SABS

INTEGRATED ANNUAL REPORT 2019

THE SABS APPROACH TO INTEGRATED REPORTING

SABS is committed to the principles of integrated reporting as it aligns to SABS' thinking and approach to long-term value creation and the role the SABS play as a leading standards development, certification, testing and training organisation. The report aims to provide SABS stakeholders with a concise, 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 2018/19 Integrated Annual Report (IAR). It is the SABS' principal communication to stakeholders and published once a year. This report covers the period 1 April 2018 to 31 March 2019 (FY2019) and reflects on the activities of the SABS and SABS Commercial SOC Limited. Any material events after this date and up to approval by the Accounting Authority on 26 August 2019 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 value.

Targeted readers

The SABS IAR is the primary report to the provider of financial capital to the institution, being the government of the Republic of South Africa. It also provides information relevant to other key stakeholders, including 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 to 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 creating business model (see page 4) 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, stakeholder engagement process and internally identified risks and opportunities, the focus is on matters that are most important to 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

SABS applies a combined assurance model to provide assurance obtained from management and from internal and external assurance service providers. The Auditor-General South Africa audited the consolidated annual financial statements for the 2018/19 financial year.

The SABS' financial, operating, compliance and risk management controls are assessed by the company 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 with respect to 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 SABS. On recommendation from the Audit and Risk Committee, the Accounting Authority approved the report on 26 August 2019.

For and on behalf of the Accounting Authority

Jodi Scholtz
Co-administrator

Garth Strachan
Co-administrator and
Acting Chief Executive Officer

Feedback
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.

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How to navigate our report: Throughout the IAR, the following icons are used to show the connectivity between sections:

CAPITALS	
Financial	Manufacturing
Human	Natural
Intellectual	Social and relationship

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

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

PERFORMANCE OVERVIEW

~ **8 300** clients

Maintaining **7 440** national standards

Published **240** new standards of which **130** were developed locally

Maintained accreditation from SANAS and RvA

Reduced operating loss by 57% to R33.4 million

LTIFR reduced to 0.36 per 200 000 hours worked

Invested R2.2 million in **staff training**

Supported **101 SMME** and 89 design innovators

Turnaround plan approved and implementation ongoing

R21 million **invested in building and laboratory** equipment

Net loss of R4.4 million

MINISTER'S FOREWORD

I present the Integrated Annual Report of the South African Bureau of Standards (SABS) for the 2018/19 financial year. The results contained in this report coincide with the beginning of the 6th administration of the democratic South Africa. The focus of the new administration is to boost economic growth and enable deeper levels of economic inclusion and transformation.

A new Department of Trade, Industry and Competition has been established, through a merger of **the dti** and Economic Development Department, which will drive the implementation of a more focused, high-impact industrial strategy.

Over the next five years, the focus will be on practical actions and improved governance, to pull our economy onto the higher growth levels we require to create decent work and entrepreneurial opportunities for many more South Africans, particularly young people. There are no quick fixes if we want to build this high-growth, high-employment, high-inclusion economy.

The role of industrial policy is to unleash private investment and energise the state to boost economic growth and inclusion. This is an essential part of building confidence and the platform for job-creation. The SABS will have a critical role to play in this new industrial strategy, in maintaining appropriate standards and ensuring that South African-made goods are quality products.

As priorities for the new administration, we have outlined six focus areas in the trade, industry and competition portfolio, within which the SABS falls:

First, to support improved industrial performance, dynamism and competitiveness of local companies

These include developing master plans in priority sectors to help create conducive conditions for industries to grow, improve their industrial capacities and sophistication, focus more on export orientation and reclaim domestic market space lost to imports. The master plans will be action-oriented, developed and carried out in partnership with business and labour and implemented in stages, so that we can move expeditiously.

Second, to improve the levels of fixed investment in the economy

Over the five-year period from 2018/19, Government set a target of R1.4 trillion in new investment in the economy. The vast bulk of this must come from the private sector. The state's role will be to enable higher levels of fixed investment (both domestic and foreign), through addressing infrastructure and skills gaps; and by partnering with the private sector through a range of incentives and financial packages. An appropriate standards framework will help to attract greater levels of investment.

Third, to expand markets for our products and facilitate entry to those markets

The single biggest initiative is the African Continental Free Trade Area (AfCFTA), which will connect 1.2 billion people into a single bloc where local products will be traded between countries, with minimal tariffs. These agreements lay the basis for increased intra-African trade and can cement the continent's position as the next growth frontier.

The implementation phase was launched on 7 July 2019, at a Special African Union Summit meeting in Niger, with the intention to come into effect on 1 July 2020. The Agreement will fundamentally change and reshape the South African economy. Already, exports to other African countries support about 250 000 South African jobs and it is the fastest-growing market for our manufactured exports.

Fourth, to promote economic inclusion

This means opening up and changing our market structure, to bring more young people, women and black industrialists into the economy. To enhance the growth of black industrialists, we will combine the efforts of the department, the IDC and the NEF into a seamless and coordinated programme. Over the next five years, we will support an additional 400 Black Industrialists' projects with financial support of R40 billion, through identifying sustainable businesses and promoting both industrialists, new enterprise formation and worker involvement in the enterprises.

Fifth, to promote more equitable spatial and industrial development

A pillar of our industrial policy is to develop new investment clusters through special economic zones, revitalisation of industrial sites and support for business and digital hubs.

Sixth, to improve the capability of the state

This means being more responsive to the needs of South Africa's entrepreneurs, moving faster in making decisions and carrying out functions, coordinating better between departments and agencies and creating a business-encouraging environment in which more investment and more job creation can take place.

Part of a smart state is partnering with domestic businesses to invest more in innovation, research and development as new techniques, new products and new distribution platforms can move South Africa up the value-chain and enhance job creation.

All public entities, including the SABS will have to work with a greater sense of urgency to support Government in achieving these six economic priorities during the new administration. This is what has been called the spirit of *khawuleza*, and it must define our approach both within Government and public entities to addressing the structures in the economy which impede growth, economic inclusion and job creation.

I would like to thank the leadership of the SABS under the Acting Chief Executive Officer, Mr Garth Strachan, and the entire staff for their work over the last year and wish them success in the year ahead to help build an economy that creates more jobs, grows faster and more inclusively.

Mr Ebrahim Patel
Minister of Trade and Industry

ABOUT SABS

BUSINESS OVERVIEW

THE MANDATE 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:**

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

VISION

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

MISSION

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

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

STRATEGIC OBJECTIVES

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

The implementation of the strategy is supported by a set of values

VALUES

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

BRANDS

SABS APPROVED
SABS ISO 9001
SABS ISO 14001
SABS ISO 45001
FSSC 22000

MEMBERSHIPS

ISO
IEC
ARSO
SADCSTAN
PASC PACIFIC AREA STANDARDS CONGRESS
AFSEC

ACCREDITATION

sanas South African National Accreditation System
RAAD VOOR ACCREDITATIE

SABS FUNDING MODEL

THE SABS IS FUNDED THROUGH:

- Annual grant transfer from the fiscus
- Revenue generated from conformity assessment services

These funds are used to:

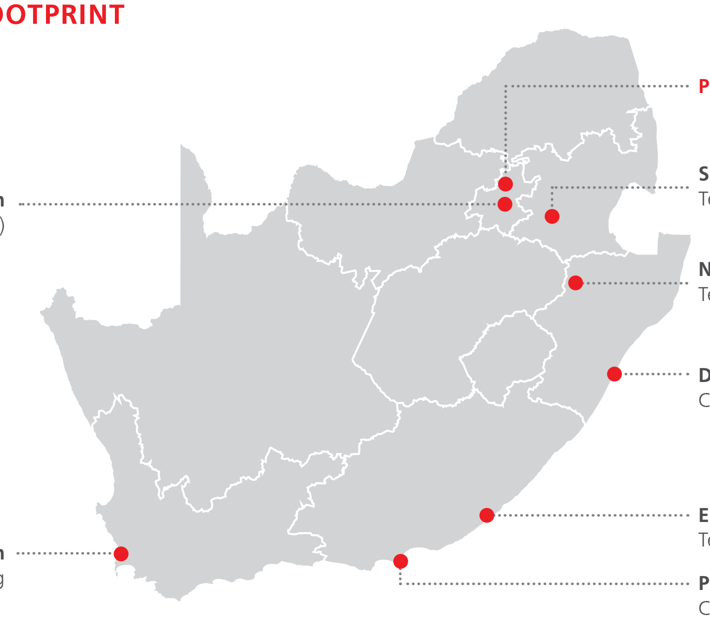
- Support standards development and promotion activities as well as subsidise certain verification services such as local content verification and investment in infrastructure
- Provide conformity assessment services on commercial terms and earn revenue from clients

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
Development of national standards for processes, systems, services and products	Support inclusive growth	Fair and transparent process to determine standards and conformance	• Linkages to internal markets through standards and conformity assessments • Support for socio-economic development policies • Fair competition
Test, inspect, verify and certify processes, products and services against requirements in the standards	• Quality assurance for consumers • Fairness in the market	Enable producers and suppliers to compete fairly	• Protect local employment • Enable local production • Fair competition • Safety to consumers
Promote the use of standards, design and innovation as a catalyst to socio-economic development	Facilitation of new and better processes, products and services by improving access to SMMEs	Provide platform for support to access services by SMMEs	• Increase production of intellectual capital • Improve speed to market • 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	Trade environment where standards are consistently applied in the procurement of products and services

INCLUSIVE ECONOMIC GROWTH

NATIONAL FOOTPRINT



Value-creating business model

***At the heart of the SABS' value creation business model** is the **desire to support inclusive growth** in a fair and competitive environment*

The SABS relies on various relationships and resources to create value. We refer to these as the six capitals. 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.

SABS relies on various relationships and resources to create value (Inputs)

1 HUMAN CAPITAL

Employees play a critical role in attaining 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: 887
- Investment in training and staff welfare: R2.2 million

2 MANUFACTURING CAPITAL

Standards development, certification, testing and training occur at various locations across South Africa. The SABS continues to invest in upgrading of premises and equipment.

- Head office in Pretoria with seven regional offices across the country
- 28 test laboratories spread across 10 locations
- Net book value of property plant and equipment: R692.7 million

3 INTELLECTUAL CAPITAL

Access to strong technical knowledge, capabilities and technology is imperative to fulfil the SABS mandate. Through accreditation to various international and national accreditation bodies, the SABS received its "licence to operate".

- 40 Standards development specialists
- 128 Certification auditors
- 138 Test officers
- Accredited to international body (RvA) and one national body (SANAS)

4 NATURAL CAPITAL

SABS requires energy, water, air and fuels in performing its daily activities.

- Electricity consumed: 23.5MWh
- Water consumption: 168 313 kilolitres
- Fuel consumed: 33 586 litres

5 FINANCIAL CAPITAL

Comprise 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.

- R232.5 million grant received from the government of South Africa
- Capital and reserves: R867.7 million at beginning of year
- Cash and cash equivalents: R126.0 million at beginning of year

6 SOCIAL AND RELATIONSHIP CAPITAL

Trusted relationships and a positive reputation with the shareholder, clients, regulators, suppliers and communities is core to our ability to realise our vision.

- Established in 1945, 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

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 (EMS)
Explosion prevention
Fibre and polymers
Food and beverages
ICT
Industrial chemistry
Lighting technology
Mechanical and fluids
Medical and health
Metrology
Mining and minerals
Paints and sealants
Petrochemical
Pharmaceutical
Radiation protection
Rotating machinery
Rubber and plastics
Safety and security
Solar water heating
Textiles and leather
Timber
Transportation

Creating value for SABS Stakeholders

SHAREHOLDER (the dti)
- 8 of 10 standardisation projects completed as part of IPAP
- 101 SMMEs and 89 design innovators benefited from design and conformity assessment support
- Net operating loss reduced to R34.4 million and net loss of R4.4 million recorded
- Cash resources of R259.2 million

CLIENTS AND INDUSTRY ASSOCIATIONS
- 240 standards published of which 130 were developed locally
- Average turnaround time on standards developed of 497 days, but reduces to 406 days when long-term projects are excluded
- Invested R21.6 million in building and laboratory equipment
- 2 employees appointed with PhDs and Master's degrees in support of testing and standards development

INTERNATIONAL AND REGIONAL STANDARDS BODIES
- Adopted 110 new international standards
- Participation at various international and African standards forums
- IEC Council Board member
- ISO/CASCO chairman

EMPLOYEES AND TRADE UNIONS
- R516.4 million paid in salaries and benefits
- 548 employees participated In training interventions
- 16 employees completed specialist training with leading partners
- R0.2 million study bursaries awarded
- 84% employee representation from historically disadvantaged groups
- 44% of staff complement are women
- Lost time injury frequency rate reduced to 0.36 from 0.45 in FY2018

GOVERNMENT AND REGULATORS
- Provision of conformity assessment services in support of regulatory objectives

SOCIETY
- Purchased goods or services to the value of R64.4 million from EMEs and QSEs
- Disposed of 3.8 tonnes and incinerated 15.8 tonnes of hazardous waste
- Recycled 38 tonnes of non-hazardous material

INTERVIEW WITH THE CO-ADMINISTRATORS

In conversation with Jodi Scholtz, Dr Tshenge Demana and Garth Strachan.

***Question:** The SABS was placed under administration in July 2018 by the previous Minister of Trade and Industry. What led to this decision and what were the co-administrators tasked to do?*

Jodi: Over the past few years, the SABS has been confronted with various challenges that impacted on its ability to effectively execute its mandate and remain financially sustainable. Key amongst these were industry complaints regarding the development of standards, the inability to retain customers and the growing expenditure base, a high employee attrition rate, sub-optimal business process and systems and lastly, inadequate skills levels in certain business areas.

Industry body complaints and customer criticisms have raised various concerns of the long turnaround times to develop or adopt standards; the relevance of some standards and their economic impact; the responsibility, scope, composition and management of technical committees and their working groups; the potential for collusion and/or manipulation in standards development; the appropriateness of the current voting process; the effective management of public comments and the challenges of implementation of amended standards.

Stakeholder and customer confidence levels in the SABS had deteriorated in the recent past and it needed to be rebuilt. The organisation has, in recent years, lost a large number of clients and it was unable to retain newly attracted customers. This contributed to declining revenue and impacted the financial positions of the SABS. Business units, in some instances, were unable to effectively respond to customer needs and demands, especially in areas such as service, pricing, billing and complaint handling. The root causes of this were aging and inadequate testing infrastructure to meet the needs of a dynamic economy, a sub-optimal performance culture, the lack of effective monitoring tools to measure workflow and performance, ineffective and disparate legacy systems and an inability to see a single-view-of-the-customer.

The financial challenges of the SABS were further exacerbated by a business decision in 2015 to stop partial testing, as well as the SANAS suspension of the SABS in August 2016. These events precipitated a process of expired permits and an inability by SABS to service its customers, leading to permit cancellations and loss of potential new business.

The high 'churn-rate' of executives and senior managers in recent years was a major source of destabilisation of the SABS. The moratorium on the filling of vacant positions over the past few years and the decision to automatically remove these vacancies from the structure after six months caused a skills vacuum in some of the core business areas. While this decision had a favourable impact on employee costs, it had, an adverse impact on revenue, customer service and satisfaction, as well as staff morale.

