 698	34 566	-	-
Unrecognised portion of deferred tax asset	-	(36 890)	-	-
Deferred tax asset / (liability)	33 698	(2 324)	-	-
Deferred tax movement				
The movement for the period in the Group's deferred tax positions was as follows:				
Opening balance	(2 324)	(1 412)	-	-
Temporary differences on property, plant and equipment	(10 571)	1 885	-	-
Temporary differences on intangible assets	(569)	879	-	-
Temporary differences on right of use assets	(38 303)	(49 204)	-	-
Temporary differences on lease liabilities	45 512	53 589	-	-
Temporary differences on employee related provisions	12 087	(460)	-	-
Taxable / (deductible) temporary difference movement investment property at fair value	10 943	(4 495)	-	-
Temporary differences on tax losses	11 671	(21 045)	-	-
Temporary differences recognised in comprehensive income	(1 248)	(15)	-	-
Temporary differences on expected credit losses allowance	6 512	847	-	-
Unrecognised deferred tax asset	-	17 107	-	-
Temporary differences on discounting of debtors	(12)	-	-	-
Closing balance	**33 698**	**(2 324)**	**-**	**-**
Deferred tax liability				
Balance at the beginning of the period	(2 324)	(1 412)	-	-
Current year charge				
- per the statement of comprehensive income	(1 249)	(912)	-	-
- deferred tax assets (liability)	37 271	-	-	-
Closing balance	**33 698**	**(2 324)**	**-**	**-**
Reflected in the statement of financial position as follows:				
Deferred tax assets / (liabilities)	33 698	(2 324)		
Deferred tax asset/(liability)	**33 698**	**(2 324)**		

At the reporting date the Group has unutilised tax losses of R41.7 million (2020: R77.1 million) available for offset against future taxable profits.

15. LOANS TO GROUP COMPANIES

	Note(s)	SABS 2021 R'000	SABS 2020 R'000
Loans to SABS Commercial SOC Ltd			
Balance at 1 April		93 462	6 414
Increase in loan to SABS Commercial SOC Ltd		178 443	153 852
Loss on recognition of new loan		-	(6 066)
Repayment of loan by SABS Commercial SOC Ltd		(265 000)	(202 000)
Interest income		9 585	1 678
Below market adjustment	12	-	(136 960)
Loan balance		16 490	(183 082)
- ECL allowance		577	(701)
Below market value reversal on derecognition of old loan		-	270 840
Gain on settlement of loan		-	6 405
Closing balance		**17 067**	**93 462**

The interest on the loan is rated by mutual agreement between the holding entity and subsidiary and the loan is repayable 367 days after demand, but no later than 31 March 2050. Interest is charged at prime + 50 basis points (2020: zero %). Since the interest charge is market related, the loan to SABS Commercial is considered to be at fair value and therefore no below market element has been recognised. Interest income was calculated at a rate of 7.60% (2020: 9.25%). SABS Commercial SOC Ltd was a subsidiary throughout the period and was directly held.

The ECL is a product of the probability of default and the loss given default. In the absence of recent South African acceptable range of LGD for Small to Medium sized enterprises, LGD of ~60% for Sub-Saharan Africa region, consisting of 18 countries was used as a basis of the maximum loss that an entity would experience during a loss event. 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 Standard and Poor's (S&P). The PD is estimated from the credit risk rating provided by S&P which is mapped to a PD.

16. INVENTORIES

	Group 2021 R'000	Group 2020 R'000	SABS 2021 R'000	SABS 2020 R'000
Finished goods	4 675	3 993	4 675	3 993
Obsolete stock written-off	(57)	(46)	(57)	(46)
	4 618	**3 947**	**4 618**	**3 947**

No amounts other than obsolete stock were recognised as expense during the year (2020:Nil).

17. TRADE AND OTHER RECEIVABLES

	Group		SABS	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Trade receivables	202 717	195 858	15 023	17 222
Less: ECL allowance of trade receivables	(39 663)	(54 880)	(898)	(1 958)
Net trade receivables	163 054	140 978	14 125	15 264
Deposits and payments in advance	9 076	7 776	7 936	7 378
Employee related debtors	308	393	21	60
Other receivables	9 384	8 169	7 957	7 438
	172 438	**149 147**	22 082	22 702

Trade receivables are discounted at an effective rate of 7,00% (2020: 6,50%). No interest is charged on overdue accounts. The credit period is 30 days from date of invoice. The carrying amounts approximate their fair value. No individual customer represents more than 10% of the Group's trade receivables.

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 or business rescue
- Foreign withholding tax - Instances where foreign governments withhold a certain percentage of payments as part of their fiscal policy
- Specific government debt - Included last year at 100% and circumstances did not change

The Company identified that all invoices included on the year end credit note accrual 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 1.2 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.

