SABS

INTEGRATED ANNUAL REPORT 2021/22

GIVING YOU THE QUALITY EDGE

SABS

PERFORMANCE OVERVIEW

- Maintaining **7,400** national standards
- Published **414 national standards** of which **140 publications are home-grown**
- **Maintained Auditor, Scheme and Laboratory Accreditation** from SANAS and RvA
- **7,001 Active customers**
- The SABS has completed the stabilisation stage of the **Turnaround Strategy**
- **R55-million invested** in capital expenditure which includes **buildings and laboratory equipment**
- **Operating profit** of R51.6-million
- **Net profit** of R50.8-million
- Supported **121 Small, Medium and Micro Enterprises (SMMEs)**
- Invested R2.6-million in **staff training and development**
- **Lost Time Injury Frequency Rate (LTIFR)** is 0.40 per 200 000 hours worked

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THE SABS APPROACH TO **INTEGRATED REPORTING**

The SABS is committed to the principles of integrated reporting as it aligns with the organisation's 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 2021/22 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 2021 to 31 March 2022 (FY2022) and reflects on the activities of the SABS and SABS Commercial SOC Limited. Any material events after this date and up to the approval by the Accounting Authority on 20 September 2022 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, the Government of the Republic of South Africa. It also provides information relevant to other key stakeholders, including all 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 24-25) 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, as well as internal and external assurance service providers. The Auditor-General of South Africa (AGSA) and Rakoma & Associates Inc. audited the consolidated annual financial statements for the 2021/22 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 20 September 2022.

For and on behalf of the Accounting Authority:

Ms Jodi Scholtz
Lead Administrator

Dr Tshenge Demana
Co-Administrator

HOW TO NAVIGATE THE REPORT

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

CAPITALS

- | Financial
- | Human
- | Intellectual
- | Manufactured
- | Natural
- | Social and Relationship

STRATEGIC OBJECTIVES

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

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

FEEDBACK

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

GENERAL INFORMATION
SOUTH AFRICAN BUREAU OF STANDARDS

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

SABS COMMERCIAL SOC LIMITED

Registration Number: 2000/013581/30

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Pretoria, 0001

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Website: www.sabs.co.za

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Johannesburg, 2001

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Kildrummy Office Park
Umhlanga Ave
Paulshof
Johannesburg
2191

AUDITORS

Auditor-General of South Africa
4 Daventry Street
Lynnwood Bridge Office Park
Lynnwood Manor
Pretoria
0081

Rakoma and Associates Inc.
Willow Wood Office Park
Corner 3rd Ave and Cedar Road
Johannesburg
2021

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PART

A

GENERAL
INFORMATION

1

MINISTER'S FOREWORD

Mr Ebrahim Patel
Minister of Trade, Industry and Competition

The Annual Report provides an account of the work of the South African Bureau of Standards (SABS) over the financial year ending in March 2022. I note that the organisation realised a profit, but the loss of customers continued in the year. The recapitalisation and modernisation of the laboratories coupled with skills upgrading, will need to be speeded up to overcome this challenge.

The SABS developed standards for various sectors of the economy including sector Master Plans in the past year. The SABS published 414 standards with 140 of these being homegrown standards. The average turnaround time to develop standards improved to 305 days compared to 377 days in the previous year. The published standards lead to quality improvements in many sectors as standards reflect the latest technology and research within South Africa and abroad. Standards serve to deepen industrialisation while allowing companies to compete sufficiently in demanding local and international value chains. The use of standards provide consumers with confidence that goods meet quality and safety benchmarks. The adoption of international standards is a prerequisite to exporting firms to gain a foothold in international markets.

The Auditor-General South Africa (AGSA) raised control and compliance issues relating to the preparation of financial statements that the accounting authority did not oversee effectively. These must be resolved. A new Board for the SABS will be put in place during the new financial period.

In the new financial year, the work of **the dtic** and its entities will be evaluated in relation to three overarching outcomes namely:

- industrialisation;
- transformation; and
- building state capability.

I thank the accounting authority, management and staff for their contributions in the year.

Mr Ebrahim Patel

LEAD ADMINISTRATOR'S FOREWORD

Ms Jodi Scholtz
Lead Administrator
South African Bureau of Standards

The South African Bureau of Standards (SABS) recorded a profit of R50.8-million against a budgeted net loss of R121.2-million for the financial period under review.

The Certification Division has exceeded its year-to-date revenue budget by R13.4-million, while the Certificate of Compliance (CoC) programme has exceeded the budget by R5.9-million. The Laboratory Services Division (LSD) recorded a revenue gap against a budget of R21.6-million and the Training Academy, in turn, is R6.8-million behind budget. Financial gain realised on investments earned the SABS R10.9-million in the current year.

As at the end of July 2022, the SABS had been under administration for four years. The financial position of the Bureau, during this period, remain constrained and the entity continued to generate a financial loss. However, during the year under review, the SABS initiated an organisation redesign process which was accompanied by a section-189 voluntary severance process (VSPs), under the Labour Relations Act.

Under this process we encouraged eligible staff to consider taking early retirement. Due to the results of these parallel processes the total staff complement was reduced from 824 to 738 at the end of July 2022 which resulted in significant cost savings. Employee benefits have been reduced from the monthly average of R41-million (prior to the VSP/ER process) to a monthly average of R33.5-million. However, part of the saving is temporary as some of the positions will need to be filled. Employee benefits contribute 67.2% to the total Administrative and Operating Expenditure.

The restrictive effect that Covid-19 has had on the national economy and on our customers resulted in several virtual instead of physical audits being conducted. As a result, the forecasted spend on domestic and international travel was greatly reduced. The cost of consumables for the year was R12.7-million, being R4.3-million (25.3%) below budget. This, in tandem with several other cost-saving initiatives, has led to the decline of the SABS' overall expenditure and ultimately, significantly impacted the financial bottom line.

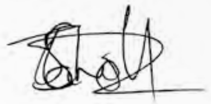
The SABS has created a business consulting unit, called Business Services and Advisory Services, which will provide consulting services on how to implement management systems and non-accredited quality assurance services to our customers. Among the new service offerings, are the work-integrated learning services provided to SMMEs and enterprise capacitation projects. These include workplace skills programs on Quality and Occupational Health and Safety, designed to improve workplace application skills and promote the adoption of these management system standards within various industry sectors. The BSAS has also digitised a number of training courses which enable remote access for our customers.

The Customer Partnering unit has driven a focused customer engagement process and prioritises the top-earning customers. Regular sales engagements are conducted in this space and the top-tier customer programme will continue in the coming financial year. This group has prioritised process improvements and has made gains with regards to the customer experience: i.e., call resolutions, lead to resolve enquiries, billing requests, etc.

With regards to Supply Chain Management (SCM), the SABS has focused on the time taken to advertise and close a Request for Quotation (RFQ) and Request for Proposal (RFP). RFQs have reduced from 20.1 days in September to 17.5 days at the end of March 2022 and the processing of RFPs is now down to 41 days. There were no unsolicited bids or proposals for the financial year under review.

In the coming year, the SABS will transition into to new organisational structure which will place operations at a centralised level and operations will now supply internal services from here. This will move the Bureau into a consolidated operating model, a major move away from the previous decentralised model, and will allow the SABS to optimise processes. Under the organisational review of the last year the SABS conducted a job regrading exercise and interviews with staff members for positions in the new structure has been completed. During FY2023 the SABS will appoint staff members and fill all positions.

Finally, the SABS would like to thank Minister Ebrahim Patel and Deputy Ministers Fikile Majola and Nomalungela Gina for the close working relationship over the last year and the partnership with the Department of Trade, Industry and Competition. I would also like to thank my fellow administrator, Dr Tshenge Demana and the members of the Audit and Risk Committee for their oversight role and support.



Ms Jodi Scholtz

Date: 20 September 2022

THE SABS **LEADERSHIP**

EXECUTIVE MANAGEMENT [1, 2]

JODI SCHOLTZ (50)
Lead Administrator

Date appointed as Lead Administrator: 06 February 2020

Date appointed to the SABS: July 2018

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

TINA MAHARAJ (41)
Chief Financial Officer

Date appointed as Chief Financial Officer: 01 September 2021

Date appointed to the SABS: 01 September 2017

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

KATIMA TEMBA (43)
Divisional Head: Certification Services

Date appointed as Divisional Head - Laboratory Services: 01 November 2021

Date appointed to the SABS: 10 February 2014

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

1 As at 31 March 2022.
2 A list of directorships is available from the Company Secretary.

THABO SEPURU (48)
Divisional Head: Laboratory Services

Date appointed as Divisional Head - Laboratory Services: 01 November 2021

Date appointed to the SABS: 01 May 2003

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

LUNGELO NTOBONGWANA (44)
Divisional Head: Customer Partnering

Date appointed as Divisional Head - Customer Partnering: 01 December 2021

Date appointed to the SABS: 01 August 2017

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

SADHVIR BISSOON (49)
Divisional Head: Standards

Date appointed as Divisional Head - Standards: 01 November 2021

Date appointed to the SABS: 01 August 2003

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

LIZO MAKELE (52)
Chief Corporate Services Officer

Date appointed as Chief Corporate Services Officer: 01 September 2021

Date appointed to the SABS: 01 July 2018

Qualification: MBA, BTech: HR Management & MDP

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CONFIRMATION OF ACCURACY AND FAIR PRESENTATION **FOR THE ANNUAL REPORT**

INTEGRATED ANNUAL REPORT AND ANNUAL FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2022

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

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

Annual Financial Statements

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

Performance Information

The performance information fairly reflects the operations and actual output against planned targets for performance indicators as per the corporate plan of the SABS and approved amendments for the financial year ended 31 March 2022. The performance information has been reported in accordance with the requirements of the guidelines on annual reports as issued by the National Treasury. A system of internal control has been designed to provide reasonable assurance as to the integrity and reliability of performance information.

Human Resource Management

The human resource information contained in the respective tables in the Integrated Annual Report fairly reflects the information of the SABS for the financial year ended 31 March 2022.

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

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REPORT OF THE **AUDITOR-GENERAL**

REPORT ON THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Opinion

1. I have audited the consolidated and separate financial statements of the South African Bureau of Standards (SABS) set out on pages 80 to 141 , which comprise the statement of the financial position as at 31 March 2022, the statement of profit or loss and other comprehensive income, the statement of changes in equity, and the statement of cash flows for the year then ended, as well as notes to the financial statements, including a summary of significant accounting policies.

2. In my opinion, the consolidated and separate financial statements present fairly, in all material respects, the financial position of the SABS as at 31 March 2022, 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 (ISA). My responsibilities under those standards are further described in the Auditor-General's responsibilities for the audit of the consolidated and separate financial statements section of my report.

4. I am independent of the public entity in accordance with the International Ethics Standards Board for Accountants' (IESBA) International Code of Ethics for Professional Accountants, including the International Independence Standards and all other ethical requirements 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.

Uncertainty relating to the future outcome of litigation

7. With reference to note 31 of the financial statements, the entity is a defendant in lawsuits as well as multiple Commission of Conciliation, Mediation and Arbitration (CCMA) employee disputes, which it is opposing.

Subsequent event

8. I draw attention to note 34 in the financial statements, which deals with subsequent events and specifically with an award made in favour of a dismissed employee by the CCMA on 8 June 2022. An adjustment was subsequently made to the consolidated and searate financial statements to account for the award made to the employee.

Prior period error

9. As disclosed in note 39 to the financial statements, the corresponding figures for 31 March 2021 were restated as a result of an error in the consolidated and seperate financial statements of the public entity at, and for the year ended, 31 March 2022.

Responsibilities of the accounting authority for the financial statements

10. The co-administrators, which constitute the accounting authority is responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with the IFRS and the requirements of the PFMA, and for such internal control as the accounting authority determines is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

11. In preparing the 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 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 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 objective 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 objective presented in the public entity's annual performance report for the year ended 31 March 2022:

Strategic Objective	Pages in the annual performance report
Strategic objective 1 - Develop, promote and increase the use of standards	29 - 30

17. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

18. The material findings on the usefulness and reliability of the performance information of the selected strategic objectives are as follows:

- 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.

Indicator: SANS supporting reimagined industrial priority sectors as defined by the dtic

19. The source information for measuring the planned indicator was not clearly defined and related systems and processes were not adequate to enable consistent measurement and reliable reporting of performance against the predetermined indicator definitions. As a result, limitations were placed on the scope of my work and I was unable to audit the reliability of the achievement of "79% of the standardisation commitment" reported against target SANS supporting reimagined industrial priority sectors as defined by the dtic in the annual performance report.

Indicator: Government, SOE, regulatory and related public sector engagements

20. The source information and the method of calculation for achieving the planned indicator was not clearly defined.

Other matters

21. I draw attention to the matters below.

Achievement of planned targets

22. Refer to the annual performance report on page 29 to 30 for information on the achievement of planned targets for the year. This information should be considered in the context of the material findings on the usefulness and reliability of the reported performance information in paragraphs 19 to 20 of this report.

Adjustment of material misstatements

23. 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 only some of the misstatements, I raised material findings on the usefulness and reliability of the reported performance information. Those that were not corrected are reported above.

REPORT ON THE AUDIT OF COMPLIANCE WITH LEGISLATION

Introduction and scope

24. 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.

25. The material findings on compliance with specific matters in key legislation are as follows:

Annual financial statements

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

27. The consolidated and separate financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework and or supported by full and proper accounting records as required by section 55(1)(a) and (b) of the PFMA.

28. Material misstatements of non-current assets and disclosure items identified by the auditors in the submitted consolidated and separate financial statements were corrected and the supporting records were provided subsequently, resulting in the consolidated and separate financial statements receiving an unqualified audit opinion.

Revenue management

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

OTHER INFORMATION

30. 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 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.

31. My opinion on the consolidated and separate 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.

32. 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.

33. The other information I obtained prior to the date of this auditor's report is the submission to the Audit and Risk Committee of the director's report, the Audit and Risk Committee report, and the company secretary report of the SABS integrated annual report.

34. If, based on the work I have performed on the other information that I obtained prior to the date of this auditor's report, I conclude that there is a material misstatement in this other information, I am required to report that fact. I have nothing to report in this regard.

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

INTERNAL CONTROL DEFICIENCIES

36. I considered internal control relevant to my audit of the 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 material findings on the annual performance report and the findings on compliance with legislation included in this report.

37. Management did not ensure that adequate preventative controls were implemented to prepare timely and accurate financial statements and an annual performance report that agrees with the supporting schedules and are presented in line with the applicable reporting standards. This resulted in material findings on performance reported as well as material misstatements to the financial statements impacting on compliance with legislation.

OTHER REPORTS

38. I draw attention to the following engagement 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 consolidated and separate financial statements or my findings on the reported performance information or compliance with legislation.

39. I performed an agreed upon procedures engagement on royalties' payable by the SABS for the period 1 January 2021 to 31 December 2021. 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 they hold. The report covered the period 1 January 2021 to 31 December 2021, and was issued to the accounting authority on 19 August 2022.

Auditor-General

Pretoria
31 August 2022

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 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, which 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 consolidated and separate 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 consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

6

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

- **Transparency**
  Being open in all communication and engagements
- **Professionalism**
  Observing the highest standards with regards to being reliable; delivering work of the highest quality, on-time; and behaving in a manner worthy of the SABS creed
- **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
- **Responsibility**
  Doing what is expected of us
- **Good Governance**
  Describes how the SABS will conduct public affairs and manage public resources in an effective and responsible manner
- **Collaboration**
  The process of two or more people or organisations working together to complete a task or achieve a goal
- **Knowledge-driven**
  Proactively seeking information and knowledge that always enable one to deliver the best possible relevant solutions, providing thought-leadership in areas of focus, and leading knowledge development in the sector

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 medium voltage electrical equipment in Africa
- In certain instances, it has the only laboratory in the country and services the public good
- All accreditation bodies that are used by the SABS are IAF-accredited

7

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

STRATEGY

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

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

BRANDS

SABS APPROVED

SABS ISO 9001

SABS ISO 14001

SABS ISO 45001

VALUES

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

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

MEMBERSHIPS

ISO · PASC Pacific Area Standards Congress · IEC · ARSO · SMIIC STAN · AFSEC

WORLD ASSOCIATION OF CA BODIES

IAF – Member of Multilateral Recognition Arrangement

THE 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

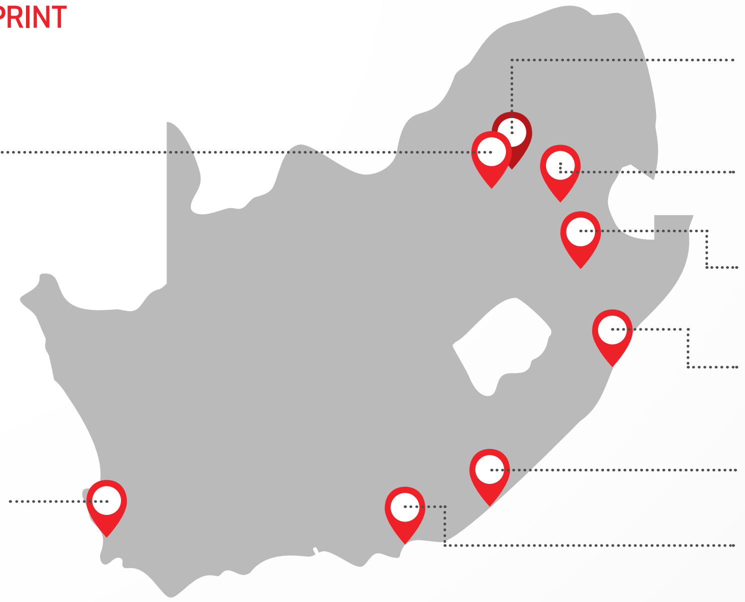
- Support standards development and promotion activities as well as subsidise certain verification services such as local content verification as well as investment in infrastructure
- Provide conformity assessment services on commercial terms and earn revenue from clients

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 processes to determine standards and conformance	Linkage to internal markets through standards and conformity assessments, support for socio-economic development policies, and fair competition
Performs conformity assessment tests and produces test results that provide important information about products' conformance to SANS and other technical regulations	Quality assurance for consumers and fairness in the market	Enable producers and suppliers to compete fairly	Protecting local employment, enabling local production, fair competition, and safety to consumers
Provision of services to SMMEs and the Black Industrialist Programme	Facilitation of new and better processes, products and services by improving access to SMMEs and the industrial programme	Provide a platform for support to access services by SMMEs and the industrial programme	Increase production of intellectual capital, improve speed to market, and facilitate 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



Pretoria
Standards, Certification, Testing, Training and Corporate Services

Olifantsfontein
Testing (NETFA)

Secunda
Testing (Mining and Minerals)

Newcastle, Uitkomst & Springlake
Testing (Mining and Minerals)

Durban
Certification and Training

East London
Testing (Vehicle)

Cape Town
Testing and Training

Port Elizabeth
Certification

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

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: 738
Investment in training and staff welfare: R2.6-million

MANUFACTURED CAPITAL
Standards development, certification, testing and training occurs at various 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
27 test laboratories spread across 8 locations
Net book value of property plant and equipment: R720.1-million

INTELLECTUAL CAPITAL
Access to strong technical knowledge, capabilities and technology is imperative to fulfil the SABS mandate.

29 Standards development professionals
104 Certification auditors
118 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 consumption: 21.8 MWh
Water consumption: 145134 kilolitres
Fuel consumed: 47 993 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.

R267.1-million grant received from the Government of South Africa for operational activities.
Capital and reserves: R834.9-million
Cash and cash equivalents: R406.2-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 in 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
- 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)
- 42 of 53 standardisation projects completed as part of SANS supporting reimagined industrial priority sectors
- Operating surplus of R51.6-million and net surplus of R50.8-million
- R15.6-million cash generated from operating activities
- 121 SMMEs benefited from conformity assessment support

CLIENTS AND INDUSTRY ASSOCIATIONS
- 414 standards were published of which 140 were home-grown
- The average turnaround time on standards developed is 305 days
- Rendered services to 7 001 clients
- R55.0-million invested in capital expenditure which includes buildings and laboratory equipment

EMPLOYEES
- R450.9-million paid in salaries and benefits
- 35 training interventions were offered to employees
- 253 employees completed specialist training with leading partners
- Study bursaries of R894.8-thousand awarded
- 90% employee representation from historically disadvantaged groups
- 48% of the staff complement are women
- Lost time injury frequency rate is 0.40

INTERNATIONAL AND REGIONAL STANDARDS BODIES
- Adopted 274 new international standards
- Participation in various international and African standards forums
- Holds IEC Council Board member
- Holds 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

ORGANISATIONAL STRUCTURE

- CHIEF EXECUTIVE OFFICER
  - HEAD: INTERNAL AUDIT
  - COMPANY SECRETARY
  - HEAD: STRATEGY, STAKEHOLDER & MEDIA RELATIONS
  - HEAD: COMPLIANCE, RISK & LEGAL SERVICES
  - GROUP CHIEF OPERATIONS OFFICER
    - DIVISIONAL HEAD: STANDARDS
    - DIVISIONAL HEAD: LABORATORY SERVICES
    - DIVISIONAL HEAD: CERTIFICATION SERVICES
    - DIVISIONAL HEAD: CUSTOMER PARTNERING
    - HEAD: PROGRAMME MANAGEMENT OFFICE
  - GROUP CHIEF FINANCIAL OFFICER
    - HEAD: SUPPLY CHAIN MANAGEMENT
    - HEAD: FINANCIAL REPORTING
    - HEAD: FINANCIAL STRATEGY
  - GROUP CHIEF CORPORATE SERVICES
    - HEAD: HUMAN CAPITAL
    - HEAD: ICT & KNOWLEDGE MANAGEMENT
    - HEAD: FACILITIES
    - MANAGER: SECURITY SERVICES

PART B

PERFORMANCE INFORMATION

1

PREDETERMINED OBJECTIVES

FINANCIAL RESULTS

The SABS Group recorded a net surplus of R50.8-million for the year ended 31 March 2022 against a budgeted loss of R121.2-million.