Garth: In the context of the governance, institutional, financial and operational failings, the SABS was placed under administration by the Minister of Trade and Industry and three co-administrators appointed. Jodi and I are supported by Dr. Tshenge Demana. Jodi is currently the Group Chief Operating Officer at the dti, whilst Tshenge, is the dti's Chief Director, Technical Infrastructure Institutions. The administrators were mandated to conduct a diagnostic analysis of the SABS and develop and implement a turnaround plan for the institution, in consultation with the shareholder.

***Question:** Garth, you were appointed as the Acting CEO of the SABS in September 2018. In your first few months in the role, what have your impressions been?*

Garth: I have been privileged to meet with a significant number of key stakeholders, including the Minister and representatives from **the dti**, various industry organisations, clients and SABS colleagues. Overall, I heard many positive stories, but I also heard about areas for improvement and how hard the SABS had made it to do business with its clients.

The SABS is a business with a great brand and rich legacy. On the positive side, the SABS has many loyal client relationships, dedicated and talented colleagues and a number of leading businesses in the group. However, the business has not delivered on its immense potential and needs to address a number of operational issues to reposition SABS for the future. I do believe that the turnaround plan will produce positive results and, with the right investments and good leadership, the SABS will deliver and exceed on its mandate.

***Question:** Briefly, what does the turnaround plan entail, how is the plan progressing and what were some of the key achievements to date?*

Garth: The co-administrators have undertaken a comprehensive and inclusive process with a wide range of internal and external stakeholders to identify and rectify shortcomings in SABS. The turnaround plan focusses on:

- Ensuring that the development of South African National Standards, the anchor point of the standards and conformity assessment value chain, is significantly upgraded
- Undertaking urgent maintenance of long overdue and high risk critical SABS infrastructure
- Revitalising testing protocols, operations and facilities in key targeted sectors, arising from misguided policy decisions and inadequate investment in testing infrastructure, which in some cases has resulted in a significant loss of capacity, capabilities and client services, confidence and revenue
- Putting in place management and operational systems and consequence management to ensure that serious operational failures including the loss of accreditation and permit expiry processes do not re-occur
- Strengthening institutional finance, governance, policy frameworks and operational plans for the entire institution. In so doing, pay particular attention to the implementation of a digital strategy to secure higher levels of operational efficiency and productivity; increased stakeholder communication and engagement and client satisfaction.

The implementation of the turnaround plan is progressing, albeit at a slow pace. The strategic objectives of the SABS have been reviewed and refined to better align these objectives to the institution's mandate. Furthermore, new key performance indicators for the new financial year were agreed to ensure that the organisation maintains its attention on key focus areas relevant to the SABS objectives. For more on the refined strategy and key performance indicators, refer to pages 16 and 17 of the Integrated Annual Report.

At a project level various initiatives have been completed or are underway. For example, long overdue and critical maintenance on the SABS plant room and energy efficiency testing capabilities have been completed, customer specific requirements or partial testing was reinstated and the filling of critical vacant positions has commenced. The recent confirmation of the SABS' product certification accreditation by both SANAS and RvA was pleasing. A programme to support revenue generation and managing costs has also been implemented and the incremental upgrading of testing infrastructure investment is well underway. In the year R21 million was invested in the new building and laboratory equipment, whilst R57 million has been earmarked in FY2020 as part of phase I of the laboratory upgrade programme. The benefits of these can be expected in the new financial year. Significant work has also been done to address expired permits, however, much work must still be done.

***Question:** How would you describe the overall performance of the SABS for FY2019? Were there any specific highlights, both financial and non-financial? Any lowlights?*

Garth: The SABS understandably had a challenging year. The Bureau achieved 67% of its performance targets as set for the financial year. This performance should be seen against the reality of the SABS being placed under administration and the FY2019 performance targets had been set and approved by the previous SABS Board (for more on the performance targets, see page 63). In some areas the organisation performed well and in others, not.

The development of South African National Standards (SANS) by the SABS is a key service area which is managed on behalf of the South African society and funded by the national fiscus. More than 7 400 SANS are currently maintained and emphasis is placed on developing standards that are aligned to the national industrial priorities. During the year 240 new standards were published of which 130 where locally developed. Although the average number of days to publish a standard increased from 421 days in FY2018 to 497 days in the current financial year, the ratio is distorted by the finalisation of 12 standards which, due to their complexity, took more than five years to complete. Excluding these outliers, the average number of days to publish reduced to 406 days. Going forward, the SABS will seek to bring the development period in line with international best practice of 360 days.

For the financial year, the SABS committed to support ten industrialisation policy standardisation projects. By year-end, eight projects were successfully completed and the remaining two will be completed in the course of the next year.

The SABS is excited to host the next ISO General Assembly in Cape Town in September 2019. The event will bring together more than 600 delegates from across the globe.

Another achievement in the year was the improved engagement between the SABS and the Shareholder – **the dti**. A special word of appreciation must, in this regard, go to the outgoing Minister, Dr Rob Davies and the Director-General, Lionel October.

Besides the internal challenges mentioned previously, the operating environment is characterised by lacklustre national economic growth, low levels of business confidence, and the legacy of policy uncertainty as well as institutional failures in the public and private sector. These have contributed to a decline in expenditure and resulted in increased pricing pressures, which in turn, had an adverse impact on the SABS' revenue.

Total income, including a government grant received of R232.5 million (FY2018: R243.2 million) and other income, totalled R813.3 million (FY2018: R821.8 million). Revenue from services declined by 2.6% to R501.3 million (FY2018: 514.4 million). Benefits from various cost management initiatives contributed to a reduction of 5.9% in total operating expenditure to R847.8 million (FY2018: R901.3 million). Pleasingly, the overall operating loss for the year reduced by 56.7% from R79.5 million in FY2018 to R34.4 million for the year under review. The SABS will continue to consider options to return to profitability. The operating loss for the year was offset by net interest income earned on investments of R30.1 million (FY2018: R29.1 million), leading to net loss for the year of R4.4 million (FY2018: R70.7 million loss).

INTERVIEW WITH THE CO-ADMINISTRATORS (continued)

***Question:** Tshenge, how do you see the SABS' role in supporting South Africa's industrialisation efforts?*

Tshenge: History has demonstrated that industrialisation forms an indispensable if not leading pillar of increasing competiveness and sustained economic development. No country has been able to lift substantial sections of its populations out of poverty without industrialising. In most cases, sustained economic growth has been characterised by an increased value addition, exports and the creation and expansion of a broad and diversified manufacturing sector. Manufacturing-led value addition has numerous and well-recognised multiplier and spill-over effects; it embeds technology-intensity and skills formation as key elements of an upward and inclusive growth trajectory.

Industrial policy is multifaceted in nature, and is comprised of an interlocking set of policies and instruments that traverse the functions of government departments and agencies. Thus, the responsibility for South Africa's industrial effort is a collective one, requiring all departments and agencies to take responsibility for fully aligning their policy and programmes with the broader industrial agenda.

The SABS is the apex national standardisation body in South Africa. The mandate of the SABS includes the development and maintenance of SANS, the provision of conformity assessment activities - certification and testing - as well as local content verification. In the execution of its mandate SABS recognises that policy and programme alignment with its sole shareholder, **the dti** is critical. In keeping with the government's policy perspectives, which includes the National Development Plan, the SABS must maintain, build and, in some cases, rebuild its collaborative partnerships with the private sector – its clients and stakeholders. These efforts to grow the domestic economy often rely upon the provision of cost competitiveness, efficient and professional services which the SABS should deliver.

The key to industrial policy is how effectively it can adapt to a very dynamic environment. Furthermore, the impact of the new digital industrial revolution has already posed massive challenges to the national system of skills, science and technology (including technology transfer and diffusion) and the infrastructure required for advanced communication and production. The SABS will be increasingly required to develop and maintain progressive national standards to meet the demands of a changing world, aligned to government's industrial policy perspectives. In so doing SABS must also review its conformity assessment practices to ensure that it remains relevant and can meet stakeholder expectations and requirements, including with respect to support for South African exports.

Finally, the SABS as the appointed World Trade Organisations' (WTO) "Technical Barriers-to-Trade" (TBT) enquiry point in South Africa, must focus on disseminating relevant information on time as well as serving stakeholders, which includes industry players and government institutions, allowing them to successfully participate in international trade.

***Question:** At a time when governance-related matters at many public entities are under the magnifying glass, what steps are being taken to strengthen governance?*

Tshenge: We need to recognise that a breakdown in governance oversight also contributed to the SABS being placed under administration. Part of the co-administrator's responsibilities include the review of key governance polices and related structures as well as to recommend areas for improvement to the new Minister. In the execution of our duties we are also supported by three co-opted Audit and Risk Committee members, some whom are independent of government. The Audit and Risk Committee's report is available on page 55 of the Integrated Annual Report.

It is anticipated that the Minister will appoint a new board in due course who, will then, commence the appointment of a full-time CEO. A new board governance framework, including sub-committees will then also be formalised.

***Question:** What does the year ahead hold for SABS?*

Garth: Alongside our many stakeholders, we continue our work to build a resilient and sustainable SABS. This means an institution that achieves operational and policy coherence, supports government's industrialisation effort and provides the best customer experience, improved returns and performance. It also means that the SABS supports industry to become more competitive to secure entry into new markets; the public is kept safe through the provision of quality products and services; infrastructure is maintained and upgraded; systems and processes optimised; employees are engaged and that the highest levels of institutional governance is maintained.

***Question:** In closing, any final comments?*

Garth: The SABS has been through a difficult year but I have no doubt that the measures put in place by the co-administrators will bear fruit. My sincere thanks to each of my fellow co-administrators for their contribution and additional work arising from these difficult circumstances. Their sound counsel and solid advice over this period has been invaluable to both me and the SABS.

A special word of thanks to Dr Rob Davies, the previous Minister of Trade and Industry for his support and guidance.

Jodi: I would like to extend a special word of thanks to the executive management team for all their hard work and extra effort to take the SABS through this difficult period. Underpinning the ability to deliver on the strategy and objectives, has been the relentless focus and dedication of the SABS employees. The amazing people across the Bureau, have displayed a strong commitment to fostering teamwork, driving accountability, creating a resilient business and showing good-natured enthusiasm in the execution of their duties. I thank each and every employee for this commitment which provides the foundation for ensuring the SABS' continued success. And finally, I would like to thank the SABS clients for their loyalty and support.

SABS LEADERSHIP

Executive management

Garth Strachan (66)
Acting Chief Executive Officer

Date appointed as executive:
7 September 2018

Date appointed to SABS:
7 September 2018

Qualification:
Master of Science:
Public policy and finance

Tina Maharaj (38)
Chief Financial Officer

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

Date appointed to SABS:
1 September 2017

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

Ian Plaatjes (52)
Chief Digital Officer

Date appointed as executive:
8 July 2015

Date appointed to SABS:
8 July 2015

Qualification:
Diploma: Electronics,
BA (Psychology),
Higher Diploma:
Management MBA

Johan Louw (44)
Executive:
Laboratory services

Date appointed as executive:
1 February 2018

Date appointed to SABS:
1 February 2018

Qualification:
B. Engineering (Chemical),
B. MOT (Management of Technology, Honours)

Sadhvir Bissoon (46)
Executive: Enterprise Development

Date appointed as executive:
1 August 2011

Date appointed to SABS:
1 August 2003

Qualification:
D-Tech (Biotechnology)

Amanda Gcabashe (42)
Executive: Certification

Date appointed as executive:
1 September 2016

Date appointed to SABS:
1 June 2011

Qualification:
B.Com

Lizo Makele (48)
Executive: Human Capital

Date appointed as executive:
1 July 2018

Date appointed to SABS:
1 July 2018

Qualification:
MBA, BTech (HR Management),
National diploma in Human Resource Management, MDP

Zingisa Motloba (45)
Executive: Standards

Date appointed as executive:
1 September 2017

Date appointed to SABS:
1 September 2017

Qualification:
BA, LLB, MAP, Admitted Attorney

1. As at 31 March 2019
2. A list of directorships are available from the Acting Company Secretary

OPERATING CONTEXT

The operational environment of SABS is influenced by a wide range of factors, with the most significant set out below.

Legislative and policy mandate

SABS is an entity operating under a legislative and government policy mandate. Global economic integration, increased consumer awareness of quality, safety and health risks and intensifying environmental concerns are putting pressure on all countries to ensure that they have a sound technical infrastructure framework, otherwise known as a Standards, Quality Assurance, Accreditation and Metrology (SQAM) framework of institutions, in place. This term refers to all fields of standardisation, testing, metrology, accreditation, certification and conformity assessment.

In a rapidly changing business and industrial environment it is crucial for the domestic South African economy to stay abreast of the latest developments in technology and innovation, trade and the regulatory environment. Participation in technical infrastructure activities, from both a technical and strategic perspective, affords firms, technical experts, industry associations and economic actors in general to stay abreast of the dynamics of a rapidly changing world, particularly in the context of the digital or fourth industrial revolution.

The role of a well-functioning technical infrastructure system is critical component of the international trading system. This is evidenced by the World Trade Organisation's (WTO) acknowledgment that such a system could, by basing its norms and standards on those developed by international standards, metrology, legal metrology and accreditation bodies, facilitates the reduction of technical barriers-to-trade and unfair trade practices amongst trading partners.

The international trading system requires that exporting countries, South Africa included, keep up to date with fast changing trade measures and regulations. In order to take advantage of export opportunities, a solid technical infrastructure system is an absolute requirement, one which is on par with global best practice and which is able to secure ongoing market access and entry into global value chains.

In the domestic market, meeting technical requirements is increasingly important and ensures that products and services are competitive and do not pose a health and safety risk to consumers and the environment. This internationally accepted system serves as a tool for conformity assessment to mitigate the risk of exclusion of products and services destined for both the local and the export markets.

In South Africa, technical infrastructure or quality infrastructure is based on a network of closely related and interlinked entities - the South African National Accreditation System (SANAS), the National Regulator for Compulsory Specifications (NRCS), the South African Bureau of Standards (SABS) and the National Metrology Institute of South Africa (NMISA). From an over-arching policy perspective, the technical infrastructure entities in South Africa must support re-industrialisation, technology-intensive and sustainable environmental production. The SABS has an important mandate to provide standardisation, conformity assessment and local content verification services to enable the achievement of the industrial, economic and developmental objectives of the country.

Implications for the SABS

It is imperative that SABS is aligned with and proactively supports the government, in a close collaborative effort with the private sector, in the complex task of the re-industrialisation and the national effort to overcome the deep-seated structural problems which characterise the economy.

Such a scaled up effort requires a coherent and well managed turnaround strategy for the institution to ensure that it achieves a greater level of financial sustainability; a cost effective and efficient delivery of services across the conformity assessment and standards spectrum and higher levels of investment in infrastructure and equipment to enable SABS to deliver on its mandate in a close collaborative relationship with all its stakeholders in the public and private sector.

Strategic response

- Develop, promote and increase the use of standards
- Provide integrated conformity assessment service solutions
- Continuous improvement in internal systems and process

Economic outlook

According to the South African Reserve Bank's March 2019 Quarterly Bulletin, the South African economy remains under pressure. Real economic growth slowed from a revised 2.6% in the third quarter of 2018 to 1.4% in the fourth quarter. The real gross value added (GVA) by the primary sector contracted for a fourth successive quarter, while output growth slowed in the secondary and tertiary sectors. For 2018 as a whole, growth in real gross domestic product (GDP) moderated to 0.8% from an upwardly revised 1.4% in 2017. South Africa's GDP per capita has decreased since 2015, consistent with the current downward phase of the business cycle.