	Group	SABS
	R'000	R'000
Balance at 1 April 2019	(49 985)	(1 098)
Amount written off	9 430	272
Allowance for expected credit losses	(14 325)	(1 132)
As at 31 March 2020	(54 880)	(1 958)
Allowance for expected credit losses	15 217	1 060
As at 31 March 2021	(39 663)	(898)

Age analysis of trade and other receivables

As at 31 March, 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						
2021						
Carrying value (R'000)	163 362	81 197	17 866	15 252	7 131	41 916
	100 %	50 %	11 %	9 %	4 %	26 %
Impairment (R'000)	39 663	4 110	1 961	2 007	1 325	30 260
	100 %	10 %	5 %	5 %	3 %	76 %
2020						
Carrying value (R'000)	141 371	34 937	19 332	12 917	3 374	73 465
	100 %	25 %	14 %	9 %	2 %	52 %
Impairment (R'000)	54 880	11 888	3 452	2 914	1 012	35 614
	100 %	22 %	6 %	5 %	2 %	65 %
SABS						
2021						
Carrying value (R'000)	14 146	8 790	3 929	164	(2 497)	3 760
	100 %	62 %	28 %	1 %	(18)%	27 %
Impairment (R'000)	898	306	19	65	85	423
	100 %	34 %	2 %	7 %	9 %	47 %
2020						
Carrying value (R'000)	15 324	6 924	3 554	436	454	3 956
	100 %	45 %	23 %	3 %	3 %	26 %
Impairment (R'000)	1 958	440	338	55	76	1 049
	100 %	22 %	17 %	3 %	4 %	54 %

18. CASH AND CASH EQUIVALENTS

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

	Group		SABS	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Cash on hand	11	15	10	10
Bank balances	330 178	375 212	215 202	237 113
Other cash and cash equivalents	127 427	156 661	127 427	156 612
	457 616	**531 888**	**342 639**	**393 735**

The Group has cash management facilities, resulting in all bank balances being swept daily into the accounts held by the 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 R208.6 million (2020: R270.0 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 7.92% at 31 March 2021 (2020: 6.79%).

19. GENERAL RESERVE

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

	Group		SABS	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Balance	54 282	54 282	54 282	54 282

20. OTHER COMPONENTS OF EQUITY

	Note(s)	Group 2021 R'000	Group 2020 R'000	SABS 2021 R'000	SABS 2020 R'000
Employee benefits					
Opening balance		24 523	18 849	15 500	12 172
Movements during the period					
Remeasurement of defined liability - Before tax - refer to note 21		8 326	6 586	3 870	3 328
Tax expense	7	(1 248)	(912)	-	-
Closing balance		**31 601**	**24 523**	**19 370**	**15 500**

21. EMPLOYMENT BENEFIT OBLIGATIONS

Defined contribution plans

Retirement benefits are provided for through the SABS Retirement Fund to which the organisation and its employees contribute. This fund operates as a defined contribution fund and is administered in terms of the Pension Funds Act, 1956 (Act No. 24 of 1956, as amended. Refer to note 3 for amounts recognised as an expense for defined contribution plans.

Post-employment healthcare benefits obligation

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

The funding of the liability is being managed through the Group's investments (refer to note 13). Valuations of these obligations are carried out annually by independent qualified actuaries. The most recent valuation was done as at 31 March 2021.

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 372 (2020: 396) pensioners and 102 (2020: 110) active employees, whilst the SABS had 304 (2020: 331) pensioners and 34 (2020: 39) active employees entitled to the benefit.

The total outstanding liability amounts to R67,0 million per the valuation performed during March 2021 (2020:R73,8 million)

Post-employment healthcare benefit

	Group		SABS	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Opening balance	73 780	78 170	47 992	51 155
Provisions made	8 338	8 566	5 116	5 364
Benefits paid	(6 789)	(6 370)	(5 563)	(5 199)
Remeasurements (Other component of equity)	(8 326)	(6 586)	(3 870)	(3 328)
Total liability	**67 003**	**73 780**	**43 675**	**47 992**
The amount recognised in the other comprehensive income is determined as follows				
Actuarial gain/(loss) - change in financial assumptions	3 038	4 119	401	2 169
Experience gain	5 288	2 467	3 469	1 159
	8 326	**6 586**	**3 870**	**3 328**
The amount recognised in the statement of profit and loss for the year ended 31 march 2021 is determined as follows:				
Current service cost	766	853	283	328
Interest cost	7 572	7 713	4 833	5 036
	8 338	**8 566**	**5 116**	**5 364**
Present value of the obligation				
Opening balance	73 780	78 170	47 992	51 155
Current service cost	766	853	283	328
Interest cost	7 572	7 713	4 833	5 036
Benefits paid	(6 789)	(6 370)	(5 563)	(5 199)
Actuarial (gain)/loss - change in financial assumptions	(3 038)	(4 119)	(401)	(2 169)
Experience (gain)/loss	(5 288)	(2 467)	(3 469)	(1 159)
Closing balance	**67 003**	**73 780**	**43 675**	**47 992**

Long service leave award obligation

The Group provides employees employed before 1 March 2008 with three additional leave days after five years of service and another three days after ten years of service. Employees annual leave entitlement is increased with these days. The Group's net obligation in this 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 296 (2020: 313) and 101 (2020: 115)) employees entitled to the benefit respectively.

The total outstanding liability amounts to R15,8 million (2020: R21.7 million).

	Group		SABS	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Opening balance	21 679	24 352	7 927	8 810
Provisions made	(2 540)	1 165	(1 351)	624
Benefits paid	(3 334)	(3 838)	(1 294)	(1 507)
Net liability in statement of financial position	15 805	21 679	5 282	7 927
Present value of funded obligations	**15 805**	**21 679**	**5 282**	**7 927**
The amount recognised in the statement of profit and loss for the year ended 31 march 2021 is determined as follows:				
Current service cost	1 223	1 448	458	535
Interest cost	1 685	1 938	614	697
Actuarial loss - change in financial assumptions	(1 281)	(585)	(443)	(203)
Experience (loss)/gain	(4 167)	(1 636)	(1 980)	(405)
	(2 540)	**1 165**	**(1 351)**	**624**
Present value of the obligation				
Opening balance	21 679	24 352	7 927	8 810
Current service cost	1 223	1 448	458	535
Interest cost	1 685	1 938	614	697
Actuarial loss - change in financial assumptions	(1 281)	(585)	(443)	(203)
Experience gain/(loss)	(4 167)	(1 636)	(1 980)	(405)
Benefits paid	(3 334)	(3 838)	(1 294)	(1 507)
Closing balance	**15 805**	**21 679**	**5 282**	**7 927**
Defined benefit obligation - current and non-current portion				
Non-current				
Post-employment healthcare benefit	60 773	66 991	38 737	42 429
Long service leave	12 944	18 345	4 280	6 633
	73 717	85 336	43 017	49 062
Current				
Post-employment healthcare benefit	6 230	6 789	4 938	5 563
Long service leave	2 861	3 334	1 002	1 294
	9 091	**10 123**	**5 940**	**6 857**