Summarised information on the financial performance of the SABS is included in the unaudited group financial overview section on pages 45 to 49 of the Integrated Annual Report.

PERFORMANCE AGAINST APPROVED ANNUAL PERFORMANCE PLAN

The SABS achieved 6 of the 11 targets with two indicators being missed by 1% and 0,1% respectively. Targets that were not met are as indicated below:

- SANS supporting re-imagined industrial priority sectors. Target was 80% and 79% (42/53) SANS were completed.
- **Customer Satisfaction Rate.** The target for Customer Satisfaction Rate is 75% and the SABS achieved 70%. The customer satisfaction survey was mainly impacted by unfavourable feedback from the Laboratory Services Division with the lowest score of 56%.
- **Employee Engagement Rate**. The target is 3 out of 5. The organisation took a decision not to conduct the survey until the S189 process and the migration to the new structure is complete.
- 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 to the SABS (internal focus).

Key Performance Area	Internal Focus (Actual)	Total		March 2022 (Target)
		March 2022 (Actual)	March 2022 (%)	
Percentage of women supported	160	**160**	21.7%	27.0%
Percentage of youth supported	13	**13**	1.8%	1.9%
Total supported / headcount	738	**738**		

Performance Against Strategic Objectives FY2021/22

Strategic Objective	Output and Key Performance Area	Annual Target	FY2021/22 Target	FY2021/22 Actual	Status
Develop, promote and increase the use of standards	SANS supporting reimagined industrial priority sectors as defined by **the dtic**	80% standardisation commitments	80% standardisation commitments	79% standardisation commitments	
	Conduct Government Stakeholder engagements	7 stakeholder engagements	7 stakeholder engagements	11 stakeholder engagements	
	Number of reports submitted	4 reports	4 reports	4 reports	

Strategic Objective	Output and Key Performance Area	Annual Target	FY2021/22 Target	FY2021/22 Actual	Status
Provide integrated conformity assessment services solution	Customer satisfaction rate	80.00%	80.00%	70.28%	🔴
	Number of new products, services, solutions launched	• 2 new online courses • 2 new certification schemes • 2 new test methods	• 2 new online courses • 2 new certification schemes • 2 new test methods	• Introduced 5 new online courses • 1 new certification scheme launched • Introduced 6 new test methods	🟢
Build a capable and efficient SABS: • Reduce financial losses • Improve operational efficiencies • Improve employee engagement • Increase economic participation of designated groups	Net profit of the SABS Group	Loss of R121.2-million	Loss of R121.2-million	Surplus of R50.8-million	🟢
	Cost-to-income-ratio	116.0%	116.0%	98.0%	🟢
	Employee engagement rate	Rating of 3 out of 5	Rating of 3 out of 5	Survey not conducted	🔴
	Percentage of women supported	48.0%	48.0%	48.5%	🟢
	Percentage of youth supported	27.0%	27.0%	21.7%	🔴
	Percentage of people with disabilities supported	1.9%	1.9%	1.8%	🟡

Status Legend:

🟢 Annual target met or exceeded

🔴 Annual target not met

🟡 Annual target almost met

Notes on performance

- The Employee Engagement Survey was not conducted due to the SABS undergoing a Section-189 review process and this impacted the percentage of youth and the percentage of people with disabilities supported indicators as the organisation was going through S189 and organisation review.
- A decision was taken by the Technical Committee during the year to withdraw SANS 959-2-1 and SANS 10142-1-2 which brought the number of committed standards to 51 instead of 53. We could not exclude this SANS from the list because Section 4.2 of the Framework for Strategic Plans and Annual Performance Plans read as thus 'updating - to simplify performance tracking, in-year changes to the plan should not be made'. Where an institution's performance exceeds or misses targets due to in-year budget changes or for another reason, this should be noted in its annual report.

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

There is lower investor confidence in South Africa and the instability and ongoing unrest which lead to destruction of key infrastructure are a major risk for the country. The political external factors affecting the SABS operations are as follows:

- Increasing international trade agreements
- Introduction of Local Content Verification
- Reduction of Government Grants to state owned entities
- Government's drive to deepen Industrialisation

ECONOMIC

The South African economy and business activity recovered from the impact of the pre-pandemic levels (COVID-19) and the national lockdowns in 2020. Real gross domestic product (GDP) increased by a robust 1.9% in the first quarter of 2022 following a revised increase of 1.4% in the fourth quarter of 2021. The real gross value added (GVA) by the secondary and tertiary sectors expanded at a faster pace in the first quarter of 2022, while that of the primary sector contracted. The level of real GDP surpassed the average 2019 level, before the onset of the COVID-19 pandemic, for the first time in the first quarter of 2022.

During the fourth quarter of 2021 real output in the primary sector reverted from an expansion of 3.4% to a contraction of 0.4% in the first quarter of 2022. In the agricultural sector, growth the first quarter of 2022 moderated sharply as the production of field crops and animal products decreased, with the former negatively impacted by excessive rainfall at the start of the 2021/22 production season. Mining output contracted for a third successive quarter in the first quarter of 2022 as production volumes declined across a wide range of subsectors.

Growth in household debt accelerated in the first quarter of 2022 as most categories of credit extended to households increased and households' net wealth increased further in the first quarter of 2022 as the increase in the market value of assets outpaced that in liabilities. Equity holdings were boosted by a further increase of 2.4% in the FTSE/JSE All-Share Index (ALSI) in the first quarter of 2022.

Growth in real gross fixed capital formation accelerated to 3.6% in the first quarter of 2022 as private business enterprises and general government increased capital outlays, while public corporations reduced capital spending. The private sector's share of total nominal gross fixed capital formation further increased to 72.3% in the first quarter of 2022. Despite the further increase, the level of total real fixed capital investment in the first quarter of 2022 was still 10.9% lower than the average in 2019.

Total employment increased by a further 370 000 jobs in the first quarter of 2022, along with an improvement in the response rate of Statistics South Africa's Quarterly Labour Force Survey.

The increase in employment was broad-based across the different sectors, with both formal and informal employment increasing notably. This, together with a decrease in the number of unemployed persons, resulted in a decline in South Africa's official unemployment rate to 34.5% in the first quarter of 2022 from 35.3% in the fourth quarter of 2021.

The acceleration in both headline consumer and producer price inflation during 2022 has reflected the sustained surge in domestic and global inflationary pressures. Many of these pressures arise from constraint and disrupted global supply chains, which have been exacerbated by the invasion of the Ukraine by Russia. The biggest increase in prices have been most notably those of fuel, coal, electricity, metals, fertiliser and freight transportation. Headline consumer price inflation in South Africa accelerated to 6.5% in May 2022.

National government's deficit decreased notably to 5.1% of GDP in the 2021/22 fiscal year from 9.8% in the previous fiscal year, as revenue collections improved significantly and far outpaced expenditure growth. Although national government's net borrowing requirement more than halved in the fiscal year 2021/22, gross loan debt still increased by 8.7% year on year to R4 278 billion at the end of March 2022, representing 67.4% of GDP. This could have a negative impact on grant funding to state owned entities, such as the SABS.

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

- Slow economic growth has a negative impact on the growth of customers and restricted their purchasing power
- Rising inflation will increase the cost of sales for the SABS
- Inability of the government to stabilise fiscal debt/GDP over the medium term could impact grant funding commitments

SOCIO-ECONOMIC

Unemployment is the number one leader of poverty and the large inequality in this country. Social trends influence consumer behaviours as a result of poverty & inequality and, in turn, affect the remote or macro-environment of the SABS' operations and its revenue. The following socio-economic external factors affects the SABS' operations:

- Declining disposable income
- Abuse of SABS IP

TECHNOLOGY

With the arrival of Fourth Industrial Revolution (4IR), success of the SABS depends on its adaption to maximise the benefits of technological trends and resources available in the industry. The South African government has set a vision for national development that is premised on resolving the 'triple scourge' of poverty, unemployment and inequality. The technology sector has been identified as a critical component in this fight and the Presidency has established the Presidential Commission on the Fourth Industrial Revolution (PC4IR) to provide leadership in understanding and navigating an altered future.

Policy initiatives have also resulted in significant progress in structural reforms in the technology sector, such as the successful auctioning of broadband spectrum.

The following technological external factors affect the SABS business:

- A rising demand for the development of national standards to aid the development of the 4IR
- Increasing business automation and the use of big data and algorithms
- Moderate Research and Development activities in the industry

ECOLOGICAL

There is global movement toward achieving net zero carbon emissions which means cutting greenhouse gases to a net level of emissions or net zero by 2050. Put simply, net zero means cutting greenhouse gas emissions to as close to as zero as possible and without any remaining emissions being re-absorbed into the atmosphere.

South Africa, which is one of the world's most carbon-intensive economies and the biggest polluter of carbon in Africa, has included its net zero target in our Low-Emission Development Strategy 2050 which has been submitted to the UNFCCC in September 2020.

The main contributors of emissions come from the energy sector, accounting for 58.7% per cent of emissions, and other major components from transport (13%) as well as manufacturing industries and construction (6.9%). South Africa aims to drive a just energy transition to deliver a decarbonised economy and several important sectors of the national economy will be negatively affected by this transition. They include agriculture, tourism, mining, energy, transport, manufacturing and the biodiversity economy. The transition process to deliver a greener future needs the full involvement of organised labour and business in targeted programmes of reskilling and upskilling, creating employment and providing other forms of support to ensure workers are the major beneficiaries of this shift.

As the country begins decommissioning and repurposing coal-fired power stations, and investing in new low-carbon generation capacity, such as renewables, and adopting a 'green' industrialisation strategy, which develops green manufacturing and a shift to the production of electric vehicles, a new need will arise for the development of national standards and conformity testing that will assist the transition to net zero.

The SABS will be affected by the following:

- Rising significance of corporate environmental programs
- Increasing ecological and business impact of sustainable business strategies
- Change in climate conditions

LEGAL

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, SABS included.

2.2 INTERNAL ENVIRONMENT

On the 10th of March 2021, the SABS issued a notice in terms of S189 (3) of the Labour Relations Act (LRA) inviting employee representatives and employees to consult with the employer on various issues pertaining to contemplated retrenchments. The Bureau had to reduce employee benefits by approximately R150-million and after initiating consultations with relevant parties in the process it was agreed to open the opportunities for staff to apply for Voluntary Separation Packages (VSPs) or Early Retirement (ER) as one of the first major alternatives to avoid and/or minimise the risk of retrenchments.

The first round of the VSP & ER process attracted 123 applications, and 110 of which were approved and released on 31 July 2021. While the first round of VSP/ER has assisted in realising a reduction to employee benefits, a financial gap existed in achieving the target of R150-million. Management then decided to initiate a second round of the VSPs & ERs and an additional 36 employees left the SABS on 31 March 2022.

To avoid the erosion of business and organisational skills and to support our continued service delivery to customers, a skills transfer and a responsibilities handover process was initiated and where vacancies arose, additional staff were appointed on short-term contracts.

This process has been accompanied by an Organisational Review which forms part of the Turnaround Plan being implemented by the Administrators. A new Organisational Structure was approved, a proposal for a fit for purpose macro level (group level) and micro level (divisional level) Organisational Design was completed. Micro and macro level structures were advertised, and applications closed on the 28th of February 2022.

Management also conducted an Organisational Skills Audit across the SABS and revised the Competency Framework and drafted role profiles for the new structure. To assist with the transition to a new structure, a review of the structure of the ICT organisation was completed and a new structure approved by the Lead Administrator. This was accompanied by the grading of roles across the organisation. In the coming financial year, the transition to the new structure will be completed.

STRENGTHS

- The SABS legislative mandate to develop and publish South African National Standards
- Relationships with regional and international standards bodies
- The integrity and standing of the SABS brand and SABS Mark Schemes which continues to attract customers
- Offer services across the conformity assessment value chain and have the largest pool of accredited auditors in the country
- Strong geographical presence across Southern Africa

WEAKNESSES

- Slow turnaround times due to:
  - Cumbersome processes
  - Lack of systems integration between front and back office
  - Loss of key, skilled and semi-skilled staff members
  - Ageing testing infrastructure and limited CAPEX allocations
- Legacy Information Management and Communications technology that requires new investment to upgrade
- Inadequate B-BBEE rating, placing the SABS at a disadvantage during tendering processes

OPPORTUNITIES

- Targeted focus on servicing Government line departments and public sector entities
- Expand local content verification services based on an appropriate funding model
- Potential to expand services offering to the rest of Africa and the introduction of consulting services
- Diverse services that can be formulated into value streams of targeted offerings for customers in public and private sectors

THREATS

- Abuse of SABS IP
- Increased competition - foreign and domestic conformity assessment companies targeting niche industries and market segments
- Current financial constraints of the fiscus may impact future grant allocations
- Impact of low economic growth on our customer's spending patterns

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 • Customers wanting digital platforms
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.

PERFORMANCE AND OUTLOOK

OPERATIONAL REPORTS

STANDARDS DIVISION

BUSINESS OVERVIEW

BUSINESS OBJECTIVE

Developing, maintaining, promoting and disseminating the South African National Standards (SANS) and other publications is the primary function of the Standards division of the SABS.

National Standards provide solutions, knowledge and information that support national industrial objectives, socio-economic and environmental priorities, and contribute to sustainable growth, thereby improving the lives of South African citizens.

National Standards further catalyse economic activity by providing technical tools to support local industries' access to domestic, regional and global markets. National, regional and international collaboration of a diverse stakeholder representation provides the foundation for the development of state-of-the-art technical solutions that support the United National Sustainable Development Goals, the National Development Plan and Re-imagined Industrial Strategy.

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 distribute 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

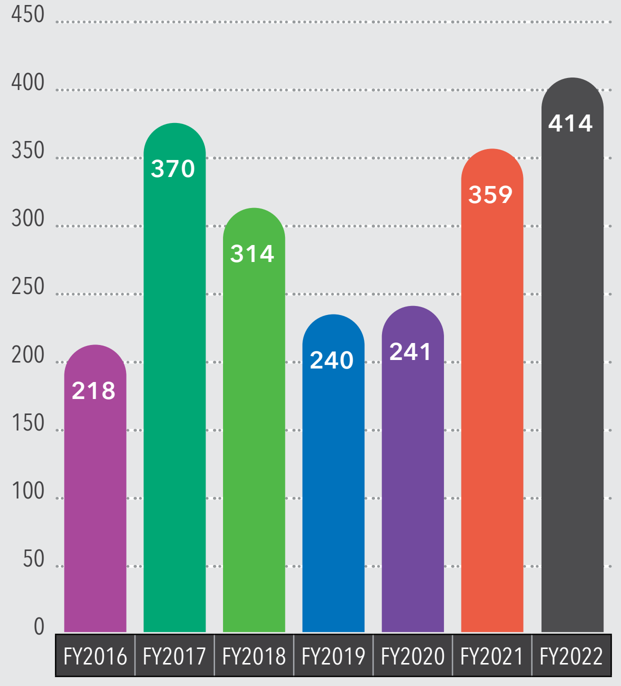
The Standards Divisions:

- Published 414 standards of which 140 are home-grown and 274 are national adoptions of ISO, IEC and other International Standards
- 305 days turnaround time to publish a standard
- Managed to sustain technical committee meetings during Covid-19.

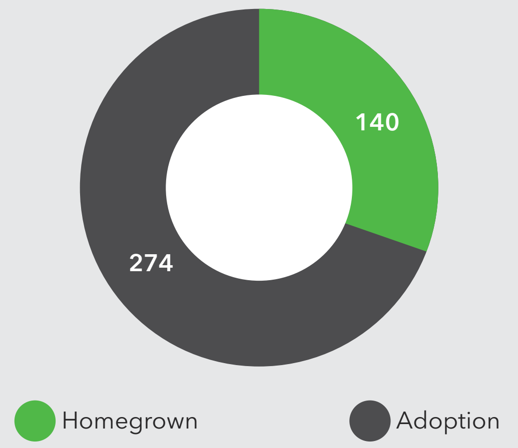
PERFORMANCE LOWLIGHTS

- Completed 42 of 53 SANS supporting reimagined industrial priority sectors

Total Number of Standards Published

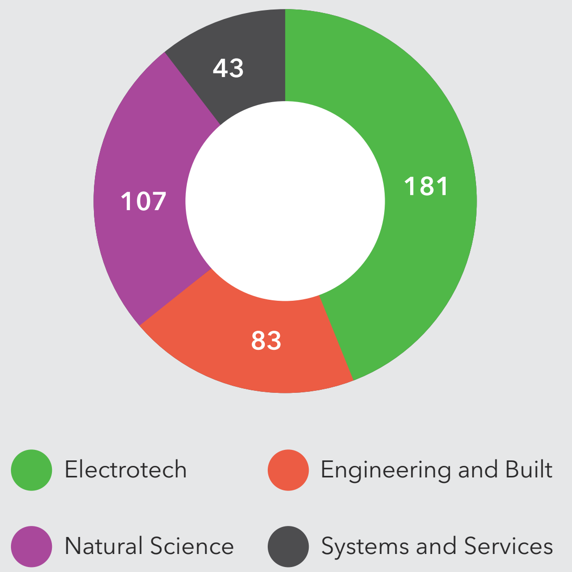


YTD Homegrown Versus Adoption

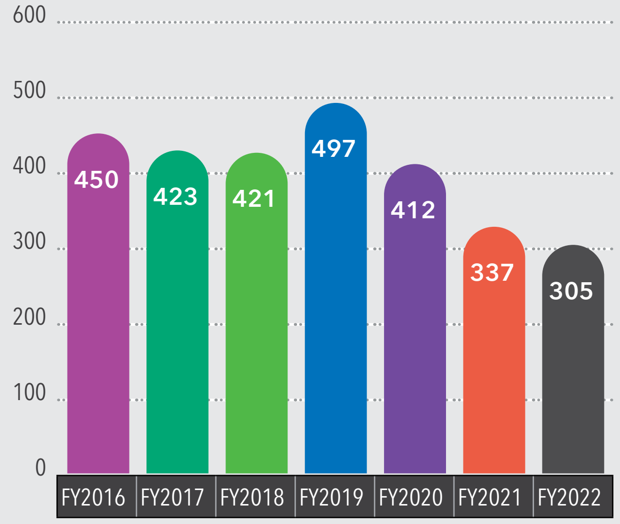


Adoption refers to standards adopted from ISO, IEC and other standards bodies and published as SANS. Home-grown standards are standards not adopted from other standards bodies and are mostly developed from base documents available in South Africa.

YTD Standards Published per Segment



Average Number of Days to Publish a Standard



Measured from project approval date to approval of standard for publication

BY THE NUMBERS

		FY2022	FY2019
Staff	Number	77	74
Total standards publications	Number	8 144	7 848
Technical committees' meetings held	Number	302	205
Participants in technical committees	Number	>1700	>1 500
Technical committee satisfaction index	%	84%	76%
Standards published			
• Home-grown	Number	140	112
• Adoptions	Number	274	247
Days to publication (turnaround times)	Days	305	337
Standards in various stages of development (at year-end)	Number	832	860
Sale of standards - External (Net of discount)	Value/R	30.6-million	32.3-million
WTO/TBT • Total subscriptions	Number	233	183

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

African Continental Free Trade Area (AfCFTA)

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

CERTIFICATION

BUSINESS OVERVIEW

BUSINESS OBJECTIVE

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

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

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

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

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

PRODUCTS AND SERVICES

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

PERFORMANCE OVERVIEW

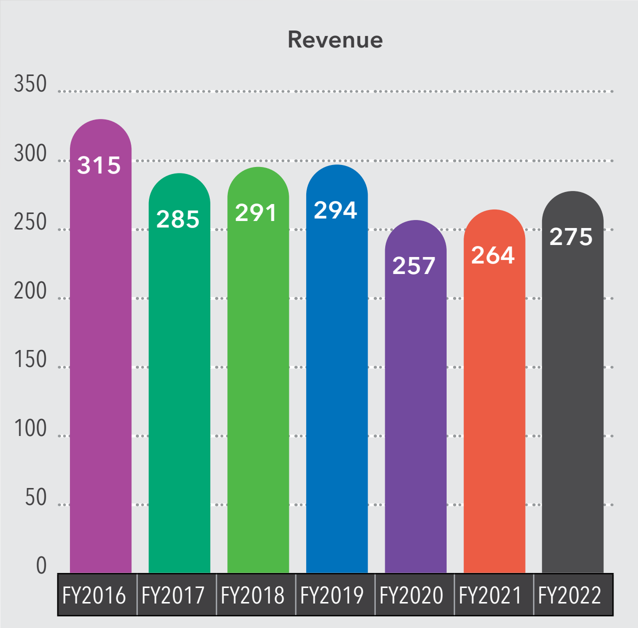
PERFORMANCE HIGHLIGHTS

The Certification Division:

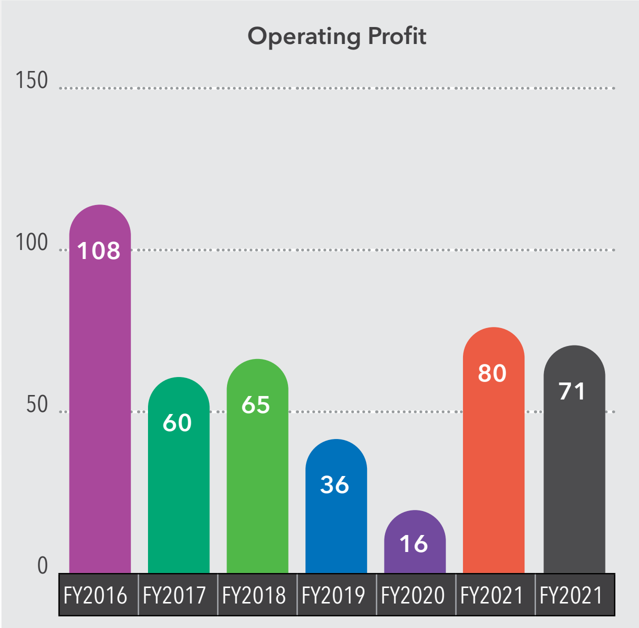
- The SABS Certification has managed to maintain both SANAS and RvA accreditation assessments for Consignment Inspection, Management Systems and Product Certification
- Accredited to FSSC and FSC schemes
- Launched two new product certification schemes
- Achieved external revenue of R274.8-million, exceeding budget

PERFORMANCE LOWLIGHTS

- Need to pay attention to technological development and advancement of core processes to improve efficiency in servicing our clients



Includes inter-group sales



Operating profit, excl. grant

BY THE NUMBERS

		FY2022	FY2021
Revenue - external	R million	274.8	264.3
Operating profit	R million	71.2	79.9
Staff	Number	175	193

THE YEAR AHEAD

- Continue to support Government priorities, particularly the localisation agenda by providing local content verification services to the designated sectors approved by **the dtic**
- Drive the adoption of local content verification services in the private sector
- Improve operational efficiency through business process mapping

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 SANS/ISO/IEC 17025 (general requirements for the competence of testing and calibration laboratories). Some of the laboratories are accredited to SANS/ISO 17043 for proficiency testing activities. Other laboratories are also recognised for good laboratory practice (OECDGLP) compliance.