Given the government's structural reform agenda, the growth outlook for 2019 and 2020 appears more optimistic, albeit still at levels below what is required to support large-scale reduction in unemployment, poverty and inequality. The World Bank in its South Africa Economic Update, January 2019, expects an acceleration in growth of 1.3% in 2019 and 1.7% in 2020 in South Africa.

Implications for the SABS

The weak economic outlook for South Africa means subdued growth in key sectors that utilise SABS conformity assessment services such as mining, construction and manufacturing. This will have an adverse impact on the organisation's revenue. The weak economic conditions means the organisation is confronted with a very challenging business environment. Increasingly, the SABS must focus on promoting and increasing awareness of standardisation amongst decision makers across the economy. It is also imperative that the SABS markets and provides quality certification and conformity assessment services as a vital pillar of the reindustrialisation effort.

Strategic response

- Develop, promote and increase the use of standards
- Provide integrated conformity assessment service solutions

Competitive landscape

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

Implications for the SABS

In order to continue to secure its place as the apex standards and conformity assessment institution in South Africa and maintain its relevance and competitiveness in the market. SABS must also continuously invest in new equipment, systems and processes.

Strategic response

- Provide integrated conformity assessment service solutions
- Continuous improvement in internal systems and process
- Creating and maintaining a high-performance culture

OPERATING CONTEXT (continued)

Advancement in technology

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

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

Implications for the SABS

The SABS must embrace the enormous challenges of the digital industrial revolution. This requires that SABS utilises new technology platforms and equipment to deliver seamless services more efficiently and effectively. It also requires that the SABS adapts very rapidly to the enormous disruptive impacts and quantum leaps in technology in the economy with respect to design, high technology automation and production, products and systems that the digital industrial revolution has already and will increasingly bring about.

Strategic response

- Develop, promote and increase the use of standards
- Continuous improvement in internal systems and process
- Provide integrated conformity assessment service solutions

Environmental responsibility

Sustainable economic and industrial development is a key objective set out in a range of government policy framework documents and as a requirement for South Africa to meet its commitments to COP17. This requires, amongst other considerations, a just transition to a less carbon intensive energy programme; policies and programmes to minimise environmental degradation including with respect to the use of water, measures to minimise air pollution as well as a wide range of waste management and recycling policies and systems across the industrial economy. Disruptive technologies and 'circular economies' in water recycling and sanitation; energy generation and efficiency; manufacturing processes; resource exploitation; transport and logistics; waste management and recycling and other factors - create enormous opportunities and pose certain risks for SABS and its ability to keep pace with these developments across its service offering.

Implications for the SABS

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

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

Strategic response

- Continuous improvement in internal systems and process
- Develop, promote and increase the use of standards

Increase in regulatory compliance

In the global and domestic market, companies operate in a more challenging environment with increased geo-political and trading environment uncertainty, increasing and complex regulatory requirements, including important environmental and societal challenges and expectations. Regulations relating to occupational health and safety, environmental protection, data privacy and localisation continue to evolve, contributing to increased obligations for all organisations.

Internally, failure to comply with these requirements could have an adverse financial, operational and new business impact on SABS.

Implications for the SABS

The regulatory environment continues to evolve. This exposes the SABS to various and greater risks but also provides opportunities for greater and more competitive service provision to clients. For example:

- Workplace safety and environmental regulations require companies to continuously invest in adequate safety and environmental safeguard infrastructure and technologies. Implementing standards are an effective mechanism for companies to implement best of class in various systems and processes. As a conformity assessment service provider, the SABS is well placed to support these enterprises.
- Evolving technology trends, including high internet usage and cloud computing have increased the need for connectivity and have subsequently magnified the importance of protecting information. Protecting the organisation's information from unauthorised disclosure, theft, loss, destruction and alteration is as important as protecting ICT infrastructure from virus and similar attacks. The regulatory framework in ICT is extensive and includes key legislation, amongst others, the Promotion of Access to Information Act No. 2 of 2002 (PAIA), the Electronic Communications and Transactions Act No. 25 of 2002 (ECTA) and the Regulation of Interception of Communications and Provision of Communication-related Information Act No. 70 of 2002 (RICA).

Strategic response

- Develop, promote and increase the use of standards
- Provide integrated conformity assessment service solutions
- Continuous improvement in internal systems and process

ENGAGING WITH SABS STAKEHOLDERS

SABS is committed to transparent reporting in line with its duty to all material stakeholders. It therefore engages regularly with stakeholders to understand their perceptions, needs and concerns to determine future trends, possible risks, identify material issues and support the organisation's strategy development.

As the SABS fulfils a dual role of developing and maintaining national standards as well as providing conformity assessment services, engaging stakeholders is critical to the design and implementation of SABS' strategy.

In prioritising material stakeholders, SABS applies the following criteria:

- Stakeholders to whom SABS provides national public good services and commercial services
- The degree to which it depends on the stakeholders' support in achieving the strategic goals
- The extent to which these stakeholders can impact on organisational performance
- The relative importance of the stakeholder for the SABS as a whole, rather than for specific business functional areas
- The risk exposure for the SABS should its engagement with stakeholders be incomplete

The table below provides an overview of the material stakeholders, why they are important, their interest in the business and how the SABS engages with each group.

Stakeholder group	Why they are important	Their interest in the SABS business	How the SABS engages	Link to strategic objective(s)
Shareholder representative **(the dti)**	• Alignment of government policy and organisational activities to national priorities. Approval of the annual Corporate Plan • Assessment of resources necessary to deliver on the mandate and expected socio-economic impact • Source of grant funding to support various development activities	• Execution of the SABS' standards development role including industrialisation and the standards action plan • Long-term sustainability and financial performance • Effective application of grant funds • Promotion of standards in the wider African region • Reputation	• Regular meetings with the Minister of Trade and Industry and **the dti** (Industrial Development Division) • Periodic reporting on strategic and operational matters	Develop, promote and increase the use of standards Provide integrated conformity assessment service solutions Achieve and maintain financial sustainability
Employees	Engaged and motivated employees provide the skills and expertise to support SABS objectives	• Security of employment • Reward and recognition • Career progression • Education and training • Transformation • Corporate reputation	Staff engagement at numerous levels, such as performance reviews, training and development needs analysis	Achieve and maintain financial sustainability Creating and maintaining a high-performance culture
Clients and industry associations	• Users of SABS products and services. Source of revenue and cash flow to support financial sustainability • Key participant in technical committees and SABS forums as part of the standard setting process • Involved in various ministerial and **the dti** forums. Influences perception of SABS	• Supply of quality and timely solutions to meet client needs • Good corporate citizenship • Reputation	• Contract and service agreements • Meetings • Industry conferences • Satisfaction surveys • Standards setting forums	Provide integrated conformity assessment service solutions Continuous improvement in internal systems and process Develop, promote and increase the use of standards
International and regional standards bodies	• Participation in the development of international standards • Promotion and application of standards in the African region - contributes to the development of the South African economy	• Application of international standards locally • SABS seen as a key partner in the development of standards in Africa	• Membership to ISO, IEC, ARSO and SADCSTAN • Meetings • Standards forums	Develop, promote and increase the use of standards
Government and regulators	Develop legislation and policies that directly impact the SABS business. Provides the enabling regulatory framework in which the SABS operates	• Job creation • Legislative and regulatory compliance • Socio-economic impact • Environmental compliance • Transformation • Effective application of grant money	Regular communication, meetings with and reports to: • Standing Committee on Finance • Select Committee on Finance • National Treasury • Department of Labour	Develop, promote and increase the use of standards Achieve and maintain financial sustainability Continuous improvement in internal systems and process
Society	• End-user or beneficiaries of many of the products tested for quality sold by the SABS' clients • Holds the SABS accountable to be a responsible corporate citizen in terms of social, environmental and governance matters	• Reputation of the SABS Mark Scheme • Effective application of grant money • CSI and socio-economic development projects • Opportunities for employment and business • Transformation	• Project specific engagements	Continuous improvement in internal systems and process

REFOCUSED SABS STRATEGY

The SABS is the apex national standardisation body in South Africa and its mandate includes the development and maintenance of South Africa National Standards (SANS), the provision of conformity assessment activities, including certification, testing, local content verification and training.

In the execution of its mandate SABS recognises that policy and programme alignment with its sole shareholder, the Department of Trade and Industry is critical. In addition and in keeping with government's policy perspectives, including the National Development Plan (NDP), SABS must maintain, build and in some cases rebuild its collaborative partnerships with the private sector – its clients and stakeholders whose efforts to grow the domestic economy often rely upon the provision of cost competitive, efficient and professional services which SABS delivers.

Over the past few years, the SABS has been confronted with various challenges that have impacted on its ability to effectively execute its mandate and remain financially sustainable. These challenges included: industry complaints regarding standards development, inability to retain customers and growing expenditure base as well as a high employee attrition rate and inadequate skills levels. For more on these, refer to the Interview with the co-administrators on pages 6 to 8. These factors contributed to declining revenue and impacted the financial positions of the SABS. For the past two years, the SABS recorded net losses of R48 million in FY2018 and R44 million in FY2017. Clearly this trend is unsustainable. The ability of the SABS to remain as a going concern into the immediate future was also raised by the Auditor-General South Africa (AGSA) in their 2017/18 auditor's report.

Following the decision by the Minister of **the dti** to place the SABS under administration, the three appointed co-administrators developed and implemented a turnaround plan for the institution. As part of this strategy of the SABS was refocused to better align the organisation to its mandate and its sole shareholder, improve the standards development processes, create a value proposition to increase and retain customers, return the organisation to financial sustainability, as well as establish a high-performance culture.

The diagram below summarises the refined strategic objectives for the SABS as well as the key performance indicators and targets for 2019/20 to 2021/22. For more on the performance of the SABS on its 2018/19 approved strategic objectives, refer to pages 62 and 63.

Overview of SABS strategy

	Strategic objectives
VISION **To be the trusted standardisation and quality assurance service provider of choice**	**Develop, promote and increase the use of standards** Core to the mandate of the SABS is to develop and maintain SANS. National Standards are a critical pillar of a wider suite of industrial policy measures set out in government's industrial policy. The SABS Mark is and should increasingly be a mark of quality in the domestic and export markets. Standards are also a key enabler for the introduction of innovation and new technologies to build higher levels of competitiveness.
MISSION **The SABS provides standards and conformity assessment services to contribute towards the efficient functioning of the economy**	**Provide integrated conformity assessment service solutions** Provide conformity assessment solutions across the value-chain and be the partner of choice in these service offerings.
	Achieve and maintain financial sustainability Achieve and maintain group profitability to support long-term growth.
	Continuous improvement in internal systems and processes Improve operational efficiencies through process optimisation and the creation of new and more efficient ways of working and customer engagement models
	Creating and maintaining a high-performance culture SABS employees are its most valuable resource and SABS is committed to attracting, developing, retaining, and rewarding its most competent and professional staff. In doing so SABS will continue to meet its commitments to race and gender transformation at the work place.

Key performance indicators

Output	Indicator	Target FY2020	Target FY2021	Target FY2022
Standards development				
Alignment of the standardisation programme to industrialisation programme and IPAP sectors	% deliverables completed as per the IPAP Plan	80%	80%	80%
Reduce the number of days to publish a standard	Average number of days to publish a standard	400 days	380 days	360 days
Standards development				
SMME and entrepreneurship development	Number of SMMEs and Black Industrialists that received design, innovation and conformity assessment services	80	90	100
Supporting the economic participation of designated groups	% of women, youth and people with disabilities supported • % of women supported • % of youth supported • % of people of disabilities supported	50% 30% 2%	50% 30% 2%	50% 30% 2%
Improvement in overall customer satisfaction with SABS services	Customer satisfaction rate	75%	80%	80%
Attract and retain customers	Increase in number of active customers	Maintain 2018/19	5% annual increase from prior year	5% annual increase from prior year
Increase group revenue from services	Group revenue generated	R614 million	R731 million	R829 million
Maintain financial sustainability of SABS Group	Net profit of SABS Group	Loss of R66 million	R3 million	R43 million
Improve turnaround times in Laboratory Services division	% achievement of contracted delivery times	80%	80%	80%
Improve cost-to-income ratio of SABS Group	Cost-to-income ratio of SABS Group	111%	103%	99%
Maintain relevant accreditation	Maintain relevant accreditation	Maintain	Maintain	Maintain
Continuous development of employee skills to improve competency levels	Total training spend as a percentage of the budget	60%	70%	80%
Improve employee engagement	Employee engagement rate	Rating of 3	Rating of 3	Rating of 3

MANAGING RISKS

Enterprise risk management is an integral part of the SABS' efforts towards opportunity maximisation. The Accounting Authority actively manages risk in pursuit of organisational goals and objectives. The Accounting Authority also recognises that the realisation of its mandate depends on the ability of the leadership team to effect innovative and bold steps to transform the institution into a highly professional services institution, as well as, mitigate the risk of compromising the SABS' legislative mandate and delivery of quality service to all stakeholders, including those which are considered national public good services for which there is not a significant commercial return on investment.