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 2021 is 9.29%. 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 10.57%.

- **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 5.02% 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 6.42% .
- **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 IAS19R 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, IAS19R requires the discount rate to be based on yields of government bonds. IAS19R 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 28 February 2020, 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 8.01%. 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 7.70%.
- **Future salary inflation assumption** - The Group assumed that future salary inflation will exceed general inflation by 5.21% per annum. The implied salary inflation assumption is therefore 5.84% 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.

	SABS	
	2021 R'000	2020 R'000
Discount rate per annum		
Post employment healthcare benefit obligation	9.29%	10.57%
Long service leave award obligation	8.01%	7.70%
Subsidy inflation		
Post employment healthcare benefit obligation	5.02%	6.42%
Salary inflation		
Long service leave award obligation	5.21%	5.84%
General inflation		
Post employment healthcare benefit obligation	5.02%	6.42%
Long service leave award obligation	5.21%	3.84%
Pre-retirement mortality		
Post employment healthcare benefit obligation	SA 85-90 (Light) rated down 1 year for males and females	SA 85-90 (Light) rated down 1 year for males and females
Expected retirement age - Males and females		
Post employment healthcare benefit obligation	60-63 years	60/65 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.

Sensitivity analysis - Post-employment healthcare benefit obligation

Quantitative sensitivity analysis for significant assumptions on the obligations as at 31 March 2021 as shown below:

Below the effects on the obligation as at 31 March 2021 (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 %
Age rating				
+1 year	64 449	(3,8)%	41 862	(4,2)%
Central	67 003	-	43 675	-
-1 years	69 579	3,9 %	45 514	4,2 %
Discount rate				
+1%	61 813	(7,7)%	40 793	(6,6)%
Central	67 003	-	43 675	-
-1%	73 066	9,0 %	46 980	7,5 %
Salary inflation				
+1%	73 096	9,1 %	46 979	7,6 %
Central	67 003	-	43 675	-
-1%	61 719	(7,9)%	40 753	(6,7)%

	Group		SABS	
Future sensitivity on service and interest cost (March 2022)	Liability R'000	Change in liability %	Liability R'000	Change in liability %
Service cost				
+1 %	161	(15,7)%	47	(16,1)%
Central	191	-	56	-
-1 &	228	19,4 %	66	17,9 %
Interest cost				
+1%	6 209	4,5 %	3 950	3,1 %
Central	5 942	-	3 833	-
-1%	6 032	1,5 %	3 694	(3,6)%

Sensitivity analysis - Long service leave award obligation

Below the effects on the obligation on 31 March 2021 (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 %	15 106	(4,4)%	5 058	(4,2)%
Central	15 805	-	5 282	-
-1 %	16 568	4,8%	5 526	4,6%
Salary inflation				
+1%	16 501	4,4%	5 504	4,2%
Central	15 805	-	5 282	-
-1%	15 155	(4,1)%	5 075	(3,9)%
Normal retirement age				
+2 year	17 646	11,6%	5 969	13,0%
Central	15 805	-	5 282	-
- 2 year	13874	(12,2)%	4 617	(12,6)%

Future sensitivity on service and interest cost (March 2022)	Group		SABS	
	Liability R'000	Change in liability %	Liability R'000	Change in liability %
Service cost				
+1 %	790	(4,8)%	269	(4,3)%
Central	830	-	281	-
-1 %	875	5,4%	296	5,3%
Interest cost				
+2 year	1 236	7,1 %	412	7,3 %
Central	1 154	-	384	-
- 2 year	1 063	(7,9)%	353	(8,1)%

Five year summary

	2021 R'000	2020 R'000	2019 R'000	2018 R'000	2017 R'000
Five year summary of post-employment benefit obligations is as follows:					
Post-employment healthcare obligation benefit					
Present value of obligation	67 003	73 780	78 170	82 748	85 472
Actuarial gains/(losses)	(8 326)	(6 586)	(5 119)	(5 119)	(214)
Five year summary of long service leave awards are as follows:					
Long service leave award					
Present value of obligation	15 805	21 679	24 352	25 769	26 323
Actuarial (losses)/gains	(5 448)	(2 221)	(849)	(582)	(1 806)

22. DEFERRED INCOME

	Note(s)	Group		SABS	
		2021 R'000	2020 R'000	2021 R'000	2020 R'000
Opening balance - Plant and equipment		431 686	349 148	351 622	268 734
Recognised in deferred income (Refer to note)2		(12 940)	(7 697)	(7 337)	(4 031)
Grant funding received					
Total grant funding received	29	-	90 436	-	90 436
Department of energy (refund)/received		(2 123)	(98)	-	-
Purchases for subsidiary		-	-	-	(3 467)
Grant released against expenditure		(18)	(103)	-	(50)
Closing balance		**416 605**	**431 686**	**344 308**	**351 622**
Deferred income not yet utilised		210 706	270 032	185 836	216 510
Deferred income utilised - released as the asset is depreciated		205 899	161 455	158 472	134 913
Non-current portion		395 100	367 282	328 633	342 521
Current portion		21 505	64 404	15 675	9 101
		416 605	**431 686**	**344 308**	**351 622**