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

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

PRODUCTS AND SERVICES

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

PERFORMANCE OVERVIEW

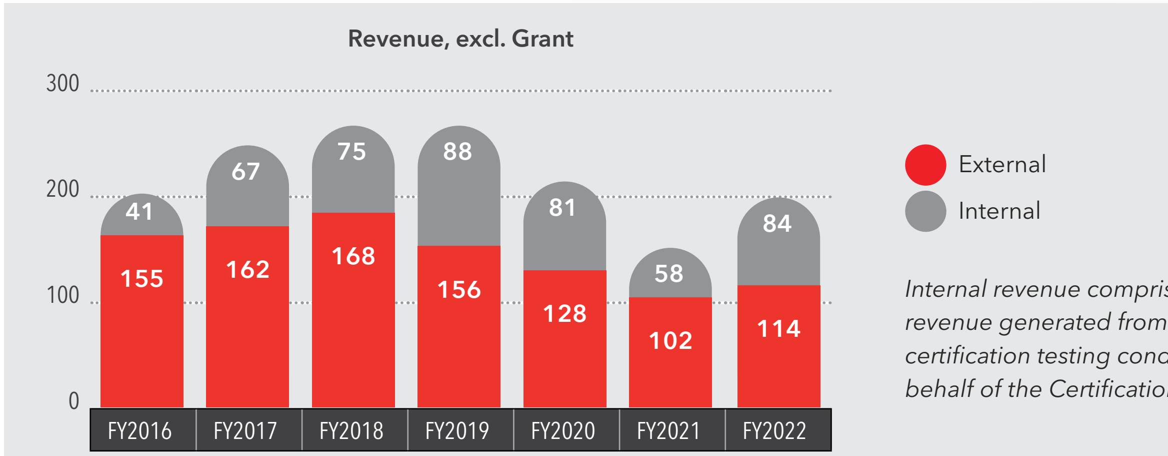
HIGHLIGHTS

The Laboratory Services Division:

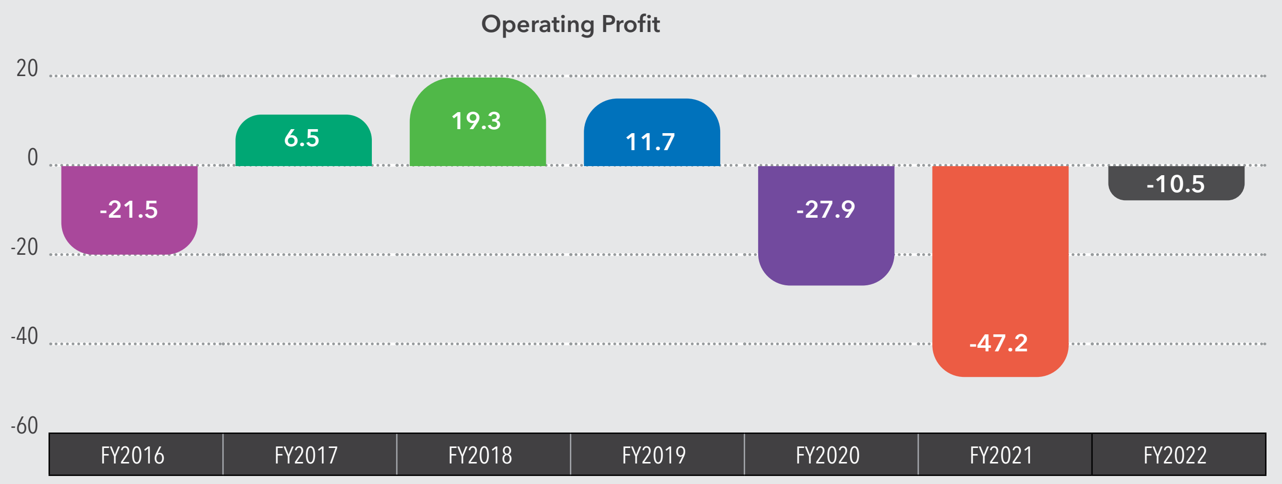
- SANAS has recommended all laboratories assessed to continue with accreditation
- The project to increase capacity in the condom lab has been implemented
- The new dosimetry system in the Radiation Protection Services laboratory sourced
- 5 new test methods added in LSD

LOWLIGHTS

- Low sample volumes in some of the laboratories
- Low customer satisfaction due to unfavourable environmental conditions and regular cable theft incidents impact operations
- Low equipment availability as a result of ageing equipment and lack of support from suppliers impacted by delays in sourcing spares from international markets



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



Operating profit, excl. grant

BY THE NUMBERS

		FY2022	FY2021
Revenue - External	R million	113.8	102.2
Operating Profit (excluding grant)	R million	-10.5	-47.2
Test Laboratories	Number	28	25
Staff	Number	273	296

THE YEAR AHEAD

- Ongoing investment in new equipment and the maintenance of laboratory infrastructure
- Drive implementation of proficiency testing schemes (PTS)
- Upgrade the cement laboratory to introduce an additional testing line
- Improve skills development and transfer with strategic partners such as universities, internal laboratories

CUSTOMER PARTNERING

BUSINESS OVERVIEW

BUSINESS OBJECTIVE

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

PRODUCTS AND SERVICES

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

PERFORMANCE OVERVIEW

HIGHLIGHTS

Customer Partnering Division:

- Service excellence award received from a customer
- Launch of new Local Content Verification scheme
- Improved digital marketing and communication efforts
- Improved engagements with customers for retention and revenue generation
- Thirty-three (33) percent increase in Sales Pipeline
- Collaboration agreement with Automotive Industry Development Centre, Eastern Cape

LOWLIGHTS

- Automation of critical processes very slow

BY THE NUMBERS

		FY2022	FY2021
Total Value of Quotes Issued	R million	125	114
Total Value of Quotes Accepted	R million	56	42
Active Customers	Number	7 001	7 187
Staff	Number	54	64

THE YEAR AHEAD

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

4

GROUP FINANCE
OVERVIEW

The 2021/22 financial year presented the SABS with improved performance when compared to the prior year. The relaxation and the ultimate removal of Covid-19 regulations contributed to the increase in activities, which positively impacted the SABS' financial performance. The short-term savings from the ER/VSP has also contributed to the positive performance for the year under review. The SABS has seen its revenue increase by 7.8% (R32.5-million) when compared to the previous year while cash collections have increased by R54.1-million (11.0%) from R492.7-million (prior year) to R546.8-million, ending 31 March 2022.

FINANCIAL PERFORMANCE

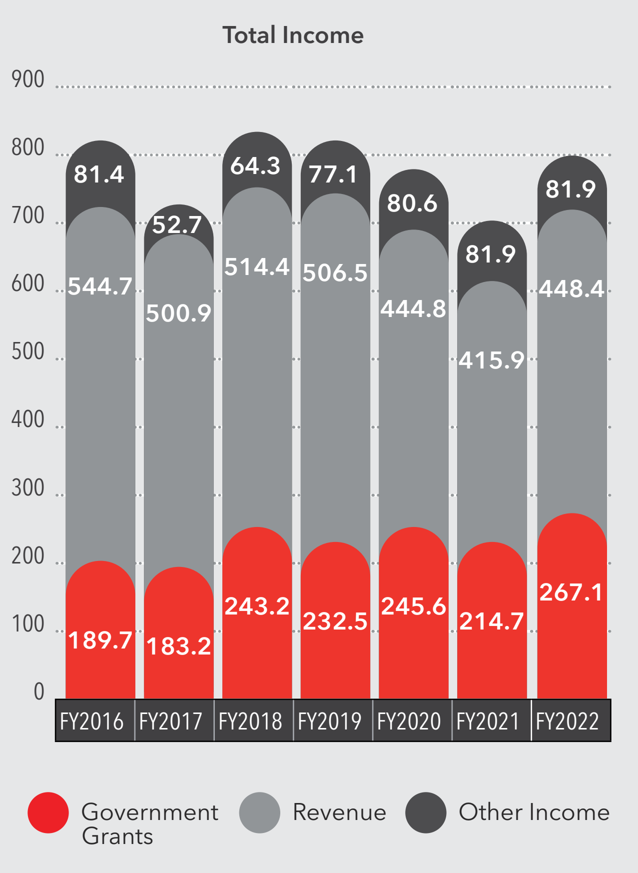
Total Income

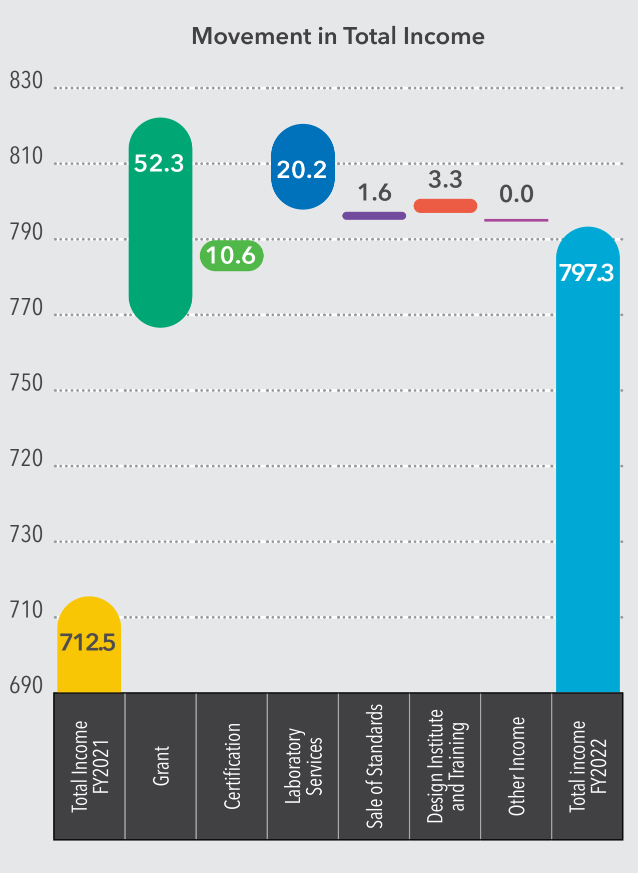
Total income for the year increased by 11.9% to R797.3-million (FY2021: R712.5-million). The Group received a government grant from the dtic of R267.1-million excluding VAT for the operational requirement for the year.

Revenue from conformity assessment services, comprising certification, laboratory services and training, increased by R34.3-million to R417.8-million (FY2021: R383.4-million).

Revenue from Conformity Assessment Services increased with a significant contribution to the increase from Laboratory and Certification services. Revenue from Standard Sales declined by R1.6-million to R30.6-million (FY2021: R32.3-million). Other income decreased partly due to the reduction in recognised deferred income.

NOTE: For more on the operational performance for each of the operating units refer to pages 36 to 43.

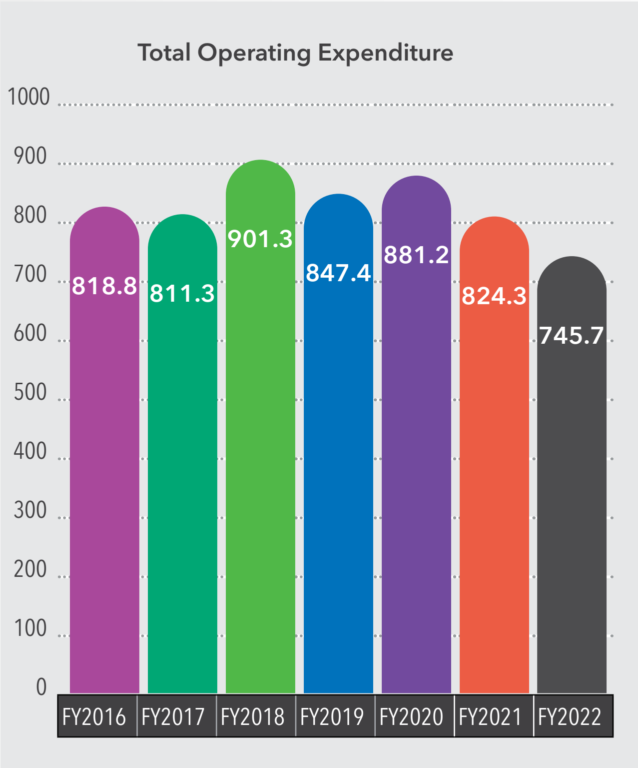


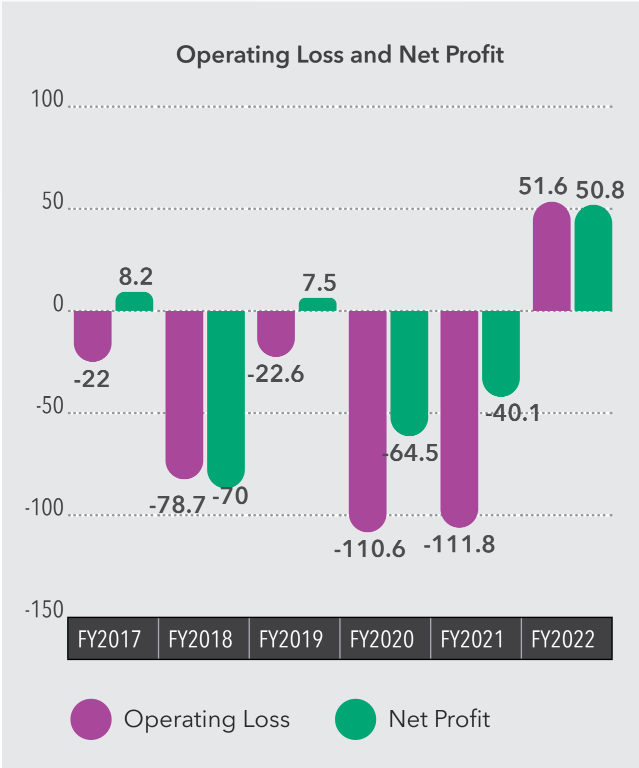


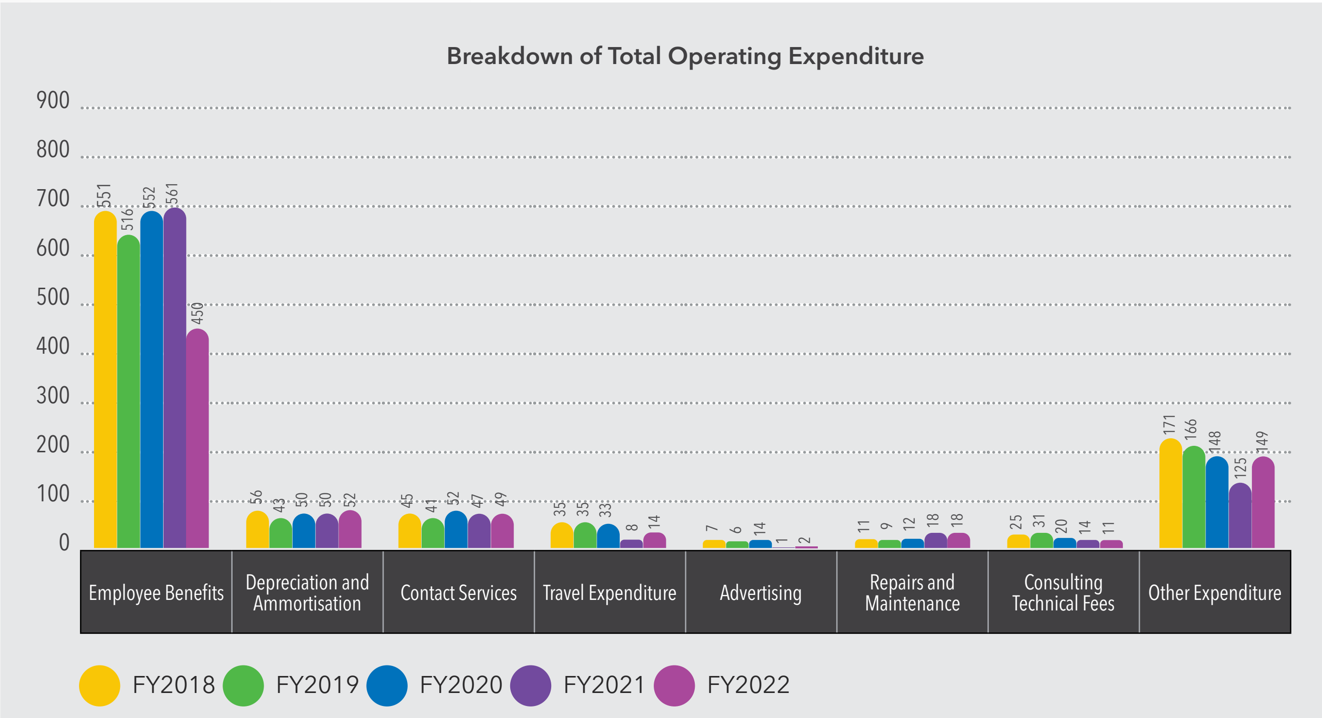
Operating Expenditure

The SABS continued to manage its operational expenditure. Total expenditure (including depreciation and amortisation) was reduced by 9.5% to R745.7-million (FY2021: R824.3-million). Since FY2017, total operating expenditure has declined by 1.4% on an annual compound basis, below the prevailing inflation rate over the period. The reason for the decrease in operating expenditure in the 2022 financial year is primarily due to the short-term savings from employee benefits.

Employee benefit expenditure is the SABS' largest expense, comprising 60.5% or R450.9-million of total expenditure (FY2021: 68.1% or R561.1-million).







Net Investment Income

The SABS earns interest on bank accounts, money market investments, short-term deposits, and available-for-sale investments. In the year, the SABS received an interest income of R19.1-million (FY2021: R29.4-million).

Finance costs on lease liabilities, banking facilities and late payments amount to R1.5-million (FY2021: R1.9-million).

Operating Loss and Net Profit

The SABS Group's operating loss before net interest income was reduced by 146.1% to R51.6-million compared to an operating loss of R111.8-million in the previous financial year.

Including the net interest received of R17.6-million (FY2021: R27.6 million), the SABS Group recorded a net profit of R50.8-million for the year (FY2021: R40.1-million loss).

FINANCIAL POSITION

Total assets declined by 4.1% to R1.48-billion (FY2021: R1.55-billion). Non-current assets increased by 0.4% to R0.919-billion from R0.915-billion in FY2021.

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

Capital expenditure, including intangible assets, for the year, was R55.0-million (FY2021: R68.3-million). Investments into new laboratory equipment and ICT equipment were in line with the renewal strategy of the Group.

Depreciation and amortisation totalled R52.1-million (FY2021: R50.0-million).

Investments at Fair Value through Profit and Loss

During the year, financial assets increased by R12.4-million to R132.7-million, mainly due to the profit on financial assets measured at Fair Value through Profit and Loss (FVTPL).

Working capital

Current assets decreased from R634.7-million in the prior year to R567.5-million, mainly as a result of a decrease in cash and equivalents.

Current liabilities reduced by 30.4% to R196.6-million, mainly as a result of trade and other payables and VAT payable.

Overall, the current ratio has increased from the prior year to 2.9 (FY2021:2.2).

Cash and Cash Equivalents

Cash flow generated from operations totalled R15.6-million (FY2021: R10.0-million cash utilised). At year-end, the SABS' cash and cash equivalents totalled R406.2-million (FY2021: R457.6-million).