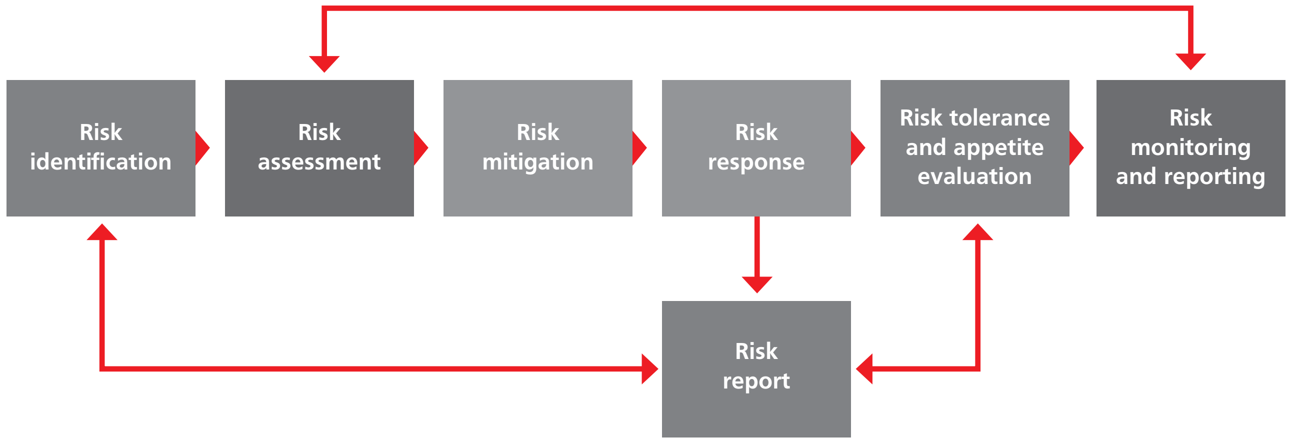
Risk management

The SABS adheres to the risk policies and processes aligned to the King Code of corporate governance. The Audit and Risk Committee is responsible for risk management oversight. The organisation has adopted an enterprise-wide risk management (ERM) approach to the management of risks impacting the strategic and operational objectives of the organisation. The risk and compliance department, headed by the Chief Risk Officer, is responsible for the ERM portfolio and is tasked to implement effective and efficient systems of risk, ethics and compliance management in the SABS in line with the 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

SABS' Risk Management Framework



Combined assurance - Five lines of defence framework

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

Material risks and mitigation strategies

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

Risk	Residual risk	Movement in risk from FY2018	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 SABS testing capability • Strengthening of cost containment measures • Establish new business opportunities • Upgrading the aging 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
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 a 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 aged infrastructure	Continuous improvement in internal systems and process
Loss of accreditation	High	Risk increased	• Implement annual action plan for maintenance of accreditation status in Laboratory and Certification operations • Appointment and development of competencies (technical signatories)	Continuous improvement in internal systems and process Creating and maintaining a high-performance culture
Inadequate legislative compliance & legal action, including fraud and corruption	Medium	Risk unchanged	• Detailed compliance gap analysis of relevant legislation. Implement plans to closeout legislative compliance gaps • Ongoing monitoring and evaluation of legislative compliance • Legal action and litigation management • Conduct minimum anti-corruption capability assessment • Implement anti-corruption and fraud prevention implementation plan (including awareness) • Conduct fraud and ethics risk assessments • Develop and implement ethics management strategy • Investigations and reporting	Continuous improvement in internal systems and process

MANAGING RISKS (continued)

Risk	Residual risk	Movement in risk from FY2018	Key mitigation actions in place or being planned	Strategic response
Inadequate management of talent and performance	High	Risk unchanged	• Implement a performance management compliance framework to reinforce governance, compliance and improved culture • Implement a performance management system in line with the timeframes and other requirements, conduct compliance analysis and escalate non-compliance for management action • Implement a talent management strategy with more focus on the following key initiatives: - Development of core and critical skills matrix and conducting skills gap analysis - Revise and implement the talent sourcing plans to attract and retain skills	Creating and maintaining a high-performance culture
Health, safety and security	Medium	Risk unchanged	• Health and safety training (health and safety representatives, incident investigation, legal liability compliance, induction) • HSE risk assessments and medical surveillance • Design security system • Implement interim physical security measures	Continuous improvement in internal systems and process
Inadequate modernisation, integration of systems and ICT security	High	Risk increased	• Implementation and effective monitoring of the SABS Digital Transformation plan • Enhance the Information Security Management System (ISMS) implementation to establishing an ISMS that is in line with industry standard (ISO 27001) • Enterprise Vulnerability Management to manage ICT risks at an acceptable level through identification and treatment of risks • ICT security performance and continuous improvement to review of ICT security controls and their effectiveness	Continuous improvement in internal systems and process
Standards development	Medium	Risk unchanged	• Develop and implement the Standards Strategy • Develop and implement the Standards Development Project Management Plan • Implement Standards Stakeholder engagement plan for improved relations	Develop, promote and increase the use of standards Continuous improvement in internal systems and process
Funding of local content and regulatory services (vehicle test station)	Medium	Emerging risk	**Local Content Verification Programme** • Develop and implement a funding model for verification to be conducted in terms of the PPPFA. In the interim, apply grant funding allocated by **the dti** to the SABS to the programme. • Pursue winning bidders to fund local content verification (case-by-case, winning bidder or procuring organ of state funding arrangements) **Funding of vehicle test station** • Propose to the National Department of Transport for increase in the fees for Vehicle Test Stations	Achieve and maintain financial sustainability
Business continuity (business Interruption)	Medium	Emerging risk	• Review and testing of emergency response procedures • Investigate and implement generators and uninterrupted power supply for critical laboratory equipment and SABS regions • Development of recovery strategies • Development and implementation of Enterprise Business Continuity Management Programme which includes business continuity and crisis communication plans	Continuous improvement in internal systems and process

PERFORMANCE AND OUTLOOK

OPERATIONAL REPORTS

STANDARDS DIVISION

Business overview

Business objective

Developing, maintaining and promoting South African National Standards (SANS) is the primary function of the Standards division of the SABS. While government needs national standards to catalyse economic activity to achieve societal benefits, support local manufacturers to be able to compete in the domestic and overseas markets; industry and consumers in turn need standards to support innovation, protection against poor quality products, to comply with societal expectations, and to lower the cost of production.

Products and services

- Develop and maintain SANS, SATS and SATR
- Represent South Africa in International and Regional standards organisations such as ISO, IEC, ARSO, SADCSTAN, AFSEC and PASC
- Sale of standards
- Economic impact assessment of standards published
- SABS is the designated authority to the World Trade Organisation's "Technical Barriers-to-Trade" (WTO/TBT) enquiry point in South Africa

Performance overview

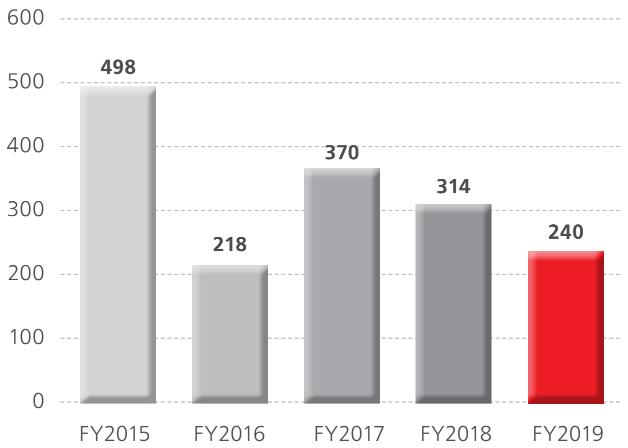
Performance highlights

- Published 240 standards
- 2 803 participants in technical committees
- Delivered eight out of 10 IPAP deliverables against a target of 80%
- Increased the engagement and support to regional standard setting bodies, most notably with Swaziland, Botswana, Namibia and Ethiopia
- Overall customer satisfaction score of 82.0% (FY2018: 83.2%)
- Revenue from the sale of standards of R25.9 million increased by 10.3% compared to FY2018
- Appointed as the host for the 2019 ISO General Assembly to be held in Cape Town in September 2019

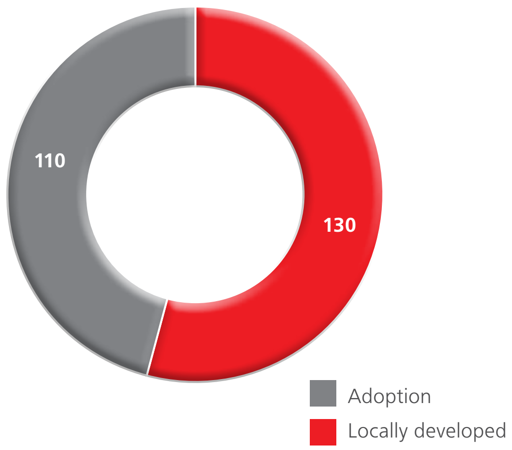
Performance lowlights

- Turnaround times for publishing standards has deteriorated to 497 days. The turnaround days was impacted by the finalisation of 12 long-term projects which took between 1 854 and 3 296 days to publish. Excluding these, the average turnaround totalled 406 days, which reflects an improvement compared to the 421 days achieved in FY2018.

Total number of standards published

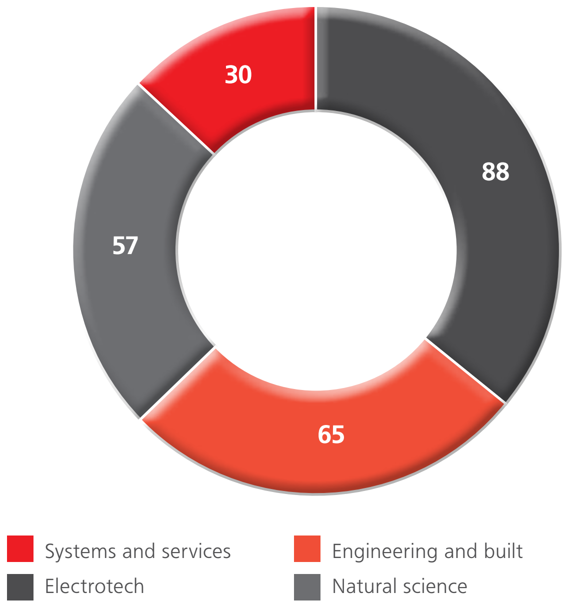


Locally developed versus adoption

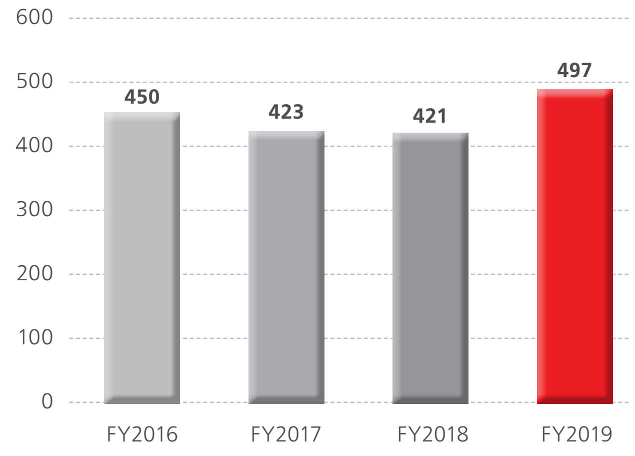


Locally developed standards are standards initiated and developed by local experts tailored for the local application to support growth of local industries and also ensuring capacity for exports.

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

		FY2019	FY2018
Staff	Number	**82**	96
Total standards maintained	Number	**7 440**	7 420
Technical committees meetings held	Number	**174**	194
Participants in technical committees	Number	**2 803**	2 660
Technical committee satisfaction index	%	**75.4%**	74.1%
Standards published			
• Locally developed	Number	**130**	147
• Adoption	Number	**110**	165
Days to publication (turnaround times)	Days	**497**	421
Standards in various stages of development (at year end)	Number	**766**	660
Sale of standards	Value	**R25.9 million**	R23.5 million
WTO/TBT			
• Total subscriptions	Number	**308**	296

The year ahead

- Refocusing and strengthening technical committee output and productivity, including:
  - Standards development in key industrial policy sectors particularly agro-processing, mineral beneficiation, upstream mining capital equipment, energy efficiency and waste management and transport
  - Improve the interface with government regulators and industry to ensure alignment of efforts, including identification of and work with all regulatory institutions where SANS can support industrial and economic development
- Forge new and strengthen existing regional and international stakeholder relationships (ISO, IEC, SADC, ARSO) to increase standards harmonisation, trade relationships (market access) and strategic partnerships in line with national priorities
- Promoting standardisation through stronger communication and marketing to increase awareness of standards and the centrality thereof in support of inclusive growth, opening up of markets and job creation

OPERATIONAL REPORTS (continued)

CERTIFICATION

Business overview

Business objective

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. 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 system and product certification (Mark Scheme)
- Local content verification in terms of the implementation guidelines of the recently published Mining Charter as well as fulfil 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

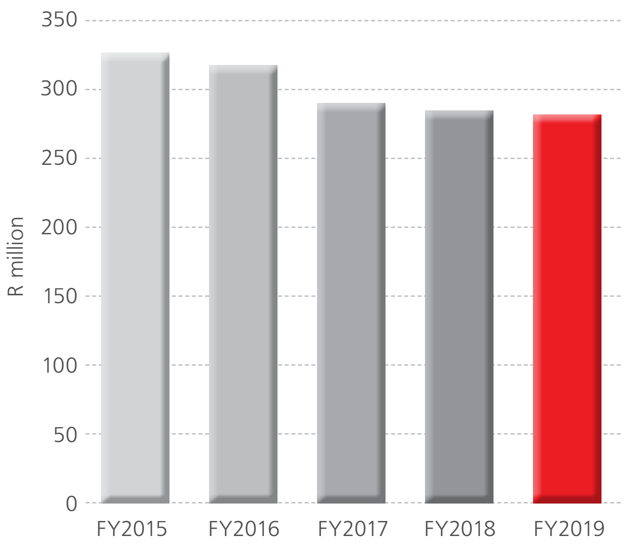
Performance highlights

- Maintained SANAS and RvA accreditation (SABS' main accreditation agencies)
- As part of the Local Content Verification programme, SABS conducted 28 tender verifications in terms of the PPPFA at 16 government institutions. In addition 13 products verifications in terms of the Mining Charter was conducted.
- Customer satisfaction rating improved to 78.4% (FY2018: 76.9%)

Performance lowlights

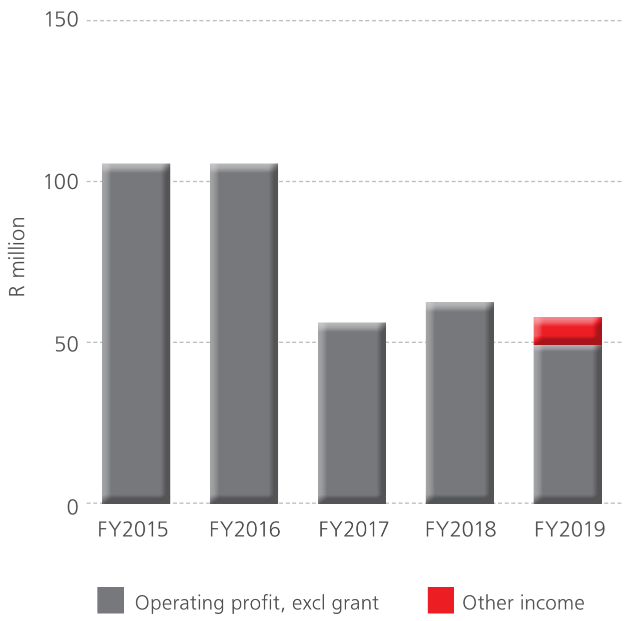
- 3.3% decline in revenue to R281.4 million
- Operating profit marginally down to R61.2 million (FY2018: R65.7 million) in a challenging economic operating environment
- Loss of IATF accreditation which compromises the SABS ability to support the automotive industry
- The funding model for the local content verification to be conducted in terms of the PPPFA has not yet been concluded. In the interim, the SABS utilised R11.3 million of funds allocated by **the dti** for work concluded in the year.

Revenue



Includes inter group sales of R3.4 million

Operating profit



By the numbers

		FY2019	FY2018
Revenue	R million	**281.4**	290.9
Operating profit	R million	**61.2**	65.7
Staff	Number	**204**	179

The year ahead

Third party management systems certification is increasingly becoming a critical tool for market access globally. Certification by an accredited certification body demonstrates compliance to a standard, an industry specific code of practice or regulatory requirements, and is an important business improvement and sustainability tool. As South Africa continues to drive localisation as an industrial policy instrument, the provision of product and systems certification services, aligned with local content verification in an efficient and globally competitive manner, will be critical in supporting the industrialisation effort and the creation of a globally competitive industrial capacity in the country.

Key initiatives planned include: introducing new industry focused certification schemes; localisation of certification schemes aimed at supporting designated sectors; roll out of local content verification in support of mining houses' Mining Charter obligations as well as roll out of a proactive voluntary local content grading systems.

OPERATIONAL REPORTS (continued)

LABORATORY SERVICES

Business overview

Business objective

SABS' laboratory (or testing) activities provide an extensive array of testing, 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. Operations are split across five business lines: electrotechnical, automotive and mechanical, mining and minerals, food and health, and chemicals and materials.