The 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

23. TRADE AND OTHER PAYABLES

	Group		SABS	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Trade payables	81 565	69 216	45 306	43 023
Contract liabilities	24 049	22 150	9 946	9 159
Short-term employee obligations	111 800	48 711	49 073	19 889
Other payables				
Amounts received in advance	7 580	-	7 580	-
	224 994	**140 077**	**111 905**	**72 071**

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 2020 has been recognised as revenue in the current reporting period.

24. PROVISIONS

Reconciliation of provisions

Group	Opening balance	Utilised during the year	Reversed during the year	Total
GROUP - 2021				
Performance bonus	353	-	(353)	-
GROUP - 2020				
Performance bonus	784	(283)	(148)	353

Performance bonus provision - relates to performance bonus based on the performance of the company as well as the individual subject to approval by the accounting authority. No performance bonuses have been provided for in the current year.

25. VAT PAYABLE/(RECEIVABLE)

	Group		SABS	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
VAT to be (refunded by)/paid over to SARS	9 862	(1 271)	(22 203)	(21 911)

26. NOTES TO CASH FLOW STATEMENTS

26.1 RECONCILIATION OF LOSS BEFORE TAXATION AND INTEREST TO CASH UTILISED BY OPERATIONS

	Note(s)	Group		SABS	
		2021 R'000	2020 R'000	2021 R'000	2020 R'000
Loss profit before taxation		(80 828)	(61 575)	(112 091)	11 282
Adjustments for:					
Depreciation on property, plant and equipment	8 & 9	45 500	43 837	16 719	14 291
Depreciation on investment properties	10	351	204	4 412	4 483
Plant and equipment related government grants amortised	22	(12 940)	(7 697)	(7 337)	(4 031)
Amortisation on intangible assets	11	4 185	6 450	2 887	3 194
Loss/(profit) on disposal of property, plant and equipment and intangible assets		120	2 278	51	1 462
Gains on foreign exchange		(3 393)	(5 963)	(1 192)	(84)
Losses on foreign exchange		8 179	3 220	2 238	954
FVTPL Investment movement	4	(14 216)	9 927	(14 216)	9 927
Operational expense grant amortised		(4 725)	(4 777)	(4 725)	(4 777)
Provision for employment benefit obligations (Post-employment healthcare benefit and long service leave)	21	5 798	9 731	3 765	5 988
Employee benefits paid from provisions (Post-employment healthcare benefit and long service leave)	21	(10 123)	(10 208)	(6 857)	(6 706)
Increase/(decrease) in ECL allowance of trade receivables	4 &17	(15 217)	4 895	(1 060)	861
Dividend income		(1 390)	(1 507)	(1 390)	(1 507)
Expense transferred out of work-in-progress and assets	8 & 11	1 109	3 146	323	1 605
Interest income	5	(29 416)	(50 974)	(36 042)	(45 595)
Finance costs	6	1 865	2 345	784	1 039
(Reversal)/allowance of ECL of loans to group companies	15	-	-	(577)	701
Movements in provisions	24	(353)	(431)	-	-
Bad debts write-off		16 857	9 430	504	272
Inventory write-off		57	46	57	46
Non-cash intercompany transactions		-	-	(178 443)	(288 071)
Transfer of assets from/(to) subsidiary	8	-	-	420	3 373
		(88 580)	**(47 623)**	**(331 770)**	**(291 293)**
Changes in working capital:					
Increase in inventory		(728)	(868)	(728)	(868)
Decrease/(increase) in trade and other receivables		(21 538)	41 955	2 368	406
(Decrease)/increase in asset related government grants	22	(2 141)	(201)	23	(3 517)
(Decrease)/increase in trade and other payables		81 463	(15 007)	42 321	10 347
Decrease/(Increase) in VAT receivables/payables		11 133	(1 461)	(292)	(19 947)
		68 189	**24 418**	**43 692**	**(13 579)**
		(20 391)	**(23 205)**	**(288 078)**	**(304 872)**

26.2 PROCEEDS ON DISPOSALS OF:

	Note(s)	Group		SABS	
		2021 R'000	2020 R'000	2021 R'000	2020 R'000
Property, plant and equipment					
Carrying value of disposals		123 622	1 677	54 160	780
(Loss)/profit on disposal		(123 622)	(1 674)	(54 160)	(775)
		-	**3**	-	**5**
Intangible assets					
Carrying value of disposals		94	604	94	604
(Loss)/profit on disposal		(94)	(604)	(94)	(604)
		-	-	-	-
Investment properties					
Carrying value of disposals		-	-	-	83
(Loss)/profit on disposal		-	-	-	(83)
		-	-	-	-

27. COMMITMENTS

Capital commitments

Commitments for the acquisition of property, plant and equipment

	Group		SABS	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Contracted	**45 276**	**38 922**	**33 887**	**19 047**

Capital commitments are funded through internally generated funds and grants received specifically and exclusively for that purpose.