Post-employment Healthcare Benefits

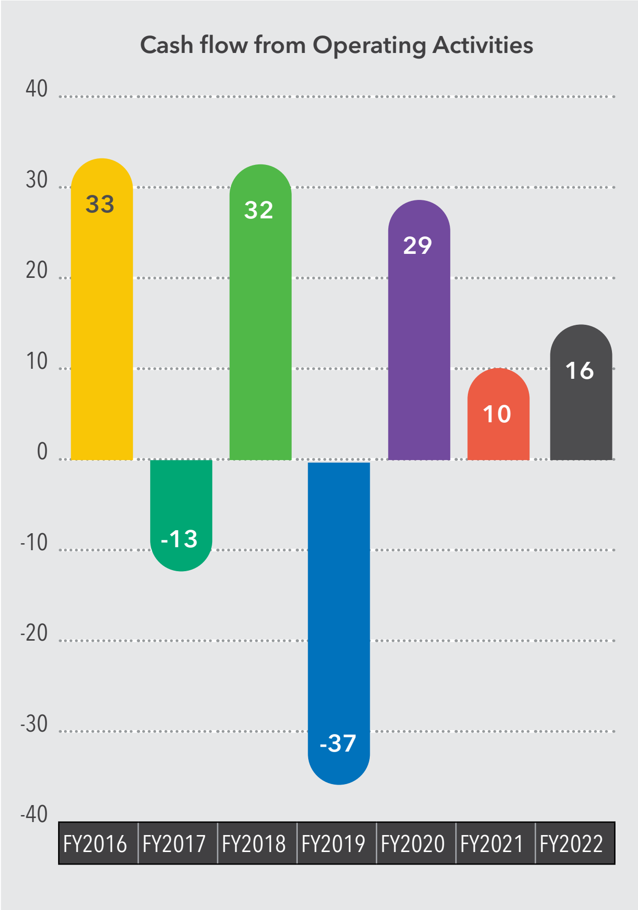
The Group provides post-employment medical aid contribution subsidies to qualifying retirees. Employees who meet set criteria (detailed in note 21 of the annual financial statements) are also entitled to this benefit when they retire. Actuaries have determined the expected liability. The post-employment healthcare benefit obligation was R65.5-million (FY2021: R67.0-million) as of 31 March 2022.

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



SEVEN-YEAR PERFORMANCE OVERVIEW

	FY2022	FY2021	FY2020	FY2019	FY2018	FY2017
	R'm	R'm	R'm	R'm	R'm	R'm
	Restated	*Restated*		*Restated*	*Restated*	*Restated*
INCOME STATEMENT						
Revenue	448.4	415.9	444.8	506.5	514.4	500.9
Parliamentary grant recognised as income	267.1	214.7	245.6	232.5	243.2	183.2
Expenditure	745.7	824.3	881.2	847.4	901.3	811.3
Operating (loss)/profit	51.6	(111.8)	(110.2)	(31.3)	(79.5)	(74.5)
Net investment income	17.6	27.6	48.6	30.1	29.1	30.1
Profit/(loss) for the year	50.8	(40.1)	(61.6)	(1.2)	(70.7)	(44.4)
STATEMENT OF FINANCIAL POSITION						
Property, plant and equipment	720.1	710.1	684.0	687.7	713.4	750.5
Investment properties	6.8	7.2	7.5	7.7	7.9	8.4
Intangibles	15.4	14.2	13.4	20.1	24.4	27.8
Investments at fair value	132.7	120.3	100.5	312.6	430.5	427.3
Right-of-use assets	15.9	23.0	15.7	-	-	-
Deferred taxation	28.4	40.6	-	-	-	19.8
Non-current assets/disposal group held for sale	-	-	-	-	-	-
Current assets excluding cash	161.4	177.1	154.4	202.6	167.1	148.8
Net cash and cash equivalents	406.2	457.6	531.9	259.2	126.0	91.9
Total assets	**1 486.8**	**1 550.1**	**1 507.4**	**1 489.9**	**1 469.27**	**1 474.6**
Capital and reserves	834.9	782.7	815.7	887.1	882.5	927.8
Other non-current liabilities	454.4	483.7	463.9	317.0	341.1	375.5
Current liabilities	197.6	283.7	227.8	285.7	245.6	171.3
Total equity and liabilities	**1 486.8**	**1 550.1**	**1 507.4**	**1 489.8**	**1 469.2**	**1 474.6**

	FY2022	FY2021	FY2020	FY2019	FY2018	FY2017
	R'm	R'm	R'm	R'm	R'm	R'm
	Restated	*Restated*		*Restated*	*Restated*	*Restated*
CASH FLOWS						
Net cash flow from operating activities	15.6	10.0	29.3	(36.7)	32.1	(12.5)
Net cash flow from investing activities	(50.4)	(73.9)	251.9	169.8	1.9	(64)
Net cash flow from financing activities	(16.6)	(10.4)	(8.4)	-	-	5.6
Cash and cash equivalents at beginning of year	457.6	531.9	259.2	126	91.9	162.8
Cash and cash equivalents at end of year	406.2	457.6	531.9	259.2	126	91.9
RATIO ANALYSIS						
PROFITABILITY AND ASSET MANAGEMENT						
Asset turnover	0.3	0.3	0.3	0.4	0.4	0.4
Return on net assets	4.8%	(10.2%)	(11.3%)	(2.5%)	(5.9%)	(5.4%)
Return on equity	6.2%	(14.3%)	(13.5%)	(3.5%)	(9.0%)	(8.0%)
Current ratio	2.9	2.2	3.0	1.6	1.2	1.4
Operating margin %	11.5%	(26.9%)	(24.8%)	(6.2%)	(15.5%)	(14.9%)
Revenue % to income (Revenue & Government Grant)	62.7%	66.0%	64.4%	68.5%	67.9%	73.2%
PERFORMANCE						
Number of employees at year-end	738	824	856	877	922	973
Commercial revenue per employee (R'000)	608	505	520	578	558	515
Cost per employee (R'000)	1 010	1 000	1 029	966	978	834
Operating profit /(loss) per employee (R'000)	69.9	(135.7)	(128.7)	(35.7)	(86.2)	(76.6)
Remuneration as a % of total expenditure	60.5%	68.1%	62.7%	60.9%	61.2%	64.8%

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

1

GOVERNANCE REPORT

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

As a public entity, the SABS is constituted in terms of the Standards Act, No. 8 of 2008 (the "Act"). As such, it falls under the executive authority of the Minister of Trade, Industry and Competition **(the dtic)**, who, in accordance with the Act, appoints the Board of the SABS.

The Act also provides for the appointment of the Chief Executive Officer of the SABS. To achieve its objectives, the SABS may perform, insofar as it is not inconsistent with the provisions of any Act of Parliament or regulation, such functions as the Minister may assign to the organisation. The SABS Commercial SOC Limited is a wholly-owned SABS subsidiary and includes the 'SABS' conformity assessment services business.

ACCOUNTING AUTHORITY

The initial term of office for the co-administrators was set for 2 July 2018 to 31 January 2019. This period was subsequently extended to 31 October 2019. A further extension followed, and it is valid until a new Board is appointed by the Minister. Following the resignation of Mr Garth Strachan in February 2020, who was the Acting Chief Executive Office (ACEO) of the SABS, Ms Jodi Scholtz was appointed as the Lead Administrator on 6 February 2020.

The co-administrators are responsible for providing the oversight and stewardship that accords with accepted governance practices. They must ensure that the SABS complies and delivers on its fiduciary duties. They are also responsible for ensuring that the SABS' practices are transparent, and that the organisation acts accountably while delivering on its legal and statutory mandate.

Finally, the co-administrators must regularly report to **the dtic** on the achievements of milestones contained within the turnaround strategy.

To ensure that the legal requirements regarding fiduciary responsibility are adhered to, the co-administrators established an Audit and Risk Committee (ARC). A Social and Ethics Committee was established in 2018 after the establishment of the ARC. The intent is to appoint other committees that will monitor key organisational activities as soon as a Board is appointed. The composition of the Accounting Authority reflects the blend of knowledge, skills, experience, diversity and independence required to execute its roles and responsibilities.

AUDIT AND RISK COMMITTEE

The Audit and Risk Committee is mandated to review internal controls' effectiveness, ensure satisfactory governance and compliance standards, and maintain oversight of financial results and integrated reporting.

At Financial year-end, it comprised two co-opted independent non-executive members, one non-executive member and the ACEO. All members possess the financial skills and experience needed to fulfil their duties on the Committee.

THE SABS GOVERNANCE FRAMEWORK

Governance Policies and Procedures in Place

The SABS Executive Management Committee
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

2

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 and Industry	25 August 2021	Progress on the SABS' Turnaround Strategy	14
Portfolio Committee on Trade and Industry	21 April 2022	Oversight Visit to Gauteng	15

3

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 to 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	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 **Performance Bonus Policy** The employee level along with two or three performance milestones determines 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 * 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 co-administrators appointed to oversee the SABS turnaround are employees of **the dtic** and are, therefore, not entitled to additional remuneration from the SABS.

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.

4

EXECUTIVE AUTHORITY

SHAREHOLDER LINKAGE

The SABS is wholly owned by the South African Government and it is regulated in terms of the Standards Act, the PFMA and its accompanying Treasury Regulations. The SABS is also 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 Corporate Plan and Shareholder's Compact to **the dtic** in January and March of each year, respectively. 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.

5

THE ACCOUNTING AUTHORITY

INTRODUCTION

In June 2018, the then-Minister, Dr Rob Davies, placed the SABS under administration. The three co-administrators were designated as the Accounting Authority of the SABS from 2 July 2018 to 31 January 2019. This period was extended to 31 October 2019 and will stay in place until the new Board is appointed.

The co-administrators were charged with producing a diagnostic report and turnaround action plan for the SABS. Ms Jodi Scholtz was appointed as the Acting Chief Executive Officer (ACEO) on 6 February 2020 upon the resignation of Mr Garth Strachan.

Until a new Board is appointed, the co-administrators are responsible for effective oversight and stewardship that adhere to leading governance practices and ensure that the SABS achieves its fiduciary duties, is transparent and accountable and delivers on its legal and statutory mandate. They must also provide regular progress reports to **the dtic**.

COMMITTEES

The co-administrators established an Audit and Risk Committee (ARC) to undertake the necessary audit committee functions. In addition, a Social and Ethics Committee was established.

It is envisaged that all other Board committees that may be required will be created once a new Board has been appointed.

MEMBER INDEPENDENCE AND CONFLICTS

Annually, members must declare all direct and indirect material interests that may exist through associations with any other company. As soon as an individual becomes aware of any conflict of interest, they must disclose the conflict and recuse themselves from discussions. Each meeting agenda contains an item for the declaration of interests. An individual may not vote on matters on which they are conflicted. The Company Secretary maintains a register of members' interests.

Members are encouraged to seek independent advice, at the SABS' cost, during the execution of their fiduciary duties if they feel that counsel is required. During the financial year, the Accounting Authority sought no independent advice. Members also have ongoing direct access to the SABS' internal and external auditors, the Company Secretary, the SABS internal support services and all members of 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

MS JODI SCHOLTZ (50)
Lead Administrator (Co-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 (61)
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

ACCOUNTING AUTHORITY MIX

DEMOGRAPHICS

MEETINGS

Board or Co-Administrator Attendance of Meetings During the 2022 Financial Year

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

MEMBERS	22 June 2021	03 September 2021	03 December 2021	02 March 2022	Number of Meetings: 4
NON-EXECUTIVE MEMBERS					
Ms Jodi Scholtz (Lead Administrator)	√	√	√	√	4
Dr Tshenge Demana (Co-Administrator)	√	√	√	√	4
EXECUTIVE MEMBER					
Ms Tina Maharaj	√	√	√	√	4
Mr Lizo Makele	√	√	√	√	4
Dr Sadhvir Bissoon	√	√	√	√	4
Mr Lungelo Ntobongwana	√	√	√	√	4
Mr Katima Temba	√	√	√	√	4
Mr Thabo Sepuru	√	√	√	√	4
SENIOR MANAGERS (INVITEES)					
Mr Oratile Mothudi				√	1
Mr Nils Flaatten				√	1

√ Attended

REMUNERATION OF BOARD MEMBERS

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.

MANAGING RISKS

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

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

RISK MANAGEMENT

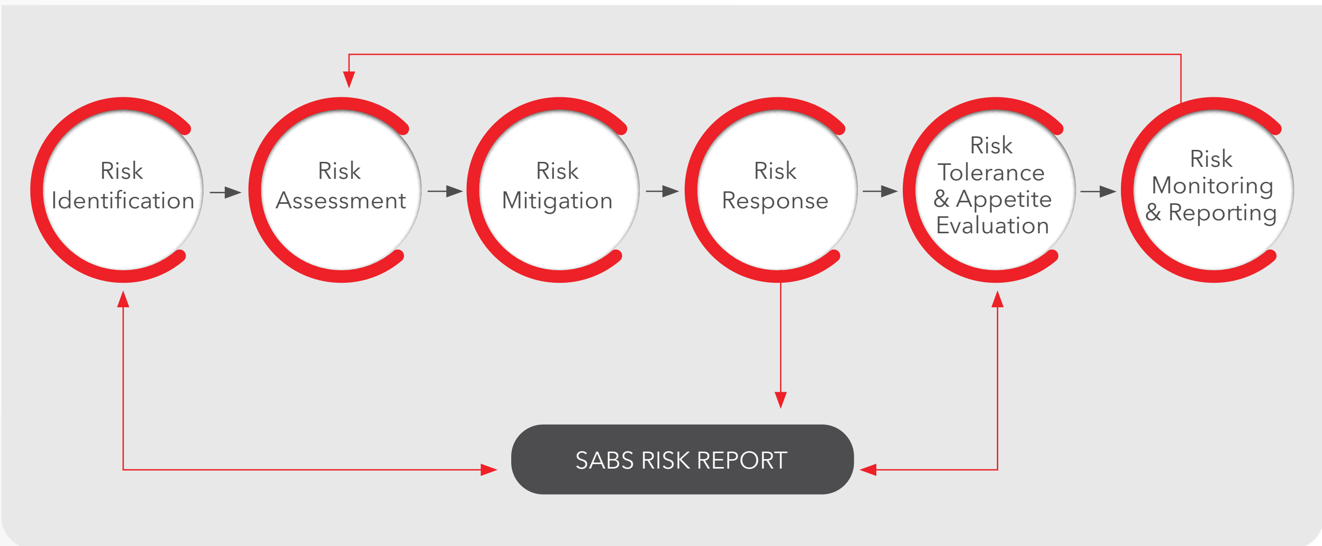
The SABS adheres to the risk policies and processes aligned with the King Code of corporate governance. The Audit and Risk Committee is responsible for risk management oversight. The organisation has adopted an enterprise-wide risk management (ERM) approach to the management of risks impacting the strategic 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

THE SABS' RISK MANAGEMENT FRAMEWORK



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

Risk	Residual Risk	Movement in Risk from FY2022	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 FY2022	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 improved	• 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 improved	• 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 FY2022	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 • Implementation of Structure Migration • Implement a performance management system in line with the timeframes and other requirements, conduct compliance analysis and escalate non-compliance for management action	Creating and maintaining a high-performance culture
Standards develop-ment, maintenance 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 Continuous improvement in internal systems and process
Health and safety	Low	Risk Improved	• Implementation of Physical Security Plan • Monitoring by Covid-19 Response Committee • Implementation of Return-to-Work Plan • Health and safety risk assessments • Review of Safety Operating Procedures • Implementation of Employee Wellbeing Programme	Continuous improvement in internal systems and process

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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.

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.

During the year,
no incidents of discrimination, forced labour or compulsory labour
were reported (FY2021:0)

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INTERNAL AUDIT AND AUDIT COMMITTEES

INTERNAL AUDIT SERVICES

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

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

PROGRAMME

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

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

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

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

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

For more about the combined assurance model, refer to pages 64 to 66.

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 2022, as required by section 77 of the Public Finance Management Act, 1999 (Act No. 1 of 1999), as amended by Act No. 29, 1999 (PFMA) read with Treasury Regulation 27.1.10.

MEMBERSHIP AND ATTENDANCE

The Audit and Risk Committee was established on 25 July 2018 per 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	• 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: 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. The committee met four times during the financial year that ended on 31 March 2022.

The table below shows the attendance at these meetings:

	25 May 2021	30 August 2021	26 October 2022	25 January 2022	Total Number of Meetings: 4
Mr Sikkie Kajee	√	√	√	√	4
Ms Rene Van Wyk	√	√	√	√	4
Ms Jodi Scholtz (Co-Administrator)	√	√	√	√	4
Shabeer Khan	√	√	√	√	4

√ Attended

The members of the Audit and Risk Committee held meetings with the Accounting Authority, the SABS senior management, 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 from internal and external auditors regarding audits undertaken within the internal control environment. Various matters which were not prevented or detected by the SABS' internal controls were placed before the Committee.

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

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

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

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

INTERNAL AUDIT FUNCTION

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

RISK MANAGEMENT FUNCTION

The Audit and Risk Committee 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.

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EVALUATION OF THE FINANCE FUNCTION

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

IT GOVERNANCE

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

EVALUATION OF THE INTEGRATED ANNUAL REPORT AND ANNUAL FINANCIAL STATEMENTS

The Audit and Risk Committee has reviewed:

- Significant financial reporting judgements and estimates 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 2022 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

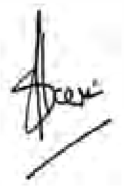
The independent external auditors of the SABS Annual Financial Statements (AFS) are the Auditor-General of South Africa and Rakoma & Associates Inc. The Audit and Risk Committee met with the external auditors to confirm that there were no unresolved issues arising from the AFS. We thank them for the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

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

OTHER MATTERS

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

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.

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.

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CODE OF CONDUCT

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

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

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

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HEALTH, SAFETY AND ENVIRONMENTAL 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.

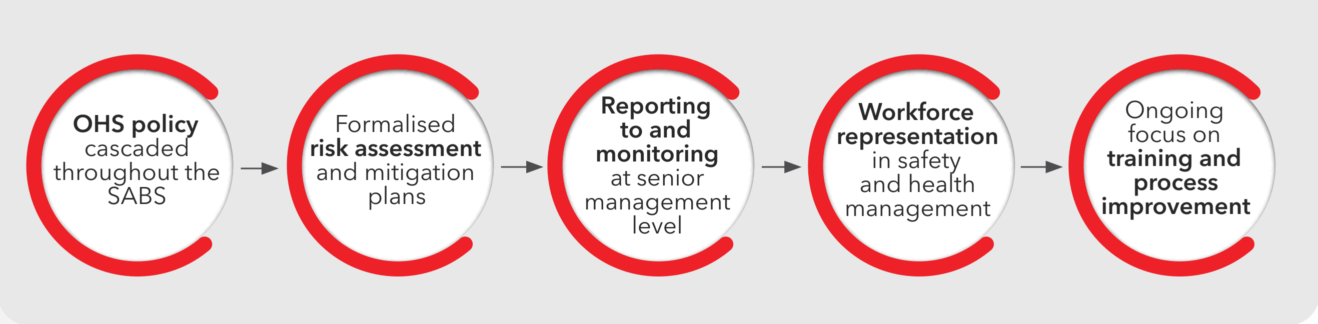
SUPPORTING THE WELL-BEING OF EMPLOYEES

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

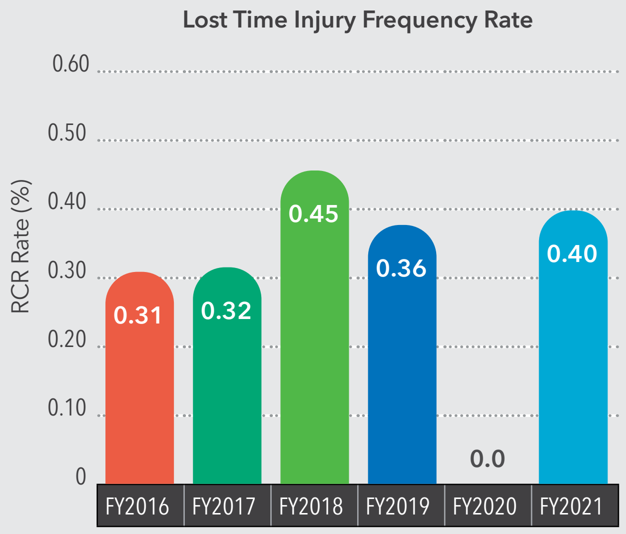
A safe work environment is a vital component for employee productivity, wellbeing and performance. Therefore, to ensure a safe and healthy environment for employees and all stakeholders, the SABS focuses on complying with the Occupational Health and Safety Act, 85 of 1993 and its regulations as well 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.

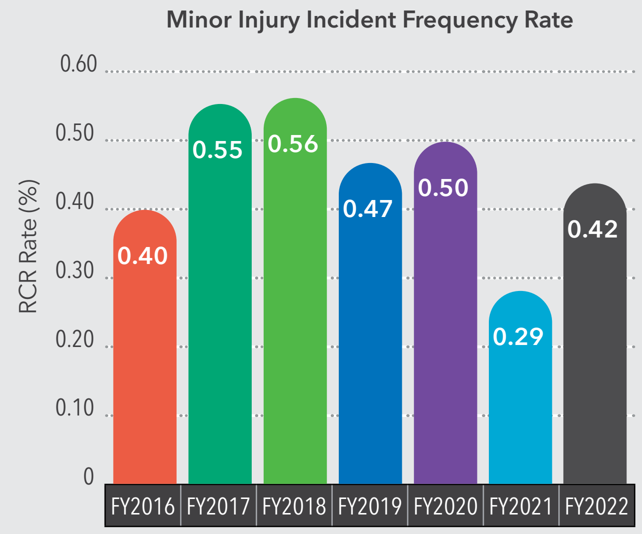


MEASURING HEALTH AND SAFETY EFFORTS

The lost time injury frequency rate **(LTIFR) of 0.40 achieved**
The minor injury frequency rate **(MIFR) of 0.42 achieved** (FY2021: 0.56)
No fatalities were recorded in FY2022



Number of lost-time injuries for the past 12 months 0,40



Number of minor injuries for the past 12 months 0,40

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COMPANY SECRETARY

Following the principles of good governance, the Accounting Authority appointed Value-Able Consulting as the Company Secretary of the SABS. The Company Secretary's primary role is to ensure that the Accounting Authority is cognisant of its fiduciary duties and responsibilities and is aware of relevant changes in legislation and governance best practices.