Products and services

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

Performance overview

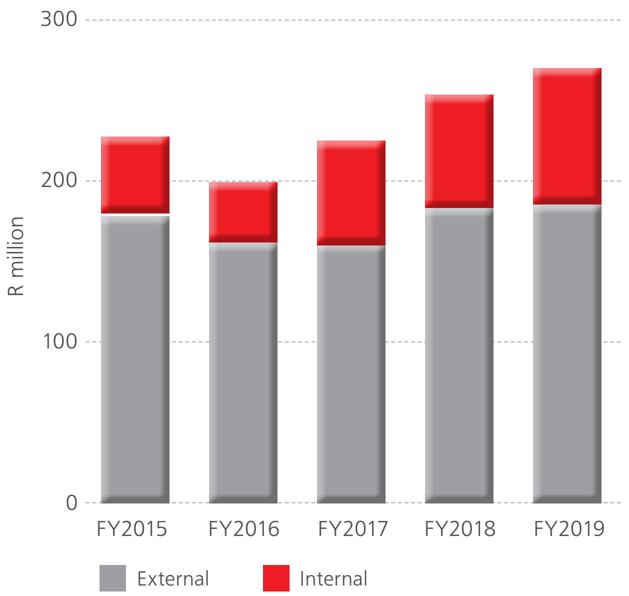
Performance highlights

- Revenue, including inter-group sales, increased by 5.6% to R270.9 million
- Successful launch of customer specific requirements (CSR) testing
- Introduced phase 1 of the equipment renewal programme to the value of R57 million
- Three additional laboratories recommended for SANAS accreditation (SANS 17025:2005). No laboratories' lost any accreditation in the year
- Chromatographic; explosives, prevention and technology as well as the lighting technology business units were awarded 20-year commendations from SANAS and recognised in various publications
- Completed the review of the operational procedures and successfully implemented the SANS 17025:2018 Risk-based Laboratory Management System.

Performance lowlights

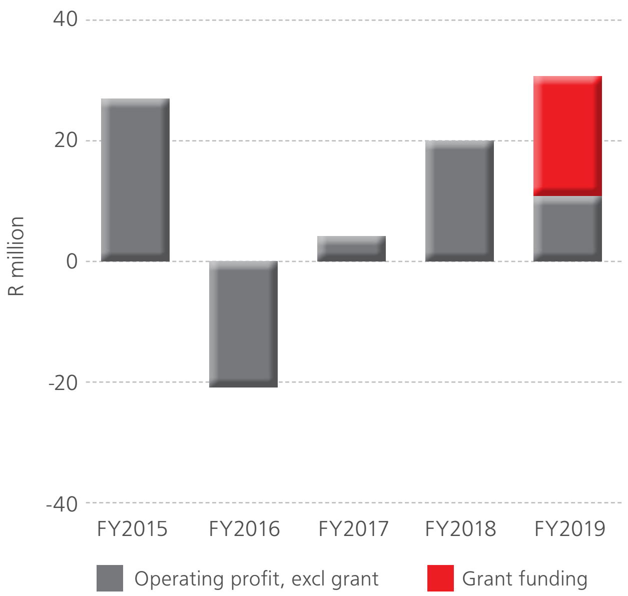
- Operating profit, excluding grant funding of R20 million, declined by 36.6 % to R12.2 million, driven by:
  - Loss of revenue due to lack of consistent laboratory testing conditions - caused by infrastructure breakdowns, power outages and delayed commissioning of the plant room post shut down for maintenance
  - Lower than expected market volumes
  - Closure of the Sudor and Mimosa laboratories due to termination of the customer contract
- Loss of critical skills, including testing officers
- Customer satisfaction rating of 57.2% (FY2018: 58.9%)

Revenue, excl grant



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

Operating profit



By the numbers

		FY2019	FY2018
Revenue, including inter-group	R million	**270.9**	255.8
Operating profit (excl grant of R20 million)	R million	**12.2**	19.3
Test laboratories	Number	**28**	30
Staff	Number	**319**	314

The year ahead

The SABS' laboratory services division has in recent years been challenged by aging infrastructure and equipment as well as difficult economic conditions. Furthermore, ever increasing competition in the commercial testing space and challenges to retain skills have left many laboratories at a point of marginal capability to operate, eventually rendering several operating at a loss. Consequently the focus for the forthcoming year will be on:

- The implementation of an infrastructure and equipment renewal programme aligned to the Industrial Policy Action Plan and the approved SABS turnaround plan
- Continue the phased roll-out of customer specific requirements testing
- Seek new business development opportunities in the following markets: automotive and mechanical (mostly civil testing), chemicals and materials, electrotechnical as well as mining and minerals
- Complete transition to SANS 17025:2018 accreditation
- Improved overall customer engagement and operational efficiencies through business intelligence reporting and digitisation solutions

OPERATIONAL REPORTS (continued)

TRAINING ACADEMY

Business overview

Business objective

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

Products and services

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

Performance overview

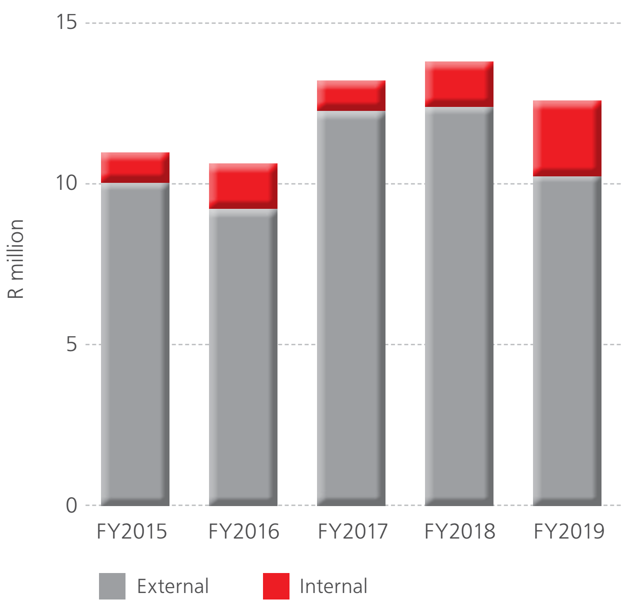
Performance highlights

- Launched four new training courses in the year in the fields of food safety management systems, occupational health and safety management systems (two courses), and finally the transition from ISO 17025: 2005 to ISO 17025:2017
- Operating profit generated of R0.9 million, the first in five years
- Customer satisfaction rating of 84.0% (FY2018: 85.2%)

Performance lowlights

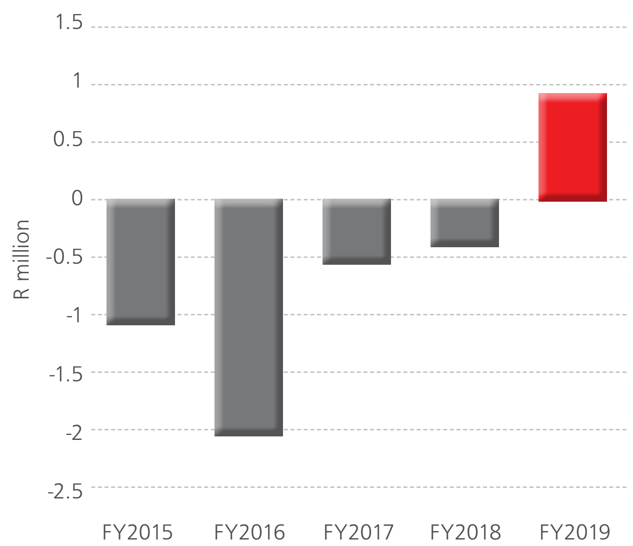
- On the back of the declining economic environment, the Academy experienced a decline in training spend by customers, as well, intensified pricing competition from other training providers. Consequently, total revenue, excluding inter-group revenue, declined by 17.9% to R10.2 million.

Revenue

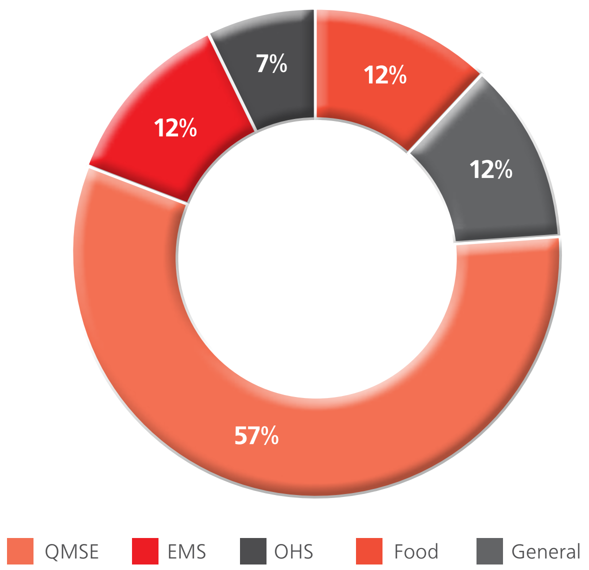


Internal revenue comprises, revenue generated from training provided to employees across the group

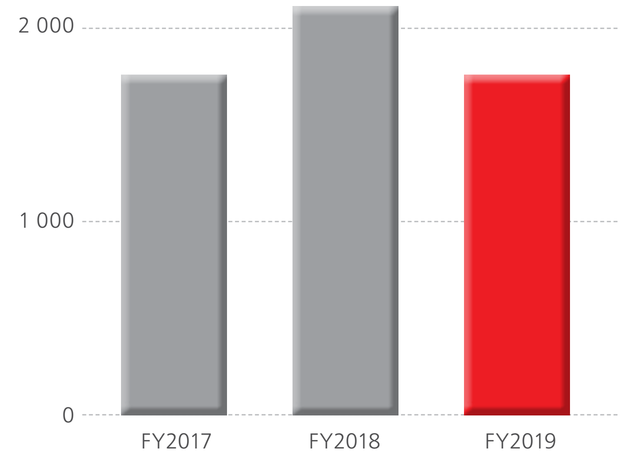
Operating profit/(loss)



Training by type



Number of trainees



By the numbers

		FY2019	FY2018
Revenue, including inter-group	R million	**12.2**	13.9
Operating profit/(loss)	R million	**0.9**	(0.4)
Trainees (internal and external)	Number	**1 765**	2 088
Staff	Number	**12**	10

The year ahead

Significant growth opportunities exist in the training sphere. Locally the SABS will seek to leverage technology to deliver training through blended and e-learning platform, implementing the internal digital transformation, including digital marketing, to support improved engagement with trainees and enhance operational efficiencies as well as boosting partnership with government entities in support of the need to develop management and technical skills of public sector employees.

The African region, beyond South Africa offers a significant market for the development of standardisation and technical skills of its people. The Academy will broaden its footprint into the continent through innovative marketing and sales strategies, with tailored value propositions that meet the unique needs of clients.

DESIGN INSTITUTE AND SMME SUPPORT

Business overview

Business objective

Innovation and SMME support play a vital role in the economic growth and transformation of the country. Support to SMMEs is provided through two units: the Design Institute (DI) and SMME units. DI seeks to stimulate the development of the manufacturing industry in South Africa through engineering and product design, whilst the SMME unit focusses on guiding small to medium enterprise, as well as big cooperates and government departments, to meet product and service requirements as per SANS and ultimately certification.

Products and services

The DI aims to establish sustainable design processes as a critical element of the national design system by:

- Facilitating design support through programmes which act as a catalyst for the development of businesses and entrepreneurs
- Nurturing a new generation of designers by supporting traditional education and offering a variety of design-related training courses for entrepreneurs
- Promoting awareness of the benefits of design with the public through exhibitions, awards, conferences, seminars and publications

The SMME Unit advises on pre-certification, including consulting, quality manual system development, gap analysis and internal audits; product testing and system or product certification.

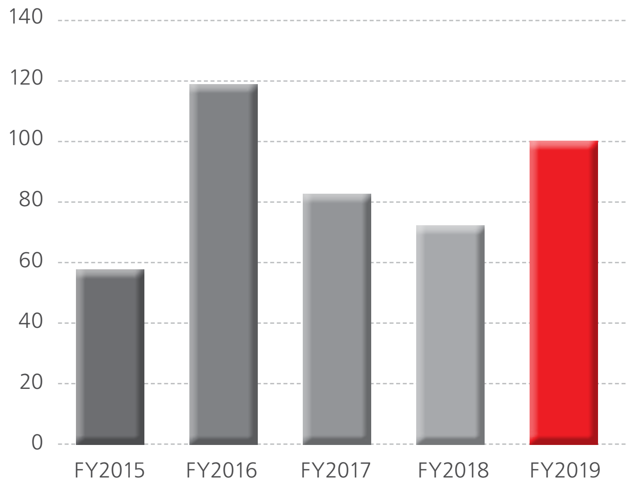
Performance overview

Key achievements

Supported 89 design innovators and 101 SMMEs, of which 51 were in line with the requirements of the 2018/19 Corporate Plan (refer page 62):

- Conducted two design and innovation workshops for the Western Cape Province's "Year Beyond Youth" programme – 89 youth innovators experienced a design thinking and prototyping workshop to assist them in developing ideas to solve the problem of a low reading culture in South Africa. The workshop exposed these innovators to the process of developing an idea that is commercially viable with a focus on proof of market.
- The "Business Accelerator" programme in partnership with the Jobs Fund supported innovators and SMMEs of which 35 were small businesses predominantly in the manufacturing sector. Since the launch of the programme about a year ago, the businesses supported have made significant strides to creating new jobs and one winning the Tsogo Sun furniture competition where some of his furniture pieces will be showcased across all Tsogo Sun hotels nationally.
- "Moving Ideas" in partnership with Transnet which supports innovators. Nine innovators were supported with the development of functional prototypes and will be linked with funding partners for further development.
- In partnership with SEDA North West Economic Development, the SABS continued to support 28 township and rural small businesses who require business and technical advisory, brand and packaging design as well as product reengineering.
- Various SMMEs have experienced significant revenue growth following support received from the SABS, for example:
  - Products of a company are now being distributed in retail outlets in five African countries outside South Africa
  - Awarding of government supply contracts in the energy, low-cost housing and construction sectors to three SMMEs
  - Access to new geographical markets in South Africa for a company in the plant hire, civil engineering and ready concrete industry

Number of SMMEs supported



By the numbers

		FY2019	FY2018
Innovators supported	Number	**89**	45
SMMEs supported	Number	**101**	73
Revenue, management fees and other income generated	R million	**15.7**	9.8
Grant funding received	R million	**5.3**	2.3
Staff	Number	**20**	15

The year ahead

Design Institute's business model will be reviewed in early 2019 to respond to client requirements, innovation landscape and to align to the industrialisation mandate of **the dti**. In the forthcoming year the DI will continue to implement Transnet's "Design and Innovation Entrepreneurship Programme, the Jobs Fund's Design and Innovation Acceleration Programme as well as conduct rural schools design clinics.

The SMME unit is currently supporting three programmes which will continue into the new financial year. They include programmes on behalf SEDA, DEDT: Mpumalanga and DEED: North West.

INTEGRATING SUSTAINABILITY

The SABS recognises the importance of operating in a sustainable manner. SABS employees are key stakeholders of the organisation and essential to its continued success and sustainability. As a result, the SABS is committed to providing a safe, healthy and enabling workplace that is characterised by mutual respect, fairness, integrity, non-discrimination, equal opportunities and open, two-way engagement. The SABS acknowledge its moral and legal responsibility to safeguard the environment and the wellbeing of all those affected by the activities of the organisation. This section illustrates how the SABS does this and indicates the results achieved in FY2019.