28. FINANCIAL RISK MANAGEMENT

28.1 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 2021 (2020: 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	
	2021 R'000	2020 R'000
Foreign amount:		
United States Dollar	7 881	26
Great Britain Pounds	220	21
Euro	96	79
Swiss Franc	2	3

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

28.2 INTEREST RATE RISK MANAGEMENT

The Group is exposed to interest rate risk as it places funds in the money market floating interest rates. Interest rate risk is managed through effective cash management. The net interest income as at 31 March 2021 was R29,4 million (2020: R 51.0 million). The exposure of financial assets to interest rate risk is as follows:

	2021			2022		
	Interest bearing financial assets	Non-interest bearing financial assets		Interest bearing financial assets	Non-interest bearing financial assets	
	Floating rate R'000	Other R'000	Total R'000	Floating rate R'000	Other R'000	Total R'000
Group						
Cash and cash equivalents	457 616	-	457 616	531 888	-	531 888
Trade and other receivables	-	172 438	172 438	-	149 147	149147
SABS						
Cash and cash equivalents	342 639	-	342 639	393 735	-	393 735
Trade and other receivables	-	22 082	22 082	-	22 702	22 702
Loans to group companies	17 067	-	17 067	93 462	-	93 462

	Mar 2021			Mar 2022		
	Interest bearing financial assets	Non-interest bearing financial assets		Interest bearing financial assets	Non-interest bearing financial assets	
	Floating rate R'000	Other R'000	Total R'000	Floating rate R'000	Other R'000	Total R'000
Group						
Trade and other payables	-	224 994	224 994	-	140 077	140 077
Financial liabilities exposure to interest rate risk	-	224 994	224 994	-	140 077	140 077
SABS						
Trade and other payables	-	111 905	111 905	-	72 071	72 071
Financial liabilities exposure to interest rate risk	-	111 905	111 905	-	72 071	72 071

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)
2021		
Rand	+50	2 288
Rand	-50	(2 288)
2020		
Rand	+50	2 659
Rand	-50	(2 659)

28.3 LIQUIDITY RISK MANAGEMENT

The Group manages liquidity risk through the compilation and monitoring of cash flow forecasts as well as ensuring that there are adequate banking facilities. 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 - 3months R'000	3 - 12 months R'000	1 - 5 years R'000	Total R'000
Group					
GROUP - 2021					
Financial liabilities amortised at cost					
Lease liabilities	935	1 871	8 359	15 837	27 002
GROUP - 2020					
Financial liabilities amortised at cost					
Lease liabilities	4 822	825	3 752	10 286	19 685
SABS					
SABS - 2021					
Financial liabilities amortised at cost					
Lease liabilities	596	1 191	5 233	11 369	18 389
SABS - 2020					
Financial liabilities amortised at cost					
Lease liabilities	80	144	648	1 338	2 210

28.4 CREDIT RISK MANAGEMENT

Credit risk is managed on a group basis (refer to note 17).

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 17.

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	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Cash and cash equivalents	457 616	531 888	342 639	393 735
Trade receivables	163 054	140 978	14125	15 264
Loan to group companies	-	-	17 067	93 462
	620 670	**672 866**	**373 831**	**502 461**

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

	Group		SABS	
	2021 %	2020 %	2021 %	2020 %
South Africa	92,9	93,7	100,0	96,4
Other	7,1	6,3	-	3,6
Total	100,0	**100,0**	**100,0**	**100,0**

28.5 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	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Cash and cash equivalents	(224 994)	(140 077)	(111 905)	(72 071)
Trade receivables	(24 411)	(16 579)	(16 662)	(5 806)
Loan to group companies	457 616	531 888	342 639	393 735
	280 211	383 232	214 072	323 857
Equity	**786 711**	**823 250**	**656 425**	**764 646**

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

28.6 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

As at 31 March 2021, the Group held the following financial instruments measured at fair value:

	Level 1 R'000
Group	
2021	
FVTPL - Equities and bonds	120 335
2020	
FVTPL - Equities and bonds	100 460
SABS	
2021	
FVTPL - Equities and bonds	120 335
2020	
FVTPL - Equities and bonds	100 460

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 2021 (2020: None).

29. RELATED PARTY DISCLOSURE

National Government and state controlled entities

The group is controlled by the 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.

29.1 LOANS RECEIVABLE FROM RELATED PARTIES - SABS

	SABS	
	2021 R'000	2020 R'000
SABS Commercial SOC Ltd (Refer to note 16)	17 067	93 462
Net loan receivable from group companies	**17 067**	**93 462**

29.2 OTHER GROUP TRANSACTIONS - INCOME

	SABS	
	2021 R'000	2020 R'000
Royalties received	3 151	2 503

29.3 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 23:

	2021				2020			
	Group		SABS		Group		SABS	
	Purchases R'000	Balances Outstanding R'000	Purchases R'000	Balances Outstanding R'000	Purchases R'000	Balances Outstanding R'000	Purchases R'000	Balances Outstanding R'000
National Regulator for Compulsory Specifications	21	-	2	-	35	-	-	-
National Metrology Institute of South Africa	70	2	-	-	102	3	18	-
South African National Accreditations System	1 422	-	1 422	-	1 973	30	1 973	30
SABS Commercial SOC Ltd - Intercompany purchases	-	-	4 314	-	-	-	4 627	-
the dtic	56 383	-	56 383	-	-	-	-	-
	57 896	**2**	**62 121**	**-**	**2 110**	**33**	**6 618**	**30**