Other key performance areas of the Company Secretary include overseeing the induction of new members and 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 and confirms that:

- The Company Secretary is not a member of the Accounting Authority and is not related to any of its members
- The Company Secretary is independent of management and has no executive duties and responsibilities other than those required to perform the core responsibilities required as Company Secretary

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 to conducting business ethically, with integrity and with commercial wisdom which strives to enhance the economic and social well-being of its employees, customers and business partners

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 51 to 52 of this report.

ETHICS MANAGEMENT, ANTI-BRIBERY AND CORRUPTION

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

- Ethics management framework
- A minimum anti-corruption capability assessment
- Fraud and corruption risk assessments
- The anti-corruption and fraud prevention plan

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

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

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

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

B-BBEE COMPLIANCE PERFORMANCE INFORMATION

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

Has the SABS applied any relevant Code of Good Practice (B-BBEE Certificate Levels 1 – 8) with regards to the following?

Criteria	Response 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 CAPITAL MANAGEMENT

1

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.
  - Subsequent to the approval of the new Operating Model and Organisational Structure, the associated role profiles were developed.
  - The role profiles were graded, and a new Pay Scale was designed for the SABS.
  - Structure implementation commenced with the development and approval of the Terms of Reference to guide the placement process.
  - The placement of staff in the new organisational structure followed a cascading approach, starting with the executive management positions. During the period under review, placements were concluded for the executive and functional heads levels.
  - The placement of staff for the rest of the structure levels will be done and finalised during the second quarter of 2022/23.
  - A total of 60 interns were recruited as part of the SABS Youth Development Programme for a period of 12 months and are placed in different divisions.
- Learning and development, including competency assessments as well as leadership and skills development
  - A total of 253/738 (34.28%) employees were trained during 2021/22 financial year facilitated by the relevant training providers and 35 training interventions implemented across various divisions. Training implementation was negatively impacted by COVID 19 and the Organizational Review Process which resulted in a deferral of most training interventions to 2022/23 financial year.
  - The 2020/21 Annual Training Report and 2021/22 Workplace Skills Plan were compiled and submitted to the Sector Education Training Authority (SETA).
  - The 2020/2021 Employment Equity Report was submitted to Department of Employment and Labour in January 2022 and the Employment Equity Plan has since been revised in line with the SABS Corporate Plan.
  - A total of 34 bursaries were awarded for both under-graduate and post-graduate qualifications with specific focus on core technical skills. 2 of the bursaries awarded were for Masters Degrees within Standards and Accreditation Division/department.
  - The Women in Leadership Development Programme was announced in August 2022 to build the required management capabilities and talent pipeline for women in management positions.

HUMAN CAPITAL (HC) 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

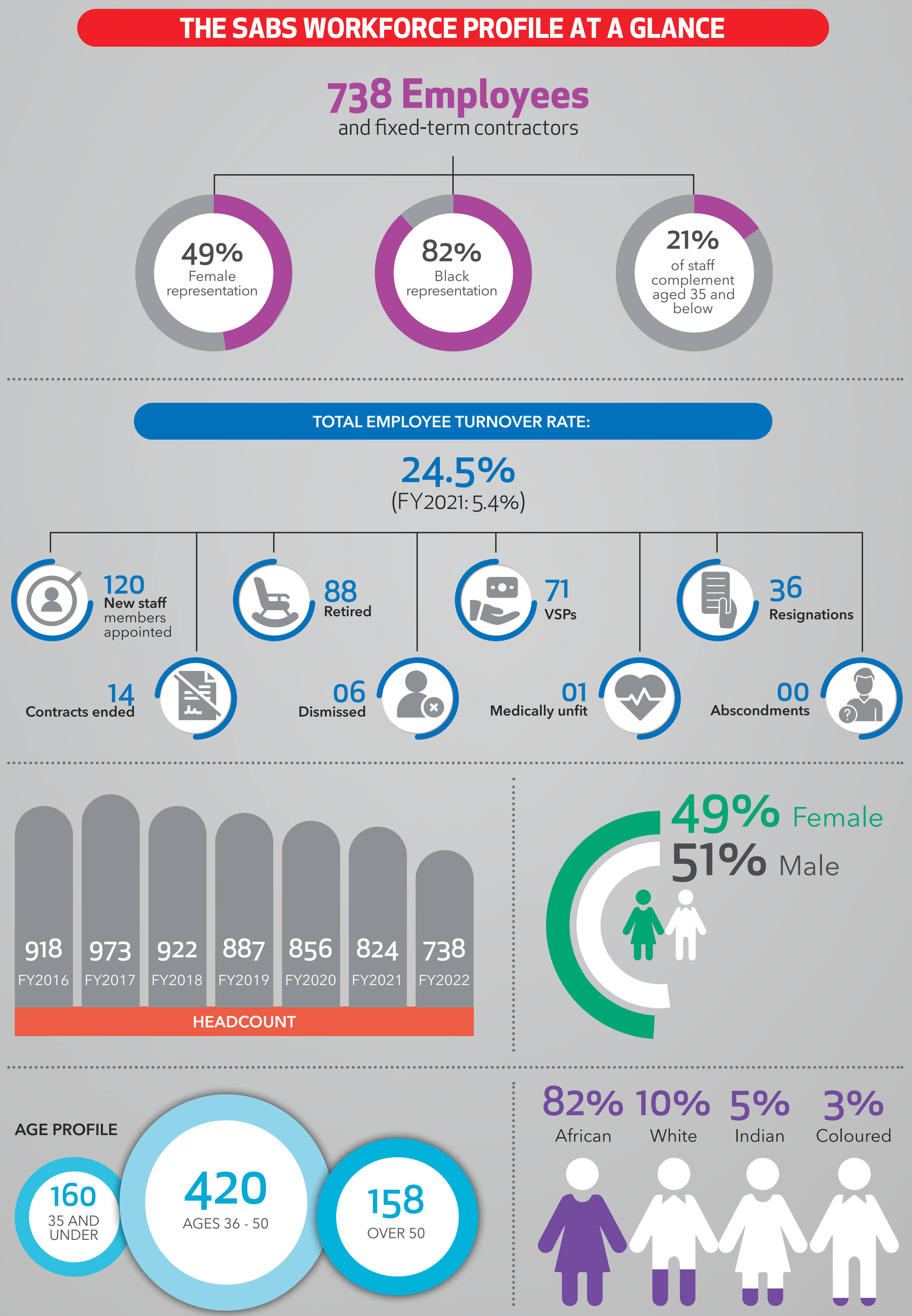
Skilled, accountable and passionate employees is a critical success factor for the organisation. The employee turnover rate: the SABS seeks to attract, develop and retain appropriately qualified and experienced individuals who present the right mix of technical and behavioural competencies that address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

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

TALENT MANAGEMENT	LEADERSHIP AND CULTURE	REWARD AND RECOGNITION	PERFORMANCE 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	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	Establishing a "fit-for-purpose" remuneration and reward philosophy and framework	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 HC function is evolving with the business to provide more integrated and relevant solutions. HR particularly focused on:

- The implementation of the new SABS Structure and Change Management Framework. This was supported by the development/definition of the SABS ideal Culture and Values in line with the organisational mandate.
- Designing an Integrated Remuneration and Benefits architecture/philosophy to enable the new Operating Model and Structure.
- Implementing training programmes to support the growth of technical and functional expertise in core operational business areas.
- Implementation 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 with key stakeholders including Organised Labour.
- The design of the customised Women in Leadership Development Programme
- The Skills Audit process was concluded in May 2021 with a total of 729/792 (92.5%) employees completing the survey which focused on 4 competency dimensions: Behavioral, Functional, Management and the SABS specific competencies. The competency gaps were identified which informed the training plan for subsequent implementation.



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

	MALES				FEMALES				FY2022			FY2021
OCCUPATIONAL LEVEL	A	C	I	W	A	C	I	W	MALE	FEMALE	TOTAL	TOTAL
Top Management (P1- 3)	1	0	1	0	0	0	1	0	5	1	6	3
Senior Management (P4)	3	0	0	0	0	0	0	0	0	0	0	13
Middle Management (P5 -7)	3	0	2	1	2	0	1	0	6	3	9	146
Junior Management (P8 -11)	38	2	6	11	35	4	3	7	57	49	106	506
Semi- and Unskilled	264	8	12	28	262	8	10	25	312	305	617	156
Total FY2022	**309**	**10**	**21**	**40**	**299**	**12**	**15**	**32**	**380**	**358**	**738**	**824**
Total FY2021	345	14	27	60	295	12	18	53	446	378	824	

BUILDING TALENT TO DRIVE PERFORMANCE EXCELLENCE INTO THE NEXT GROWTH HORIZON

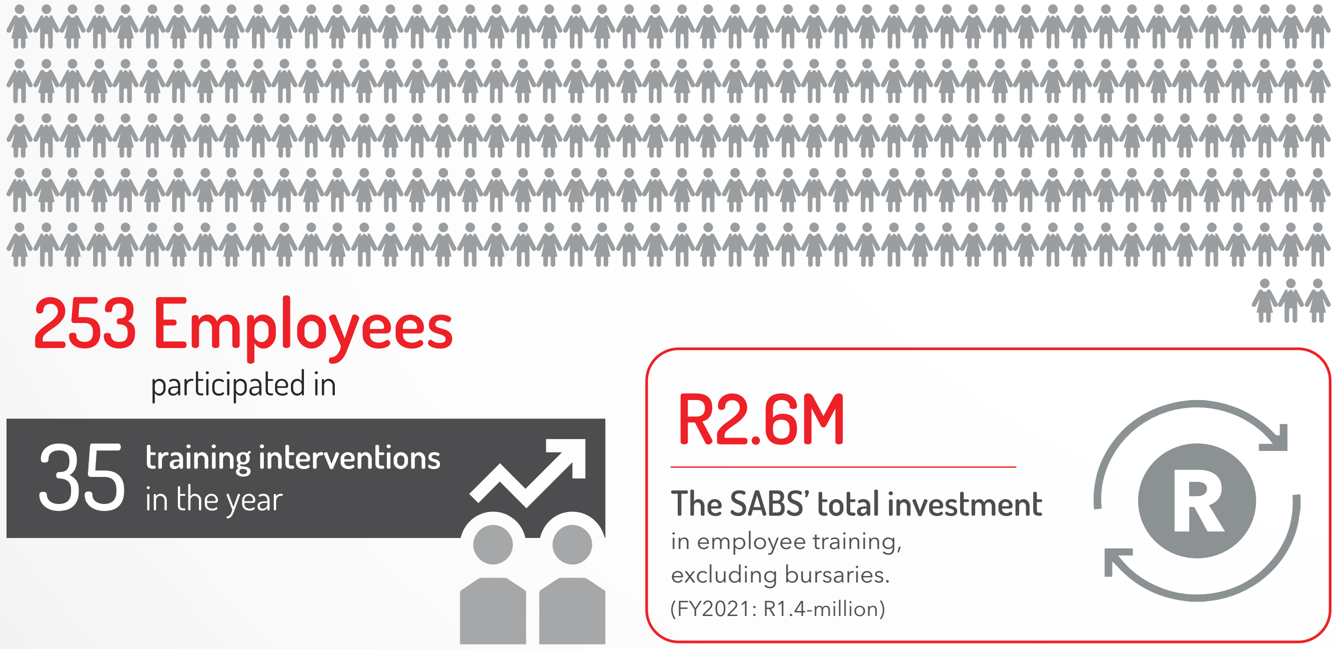
The SABS' operating environment requires employees to be adaptable, results-driven, self-motivated, decisive and 237 responsive team players. All employees are provided with equal opportunities for development, advancement and promotion on merit and without prejudice.

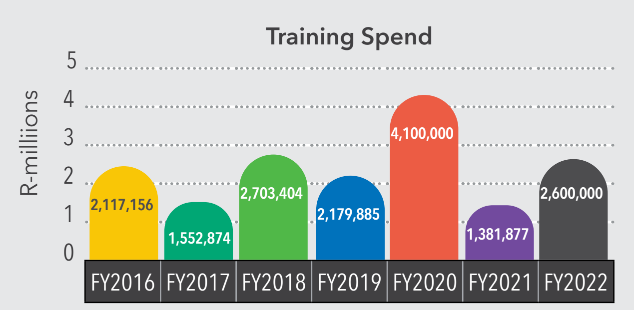
A structured performance management process is in place across the SABS, with performance reviews based on functional and business unit strategic objectives. Short-term performance incentives, as well as annual salary increments for assessed staff, are determined with reference to the completed appraisals. 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.

A total number of 253 employees were trained during the year. R2.6-million has been invested in training interventions against the annual budget of R6.0-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.





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 to the SABS (internal focus).

As of 31 March 2022, the SABS progressed as follows:

Key Performance Area	Internal Focus Actual[1]	Total		Target	Status
		Actual	%		
Women	358	**358**	48.5%	48.0%	
Youth (35 and below)	160	**160**	21.7%	27.0%	
Persons with disabilities	13	**13**	1.8%	1.9%	
Total supported / headcount	**738**	**738**			

[1] *Based on headcount at 31 March 2022 (internal)*

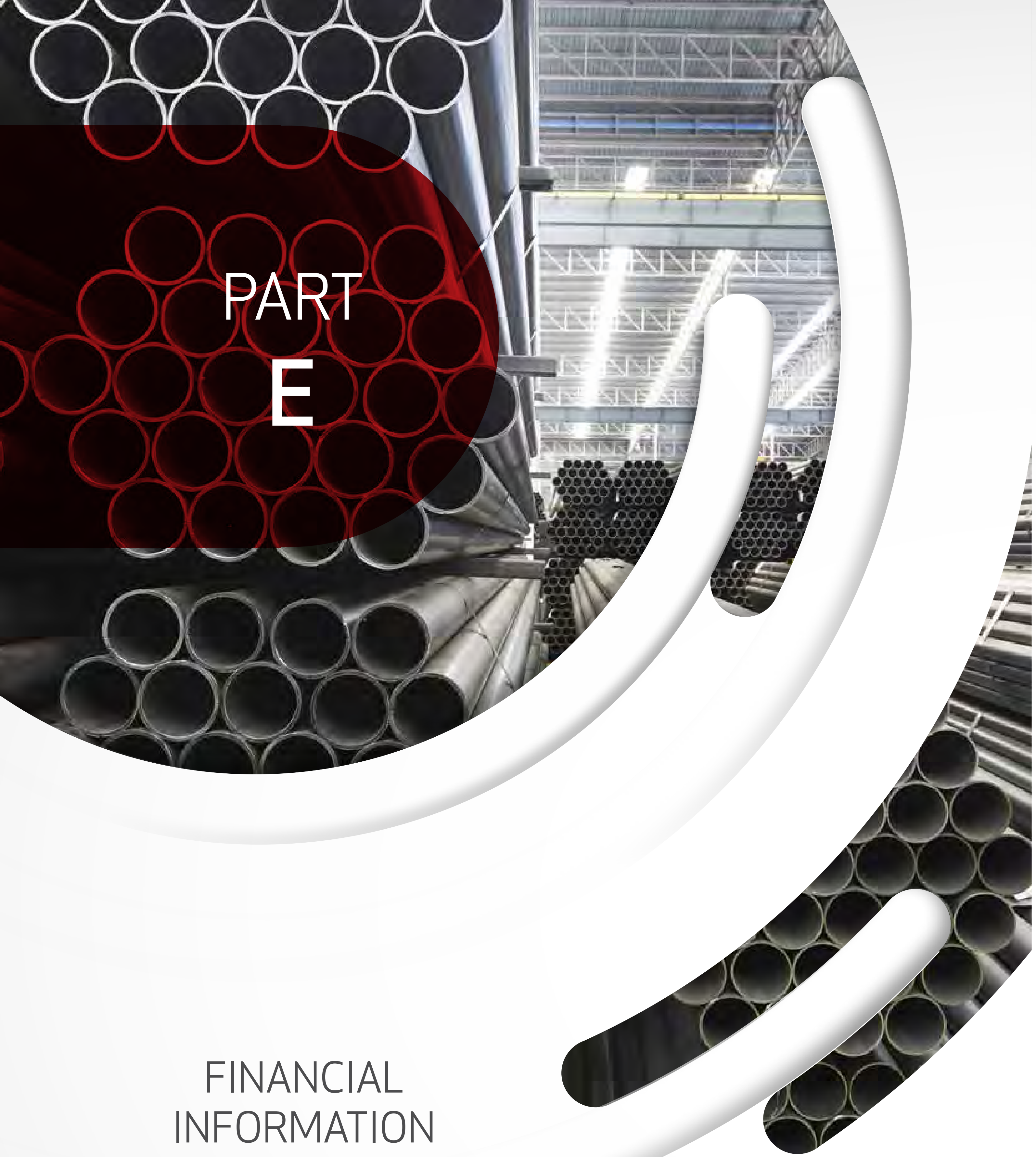
RESPECTING EMPLOYEE RIGHTS

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 based on 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 constituency. Material operational changes are communicated to the employee trade unions, as necessary, within legislated timeframes across the constituencies.

Formal grievance procedures are in place and communicated to employees in each business unit. During the previous year, a case of unfair labour practice relating to the provision of benefits was collectively lodged by the managers. This matter was dismissed by the courts on 21 October 2021.



FINANCIAL INFORMATION

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

31 August 2022

The Annual Financial Statements set out on pages 80 to 141, which have been prepared on the going concern basis, were approved by the Accounting Authority on and were signed on its behalf by:

Jodi Scholtz
Co-Administrator

STATEMENT OF PROFIT AND LOSS

for the year ended 31 March 2022

	Note(s)	Group 2022 R	Group 2021 Restated* R	SABS 2022 R	SABS 2021 Restated* R
Revenue	1	448 383	415 891	32 167	32 665
Government grants	29	267 064	214 706	267 064	214 706
Other income	2	81 889	81 885	119 236	154 311
		797 336	**712 482**	**418 467**	**401 682**
Employee benefit expenditure	3	(450 898)	(561 148)	(195 011)	(245 216)
Depreciation and amortisation	8-11	(52 110)	(49 977)	(27 304)	(23 886)
Travel expenditure		(14 428)	(8 070)	(487)	(557)
Advertising Expenditure		(1 572)	(1 227)	(1 182)	(1 028)
Contract Services		(49 177)	(47 133)	(47 135)	(46 443)
Consulting and technical fees		(10 999)	(14 057)	(6 082)	(11 262)
Repairs and maintenance		(17 791)	(17 697)	(13 714)	(14 799)
Grant to subsidiary		-	-	(19 091)	(93 687)
Other operating expenses	4	(148 773)	(124 996)	(28 219)	(112 155)
Operating expenditure		**(745 748)**	**(824 305)**	**(338 226)**	**(549 031)**
Operating profit (loss)		51 588	(111 823)	80 241	(147 349)
Interest income	5	19 114	29 416	25 685	36 042
Finance costs	6	(1 474)	(1 865)	(741)	(784)
Profit (Loss) before taxation		**69 228**	**(84 272)**	**105 185**	**(112 091)**
Taxation	7	**(18 411)**	**44 192**	**-**	**-**
Profit (Loss) for the period		**50 817**	**(40 080)**	**105 185**	**(112 091)**

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 March 2022

	Note(s)	Group 2022 R	Group 2021 Restated* R	SABS 2022 R	SABS 2021 Restated* R
(Loss)/Profit for the period		50 817	(43 557)	105 185	(112 091)
Other comprehensive income:					
Items that will not be reclassified to profit or loss:					
Remeasurement of post-employment healthcare benefit	21	1 373	8 326	1 421	3 870
Income tax relating to post-employment healthcare benefits	7	14	(1 248)	-	-
Other comprehensive income for the period net of taxation		**1 387**	**7 078**	**1 421**	**3 870**
Total comprehensive income Profit/(Loss)		**52 204**	**(36 479)**	**106 606**	**(108 221)**

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STATEMENT OF FINANCIAL POSITION

As at 31 March 2022

	Note(s)	Group 2022 R	Group 2021 Restated* R	Group 2020 Restated* R	SABS 2022 R	SABS 2021 Restated* R	SABS 2020 Restated* R
ASSETS							
Non-Current Assets							
Property, plant and equipment	8	720 084	710 061	684 015	477 825	470 207	443 006
Right-of-use assets	9	15 865	23 022	15 749	12 599	16 476	5 859
Investment property	10	6 828	7 179	7 530	142 133	148 453	152 865
Investments in Subsidiaries	12	-	-	-	100 000	-	-
Intangible assets	11	15 416	14 175	13 413	13 295	11 868	9 808
Loans to group companies	15	-	-	-	18 822	17 067	93 462
Investment at fair value through profit and loss	13	132 738	120 335	100 460	132 738	120 335	100 460
Deferred tax	14	28 374	40 619	-	-	-	-
		919 305	**915 391**	**821 167**	**897 412**	**784 406**	**805 460**
Current Assets							
Inventories	16	3 962	4 618	3 947	3 962	4 618	3 947
Trade and other receivables	17	154 364	172 438	149 147	19 550	22 082	22 702
VAT receivables	25	3 024	-	1 271	4 584	22 203	21 911
Cash and cash equivalents	18	406 190	457 616	531 888	296 894	342 639	393 735
		567 540	**634 672**	**686 253**	**324 990**	**391 542**	**442 295**
Total Assets		**1 486 845**	**1 550 063**	**1 507 420**	**1 222 402**	**1 175 948**	**1 247 755**
EQUITY AND LIABILITIES							
EQUITY							
General Reserve	19	54 282	54 282	54 282	54 282	54 282	54 282
Other components of equity	20	32 988	31 601	24 523	20 791	19 370	15 500
Accumulated profit		747 609	696 792	736 872	685 649	580 464	692 555
		834 879	**782 675**	**815 677**	**760 722**	**654 116**	**762 337**
LIABILITIES							
Non-Current Liabilities							
Lease liabilities	9	2 251	14 884	9 004	1 217	10 657	1 207
Employee benefit obligation	21	70 552	73 717	85 336	40 443	43 017	49 062
Deferred income	22	381 605	395 100	367 282	322 121	328 633	342 521
Deferred tax	14	-	-	2 324	-	-	-
		454 408	**483 701**	**463 946**	**363 781**	**382 307**	**392 790**
Current Liabilities							
Trade and other payables	23	159 388	235 008	145 342	73 899	111 905	72 071
Lease liabilities	9	9 816	9 527	7 575	6 621	6 005	4 599
Employee benefit obligation	21	8 574	9 091	10 123	5 616	5 940	6 857
Deferred income	22	18 344	21 505	64 404	10 327	15 675	9 101
Provisions	24	1 436	-	353	1 436	-	-
VAT payable	25	-	8 556	-	-	-	-
		197 558	**283 687**	**227 797**	**97 899**	**139 525**	**92 628**
Total Liabilities		**651 966**	**767 388**	**691 743**	**461 680**	**521 832**	**485 418**
Total Equity and Liabilities		**1 486 845**	**1 550 064**	**1 507 420**	**1 222 402**	**1 175 948**	**1 247 755**