HUMAN CAPITAL

The SABS is a team of committed individuals. Built on the foundation of strong values and a commitment to the SABS Code of Ethics, 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. 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 culture elements to ensure that 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

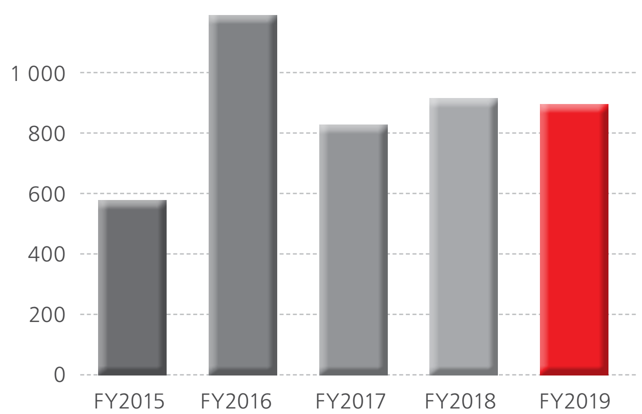
As the SABS continues to deliver on its mandate, the HR function is evolving with the business to provide more integrated and relevant solutions. Particular focus during the year was on:

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

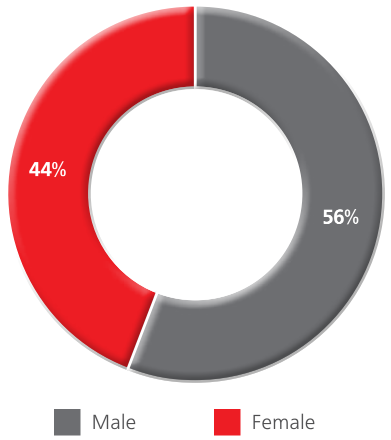
SABS workforce profile at a glance

- 887 **employees and fixed-term contractors** (FY2018: 922)
- 44% **female representation**
- 84% **black representation** (FY2018: 83%)
- 1.0% **black disabled** employees
- **Total employee turnover rate:** 6.1% (FY2018: 11.2%)
- **Appointed** 58 new staff members
- 34 **resignations**, 35 **contracts ended**, 10 **retired**, 2 **dismissed**, 2 **medical unfit** and 2 **abscondments**
- 2 **non-work related deaths** (FY2018: 2)

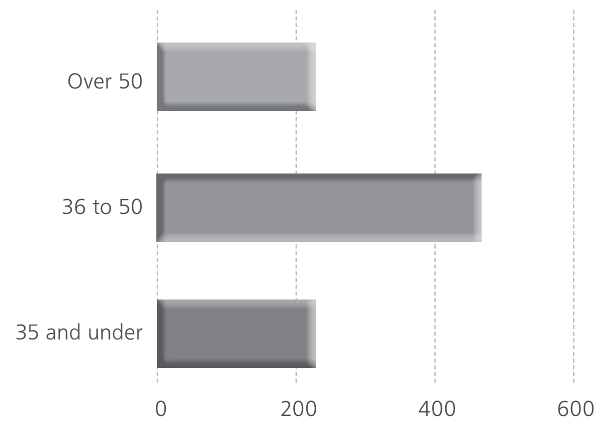
Headcount



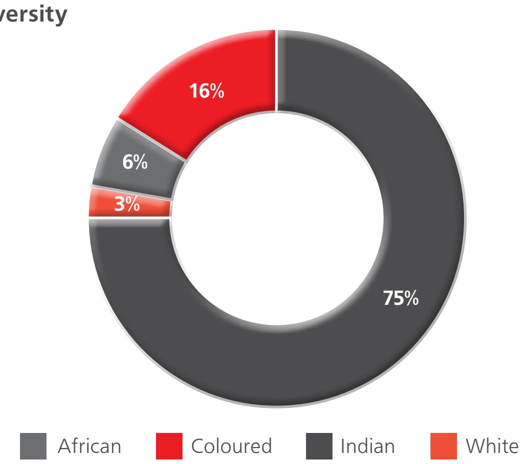
Gender profile



Age profile (number)



Diversity



HUMAN CAPITAL (continued)

SABS workforce profile according to the Department of Labour occupational levels

	Male				Female				FY2019			FY2018
Occupational level	**A**	**C**	**I**	**W**	**A**	**C**	**I**	**W**	**Male**	**Female**	**Total**	**Total**
Top Management (P1-3)	1	1	1	2	2	-	1	-	5	3	8	6
Senior Management (P4)	5	-	2	3	1	-	1	1	10	3	13	13
Middle Management (P5-7)	45	5	10	30	47	3	5	14	90	69	159	170
Junior Management (P8-11)	188	12	18	44	210	8	10	45	262	273	535	532
Semi- and unskilled	129	-	1	2	37	1	2	-	132	40	172	201
Total FY2019	**368**	**18**	**32**	**81**	**297**	**12**	**19**	**60**	**499**	**388**	**887**	**922**
Total FY2018	378	20	32	83	312	12	21	64	513	409	922	

Building talent to drive performance excellence into the next growth horizon

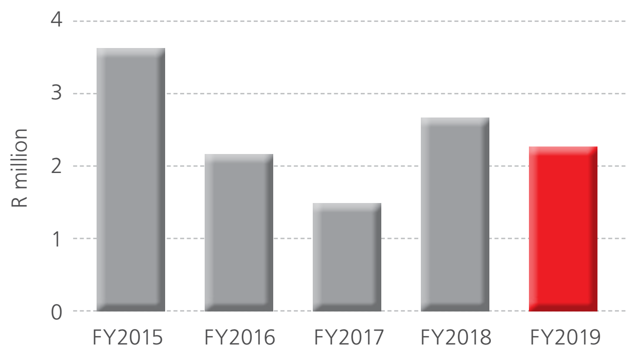
SABS' operating environment requires employees to be adaptable, results-driven, self-motivated, decisive and responsive team players. All employees are provided with equal opportunities for development, advancement and promotion on merit and without prejudice.

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 Human Capital (HC) 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.

- **548 employees** participated in **907 training interventions** in the year
- The SABS' **total investment** in employee training, excluding bursaries, amounted to R2.2 million (FY2018: R2.7 million)
- **Financial assistance towards studies** was awarded to employees to the value R0.2 million (FY2018: R1.0 million) in the form of bursaries.

Training spend

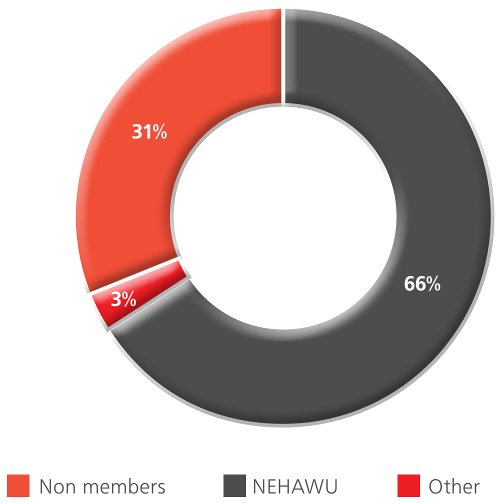


Includes seminars and workshops

Respecting employee rights

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

Union representation



69% of employees belong to a trade union

Zero hours lost due to labour action

"Others" include AMCU, CEPPWAWU and SAPTU

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 HR managers. Formal processes are in place to foster a culture of transparency and constructive engagement with trade union representatives in each territory. Material operational changes are communicated to the employee trade unions, as necessary, within legislated timeframes and these vary across the territories.

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

HUMAN CAPITAL (continued)

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, well-being and performance. Therefore, to ensure a safe and healthy environment for employees and all stakeholders, the SABS focusses 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.

Approach to health and safety

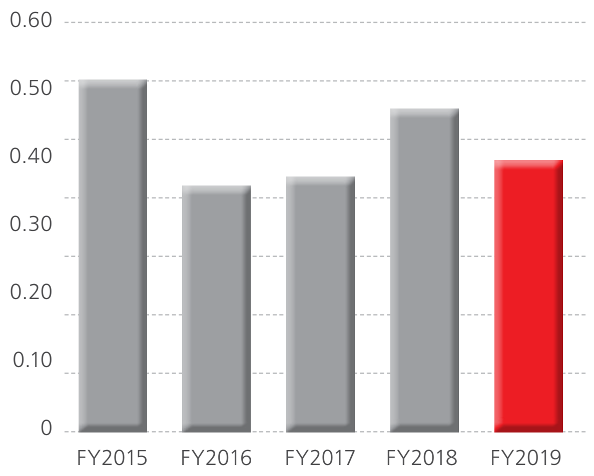
SABS' approach to safety is built on a strong foundation of visible leadership and competency, and is supported by clear policies and procedures.

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

Measuring health and safety efforts

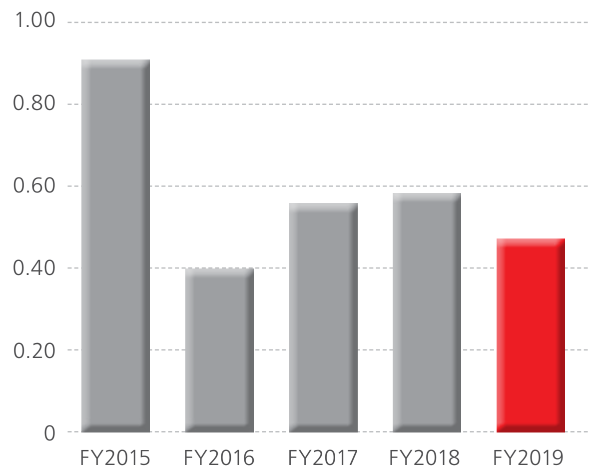
- The **lost time injury frequency rate (LTIFR) of 0.36 achieved**, an improvement from the prior year rate of 0.45
- The **minor injury frequency rate** (MIFR) of **0.47 achieved** (FY2018: 0.56)
- **No fatalities** were recorded in FY2019

LTIFR



Number of lost-time injuries for the past 12 months X 200 000 hours worked for the 12 months.

MIFR



Number of minor injuries for the past 12 months X 200 000 hours worked for the 12 months

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

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

Engaging stakeholders

SABS is committed to adopting a stakeholder-inclusive governance approach and sustaining strong relationships with its stakeholders through transparency and effective communication. The approach to stakeholder engagement is set out on pages 14 and 15 of this report.

Corporate governance

SABS operates on an established foundation of strong corporate governance. More can be read about this in the Governance Report set out on pages 46 to 49 of this report.

Ethics management, anti-bribery and corruption

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

- Ethics management framework
- A minimum anti-corruption capability assessment
- Fraud and corruption risk assessments
- The anti-corruption and fraud prevention plan
- Status reports on anti-corruption and fraud management initiatives which were presented to the audit and risk committee and the social and ethics committee

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

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

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

The acceptance of gifts and benefits is covered in the SABS' Fraud Prevention Plan that sets the framework of levels of employees, including Board members, whom 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.

Managing 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 appeals to higher authority in the organisation. The following key services have reinforced SABS' protocols to minimise employees' conflicts of interest:

- Internal Audit Services
- Zero tolerance to fraud and corruption
- Encouraging whistle-blowing with the implementation of a no-charge fraud line available at 0800 00 7112. In addition a fax line, email and website options are also available to report fraud and corruption.

Internal Audit Services

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

The IAS operates in accordance with its charter, approved by the Audit and Risk committee. The IAS is sufficiently skilled and supported by those charged with governance (TCWG) to deliver on its mandate. To remain an objective and independent assurance provider, the head of IAS reports administratively to the CEO and functionally to the Audit and Risk committee.

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

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

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

The IAS' effective stakeholder management ensured efficiencies in the internal audit activities. Some of the assurance gaps and duplications by the SABS assurance providers were addressed through integrated assurance (combined assurance) activities by the internal audit services and external auditors. For more about the combined assurance model, refer to page 18.

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.

During the year, **no incidents of discrimination, forced labour or compulsory labour** were reported (FY2018: Nil)

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 underpins an ordered and effective society. 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 assurance that the SABS is compliant with applicable laws and regulations.

Supporting transformation through supply chain

SABS considers suppliers to be vital partners in the business and strive to develop close working relationships with them – not only to ensure seamless value delivery throughout the supply chain, but also to support those suppliers in sustainably growing their own businesses. Key to SABS' transformation commitment is the responsibility to ensure that SABS suppliers are owned by representatives of historically disadvantaged groups are enabled and empowered to develop and grow their businesses by being part of the SABS supply chain.

Total procurement spend: **R180.1 million**

Spent **R64.4 million** with EME and QSE

Environment

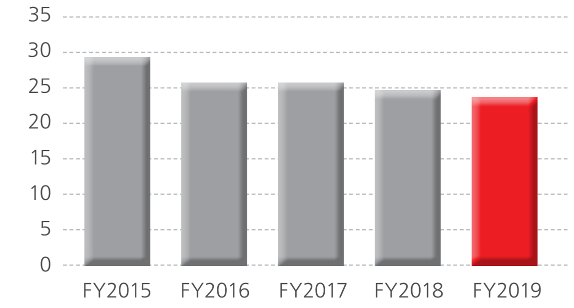
The SABS' principle exposure to natural capital is through its head office operations in Pretoria as well as the testing facilities across the country. Environmental considerations are founded in the SABS environmental policy.

Energy

The organisation focuses on reducing its consumption of energy, mainly in the form of electricity, and have implemented a range of initiatives to reduce consumption.

Energy consumption reduced by 6.9% from 25.2 MWh in FY2018 to 23.5 MWh in FY2019. A key contributor to the decline was due to a significant increase in power outages experienced in the year.

Electricity consumed (MWh)



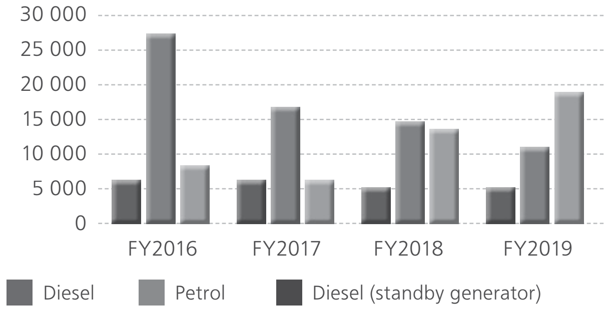
Measured at SABS Groenkloof campus

Fuel

During the period under review vehicles consumed 4 729 litres (FY2018: 5 112 litres) of diesel and 10 551 litres (FY2018: 14 530 litres) of petrol. The decline was attributable to the reduction in the number of vehicles used by the SABS.

Diesel used in the generators increased significantly from 13 919 litres in FY2018 to 18 306 litres in FY2019 due to an increase in power outages at the Groenkloof campus.

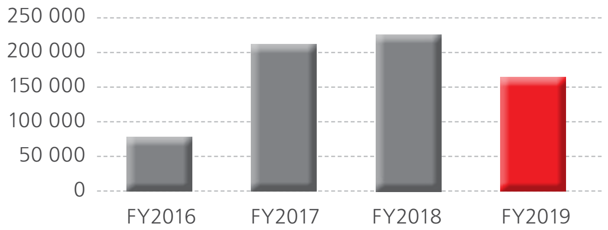
Fuel consumed (litres)



Water

The SABS is committed to being a responsible custodian of water by measuring, monitoring, managing and reporting its water use as standard business practice and, where possible, proactively implementing initiatives to conserve water. SABS recognises that water is an increasingly scarce and critical global resource. It also supports various projects that enhance the capacity of the population to adapt to water scarcity, as well as water management solutions. During FY2019, water consumption declined by 27%, from 229 462 kilolitres to 168 313 kilolitres due to improved water management and monitoring as well as timeous repairs of water leaks.