29.4 SALES TO RELATED PARTIES

	2021				2020			
	Sales R'000	ECL Allowance R'000	Bad debts written off R'000	Balances Outstanding R'000	Sales R'000	ECL Allowance R'000	Bad debts written off R'000	Balances Outstanding R'000
Group								
the dtic	580	-	-	-	144	49	-	144
National Regulator for Compulsory Specifications	14 469	698	7	6 744	16 398	245	-	4 331
National Metrology Institute of South Africa	169	6	-	37	132	3	-	25
South African National Accreditations System	46	3	-	41	593	27	-	369
National Consumer Council	8 443	-	-	-	7 818	-	-	-
	23 707	**707**	**7**	**6 822**	**25 085**	**324**	**-**	**4 869**
SABS								
SABS Commercial SOC Ltd -Corporate Charges	28 240	-	-	-	42 900	-	-	-
SABS Commercial SOC Ltd - Intercompany sale of standards	194	-	-	-	694	-	-	-
SABS Commercial SOC Ltd - Rentals: Land and Buildings	43 219	-	-	-	41 082	-	-	-
SABS Commercial SOC Ltd - Overheads recoveries	1 613	-	-	-	3 052	-	-	-
the dtic	-	-	-	-	144	49	-	144
National Regulator for Compulsory Specifications	10 926	267	-	4 375	10 562	102	-	2 645
National Metrology Institute of South Africa	24	-	-	-	(10)	2	-	6
South African National Accreditations System	46	3	-	41	585	27	-	369
National Consumer Council	8 443	-	-	-	7 818	-	-	-
	92 705	**270**	**-**	**4 416**	**106 827**	**180**	**-**	**3 164**

29.5 KEY PERSONNEL COMPENSATION

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

	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 - 2021							
Executive							
Non-executive							
S Khan	&	-	-	-	-	-	-
J Scholtz	#	-	-	-	-	-	-
T Demana	#	-	-	-	-	-	-
Audit and Risk Committee							
R Van Wyk	6	36	-	-	-	-	36
S Kajee	7	43	-	-	-	-	43
		79	**-**	**-**	**-**	**-**	**79**
SABS - 2021							
Executive							
Non-executive							
J Scholtz	#	-	-	-	-	-	-
T Demana	#	-	-	-	-	-	-
S Khan	&	-	-	-	-	-	-
Audit and Risk Committee							
R van Wyk	6	36	-	-	-	-	36
S Kajee	6	43	-	-	-	-	43
		79	**-**	**-**	**-**	**-**	**79**

*1. Acting CEO resigned 6 February 2020. G Strachan was one of the three administrators appointed by **the dtic**. The group had no Board during the period under review.*
& 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
Group - 2020							
Executive member							
G Strachan acting (CEO)	1	-	2 558	-	-	43	2 601
Non-executive member		-	-	-	-	-	-
S Khan &		-	-	-	-	-	-
J Scholtz		-	-	-	-	-	-
T Demana	#						
Audit and risk committee							
R van Wyk	6	93	-	-	-	-	93
S Kajee	6	131	-	-	-	-	131
		224	**2 558**	**-**	**-**	**43**	**2 825**
SABS - 2020							
Executive member							
G Strachan	2	-	2 558	-	-	43	2 601
Non-executive member		-	-	-	-	-	-
J Scholtz	#	-	-	-	-	-	-
T Demana	#	-	-	-	-	-	-
S Khan	&						
Audit and risk committee							
R van Wyk	6	93	-	-	-	-	93
S Kajee	6	131	-	-	-	-	131
		224	**2 558**	**-**	**-**	**43**	**2 825**

1. *Acting CEO resigned on 6 February 2020. GStrachan was one of the three administrators appointed by **the dtic**. The group had no board during the year under review.*

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

* *Other relates to settlement fees*

\# *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 - 2021						
Executive management						
T Maharaj (CFO)		2 228	-	291	-	2 519
Dr S Bissoon (Standards) (*)		2 105	-	315	-	2 420
LH Makele (Human Capital)		2 050	-	212	-	2 262
SABS		**6 383**	**-**	**818**	**-**	**7 201**
MLA Gcabashe (Certification)	6	556	-	220	268	1 044
Lungelo Ntobongwana (Acting Executive: Customer Partnering)	3	99	-	8	11	118
KJ Temba (Acting Executive Certification)	4	1 564	-	239	180	1 983
L Ntobongwana (Acting Executive Laboratory Services)	5	1 452	-	118	157	1 727
Thabo Sepuru (Acting Executive: LSD)	**7**	104	-	9	11	124
Subsidiary		3 775	-	594	627	4 996
SABS GROUP		**10 158**	**-**	**1 412**	**627**	**12 197**
Group - 2020						
Executive management						
T Maharaj (CFO)		2 223	-	279	-	2 502
Dr S Bissoon (Standards) (*)		1 756	-	255	46	2 057
IC Plaatjes (Corporate Services)	1	1 547	-	229	216	1 992
LH Makele (Human Capital)		2 035	-	209	-	2 244
ZNR Motloba (Standards)	2	1 116	283	61	138	1 598
SABS		**8 677**	**283**	**1 033**	**400**	**10 393**
GJ Louw (Testing)		1 441	-	177	2 231	3 849
MLA Gcabashe (Certification)	3	2 209	-	194	-	2 403
KJ Temba (Acting Executive Certification)	4	490	-	64	56	610
L Ntobongwana (Acting Executive Laboratory Services)	5	717	-	36	61	814
Dr S Bisson (Training)		342	-	50	-	392
Subsidiary		5 199	-	521	2 348	8 068
SABS GROUP		**13 876**	**283**	**1 554**	**2 748**	**18 461**