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STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2022

	Other components of equity	Accumulated profit	General reserves	Total equity and reserves
Group				
Opening balance as previously reported - 1 April 2020	24 523	744 445	54 282	823 250
Prior period error -Impairment losses	-	(2 309)	-	(2 309)
Prior period error -trade and other payables	-	(5 264)	-	(5 264)
Restated balance at 01 April 2020	**24 523**	**736 872**	**54 282**	**815 677**
Other comprehensive income	7 078	-	-	7 078
Loss for the period	**-**	**(40 080)**	**-**	**(40 080)**
Balance at 01 April 2021	**31 601**	**696 792**	**54 282**	**782 675**
Profit for the period	-	50 817	-	50 817
Other comprehensive income	1 387	-	-	1 387
Balance at 31 March 2022	**32 988**	**747 609**	**54 282**	**834 879**
Note(s)	20		19	
SABS				
Opening balance as previously reported - 1 April 2020	15 500	694 864	54 282	764 646
Adjustments				
Impairment losses (prior period error)	-	(2 309)		(2 309)
Restated balance at 01 April 2020	**15 500**	**692 555**	**54 282**	**762 337**
Loss for the period	-	(112 091)	-	(112 091)
Other comprehensive income	3 870	-	-	3 870
Balance at 01 April 2021	**19 370**	**580 464**	**54 282**	**654 116**
Profit for the period	-	105 185	-	105 185
Other comprehensive income	1 421	-	-	1 421
Balance at 31 March 2022	**20 791**	**685 649**	**54 282**	**760 722**
Note(s)	20		19	

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STATEMENT OF CASH FLOW

for the year ended 31 March 2022

	Note(s)	Group 2022 R	Group 2021 Restated* R	SABS 2022 R	SABS 2021 Restated* R
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash receipts from customers		498 014	453 672	109 742	92 575
Cash received from government	29	267 064	214 706	267 064	214 706
Cash grant paid to subsidiary	29	-	-	(19 091)	(93 687)
Cash paid to suppliers and employees		(767 507)	(688 769)	(769 487)	(768 879)
Cash (used in)/generated from operations	26	(2 429)	(20 391)	(411 772)	(555 285)
Interest income	5	17 901	29 416	13 643	26 457
Dividends received (trading)		210	1 390	210	1 390
Finance costs	6	(57)	(382)	(51)	(381)
Net cash from operating activities		**15 625**	**10 033**	**(397 970)**	**(527 819)**
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of property, plant and equipment	8	(49 895)	(67 063)	(20 980)	(42 295)
Proceeds on disposal of property, plant and equipment		210	-	210	-
Purchase of intangible assets	11	(5 074)	(1 195)	(4 038)	(1 195)
Loans to group companies repaid	15	-	-	389 425	532 207
Grant funding		4 348	(5 804)	-	(5 804)
Purchase of investments at fair value	13	-	- (5 659)	-	- (5 659)
Net cash from investing activities		**(50 411)**	**(73 917)**	**364 617**	**483 058**
CASH FLOWS FROM FINANCING ACTIVITIES					
Payment on lease liabilities		(16 640)	(10 388)	(12 392)	(6 335)
Net cash from financing activities		**(16 640)**	**(10 388)**	**(12 392)**	**(6 335)**
Total cash movement for the period		**(51 426)**	**(74 272)**	**(45 745)**	**(51 096)**
Cash at the beginning of the period		457 616	531 888	342 639	393 735
Total cash at end of the period	**18**	**406 190**	**457 616**	**296 894**	**342 639**

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ACCOUNTING POLICIES

for the year ended 31 March 2022

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 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 estimate is 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).

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

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 31.

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	16,13	17,50
Pound Sterling	19,02	20,50
US Dollar	14,48	14,91
Swiss Franc	15,64	15,84

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 34.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2022

1. REVENUE

	Group		SABS	
	2022 R'000	2021 R'000	2021 R'000	2021 R'000
REVENUE FROM CONTRACTS WITH CUSTOMERS				
Sale of Standards	30 618	32 254	30 618	32 254
Laboratory Services	144 084	123 840	-	-
Intercompany sale of standards	-	-	1 549	194
Management fees - Design Institute	-	217	-	217
Certification	265 052	254 431	-	-
Training	8 629	5 149	-	-
	448 383	**415 891**	**32 167**	**32 665**
DISAGGREGATION OF REVENUE FROM CONTRACTS WITH CUSTOMERS				
The group disaggregates revenue from customers as follows:				
Sale of goods				
Sale of Standards	13 744	13 676	13 744	13 676
Intercompany sale of standards	-	-	1 549	194
	13 744	**13 676**	**15 293**	**13 870**
Rendering of services				
Laboratory Services	144 084	123 840	-	-
Management fees - Design Institute	-	217	-	217
Certification	265 052	254 431	-	-
Training	8 629	5 149	-	-
	417 765	**383 637**	**-**	**217**
Other revenue				
Standards - subscription fees	16 873	18 578	16 874	18 578
Total revenue from contracts with customers	**448 383**	**415 891**	**32 167**	**32 665**
TIMING OF REVENUE RECOGNITION				
At a point in time				
Sale of goods	13 744	13 676	13 744	13 676
Certification (Pre-assessment audit)	21 890	17 758	-	-
Laboratory services	144 084	123 840	-	-
Training	8 629	5 149	-	-
Intercompany sale of standards	-	-	1 549	194
	188 347	**160 423**	**15 293**	**13 870**
Over time				
Certification	243 162	236 673	-	-
Standards - Subscription fees	16 874	18 578	16 874	18 578
Management fees - Design Institute	-	217	-	217
	260 036	**255 468**	**16 874**	**18 795**
Total revenue from contracts with customers	**448 383**	**415 891**	**32 167**	**32 665**

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	
	2022 R'000	2021 R'000	2022 R'000	2021 R'000
TRANSACTION PRICE ALLOCATED TO (to be recognised in future periods):				
Laboratory services	14 139	13 096	-	-
Certification	3 884	5 990	-	-
	18 023	**19 086**	**-**	**-**

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 R104 635 was recognised in profit and loss. An amount of R104,635 was also recognised within laboratory services revenue as a fair value of non-cash consideration received for services rendered.

2. OTHER INCOME

	Group		SABS	
Includes:	2022 R'000	2021 R'000	2022 R'000	2021 R'000
Royalties received	-	-	1 917	3 151
Rental income on investment property	17 930	16 970	17 930	16 970
Bad debts recovered	462	177	-	12
Foreign exchange gains	2 383	3 393	1 813	1 192
Deferred income recognised	2 392	4 725	2 392	4 725
Intercompany rentals received in respect of:				
- Land and buildings	-	-	43 638	43 219
Income relating to SMME's	-	3 011	-	-
Dividends received from investments	210	1 390	210	1 390
Management fees relating jobs fund programme	-	1 581	-	1 581
Income relating to Design Institute	-	1 192	-	1 192
Income recovery dosimeters	6 758	7 653	-	-
Corporate services recovery	-	-	-	28 240
Deferred income in respect of government grants	21 739	12 940	12 763	7 337
Income recognised for local content verification	6 260	3 794	-	-
Fair Value adjustments on investments through profit and loss	10 980	14 216	10 980	14 216

3. EMPLOYEE BENEFIT EXPENDITURE

	Group		SABS	
	2022 R'000	2021 R'000	2022 R'000	2021 R'000
Salaries and wages	335 373	411 321	153 915	180 245
Medical aid and other employment benefits	60 282	44 048	17 743	17 177
Pension contributions	37 826	33 134	15 758	14 794
Termination Benefits	10 847	66 768	3 426	29 156
Board emoluments (Note 29)	-	79	-	79
	444 328	555 350	190 842	241 451
Post-employment healthcare benefits (Note 21)	6 133	8 338	3 889	5 116
Long service leave benefits (Note 21)	437	(2 540)	280	(1 351)
	450 898	**561 148**	**195 011**	**245 216**

4. OTHER EXPENDITURE

		Group		SABS	
Includes:	Note(s)	2022 R'000	2021 R'000	2022 R'000	2021 R'000
Auditors remuneration - external auditors		6 244	4 217	4 924	2 205
Bad debts					
- Trade receivables written-off		13 313	16 857	309	504
- Allowance/(reversal of allowance) for expected credit losses		(3 613)	(15 217)	168	(1 060)
Computer software and license fees		12 800	7 365	12 568	7 371
Consumables		3 616	17 985	82	2 469
Direct operating expenses relating to investment properties:					
- Generated rental income		23 869	18 976	29 836	23 830
- Did not generate rental income		2 294	2 624	2 867	3 295
ECL allowance/(reversal of allowance) on loan to subsidiary	15	-	-	326	(577)
Loss on disposal of property, plant and equipment		(45)	120	(165)	51
Realised foreign exchange losses		542	8 179	73	2 238
Insurance		2 664	2 478	2 664	2 478
Legal costs		1 577	1 913	1 577	1 913
Membership fees		5 411	3 220	4 737	2 874
Municipal services		69 925	59 024	68 443	57 592
Postal services		3 708	1 663	437	59
Reversal of impairment of investment in subsidiary		-	-	(100 000)	-
Training		2 552	1 363	2 381	1 372

5. INTEREST INCOME

Interest income	Group 2022 R'000	Group 2021 R'000	SABS 2022 R'000	SABS 2021 R'000
Bank	4 258	3 497	615	538
Money market investments, short-term deposits and investments at fair value through profit and loss Interest on	14 856	25 919	14 243	25 919
Interest on loans to group companies	-	-	10 827	9 585
Total interest income	**19 114**	**29 416**	**25 685**	**36 042**

6. FINANCE COSTS

	Group 2022 R'000	Group 2021 R'000	SABS 2022 R'000	SABS 2021 R'000
Leases liabilities	1 421	1 483	690	403
Interest on banking facilities and late payments	53	382	51	381
Total finance costs	**1 474**	**1 865**	**741**	**784**

7. TAXATION

Reconciliation of the tax expense

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

	Group 2022 R'000	Group 2021 R'000	SABS 2022 R'000	SABS 2021 R'000
Accounting profit	62 442	18 771	-	-
Accounting profit before income tax	**62 442**	**18 771**	**-**	**-**
Taxation at 28% (2021: 28%)	17 679	6 220	-	-
Tax effect of adjustments on taxable income				
Amounts not credited to the income statement	10 367	10 943	-	-
Movement in provision	(9 575)	(6 609)	-	-
Tax deductable amounts not claimed in profit and loss	(22 180)	(21 542)	-	-
Exempt Income	-	(1 569)	-	-
Non-deductible expenditure	19 964	22 483	-	-
Assessed loss brouht forward	(10 103)	(9 926)	-	-
Taxation	**6 152**	**-**	**-**	**-**
Deferred tax on temporary differences	12 259	(44 192)	-	-
Taxation	18 411	(44 192)	-	-
Deferred tax expense recognised directly in other comprehensive income	**14**	**(1 247)**	**-**	**-**

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

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

	2022			2021 Restated*		
	Cost or revaluation	Accumulated depreciation and impairment losses	Carrying value	Cost or revaluation	Accumulated depreciation and impairment losses	Carrying value
Group						
Land	350 700	(2 309)	348 391	350 700	(2 309)	348 391
Buildings	306 590	(129 111)	177 479	301 327	(120 030)	181 297
Furniture and office equipment	102 726	(86 345)	16 381	84 563	(59 685)	24 878
Motor vehicles	1 432	(1 263)	169	1 432	(1 235)	197
Laboratory equipment	324 231	(218 317)	105 914	299 297	(205 504)	93 793
Artwork	1 009	(315)	694	1 009	(275)	734
Capital - Work-in-progress	71 056	-	71 056	60 771	-	60 771
Total	**1 157 744**	**(437 660)**	**720 084**	**1 099 099**	**(389 038)**	**710 061**
SABS						
Land	350 700	(2 309)	348 391	350 700	(2 309)	348 391
Buildings	63 296	(29 506)	33 790	56 483	(25 899)	30 584
Furniture and office equipment	75 964	(63 677)	12 287	76 580	(57 579)	19 001
Motor vehicles	139	(122)	17	139	(108)	31
Laboratory equipment	22 356	(8 158)	14 198	22 398	(5 973)	16 425
Artwork	1 000	(310)	690	1 000	(270)	730
Capital - Work-in-progress	68 451	-	68 451	55 045	-	55 045
Total	**581 906**	**(104 082)**	**477 824**	**562 345**	**(92 138)**	**470 207**

Reconciliation of property, plant and equipment - Group - 31 March 2022

GROUP	Opening balance	Additions	Disposals	Work-in- progress capitalisation	Work-in-progress expensed $	Depreciation	Total
Land	348 391	-	-	-	-	-	348 391
Buildings	181 297	-	-	5 519	-	(9 337)	177 479
Furniture and office equipment	24 878	451	(110)	930	-	(9 768)	16 381
Motor vehicles	197	-	-	-	-	(28)	169
Laboratory equipment	93 793	735	(54)	30 340	-	(18 900)	105 914
Artwork	734	-	-	-	-	(40)	694
Capital - Work-in-progress	60 771	48 709	-	(36 789)	(1 635)	-	71 056
Total	**710 061**	**49 895**	**(164)**	**-**	**(1 635)**	**(38 073)**	**720 084**

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

GROUP	Opening balance	Additions	Assets transfered to Subsidiary	Disposals	Transfer to Intangible assets	Work-in-progress capitalisation	Work-in-progress expensed $	Depreciation	Total
Land	348 391	-	-	-	-	-	-	-	348 391
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	**684 015**	**67 063**	**-**	**(120)**	**(3 753)**	**-**	**(1 109)**	**(36 035)**	**710 061**

Reconciliation of property, plant and equipment - SABS - 31 March 2022

SABS	Opening balance	Additions	Assets transfered	Disposals	Work-in-progress capitalisation	Work-in-progress expensed $	Depreciation	Total
Land	348 391	-	-	-	-	-	-	348 391
Buildings	30 584	-	1 102	-	5 711	-	(3 607)	33 790
Furniture and office equipment	19 001	428	-	(46)	-	-	(7 095)	12 288
Motor vehicles	31	-	-	-	-	-	(14)	17
Laboratory equipment	16 425	13	-	-	-	-	(2 240)	14 198
Artwork	730	-	-	-	-	-	(40)	690
Capital - Work-in-progress	55 045	20 539	-	-	(5 711)	(1 422)	-	68 451
Total	**470 207**	**20 980**	**1 102**	**(46)**	**-**	**(1 422)**	**(12 996)**	**477 825**

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	348 391	-	-	-	-	-	-	-	348 391
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	**443 006**	**42 295**	**(420)**	**(51)**	**(3 753)**	**-**	**(323)**	**(10 547)**	**470 207**

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

The group adopted IFRS 16 for the first time in the 2019/2020 financial year.

	Group 2022 R'000	Group 2021 R'000	SABS 2022 R'000	SABS 2021 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	2 841	5 430	-	-
Motor vehicles	837	2 276	411	1 160
IT equipment	1 990	169	1 991	169
Computer software	10 197	15 147	10 197	15 147
	15 865	**23 022**	**12 599**	**16 476**
Depreciation recognised on right-of-use assets				
Depreciation recognised on each class of right-of-use assets, is presented below:				
Buildings	2 591	2 612	-	-
Motor vehicles	1 439	1 527	748	711
IT equipment	226	581	226	581
Computer software	5 598	4 686	5 598	4 686
	9 854	**9 406**	**6 572**	**5 978**
Other disclosures				
Interest expense on lease liabilities	1 423	1 483	696	403
Leases of low value assets included in operating expenses	968	-	(16)	-
Variable lease payments not included in the measurement of lease liabilities included in operating expenses	105	55	-	-
Lease liabilities				
The carrying amount of the lease liabilities is as follows:				
Liabilities	24 411	16 579	16 662	5 806
Interest	1 417	1 483	690	403
Payment	(16 640)	(10 388)	(12 392)	(6 335)
Additions	2 064	17 066	2 063	16 788
Remeasurement of lease liability	815	(329)	815	-
	12 067	**24 411**	**7 838**	**16 662**
Non-current liabilities	2 251	14 884	1 216	10 657
Current liabilities	9 816	9 527	6 621	6 005
	12 067	**24 411**	**7 837**	**16 662**

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

	2022 Cost / Valuation	2022 Accumulated depreciation	2022 Carrying value	2021 Restated* Cost / Valuation	2021 Restated* Accumulated depreciation	2021 Restated* Carrying value
Group						
Investment property	12 983	(6 155)	6 828	12 984	(5 805)	7 179
SABS						
Investment property	236 362	(94 229)	142 133	239 369	(90 916)	148 453

Reconciliation of investment property

Group	Opening balance	Depreciation	Total
GROUP - 31 March 2022			
Investment property	7 179	(351)	6 828
GROUP - 31 March 2021			
Investment property	7 530	(351)	7 179

SABS	Opening balance	Disposals	Transfers	Depreciation	Total
SABS - 31 March 2022					
Investment property	148 453	(60)	(1 102)	(5 158)	142 133
SABS - 31 March 2021					
Investment property	152 865	-	-	(4 412)	148 453

Investment properties and significant components thereof are stated at the costs thereof. In the finanial 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 22.1-million for the Group and R791.5-million for 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 :

- Properties in Cape Town, Durban, Secunda and NETFA
- All the buildings on the Groenkloof Campus except for the administration building Block A, Chapel, Social Club and Security entrance.