Water consumed (kilolitres)



The increase between FY2016 and FY2017 was due to incorrect meter readings by the City Council. This was corrected during FY2017.

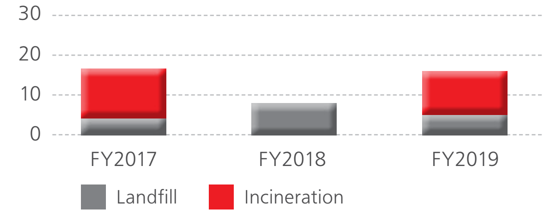
Waste management

With the variety of SABS processes and activities, the organisation generates substantial amounts of hazardous and non-hazardous waste. To mitigate the risk to the environment and society, the SABS has implemented a waste management programme. Waste is collected, separated, stored, transported, recycled and/or disposed of using environmentally responsible and legally complaint methods.

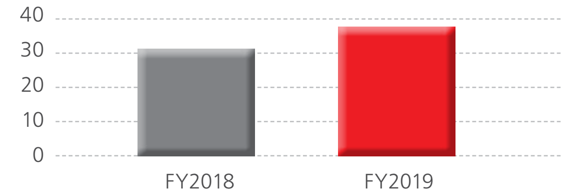
137 tonnes of **waste generated** in FY2019

No significant spillages or waste management incidents recorded in the year

Hazardous waste management (tonnes)



Non-hazardous waste recycled (tonnes)



GROUP FINANCE OVERVIEW

The 2019 financial year proved to be a challenging year for the SABS as management continued to implement and intensify a range of initiatives to increase revenue from conformity assessment services, reducing operating costs and invest in the maintenance and upgrade of key infrastructure whilst seeking to manage the balance sheet.

Financial performance

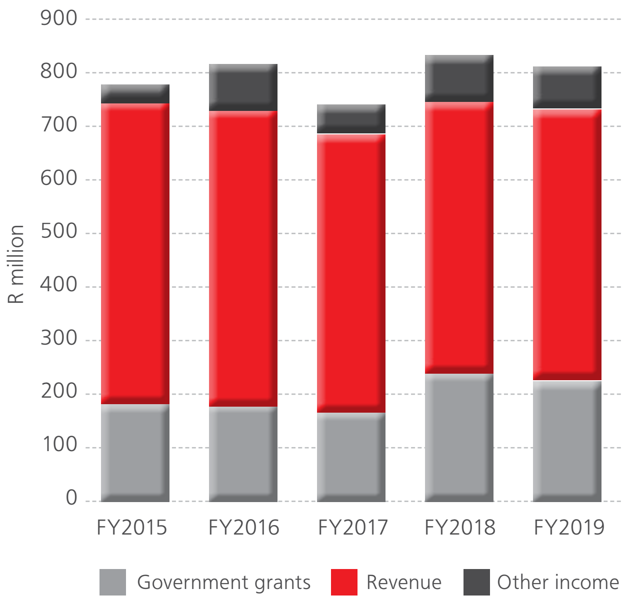
Total income

Total income for the year was marginally down by 1.0% to R813.3 million (FY2018: R821.8 million). The parliamentary government grant funding allocation of R232.5 million decreased by R10.7 million from the previous year's allocation of R243.2 million. Revenue from conformity assessments services, comprising of certification, laboratory services and training, declined by R9.5 million to R473.6 million (FY2018: R483.4 million).

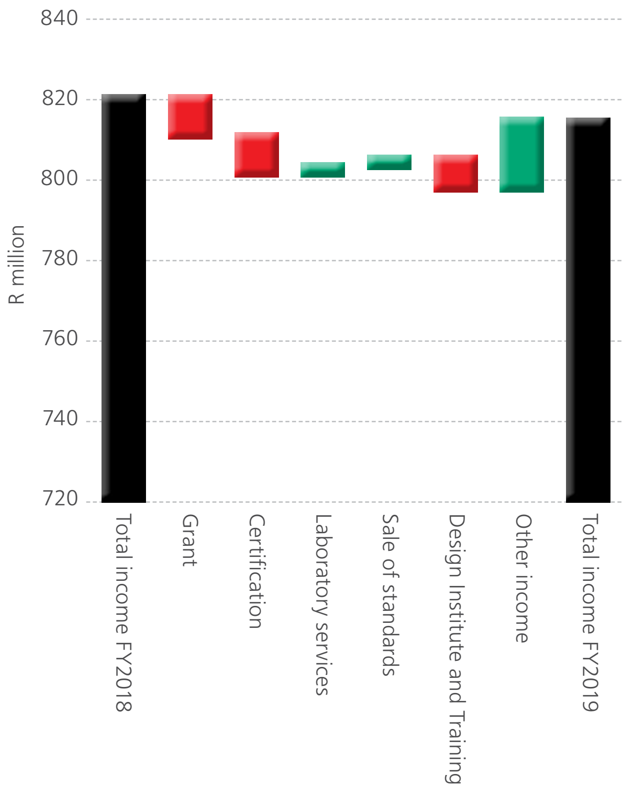
The decline in the grant received and revenue from conformity assessment services was offset by an increase of 10.6% in the sale of standards to R25.9 million (FY2018: R23.5 million) and other income earned of R79.6 million (FY2018: R64.3 million). Other income increased mainly due to first time recognition of income for local content verification to the value of R11.3 million.

For more on the operational performance for each of the operating units refer to pages 22 to 31

Total income



Movement in total income

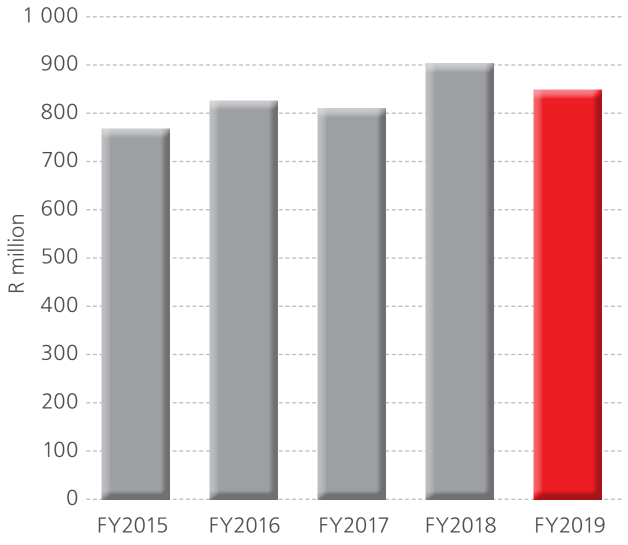


Operating expenditure

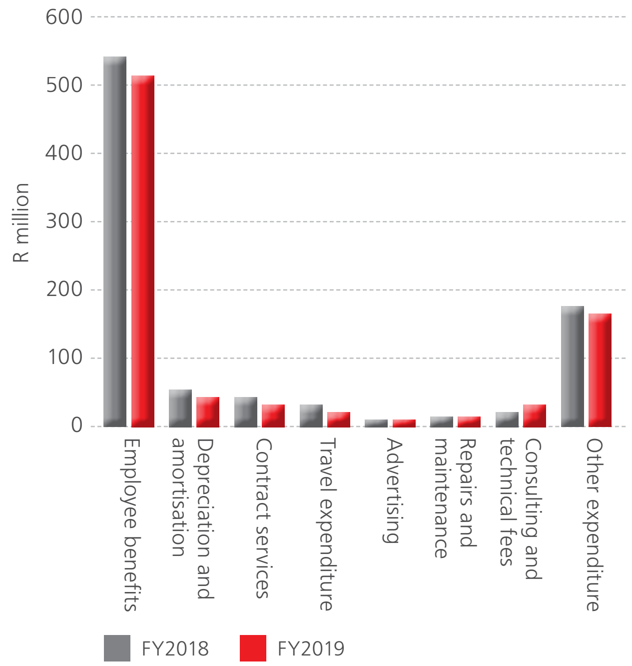
The SABS continued to manage its operational expenditure. Total expenditure (including depreciation and amortisation) declined by 5.9% to R847.8 million (FY2018: R901.3 million). Since FY2015, total operating expenditure has increased by 2.3% on an annual compound basis, well below the prevailing inflation rate over the period.

Employee benefit expenditure is the SABS' largest expense, comprising 60.9% or R516.4 million of total expenditure (FY2018: 61.2% or R551.6 million). Employee expenditure declined in line with a reduction in employee numbers from 922 in the prior year to 887 at year-end.

Total operating expenditure



Breakdown of operating expenditure



Net investment income

SABS earns interest on bank accounts, money market investments, short-term deposits and available-for-sale investments. In the year the SABS received interest income of R30.1 million (FY2018: R29.2 million).

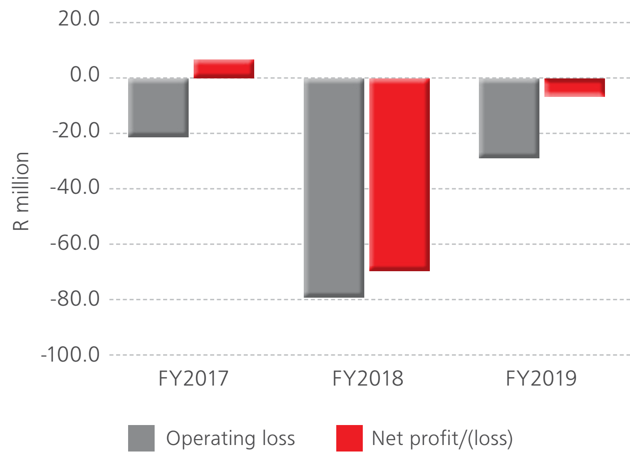
Finance costs on banking facilities and late payments amount to R0.05 million (FY2018: R0.1 million)

Operating loss and net loss

The SABS Group reduced its operating loss before net interest income by 56.7% to R34.4 million compared to a restated operating loss of R79.5 million in the previous financial year.

Taking into account the net interest received of R30.1 million, the SABS recorded a net loss of R4.4 million for the year (FY2018: R70.7 million loss).

Operating loss and net loss



GROUP FINANCE OVERVIEW (continued)

Financial position

Total assets grew by 2.7% to R1.50 billion (FY2018: R1.46 billion). Non-current assets were down by 12.7% to R1.03 billion from R1.18 billion in FY2018.

Movement in property, plant and equipment as well as intangible assets

Capital expenditure, including intangible assets, for the year was R24.7 million (FY2018: R24.9 million). Investments into new laboratory equipment and ICT equipment were in line with the renewal strategy of the Group.

Depreciation totalled R36.4 million (FY2018: R46.9 million) and amortisation was R7.0 million (FY2018: R8.3 million).

Investments at fair value through profit and loss

Financial assets previously classified as available for sale investments were reclassified as financial assets measured at fair value through profit and loss in line with the new IFRS 9. These investments are held in various diversified portfolios and are intended to create a base plan asset to cover post-employment medical benefits and capital expansion.

During the year, financial assets decreased by R117.9 million to R312.6 million, mainly due to the disposal of R132.0 million of financial assets in the year.

Working capital

Current assets increased from R279.3 million in the prior year to R462.9 million, mainly as a result of increase in trade receivables (up R50.1 million) and cash and cash equivalents (up R133.2 million due to the disposal of financial assets).

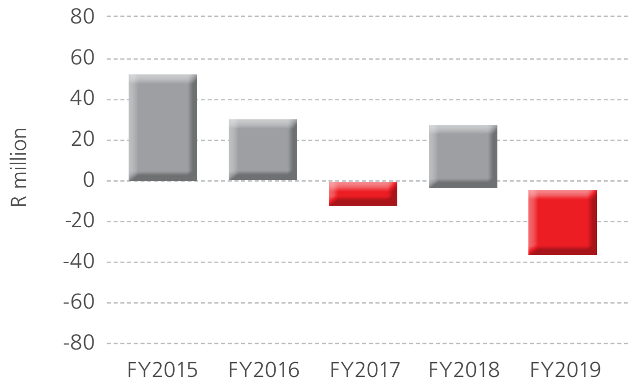
Current liabilities increased by 17.9% to R297.0 million, mainly as a result of an increase in deferred income of R94.8 million and partly offset by a reduction in provisions of R46.1 million.

Overall the current ratio has improved marginally to 0.7 (FY2018: 0.6).

Cash and cash equivalents

Cash flow utilised in operations totalled R36.7 million (FY2018: R32.1 million generated). At year-end the SABS' cash and cash equivalents totalled R259.2 million (FY2018: R126 million)

Cash flow from operating activities



Post-employment healthcare benefits

The Group provides post-employment medical aid contribution subsidies to qualifying retirees. Employees who meet set criteria (detailed in note 22 of the annual financial statements) are also entitled to this benefit when they retire. Actuaries have determined the expected liability. The post-employment healthcare benefit obligation was R78.2 million (FY2018: R82.7 million) at 31 March 2019.

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.

Change in accounting policies

In the current year, the SABS has applied the following accounting policies:

- IFRS 9 Financial Instruments (as revised in July 2014). The SABS has applied IFRS 9 retrospectively, but has applied transitional relief and opted not to restate prior period figures.
- IFRS 15 Revenue from Contracts with Customers (as revised in April 2016). IFRS 15 replaces IAS 11 Construction Contracts and IAS 18 Revenue

For more information refer to note 37 of the Annual Financial Statements.

Prior-year adjustments

Various prior year adjustments were effected in the year which increased the net loss for the 2018 financial year to R70.7 million (previously: R48.2 million). Refer to note 38 of the annual financial statements for more detail

Post balance sheet events

No other significant matters post year-end were identified.