1. Resigned 31 October 2019
2. Resigned 30 June 2019, 2017/18 bonus paid 3.Resigned 18 November 2019
3. Appointed Acting Executive customer partnering 8 March 2021
4. Appointed Acting Executive Certification - 9 December 2019
5. Appointed Acting Executive Laboratory Services - 19 November 2019
6. Executive: Certification resigned 30 April 2020
7. Appointed Acting Executive LSD 8 March 2021
(a) Other relates to cell phone allowance and leave reimbursements
** Employee entitled to long service leave benefit*

29.6 TRANSFER OF ASSETS (TO)/FROM RELATED PARTIES

	Note(s)	SABS 2021 R'000	SABS 2020 R'000
SABS - assets transferred to subsidiary	8	(47)	-
WIP transfer to subsidiary	8	(418)	(3 527)
SABS - assets transferred from subsidiary	8	45	154

29.7 GOVERNMENT GRANTS

The SABS transferred a grant of R93.7 million to SABS Commercial SOC Ltd through a cash transfer (2020: R123.6 million cash transfer). R47.8 million was transferred from the grant received from **the dtic** and R45.9 million was transferred as an unconditional grant from the SABS.

	Note(s)	Group 2021 R'000	Group 2020 R'000	SABS 2021 R'000	SABS 2020 R'000
Received from **the dtic**		214 706	245 559	214 706	245 559
Grant funding transferred to SABS Commercial SOC Ltd from SABS		-	-	(93 687)	(95 652)
Grant funding transferred to SABS Commercial SOC Ltd received from **the dtic**		-	-	-	(27 913)
		-	-	(93 687)	(123 565)
Other government grants	22				
Received from **the dtic** - Infrastructure funds		-	90 436	-	90 436
		-	**90 436**	**-**	**90 436**

Other government grants relates to funding received from third parties (including **the dtic**) for specific and earmarked projects.

30. CONTINGENT LIABILITIES

	Note(s)	Group 2021 R'000	Group 2020 R'000	SABS 2021 R'000	SABS 2020 R'000
Third parties		25 500	27 500	24 500	24 500

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.

On the 9th of March 2021, the SABS issued a Notice of Consultations in terms of Section 189 of the Labour Relations Act No 66 of 1995. The SABS is contemplating reducing its headcount, through retrenchments to achieve estimated cost savings of R150 million.

The SABS has affected phase one of the process and Voluntary Severance Packages and Early Retirement Packages were offered to employees, in July 2021, as disclosed in note 33: Events after the reporting period. The section 189 process will continue in the 2021 financial year to achieve the targeted cost savings

31. FRUITLESS AND WASTEFUL EXPENDITURE

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

	Group		SABS	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Opening balance	201	201	197	197
Incurred during the period:				
Interest and penalties incurred due to late payments to suppliers.	17	-	17	-
The recoverability of the amount is under investigation. SARS interest relates to late payments on PAYE, VAT and output vat claimed on entertainment. The items are under investigation.	407	-	353	-
Fruitless and wasteful expenditure discovered in the current year that relates to the previous financial years - Costs incurred in testing samples without a contract	225	-	-	-
Closing balance	**850**	**201**	**567**	**197**

32. IRREGULAR EXPENDITURE

SABS is committed to using its funds in a responsible manner.
Corrective action is taken where situations lead to irregular expenditure.

	Group		SABS	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Confirmed				
Opening balance	29 567	11 790	18 118	8 672
Condoned by the National Treasury	(1 791)	-	(1 791)	-
Incurred during the year:				
Overspend on contract services	117	2 583	597	1 070
Overspend on contract services relating to prior year which were identified in current period	-	677	-	12
Non-compliance to policies and legislation	4 066	6 447	3 932	6 404
Non-compliance to policies and legislation relating to prior year which were identified in current period	126	280	88	175
Open ended contracts	852	722	234	123
Open ended contract relating to prior year which were identified in current period	2 225	7 068	1 655	1 660
	36 162	**29 567**	**22 833**	**18 116**
Awaiting condonement by National Treasury	27 776	11 790	16 326	8 672

82% of the irregular expenditure reported in this financial year relate to prior period non-compliances which have rolled-over and have been resolved and therefore will not be recurring in future. A further 15% of the irregular expenditure reported in this financial year relate to non-compliances that have contractual obligations which will be resolved in the next financial year.

	Group		SABS	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Unconfirmed				
Incurred during the period				
Overspend on certain contract values	-	24	-	18
Non-compliance to procurement policies	22	372	-	80
	22	**396**	**-**	**98**

Unconfirmed irregular expenditure relates to preliminary amounts that are currently under determination. Confirmed irregular expenditure relates to amounts that have been investigated. Disciplinary proceedings on the individuals concerned in currently underway.

The opening balance less the amount condoned for the prior financial year is still under consieration by the National Treasury.

33. EVENTS AFTER THE REPORTING PERIOD

On the 9th of March 2021, the South African Bureau of Standards issued a Notice of Consultations in terms of Section 189 of the Labour Relations Act No 66 of 1995. The SABS is contemplating reducing its headcount, through retrenchments to achieve estimated cost savings of R150 million. On the 31 July 2021 the SABS had already concluded a portion of the consultation process that resulted in voluntary severance packages and early retirement been offered to qualifying employees. An adjustment was made for these payouts and have been accrued for within trade and other payables in note 23. The employee benefit obligations in note 21 have also been adjusted for these payouts as well as note 3: Employee Benefit Expenditure

34. GOING CONCERN

At 31 March 2021, the SABS had accumulated surpluses of R582.8 million (2020: R694.9 million). Total assets exceeded total liabilities by R656.4 million (2020: R 764.6 million). The going concern consideration regarding the SABS subsidiary, SABS Commercial SOC Ltd is included below:

At 31 March 2021, SABS Commercial SOC Ltd had accumulated losses of R5.3 million (2020: R64.7 million) and the company' total assets exceed its liabilities by R107.0 million (2020: R44.3 million). The significant reduction in the assessed loss is indicative of the measures put in place to turnaround the company. This is further evidenced by the fact that the company has made profits in the last three years.