Investment properties for the Group consist of :

- Buildings N, R and Z including the parking located on the Groenkloof Campus

11. INTANGIBLE ASSETS

	2022			2021 Restated*		
	Cost / Valuation	Accumulated amortisation	Carrying value	Cost / Valuation	Accumulated amortisation	Carrying value
Group						
Computer software, other	67 138	(63 176)	3 962	73 335	(65 714)	7 621
Capital work in progress	11 454	-	11 454	6 554	-	6 554
Total	**78 582**	**(63 176)**	**15 416**	**79 889**	**(65 714)**	**14 175**
SABS						
Computer software, other	43 471	(40 594)	2 878	43 296	(37 982)	5 314
Capital work in progress	10 417	-	10 417	6 554	-	6 554
Total	**53 888**	**(40 584)**	**13 295**	**49 850**	**(37 982)**	**11 868**

Reconciliation of intangible assets - GROUP

	Opening balance	Additions	Transfers	Amortisation	Total
Group - 31 March 2022					
Computer software, other	7 621	175	-	(3 833)	3 963
Capital work in progress	6 554	4 899	-	-	11 453
	14 175	**5 074**	**-**	**(3 833)**	**15 416**
Group - 31 March 2021					
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**

Reconciliation of intangible assets - SABS

	Opening balance	Capitl work in progress transfers	Additions	Transfers	Amortisation	Total
SABS - 31 March 2022						
Computer software, other	5 314		175	-	(2 611)	2 878
Capital work in progress	6 554		3 863	-	-	10 417
	11 868		**4 038**	**-**	**(2 611)**	**13 295**
SABS - 31 March 2021						
Computer software, other	6 678	1 196	-	328	(2 888)	5 314
Capital work in progress	3 130	-	-	3 424	-	6 554
	9 808	**1 196**	**-**	**3 752**	**(2 888)**	**11 868**

$ - 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 2022 R'000	2021 Restated* R'000
Name	**Ownership**			
SABS Commercial SOC Ltd	100%			
Opening balance			-	-
Impairment of investment in subsidiary reversed			100 000	-
			100 000	-

During the financial year ended 31 March 2022, the SABS reversed impairment in subsidiary previously recognised in the profit and loss in full. Events and circumstances that led to the reversal of the impairment loss:

An independent service provider was engaged to estimate the fair market value of SABS Commercial SOC Ltd. The valuation was finalised on the 23rd of May 2022. They had appraised a fully marketable, controlling ownership interest in the business SABS Commercial SOC Ltd in accordance with internationally accepted appraisal standards. The valuation of SABS Commercial SOC Ltd was R124,652,529. The cost of the investment was R100,000,000 therefore the valuation is an adequate basis to reverse the previous impairment

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

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

Discounted Cash Flow method- Deterministic

Discounted Cash Flow method- Probabilistic

Capitalisation of earnings

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

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

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

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

Description	DCF Deterministic	DCF Probabilistic	Capitalisation of earnings
Pre-tax risk-free rate	9.87%	9.87%	9.87%
Investors tax rate	27.00%	27.00%	27.00%

Description	DCF Deterministic	DCF Probabilistic	Capitalisation of earnings
Systematic risk premium	7.00%	7.00%	7.00%
Beta	0.97	0.97	0.97
Small company premium	5.40%	5.40%	5.40%
Unsystematic risk	5.85%	5.85%	5.85%
Fair Rate of return- calculated	25.27%	23.27%	27.27%
Long Term Growth Rate	5.00%	5.00%	5.00%
Capitalisation Rate	20.27%	18.27%	22.27%

SABS Commercial SOC Ltd

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

	SABS	
	2022 R'000	2021 Restated* R'000
Revenue	417 765	383 419
Other income	27 566	36 386
Grant from holding entity	19 091	93 687
Expenditure	(378 960)	(466 594)
Operating profit/(loss)	85 462	46 898
(Finance costs)/interest received	(23 020)	(28 126)
Taxation	(18 411)	44 191
	44 031	**62 962**

13. INVESTMENT AT FAIR VALUE THROUGH PROFIT AND LOSS

	Note(s)	Group		SABS	
		2022 R'000	2021 R'000	2022 R'000	2021 R'000
Opening balance		120 335	100 460	120 335	100 460
Additions (net of costs)		-	5 804	-	5 804
Disposals		- 10 980	5 659	- 10 980	5 659
Profits / (Losses) on financial assets measured at FVTPL	4	- 14 216		- 14 216	
Dividend		210	-	210	-
Interest		1 213	-	1 213	-
		132 738	**120 335**	**132 738**	**120 335**
These financial assets measured at FVTPL comprise:					
Equity instruments		132 738	120 335	132 738	120 335

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	
	2022 R'000	2021 R'000	2022 R'000	2021 R'000
Temporary differences				
Accelerated wear and tear for tax purposes on property, plant and equipment	(10 899)	(13 061)	-	-
Intangible assets	(272)	(569)	-	-
Right of use assets	(25 442)	(38 303)	-	-
Lease liabilities	32 940	45 512	-	-
Assessed losses	-	11 671	-	-
Other deductible temporary differences				
Employee related provisions	16 747	18 695	-	-
Expected credit losses allowance	5 877	6 512	-	-
Income received in advance	13 002	13 746	-	-
Discounting of debtors and straightlining of assets	(21)	(12)	-	-
Reversal of temporary differences	(3 558)	(3 572)	-	-
	28 374	40 679	-	-
Unrecognised portion of deferred tax asset	-	-	-	-
Deferred tax asset / (liability)	**28 374**	**40 619**	**-**	**-**
Deferred tax movement				
The movement for the period in the Group's deferred tax positions was as follows:				
Opening balance	40 619	(2 324)		
Temporary differences on property, plant and equipment	2 163	(13 061)	-	-
Temporary differences on intangible assets	297	(569)	-	-
Temporary differences on right of use assets	12 862	(38 303)	-	-
Temporary differences on lease liabilities	(12 571)	45 512	-	-
Temporary differences on employee related provisions	(1 978)	18 695	-	-
Temporary difference Income received in advance	(746)	13 746	-	-
Temporary differences on tax losses	(11 672)	11 671	-	-
Reversing TD on other deductible temporary differences	14	(1 248)	-	-
Temporary differences on ECL allowance	(635)	6 512	-	-
Other (Specify)	-	-	-	-
Temporary differences on discounting debtors	(9)	(12)	-	-
Closing balance	**28 374**	**40 619**	**-**	**-**
Deferred tax liability				
Balance at the beginning of the period	40 619	(2 324)	-	-
Current year charge				
- per the statement of comprehensive income	14	(1 249)	-	-
- deferred tax assets (liability)	(12 259)	44 192	-	-
Closing balance	**28 374**	**40 619**	**-**	**-**
Reflected in the statement of financial position as follows:				
Deferred tax assets	28 374	40 619	-	-
Deferred tax assets	**28 374**	**40 619**	**-**	**-**

At the reporting date the Group has no unutilised tax losses (2021: R36.1-million) available for offset against future taxable profits.

15. LOANS TO GROUP COMPANIES

	Note(s)	SABS 2022 R'000	SABS 2021 Restated* R'000
Loans to SABS Commercial SOC Ltd			
Balance at 1 April		17 067	93 462
Increase in loan to SABS Commercial SOC Ltd		380 675	445 650
Repayment of loan by SABS Commercial SOC Ltd		(389 424)	(532 207)
Interest income		10 827	9 585
Loan balance		19 145	16 490
- ECL allowance		(323)	577
Closing balance		**18 822**	**17 067**

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

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

16. INVENTORIES

	Group 2022 R'000	Group 2021 R'000	SABS 2022 R'000	SABS 2021 R'000
Finished goods	4 021	4 675	4 021	4 675
Obsolete stock written-off	(59)	(57)	(59)	(57)
	3 962	**4 618**	**3 962**	**4 618**

No amounts other than obsolete stock were recognised as expense during the year (2021:Nil).

17. TRADE AND OTHER RECEIVABLES

	Group 2022 R'000	Group 2021 R'000	SABS 2022 R'000	SABS 2021 R'000
Trade receivables	181 950	202 717	13 587	15 023
Less: ECL allowance of trade receivables	(36 049)	(39 663)	(1 066)	(898)
Net trade receivables	145 901	163 054	12 521	14 125
Deposits and payments in advance	7 213	9 076	6 951	7 936
Employee related debtors	1 249	308	78	21
Other receivables	8 462	9 384	7 029	7 957
	154 364	**172 438**	19 550	22 082

Trade receivables are discounted at an effective rate of 7,75% (2021: 7,00%). No interest is charged on overdue accounts. The credit period is - 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.

ECL allowance of trade receivables:

	Group	SABS
	R'000	R'000
Balance at 1 April 2020	(54 880)	(1 958)
Amount written off	-	-
Allowance for expected credit losses	15 217	1 060
As at 31 March 2021	**(39 663)**	**(898)**
Amount written off	13 313	309
Allowance for expected credit losses	(9 699)	(477)
As at 31 March 2022	**(36 049)**	**(1 066)**

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						
2022						
Carrying value (R'000)	142 490	24 229	18 304	11 471	8 811	79 675
	100 %	17 %	13 %	8 %	6 %	56 %
Impairment (R'000)	36 049	2 988	1 654	1 248	999	29 160
	100 %	8 %	5 %	3 %	3 %	81 %
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 %
SABS						
2022						
Carrying value (R'000)	12 523	11 181	(11)	434	104	815
	100 %	89 %	- %	3 %	1 %	7 %
Impairment (R'000)	1 066	101	76	39	20	830
	100 %	9 %	7 %	4 %	2 %	78 %
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 %

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	
	2022 R'000	2021 R'000	2022 R'000	2021 R'000
Cash on hand	10	11	10	10
Bank balances	133 133	330 178	23 837	215 202
Other cash and cash equivalents	273 047	127 427	273 047	127 427
	406 190	**457 616**	**296 894**	**342 639**

The Group has cash management facilities, resulting in all bank balances being swept daily into the accounts held by SABS and SABS Commercial SOC Ltd. Short-term deposits are made for varying periods between one day and six months, depending on the immediate operational cash requirements of the Group, and earn interest based on the respective short-term deposit dates. The funds are available on demand and there are no restrictions placed on the funds except for the portion of funds earmarked specifically and exclusively for the acquisition of assets for the group amounting to R170-million (2021: R208.6-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 4,42% at 31 March 2022 (2021: 7.92%).

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	
	2022 R'000	2021 R'000	2022 R'000	2021 R'000
Opening balance	54 282	54 282	54 282	54 282

20. OTHER COMPONENTS OF EQUITY

	Note(s)	Group 2022 R'000	Group 2021 R'000	SABS 2022 R'000	SABS 2021 R'000
Employee benefits					
Opening balance		31 601	24 253	19 370	15 500
Movements during the period					
Remeasurement of defined liability - Before tax - refer to note 21		1 373	8 326	1 421	3 870
Tax expense	7	14	(1 248)	-	-
Closing balance		**32 988**	**31 601**	**20 791**	**19 370**

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

The funding of the liability is being managed through the Group's investments (refer to note 13). Valuations of these obligations are carried out annually by independent qualified actuaries. The most recent valuation was done as at 31 March 2022.

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 396 (2021: 372) pensioners and 46 (2021: 102) active employees, while the SABS had (2021: 287) pensioners and 13 (2021: 34) active employees entitled to the benefit.

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

The total outstanding liability amounts to R65.5-million per the valuation performed during March 2022 (2021:R67,0 million)

Post-employment healthcare benefit

	Group 2022 R'000	Group 2021 R'000	SABS 2022 R'000	SABS 2021 R'000
Opening balance	67 003	73 780	43 675	47 992
Provisions made	6 133	8 338	3 889	5 116
Benefits paid	(6 308)	(6 789)	(4 750)	(5 563)
Remeasurements (Other component of equity)	(1 373)	(8 326)	(1 421)	(3 870)
Total liability	**65 457**	**67 003**	**41 393**	**43 675**

	Group 2022 R'000	Group 2021 R'000	SABS 2022 R'000	SABS 2021 R'000
The amount recognised in the other comprehensive income is determined as follows				
Actuarial gain/(loss) - change in financial assumptions	1 159	3 038	625	401
Experience gain	212	5 288	796	3 469
	1 371	**8 326**	**1 421**	**3 870**
The amount recognised in the statement of profit and loss for the year ended 31 March 2021 is determined as follows:				
Current service cost	191	766	56	283
Interest cost	5 942	7 572	3 833	4 833
	6 133	**8 338**	**3 889**	**5 116**
Present value of the obligation				
Opening balance	67 003	73 780	43 675	47 992
Current service cost	191	766	56	283
Interest cost	5 942	7 572	3 833	4 833
Benefits paid	(6 308)	(6 789)	(4 750)	(5 563)
Actuarial (gain)/loss - change in financial assumptions	(1 159)	(3 038)	(625)	(401)
Experience (gain)/loss	(212)	(5 288)	(796)	(3 469)
Closing balance	**65 457**	**67 003**	**41 393**	**43 675**

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 196 (2021: 296) and 61 (2021: 101)) employees entitled to the benefit respectively.

The total outstanding liability amounts to R13.7-million (2021: R15.8-million).

	Group 2022 R'000	Group 2021 R'000	SABS 2022 R'000	SABS 2021 R'000
Opening balance	15 805	21 679	5 282	7 927
Provisions made	437	(2 540)	281	(1 351)
Benefits paid	(2 573)	(3 334)	(896)	(1 294)
Net liability in statement of financial position	13 669	15 805	4 666	5 282
Present value of funded obligations	**13 669**	**15 805**	**4 666**	**5 282**

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

	Group		SABS	
	2022 R'000	2021 R'000	2022 R'000	2021 R'000
Current service cost	830	1 223	281	458
Interest cost	1 154	1 685	384	614
Actuarial loss - change in financial assumptions	56	(1 281)	18	(443)
Experience (loss)/gain	(1 603)	(4 167)	(402)	(1 980)
	437	**(2 540)**	**281**	**(1 351)**
Present value of the obligation				
Opening balance	15 805	21 679	5 282	7 927
Current service cost	830	1 223	281	458
Interest cost	1 154	1 685	384	614
Actuarial loss - change in financial assumptions	56	(1 281)	18	(443)
Experience gain/(loss)	(1 603)	(4 167)	(403)	(1 980)
Benefits paid	(2 573)	(3 334)	(896)	(1 294)
Closing balance	**13 669**	**15 805**	**4 666**	**5 282**
Defined benefit obligation - current and non-current portion				
Non-current				
Post-employment healthcare benefit	59 117	60 773	36 558	38 737
Long service leave	11 435	12 944	3 885	4 280
	70 552	73 717	40 443	43 017
Current				
Post-employment healthcare benefit	6 340	6 230	4 835	4 938
Long service leave	2 234	2 861	781	1 002
	8 574	**9 091**	**5 616**	**5 940**

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 9.90%. The source is the Johannesburg Stock Exchange through Inet BFA data service. The duration for the previous valuation was between 10 and 15 years and resulted in a discount rate of 9,29%.
- **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 5.41% per annum for future inflation. The source is the Johannesburg Stock Exchange through Inet BFA data service. The inflation assumption used for the previous valuation 5.02%.

- **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 31 March 2022, 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 five years. The recommended discount rate is 8.86 %. The source is the Johannesburg Stock Exchange through Inet BFA data service. The duration for the previous valuation was six years and resulted in a discount rate of 8.01%.
- **Future salary inflation assumption** - The Group assumed that future salary inflation will exceed general inflation by 5.23% per annum. The implied salary inflation assumption is therefore 6.23% per annum.
- **Valuation Method** - The accrued service liability is calculated by valuing all future leave and payments expected to be made in respect of benefits accrued up to the valuation date. Allowance has been made in these calculations for salary increase where applicable and for investment returns up to the date that the benefit is received.

	SABS	
	2022 R'000	2021 R'000
Discount rate per annum		
Post employment healthcare benefit obligation	9,90 %	9,29 %
Long service leave award obligation	8,86 %	8,01 %
Subsidy inflation		
Post employment healthcare benefit obligation	5,41 %	5,02 %
Salary inflation		
Long service leave award obligation	6,23 %	5,21 %
General inflation		
Post employment healthcare benefit obligation	5,41%	5,02%
Long service leave award obligation	6,23%	5,21%
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	63 years	60/63 years

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

Sensitivity analysis - Post-employment healthcare benefit obligation

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

Below the effects on the obligation as at 31 March 2022 (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	63 016	(4,0)%	39 697	(4,0)%
Central	65 457	-	41 393	-
-1 years	67 917	4,0%	43 113	4,0%
Discount rate				
+1%	60 549	(7,0)%	38 744	(6,0)%
Central	65 451	-	41 393	-
-1%	71 170	9,0%	44 419	7,0%
Salary inflation				
+1%	71 204	9,10%	44 420	7,0%
Central	65 457	-	41 393	-
-1%	60 453	(8,0)%	38 709	(6,0)%

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 %	150	1,0%	47	2,0)%
Central	175	-	56	-
-1 &	205	(1,0)%	66	(3,0)%
Interest cost				
+1%	6 263	1,0%	3 966	2,0)%
Central	6 174	-	3 864	-
-1%	6 058	(1,0)%	3 743	(3,0)%

Sensitivity analysis - Long service leave award obligation

Below the effects on the obligation on 31 March 2022 (central basis liability) results when the assumptions are increased and decreased by:

	Group		SABS	
	Liability R'000	Change in liability %	Liability R'000	Change in liability %
Discount rate				
+1 %	13 068	(4,0)%	4 468	(4,0)%
Central	13 669	-	4 666	-
-1 %	14 323	5,0%	4 880	5,0%
Salary inflation				
+1%	14 266	4,0%	4860	4,0%
Central	13 669	-	4 483	-
-1%	13 111	(4,0)%	4 483	(4,0)%
Normal retirement age				
+2 year	15 293	12,0%	5 253	13,0%
Central	13 669	-	4 666	-
- 2 year	11 912	(13,0)%	4 033	(14,0)%

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 %	716	(2,0)%	248	2,0%
Central	749	-	259	-
-1 %	786	(2,0%)	271	(2,0%)
Interest cost				
+2 year	1 181	2,0%	403	2,0%
Central	1 154	-	380	-
- 2 year	1 040	(2,0)%	354	(2,0)%

Five year summary

	2022 R'000	2021 Restated* R'000	2020 R'000	2019 R'000	2018 R'000
Five year summary of post-employment benefit obligations is as follows:					
Post-employment healthcare obligation benefit					
Present value of obligation	65 457	67 003	73 780	78 170	82 748
Actuarial gains/(losses)	(1 371)	(8 326)	(6 586)	(5 119)	(5 119)
Five year summary of long service leave awards are as follows:					
Long service leave award					
Present value of obligation	13 669	15 805	21 679	24 352	25 769
Actuarial (losses)/gains	(1 547)	(5 448)	(2 221)	(849)	(582)

22. DEFERRED INCOME

	Note(s)	Group 2022 R'000	Group 2021 R'000	SABS 2022 R'000	SABS 2021 R'000
Opening balance - Plant and equipment		416 605	431 686	344 308	351 622
Recognised in deferred income (Refer to note 2)		(21 739)	(12 940)	(12 763)	(7 337)
Grant utilised to pay debtors		(167)	-	-	-
Grant funding received					
Total grant funding received	29	4 347	-	-	-
Rental Income adjusted	29	903	-	903	-
Department of energy (refund)/received		-	(2 123)	-	-
Purchases for subsidiary		-	-	-	-
Grant released against expenditure		-	(18)	-	-
Closing balance		**399 949**	**416 605**	**332 448**	**344 308**
Deferred income not yet utilised		169 940	210 706	140 900	185 836
Deferred income utilised - released as the asset is depreciated		230 009	205 899	191 548	158 472
Non-current portion		381 605	395 100	322 121	
Current portion		18 344	21 505	10 327	15 675
		399 949	**416 605**	**332 448**	**344 308**

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 2022 R'000	Group 2021 R'000	SABS 2022 R'000	SABS 2021 R'000
Trade payables	78 947	91 578	27 444	45 306
Contract liabilities	17 828	24 049	9 993	9 946
Short-term employee obligations	35 340	111 800	15 341	49 073
Other payables	-	-	-	-
Amounts received in advance	21 121	7 580	21 121	7 580
Tax payable	6 152	-	-	-
	159 388	**235 007**	**73 899**	**111 905**

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 2021 has been recognised as revenue in the current reporting period.

24. PROVISIONS

Reconciliation of provisions

Group	Opening balance	Additions	Reversed during the year	Total
GROUP - 2022				
Other salary related provisions	-	1 437	-	1 439
GROUP - 2021				
Performance bonus	353	-	(353)	-

SABS	Opening balance	Additions	Reversed during the year	Total
SABS - 2022				
Other salary related provisions	-	1 437	-	1 439

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.

Other salary related provisions - relates to backpay of salaries as a result of a CCMA case,

25. VAT PAYABLE/(RECEIVABLE)

	Group		SABS	
	2022 R'000	2021 R'000	2022 R'000	2021 R'000
VAT to be refunded by/(paid over) to SARS	3 024	(8 556)	4 584	22 203

26. NOTES TO CASH FLOW STATEMENTS

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

	Note(s)	Group		SABS	
		2022 R'000	2021 R'000	2022 R'000	2021 R'000
Loss/(profit) before taxation		69 228	(84 272)	69 228	(84 272)
Adjustments for:					
Depreciation on property, plant and equipment	8 & 9	47 926	45 500	19 534	16 719
Depreciation on investment properties	10	351	351	5 158	4 412
Plant and equipment related government grants amortised	22	(21 739)	(12 940)	(12 763)	(7 337)
Amortisation on intangible assets	11	3 833	4 185	2 612	2 888
Loss/(profit) on disposal of property, plant and equipment and intangible assets		(46)	120	(105)	51
Gains on foreign exchange		(2 383)	(3 393)	(1 813)	(1 192)
Losses on foreign exchange		543	8 179	73	2 238
FVTPL Investment movement	4	(10 980)	(14 216)	(10 980)	(14 216)
Operational expense grant amortised		-	(4 725)	-	(4 725)
Provision for employment benefit obligations (Post-employment healthcare benefit and long service leave)	21	3 997	5 798	3 273	3 765
Employee benefits paid from provisions (Post-employment healthcare benefit and long service leave)	21	(6 307)	(10 123)	(4 750)	(6 857)
Increase/(decrease) in ECL allowance of trade receivables	4 &17	(3 613)	(15 217)	168	(1 060)
Dividend income		(210)	(1 390)	(210)	(1 390)
Expense transferred out of work-in-progress and assets	8 & 11	1 635	1 109	1 422	323
Interest income	5	(19 114)	(29 416)	(25 685)	(36 042)
Finance costs	6	1 474	1 865	741	784
(Reversal)/allowance of ECL of loans to group companies	15	-	-	327	(577)
Movements in provisions	24	1 437	(353)	1 437	-
Bad debts write-off		13 238	16 857	309	504
Inventory write-off	16	59	57	59	57
Deferred Income expensed - opex for capex		(2 392)	-	(2 392)	-
Impairment reversal	15	-	-	(100 000)	-
Non-Cash ICO		-	-	(380 674)	(445 650)
Grant funded rental Income adjustment		903	-	903	420
		77 840	**(92 024)**	**(398 171)**	**(598 977)**

	Note(s)	Group		SABS	
		2022 R'000	2021 R'000	2022 R'000	2021 R'000
Changes in working capital:					
Increase in inventory		597	(728)	597	(728)
Decrease/(increase) in trade and other receivables		10 667	(21 538)	3 868	2 368
(Decrease)/increase in asset related government grants	22	-	(2 142)	-	23
(Decrease)/increase in trade and other payables		-	81 463	-	-
(Decrease)/increase in trade and other payables		(79 953)	14 578	(35 683)	42 321
Vat receivable		(11 580)	-	17 619	(293)
		(80 269)	**71 633**	**(13 599)**	**43 692**
		(2 429)	**(20 391)**	**(411 770)**	**(555 285)**

26.2 PROCEEDS ON DISPOSALS OF:

	Note(s)	Group		SABS	
		2022 R'000	2021 R'000	2022 R'000	2021 R'000
Property, plant and equipment					
Carrying value of disposals		164	123 622	74	54 160
(Loss)/profit on disposal		-	(123 622)	-	(54 160)
		164	**-**	**74**	**-**

27. COMMITMENTS

Capital commitments

Commitments for the acquisition of property, plant and equipment

	Group		SABS	
	2022 R'000	2021 R'000	2022 R'000	2021 R'000
Contracted	**71 859**	**45 276**	**41 381**	**33 887**

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 2022 (2021: 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 2022 R'000	Group 2021 Restated* R'000
Foreign amount:		
United States Dollar	5 543	7 881
Great Britain Pounds	696	220
Euro	403	96
Swiss Franc	351	2

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 2022 was R19,1-million (2021: R29,4-million). The exposure of financial assets to interest rate risk is as follows:

	2022			2021		
	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	406 190	-	406 190	457 616	-	457 616
Trade and other receivables	-	154 364	154 364	-	172 438	172 438
SABS						
Cash and cash equivalents	296 894	-	296 894	342 639	-	342 893
Trade and other receivables	-	19 550	19 550	-	22 082	22 082
Loans to group companies	18 822	-	18 822	17 067	-	17 067

	2022			2021		
	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	-	159 388	159 388	-	235 007	235 007
Financial liabilities exposure to interest rate risk	-	159 388	159 388	-	235 007	235 007
SABS						
Trade and other payables	-	73 899	73 899	-	111 905	111 905
Financial liabilities exposure to interest rate risk	-	73 899	73 899	-	111 905	111 905

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)
2022		
Rand	+50	2 031
Rand	-50	(2 031)
2021		
Rand	+50	2 288
Rand	-50	(2 288)

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 - 3 months R'000	3 - 12 months R'000	1 - 5 years R'000	Total R'000
Group					
GROUP - 2022					
Financial liabilities amortised at cost					
Lease liabilities	454	909	9 084	2 623	13 070
GROUP - 2021					
Financial liabilities amortised at cost					
Lease liabilities	935	1 871	8 359	15 837	27 002
SABS					
SABS - 2022					
Financial liabilities amortised at cost					
Lease liabilities	137	275	6 531	1 503	8 446
SABS - 2021					
Financial liabilities amortised at cost					
Lease liabilities	596	1 191	5 233	11 369	18 389

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	
	2022 R'000	2021 Restated* R'000	2022 R'000	2021 Restated* R'000
Cash and cash equivalents	406 190	457 616	296 894	342 639
Trade receivables	145 901	163 054	12 521	14 125
Loan to group companies	-	-	18 822	17 067
	552 091	**620 670**	**328 237**	**373 831**

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

	Group		SABS	
	2022 %	2021 Restated* R'000	2022 %	2021 Restated* R'000
South Africa	96,8	92,9	77,0	100,0
Other	3,2	7,1	23,0	-
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	
	2022 R'000	2021 Restated* R'000	2022 R'000	2021 Restated* R'000
Trade payables	(78 947)	(91 578)	(27 444)	(45 306)
Lease liabilities	(12 067)	(24 411)	(7 838)	(16 662)
Cash and cash equivalents	406 190	457 616	296 893	342 640
	315 176	341 626	261 611	280 672
Equity	**834 879**	**782 675**	**760 722**	**654 116**

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 2022, the Group held the following financial instruments measured at fair value:

	Level 1 R'000
Group	
2022	
FVTPL - Equities and bonds	120 335
2021	
FVTPL - Equities and bonds	100 460
SABS	
2022	
FVTPL - Equities and bonds	120 335
2021	
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 2022 (2021: 0).

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	
	2022	2021 Restated*
	R'000	R'000
SABS Commercial SOC Ltd (Refer to note 16)	18 822	17 067
Net loan receivable from group companies	**18 822**	**17 067**

29.2 OTHER GROUP TRANSACTIONS - INCOME

	SABS	
	2022	2021 Restated*
	R'000	R'000
Royalties received	1 917	3 151

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:

	2022				2021 RESTATED*			
	Group		SABS		Group		SABS	
	Purchases R'000	Balances Outstanding R'000	Purchases R'000	Balances Outstanding R'000	Purchases R'000	Balances Outstanding R'000	Purchases R'000	Balances Outstanding R'000
National Regulator for Compulsory Specifications	16	3	-	-	21	-	2	-
National Metrology Institute of South Africa	112	65	-	-	70	2	-	-
South African National Accreditations System	1 982	28	1 982	28	1 422	-	1 422	-
SABS Commercial SOC Ltd - Intercompany purchases	-	-	-	-	-	-	4 314	-
the dtic	-	-	-	-	56 383	-	56 383	-
	2 110	**96**	**1 982**	**28**	**57 896**	**2**	**62 121**	**-**

29.4 SALES TO RELATED PARTIES

	2022				2021 RESTATED*			
	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	304	-	-	204	580	-	-	-
National Regulator for Compulsory Specifications	13 050	172	155	4 089	14 469	698	7	6744
National Metrology Institute of South Africa	182	3	-	29	169	6	-	37
South African National Accreditations System	431	40	-	38	46	3	-	41
National Consumer Council	7 692	-	-	-	8 443	-	-	-
	21 659	**215**	**155**	**4 360**	**23 707**	**707**	**7**	**6 822**
SABS								
SABS Commercial SOC Ltd -Corporate Charges	-	-	-	-	28 240	-	-	-
SABS Commercial SOC Ltd - Intercompany sale of standards	1 549	-	-	-	194	-	-	-
SABS Commercial SOC Ltd - Rentals: Land and Buildings	43 638	-	-	-	43 219	-	-	-
SABS Commercial SOC Ltd - Overheads recoveries	1 388	-	-	-	1 613	-	-	-
SABS Commercial SOC Ltd - Royalties Terms and conditions	1 917	-	-	-	3 151	-	-	-
National Regulator for Compulsory Specifications	10 090	99	-	2 425	10 926	267	-	4375
National Metrology Institute of South Africa	16	-	-	-	24	-	-	-
South African National Accreditations System	431	40	-	38	46	3	-	41
National Consumer Council	-	-	-	-	8 443	-	-	-
	59 029	**139**	**-**	**2 463**	**95 856**	**270**	**-**	**4416**

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 - 2022							
Executive							
Non-executive							
S Khan	&	-	-	-	-	-	-
J Scholtz	#	-	-	-	-	-	-
T Demana	#	-	-	-	-	-	-
Audit and Risk Committee							
R Van Wyk	6	96	-	-	-	-	96
S Kajee	7	85	-	-	-	-	85
		181	**-**	**-**	**-**	**-**	**181**

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

Appointed administrators - 14 September 2018.

	Note	Committee fees R'000	Salary / director's fees R'000	Bonus / payments R'000	Retirement and medical fund R'000	Other* R'000	Total R'000
SABS - 2022							
Executive							
Non-executive							
J Scholtz	#	-	-	-	-	-	-
T Demana	#	-	-	-	-	-	-
S Khan	&	-	-	-	-	-	-
Audit and Risk Committee							
R van Wyk	6	96	-	-	-	-	96
S Kajee	6	85	-	-	-	-	85
		181	**-**	**-**	**-**	**-**	**181**

 # Appointed administrators - 14 September 2018.
& 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.

	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 Restated*							
Non-executive member		-	-	-	-	-	-
T Demana	#	-	-	-	-	-	-
J Scholtz	#30	-	-	-	-	-	-
S Khan	&						
Audit and risk committee							
R van Wyk	6	36	-	-	-	-	36
S Kajee	6	43	-	-	-	-	43
		79	**2 558**	**-**	**-**	**-**	**79**

The Group had no board during the year under review

 # Appointed administrators - 14 September 2018
& Treasury 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

	Note	Committee fees R'000	Salary / director's fees R'000	Bonus / payments R'000	Retirement and medical fund R'000	Other* R'000	Total R'000
SABS - 2021 Restated*							
Non-executive member		-	-	-	-	-	-
J Scholtz	#	-	-	-	-	-	-
T Demana	#	-	-	-	-	-	-
S Khan	&						
Audit and risk committee							
R van Wyk	6	36	-	-	-	-	36
S Kajee	6	43	-	-	-	-	43
		79	**2 558**	**-**	**-**	**-**	**79**

The Group had no board during the year under review

 # Appointed administrators - 14 September 2018
& Treasury 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

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 - 2022						
Executive management						
T Maharaj (CFO)		2 225	-	294	-	2 519
Dr S Bissoon (Standards)	*	2 100	-	320	-	2 420
LH Makele (Human Capital)		2 101	-	212	-	2 313
SABS		**6 426**	**-**	**826**	**-**	**7 252**
KJ Temba (Acting Executive Certification)	1	1 561	-	242	180	1 983
L Ntobongwana (Acting Executive: Customer Partnering)	2	1 552	-	126	168	1 846
Thabo Sepuru (Acting Executive: LSD)	3	1 248	-	110	136	1 494
Subsidiary		4 361	-	478	484	5 323
SABS GROUP		**10 787**	**-**	**1 304**	**484**	**12 575**
Group - 2021						
Executive management						
T Maharaj (CFO)		2 228	-	291	-	2 519
Dr S Bissoon (Training)		2 105	-	315	-	2 420
LH Makele (Human Capital)		2 050	-	212	-	2 262
SABS		**6 383**	**-**	**818**	**-**	**7 201**
L Ntobongwana (Acting Executive Laboratory Services)	3	1 452	-	118	157	1 727
MLA Gcabashe (Certification)		556	-	220	268	1 044
KJ Temba (Acting Executive Certification)	4	1 564	-	239	180	1 983
L Ntobongwana (Acting Executive Customer Partnering)	5	99	-	8	11	118
Thabo Sepuru (Acting Executive: LSD)		104	-	9	11	124
Subsidiary		3 775	-	594	627	4 996
SABS GROUP		**10 158**	**-**	**1 412**	**627**	**12 197**

1. Appointed Acting Executive Certification from 01 April 2021
2. Appointed Acting Executive Customer partnering 8 March 2021
3. 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 2022 R'000	SABS 2021 R'000
SABS - assets transferred to subsidiary	8	-	(47)
WIP transfer to subsidiary	8	3 912	(418)
SABS - assets transferred from subsidiary	8	-	45

29.7 GOVERNMENT GRANTS

The SABS transferred a grant of R19.1 million to SABS Commercial SOC Ltd through a cash transfer (2021: R93.6 million cash transfer). R19.1 million was transferred as an unconditional grant from SABS.

	Note(s)	Group		SABS	
		2022 R'000	2021 Restated* R'000	2022 R'000	2021 Restated* R'000
Received from **the dtic**		267 064	214 706	267 064	214 706
Grant funding transferred to SABS Commercial SOC Ltd from SABS		-	-	(19 092)	(93 687)
		-	-	(19 092)	(93 687)
Other government grants	22				
Received from SANEDI		4 348	-	-	-
		4 348	**-**	**-**	**-**

30. CONTINGENT LIABILITIES

	Group		SABS	
	2022 R'000	2021 Restated* R'000	2022 R'000	2021 Restated* R'000
Third parties	3 000	25 500	3 000	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.

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	
	2022 R'000	2021 Restated* R'000	2022 R'000	2021 Restated* R'000
Opening balance	850	201	567	197
Incurred during the period:				
Interest and penalties incurred due to late payments to suppliers.	863	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.	54	407	-	353
Overstatement of prior year SARS interest and penalities	(9)	-	(9)	-
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	**1 758**	**850**	**558**	**567**

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	
	2022 R'000	2021 R'000	2022 R'000	2021 R'000
Confirmed				
Opening balance	36 162	29 567	22 832	18 118
Condoned by the National Treasury	(4 655)	(1 791)	(4 655)	(1 791)
Incurred during the year:				
Overstatement of prior year contract overspend	(78)	-	(78)	-
Non-compliance to policies and legislation	2 872	5 184	2 483	4 529
Non-compliance to policies and legislation relating to prior year which were identified in current period	349	126	41	87
Open ended contracts relating to the current year	433	851	362	234
Open ended contract relating to prior year which were identified in current period	-	2 225	-	1 655
	35 083	**36 162**	**20 985**	**22 832**
Awaiting condonement by National Treasury	31 506	27 776	18 177	16 326

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 consideration by the National Treasury. 81% 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 will be resolved in the next financial year.

	Group		SABS	
	2022 R'000	2021 R'000	2022 R'000	2021 R'000
Unconfirmed				
Incurred during the period				
Non-compliance to procurement policies	39	22	9	-

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 8th of June 2022, the Commission of Conciliation, Mediation and Arbitration (CCMA) made an award in favour of a dismissed employee. The amount of the award has been recognised as a liability on the Statement of Financial Position within the accruals in trade and other payables as well as within the provisions. The employee benefits expenditure has also been adjusted for accordingly.

34. GOING CONCERN

At 31 March 2022, the SABS had accumulated surpluses of R747.6-million (2021: R696.8-million). Total assets exceeded total liabilities by R834.9-million (2021: R 782.7-million). The going concern consideration regarding the SABS subsidiary, SABS Commercial SOC Ltd is included below:

At 31 March 2022, SABS Commercial SOC Ltd had accumulated proft of R36.9-million (2021: R7.04-million in losses) and the company' total assets exceed its liabilities by R149-million (2021: R105-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 following standards and interpretations have been published and are mandatory for the group's accounting periods beginning on or after 01 April 2022 or later periods but are not relevant to its operations.

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	01 January 2099	No material impact
• Classification of Liabilities as Current or Non-Current - Amendment to IAS 1	01 January 2023	No material impact
• IFRS 17 Insurance Contracts	01 January 2023	No material impact
• Annual Improvement to IFRS Standards 2018-2020: Amendments to IFRS 1	01 January 2022	Unlikely there will be a material impact
• Reference to the Conceptual Framework: Amendments to IFRS 3	01 January 2022	Unlikely there will be a material impact
• Annual Improvement to IFRS Standards 2018-2020: Amendments to IFRS 9	01 January 2022	Unlikely there will be a material impact
• 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	No material impact expected
• Annual Improvement to IFRS Standards 2018-2020: Amendments to IAS 41	01 January 2022	No material impact expected
• ias 8, Accounting Policies, Changes in Accounting Estimates and Errors: Disclosure initiative	01 January 2023	No material impact expected
• Deferred Tax related to Assets iand Liabilities arising from a Single transaction: Amendments to IAS 12 Income Tax	01 January 2023	Unlikely there will be a material impact

36. CONTINGENT ASSETS

The SABS has instituted legal proceeding against a lessee in which the entity obtained a court order for outstanding rental. The court order will be executed with the service of eviction summons. This has given rise to a contingent asset estimated at R0.2-million.

37. 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 R4,2-million (SABS: R0.6-million) and an increase in future periods of R4,2-million (SABS: R0.6-million).

38. PRIOR PERIOD ERRORS

1. **Contract Services:** During the 2021 financial year contract services disclosed on the statement of profit and loss was overstated by R11.4-million due to incorrect classifications. Similarly, repairs and maintenance, other operating expenditure and sundry income were also understated by R8.1-million, R3.4-million and R0.1-million respectively. To correct this misstatement a reclassification of expenses was performed as depicted on the table below:
2. **Prior year reclassification of other expenditure:** In the prior year an amount of R14,2-million relating to the fair value adjustment on investments through profit and loss incorrectly classified to other expenditure on the statement and profit and loss. This resulted in other expenditure been overstated by R14,2-million and other income also been understated by the same amount.
3. The furniture and office equipment under the property, plant and equipment note in the prior year included an asset that was no longer in the possession of the SABS. The asset related to a finance lease prior to the implementation of IFRS 16 and was fully depreciated. This resulted in an overstatement of cost and accumulated depreciation of R18.6-million each for the furniture and office equipment in the prior year within the note for property, plant and equipment.
4. **Irregular expenditure:** The prior year the amounts disclosed as "overspend on contract services" have been reclassified to "non-compliances to policies and legislation" to more accurately reflect the nature of the irregular expenditure. The impact of the reclassification is as follows:

GROUP:

Overspend of Contract services as previously stated: R1,1-million amount reclassified to "non-compliances to policies and legislation": (R1,1-million). Restated amount: Nil

Non-compliance to policies and legislation as previously stated: R4,1-million. Amount reclassified to "non-compliances to policies and legislation": R1,1-million. Restated amount: R5,2-million.

SABS:

Overspend of Contract services as previously stated: R0.6-million. Amount reclassified to "non-compliances to policies and legislation": (R0.6-million). Restated amount: Nil

Non-compliance to policies and legislation as previously stated: R3,9-million. Amount reclassified to "non-compliances to policies and legislation": R0.6-million. Restated amount: R4,5-million.

5. **Trade and other payables:** The Group incorrectly accounted for debtors with credit balances as other income instead of classifiying as trade and other payable. The impact on the prior year figures is an increase of R4.7-million (2020: R5.3-million) in trade and other payables, decrease in vat payable of R1.3-million (2020: nil) and decrease in other Income of R3.5-million (2020: R5.3-million).

6. **Deferred Tax Asset:** The deferred tax asset recognised in the prior year was incorrect mainly due to the trade and other payables figure as explained in the paragraph above. This resulted in an increase in deferred tax asset of R6.9-miilion and a corresponding increase in a tax credit of R6.9-million.

7. **Impairment loss on property, plant and equipment:** During 2020 financial year, the Group obtained a valuation of one of its pieces of land which was less than the initial cost. This should have resulted in an impairment loss in that financial year but was not accounted for as such at that time. The impact on prior year figures is a decrease of R2.3-million in carrying value of property, plant and equipment with a corresponding decrease in retained earnings (2020: other operating expenditure).

8. **Loans to Group Companies:** During 2021 financial year, SABS treated cash transfers from SABS Commercial as part of the net increase in loan which was deemed to approximate the fair value of the loans to group company instead of including these transfers as part of the repayment of loan by SABS Commercial SOC Ltd. The impact of this is an increase of cash paid to suppliers and employees, a corresponding increase in repayment of loan from SABS Commercial SOC Ltd by R267.2-million as well as related notes.

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

	Note	Previously reported Mar 2021 R'000	Impact R'000	Restated amount Mar 2021 R'000	Previously reported Mar 2021 R'000	Impact R'000	Restated amount Mar 2021 R'000
Impact of error on Statement of Profit or Loss		Group			SABS		
Contract Services		58 517	(11 384)	47 133	57 623	(11 180)	46 443
Repairs and Maintanance		9 561	8 137	17 698	6 663	8 136	14 800
Other operating expenditure		107 407	17 566	124 996	94 770	17 385	112 155
Other Income		(70 988)	(10 897)	(81 885)	(139 970)	(14 341)	(154 311)
Impact of error on Statement of Cash Flow and related Notes		Group			SABS		
Statement of cash flow							
Cash paid to suppliers and employees		-	-	-	(501 672)	(267 207)	(740 942)
Cash (used in)/generated from operations		-	-	-	(288 078)	(267 207)	(527 348)
Net cash from operating activities		-	-	-	(260 612)	(267 207)	(527 819)
Loans to group companies repaid		-	-	-	265 000	267 207	532 207
Net cashfrom investing activities		-	-	-	215 851	267 207	483 058
Note 15: Loans to Group Companies							
Increase in Loan to SABS Commercial SOC Ltd		-	-	-	178 443	267 207	445 650
Repayment of loan by SABS Commercial SOC Ltd		-	-	-	(265 000)	(267 207)	(532 207)
Note 26: Notes to Cash Flow Statements							
Non-Cash ICO		-	-	-	(178 443)	(267 207)	(445 650)

	Note	Previously reported Mar 2021 R'000	Impact R'000	Restated amount Mar 2021 R'000	Previously reported Mar 2021 R'000	Impact R'000	Restated amount Mar 2021 R'000
Impact of errors on the statement of financial position		Group			SABS		
Furniture and office equipment - Cost		103 177	(18 614)	84 566	95 194	(18 614)	76 580
Furniture and office equipment - Accumulated Depreciation		(78 299)	18 614	(59 685)	(76 193)	18 614	(57 579)
Land- Accumulated impairment losses		-	(2 309)	(2 309)	-	(2 309)	(2 309)
Deferred tax asset		33 698	6 921	40 619	-	-	-
Accumulated profit		700 888	(4 096)	696 792	582 773	(2 309)	580 464
Trade and other payables		(224 994)	(10 014)	(235 008)	-	-	-
Vat payable		(9 862)	1 306	(8 556)	-	-	-

	Note	Previously reported Mar 2020 R'000	Impact R'000	Restated amount Mar 2020 R'000	Previously reported Mar 2020 R'000	Impact R'000	Restated amount Mar 2020 R'000
Impact of errors on the statement of financial postion		Group			SABS		
Equity							
Accumulated profit		744 445	(7 573)	736 872	694 864	(2 309)	692 555
Non Current Assets							
Property, plant and equipment		686 324	(2 309)	684 015	445 315	(2 309)	443 006
Current Liabilities							
Trade and other payables		140 077	5 264	145 342	-	-	-

ABBREVIATIONS AND **ACRONYMS**:

AFCFTA
African Continental Free Trade Area

AFS
Available-for-sale

AFSEC
African Electro-technical Standardisation Committee

ARSO
African Regional Standards Organisation

B-BBEE
Broad-Based Black Economic Empowerment

CEO
Chief Executive Officer

CFO
Chief Financial Officer

CGU
Cash generating unit

DCF
Discounted cash slow

EE
Employment equity

EIR
Effective interest rate

EME
Exempt micro enterprises

ERM
Enterprise wide management

GAAP
Generally Accepted Accounting Principles

GCS
Global Conformity Services

IAS
International Accounting Standard

IASB
International Standards on Auditing Board

ICT
Information communication technology

IEC
International Electro-technical Commission

IFRS
International Financial Reporting Standards

IIA
Institute of Internal Auditors

IPAP
Industrial Policy Action Plan

ISA
International Standards on Auditing

ISO
International 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

SOUTH AFRICAN BUREAU OF STANDARDS

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

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