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.

35. NEW STANDARDS AND INTERPRETATIONS

35.1 STANDARDS AND INTERPRETATIONS NOT YET EFFECTIVE

The group has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the group's accounting periods beginning on or after 01 April 2021 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
Classification of Liabilities as Current or Non-Current - Amendment to IAS 1	01 January 2023	Impact is currently being assessed
Property, Plant and Equipment: Proceeds before Intended Use: Amendments to IAS 16	01 January 2022	Unlikely there will be a material impact
Onerous Contracts - Cost of Fulfilling a Contract: Amendments to IAS 37	01 January 2022	Unlikely there will be a material impact
Interest Rate Benchmark Reform - Phase 2: Amendments to IFRS 7	01 January 2021	Not expected to impact results but may result in additional disclosure
Interest Rate Benchmark Reform - Phase 2: Amendments to IFRS 9	01 January 2021	Not expected to impact results but may result in additional disclosure
Interest Rate Benchmark Reform - Phase 2: Amendments to IFRS 16	01 January 2021	Impact is currently being assessed
Interest Rate Benchmark Reform - Phase 2: Amendments to IAS 39	01 January 2021	Not expected to impact results but may result in additional disclosure
COVID-19 - Related Rent Concessions - Amendment to IFRS 16	01 June 2020	Impact is currently being assessed

36. CHANGE IN ESTIMATE

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 R5.6 million (SABS: R2.2 million) and an increase in future periods of R5.6 million (SABS: R2.2 million).

37. PRIOR PERIOD ERRORS

1. **Trade and other payables** - Contract liabilities - In the prior year there was a misstatement on contract liabilities which forms part of trade and other payables. It was noted that the amounts for the previous financial year contained an error that resulted from correcting an audit qualification that occurred in the 2018/19 financial year. The impact of this error was that contract liabilities was understated. Furthermore, an account in the financial records was also incorrectly allocated to contract liabilities. This account should have been correctly allocated to Trade Payables within the Trade and other payables note
2. **Cash flow statement** - Cash receipts from customers - The company incorrectly accounted for cash receipts from customers by not adjusting the cash received from customers with non-cash elements (including intercompany transactions). This has resulted in the overstament of cash received from customers and understatement of cash paid to suppliers and employees.
3. **Related parties** - In the prior year, the related party note displaying transactions between SABS and SABS Commercial erroneously included an amount of R22.4 million not relating to transactions with SABS Commercial. This resulted in corporate charges recovery and overhead recoveries being overstated. Furthermore, purchases from SABS Commercial amounting to R4.6 million were not disclosed separately in 2020 as they were set off against corporate charges sales to SABS Commercial.

4. **Other income** - In disclosing the other income note in 2020, the SABS erroneously included an amount of R22.4 million, not relating to transactions between SABS and SABS Commercial on the intercompany rental received in respect of land and buildings, equipment rental and corporate charges recovery income lines. This resulted in these respective other income lines being overstated. Further to this, the intercompany rental recovery in respect of accomodation and equipment has been consolidated into the corporate service recovery line item due to these acounts being similar in nature.

The correction of the error(s) results in adjustments as follows:

	Note	Previously reported Mar 2020 R'000	Impact R'000	Restated amount R'000	Previously reported Mar 2020 R'000	Impact R'000	Restated amount R'000
Impact of restatement on Statement of financial position		Group			SABS		
Equity and liabilities							
Equity and reserves							
Accumulated profit		752 444	(7 999)	744 445	702 863	(7 999)	694 864
Current liabilities							
Trade and other payables		132 078	7 999	140 077	64 072	7 999	72 071
Impact of restatement on the Statement of cash flow		Group			SABS		
Cash flow from operating activities							
Equity and reserves							
Cash received from customers		570 894	(29 343)	541 551	173 941	(123 805)	50 136
Cash paid to suppliers and employees		(836 115)	25 800	(810 315)	(597 163)	120 165	(476 998)
Finance Cost		(2 345)	2 329	(16)	(1 039)	1 024	(15)
Cash flow from financing activities							
Payment of lease liability		(5 988)	(2 424)	(8 412)	(3 863)	(1 018)	(4 881)
Impact of restatement on Statement of financial position		Group			SABS		
Equity and liabilities							
Equity and reserves							
Accumulated profit		814 019	(7 999)	806 020	691 581	(7 999)	683 852
Current liabilities							
Trade and other payables	A	148 642	7 999	156 641	57 548	7 999	65 547

	Group		SABS	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
A. Trade and other payables				
Trade payables	67 510	80 519	41 317	33 819
Contract liabilities	22 150	27 581	9 159	11 632
Short-term employee obligations	48 711	48 429	19 889	20 096
Straight lining of operating leases	-	112	-	-
	138 371	**156 641**	**70 365**	**65 547**

ABBREVIATIONS

AND ACRONYMS

AFCFTA
African Continental Free Trade Area

AFS
Available-for-sale

AFSEC
African Electro-technical Standardisation Committee

ARSO
African Regional Standards Organisation

BBBEE
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 Organization 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

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

NOTES

SABS

SOUTH AFRICAN BUREAU OF STANDARDS

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

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