SEVEN-YEAR PERFORMANCE OVERVIEW

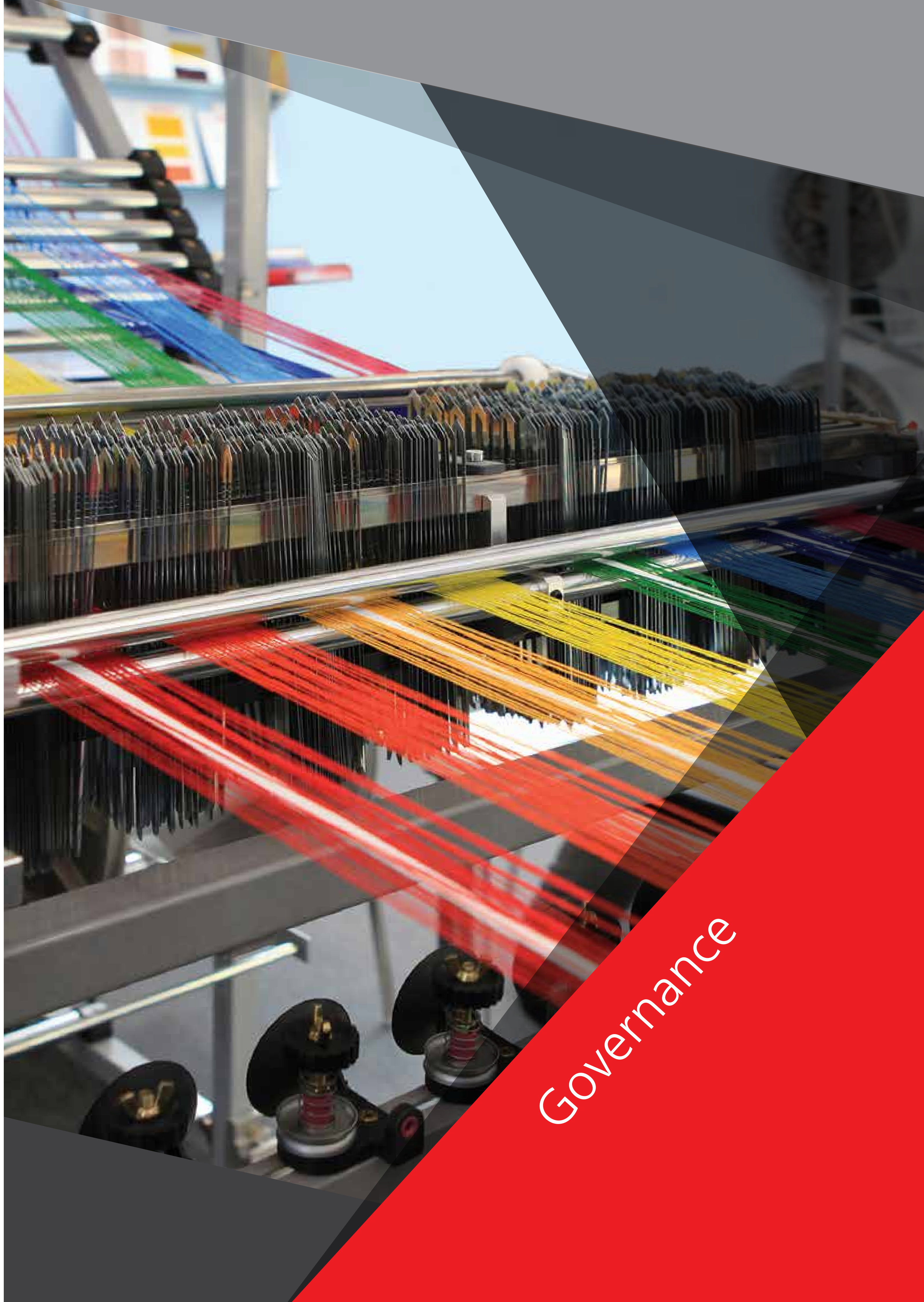
	FY2019	FY2018	FY2017	FY2016	FY2015	FY2014	FY2013
	R'm	R'm	R'm	R'm	R'm	R'm	R'm
		Restated					
Income statement							
Revenue	**501.3**	**514.4**	**500.9**	544.7	557.3	516.8	485.8
Parliamentary grant recognised as income	**232.5**	**243.2**	**183.2**	189.7	193.1	179.8	163.1
Expenditure	**847.8**	**901.3**	**811.3**	818.8	775.5	741.2	675.7
Net loss on discontinued operations	**-**	**-**	**-**	-	-	-	(0.1)
Operating (loss)/profit	**(34.4)**	**(79.5)**	**(74.5)**	(3.1)	10.0	(1.8)	4.6
Net investment income	**30.1**	**29.1**	**30.1**	25.4	22.7	23.2	24.5
(Loss)/Profit for the year	**(4.4)**	**(70.7)**	**(44.4)**	22.4	32.2	21.7	27.0
Statement of financial position							
Property, plant and equipment	**692.7**	**718.7**	**750.5**	709.8	365.0	345.5	331.9
Investment properties	**7.7**	**7.9**	**8.4**	8.8	9.2	9.6	10.0
Intangibles assets	**20.1**	**24.4**	**27.8**	13.6	11.7	14.8	14.7
Investments at fair value	**312.6**	**430.5**	**427.3**	407.2	395.9	305.1	336.1
Deferred taxation	**-**	**-**	**19.8**	20.3	20.4	20.9	20.5
Non-current assets/disposal held for sale	**-**	**-**	**-**	-	-	-	1.2
Current assets excluding cash	**203.8**	**153.3**	**148.8**	140.9	139.2	119.6	97.6
Net cash and cash equivalents	**259.2**	**126.0**	**91.9**	162.8	200.1	283.5	274.3
Total assets	**1 496.0**	**1 460.8**	**1 474.6**	1 463.4	1 141.4	1 098.9	1 086.2
Capital and reserves	**884.4**	**867.7**	**927.8**	940.6	615.6	560.9	520.0
Other non-current liabilities	**314.6**	**341.1**	**375.5**	365.3	377.1	386.3	406.1
Current liabilities	**297.0**	**252.0**	**171.3**	157.5	148.6	151.8	160.1
Total equity and liabilities	**1 496.0**	**1 460.8**	**1 474.6**	1 463.4	1 141.4	1 098.9	1 086.2

SEVEN-YEAR PERFORMANCE OVERVIEW (continued)

	FY2019	FY2018	FY2017	FY2016	FY2015	FY2014	FY2013
	R'm	R'm	R'm	R'm	R'm	R'm	R'm
		Restated					
Cash flows							
Net cash flow from operating activities	**(36.7)**	**32.1**	**(12.5)**	33.0	51.4	21.4	55.7
Net cash flow from investing activities	**169.8**	**1.9**	**(64.0)**	(70.4)	(137.5)	(12.3)	(109.1)
Net cash flow from financing activities	**-**	**-**	**5.6**	-	2.8	-	65.5
Cash and cash equivalents at beginning of year	**126.0**	**91.9**	**162.8**	200.1	283.5	274.3	262.3
Cash and cash equivalents at end of year	**259.2**	**126.0**	**91.9**	162.8	200.1	283.5	274.3
Ratio analysis							
Statement of financial position							
Asset turnover	**0.4**	**0.4**	**0.4**	0.4	0.6	0.5	0.5
Return on net assets	**(2.9%)**	**(6.6%)**	**(5.7%)**	(0.2%)	1.0%	(0.2%)	0.5%
Return on equity	**(3.9)**	**(9.2%)**	**(8.0%)**	(0.3%)	1.6%	(0.3%)	0.9%
Current ratio	**0.7**	**0.6**	**0.9**	0.9	0.9	0.8	0.6
Operating margin %	**(6.9)**	**(15.5%)**	**(12.7%)**	1.8%	4.0%	1.6%	3.8%
Revenue % to total income	**61.6%**	**62.6%**	**73.2%**	74.2%	74.3%	74.2%	74.9%
Performance							
Number of employees at year-end	**877**	**922**	**973**	918	875	828	770
Revenue per employee	**572**	**558**	**515**	593	637	624	631
Cost per employee	**967**	**978**	**834**	892	886	895	878
Operating profit per employee	**(37.4)**	**(86.2)**	**(76.6)**	(3.4)	411.4	(2.2)	6.0
Remuneration as a % of total expenditure	**61.4%**	**61.2**	**64.8%**	61.1%	60.8%	58.6%	57.7%

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
Return on equity: Operating profit as percentage of capital and reserves
Current ratio: Current assets (excluding cash resources) to current liabilities
Operating margin %: Operating profit as a percentage of revenue



GOVERNANCE

GOVERNANCE REPORT

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

The SABS exists as a public entity in terms of the Standards Act, No. 8 of 2008 (the “Act”), under the Executive Authority of the Minister of Trade and Industry **(the dti)**. In accordance with the Act, the Board of the SABS is appointed by the Executive Authority (i.e. the Minister of **the dti**). The Act also makes provision for the appointment of the Chief Executive Officer (CEO) of the SABS. In order to achieve its objectives, the SABS may perform, in so far as it is not inconsistent with the provisions of any Act of Parliament, such functions as the Minister may assign to the SABS. SABS Commercial SOC Limited is a wholly-owned subsidiary of the SABS which houses the SABS’ conformity assessment services business.

Accounting Authority

In June 2018 the Minister placed the SABS under the control of administrators. The Minister designated three co-administrators as the Accounting Authority of the SABS for the period 2 July 2018 to 31 January 2019. This period was subsequently extended to 31 October 2019. The co-administrators were charged with producing a diagnostic report and turnaround action plan for SABS. Following the resignation of the previous CEO in July 2018, Mr Garth Strachan was appointed as the Acting Chief Executive Officer.

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

Following the appointment of the co-administrators, an Interim Audit and Risk Committee has been established to undertake the necessary audit functions as set out in the law. The co-administrators also established a Social and Ethics Committee, which met for the first time after year-end. It is envisaged that all other Board committees will be established once a Board has been appointed.

Interim Audit and Risk Committee

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

SABS governance framework

Governance policies and procedures in place

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

Strategy, performance and reporting
- Annual submission of the SABS Corporate Plan
- Planning and Reporting framework

Governance functional
- Committee terms of reference
- Remuneration policies
- Performance management frameworks
- Internal audit policy

Stakeholder relationships
- Annual engagement plan for key stakeholders

Co-administrators

Jodi Scholtz (46)
Co-administrator

Current position:
Group Chief Operating Officer at **the dti**

Qualification:
BCom (Hons)

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

Dr Tshenge Demana (59)
Co-administrator

Current position:
Chief Director, Technical Infrastructure Institutions at **the dti**

Qualification:
PhD (Chemistry)

Areas of expertise:
Quality management and laboratory services

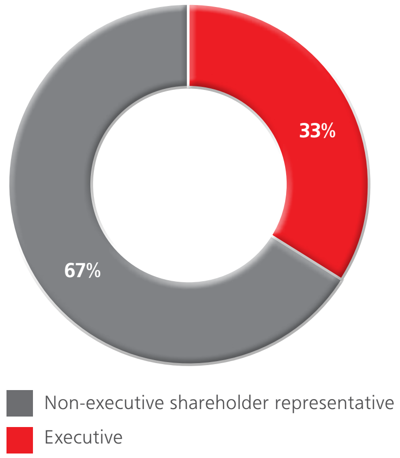
Garth Strachan (66)
Co-administrator and Acting Chief Executive Officer

Previous position:
Deputy Director General: Industrial Development: Policy Development Division at **the dti**

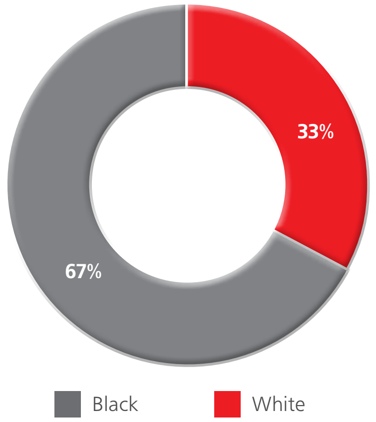
Qualification:
Masters of Science

Areas of expertise:
Public policy and finance

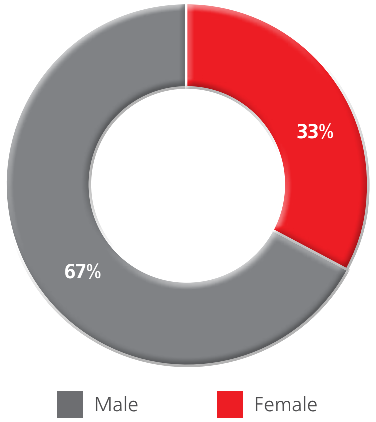
Accounting Authority mix



Ethnic diversity



Gender diversity



Shareholder linkage

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

The Minister of **the dti**, 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 Minister which provided an opportunity for the Shareholder and the co-administrators to engage on strategic and operational matters.

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

GOVERNANCE REPORT (continued)

Board or co-administrator attendance to meetings during the 2019 financial year

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

Members	Meeting date	Meeting date	Meeting date	Meeting date	Meeting date	Meeting date	Meeting date	Attendance
	28 May 2018	31 May 2018	5 June 2018	14 June 2018	29 October 2018	11 January 2019	19 February 2019	
NON-EXECUTIVE MEMBERS								
Jeff Molobela (Chairman)	A	✔	✔	✔	N/A	N/A	N/A	3/4
Michael Ellman	✔	✔	A	✔	N/A	N/A	N/A	3/4
Webster Masvikwa	✔	✔	✔	✔	N/A	N/A	N/A	4/4
Nivashnee Naraindath	A	✔	TEL	✔	N/A	N/A	N/A	3/4
Elenkanyani Ndlovu	✔	✔	A	TEL	N/A	N/A	N/A	3/4
Zanele Monnakgotla	✔	✔	✔	✔	N/A	N/A	N/A	4/4
Garth Strachan (Shareholder Representative)	A	A	A	A	N/A	N/A	N/A	0/4
Jodi Scholtz (Co-administrator)	N/A	N/A	N/A	N/A	✔	✔	✔	3/3
Tshenge Demana (Co-administrator)	N/A	N/A	N/A	N/A	✔	✔	✔	3/3
EXECUTIVE MEMBERS								
Bonakele Mehlomakulu (CEO)	✔	✔	✔	✔	N/A	N/A	N/A	4/4
Garth Strachan (Acting CEO)	N/A	N/A	N/A	N/A	✔	✔	✔	3/3

✔ – Attended
A – Absent with apology
TEL – Participated via teleconference
N/A – Not a Board member or co-administrator

Member independence and conflicts

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

Members are encouraged to seek independent advice, at the SABS cost, during the execution of their fiduciary duties and responsibilities, if so needed. Members also have, at all times, direct access to the SABS' internal and external auditors, the Company Secretary, SABS internal support services and all members of the executive management.

Board and committee evaluations

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

Other governance matters

Company Secretary

Joseph Leotlela, the Group manager: Legal services of the SABS, has been appointed as the Acting Company Secretary of the SABS following the resignation of Wilma de Wit in October 2018. The Company Secretary's primary role is to ensure that the Accounting Authority is cognisant and aware of its fiduciary duties and responsibilities as well as keep them aware of relevant changes in legislation and governance best practice. Other key performance areas of the Company Secretary include overseeing the induction of new members as well as the ongoing education of members. The Company Secretary also provides similar support to the various sub-committees. The Accounting Authority has unfettered access to the services of the Company Secretary.

The Accounting Authority confirms that the Company Secretary:

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

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 recommendation into the SABS human capital strategy
- Design, motivate and reward performance
- Encourage the development of skills and competencies required to meet future needs
- Retain and attract high quality individuals with the optimum mix of skills, competencies and values
- Secure commitment of people to SABS' goals and purposes through the optimum mix of financial and non-financial rewards.

Employee remuneration

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

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

Remuneration element	Description
Guaranteed pay	Inclusive of benefits (for eligible participants) such as pension fund savings, group life and disability cover, as well as contributions to company approved medical schemes
Variable pay	Eligible permanent employees in the bargaining unit are paid a 13th cheque – in accordance with the prevailing wage negotiation agreement concluded during the 2016/17 financial year. Performance bonuses are designed to encourage, recognise and reward performance and are therefore linked to company and individual performance objective outcomes. Performance bonuses are paid in arrears, i.e. performance bonuses paid in 2018/19 were for the financial year 2017/18. **Performance bonus policy** The employee level along with two or three performance milestones determine performance bonus outcomes. Performance milestones include the SABS Group performance target, divisional objective measures, and individual performance scores. A minimum performance score of 3 out of 5 must be realised for an employee to be eligible for a pay-out The maximum performance bonus payable on guaranteed annual salary are as follows: • CEO (P1): 45% • Executives (P2-3): 35% • General managers (P4): 25% • Management and specialists levels (P5-7): 20% • Employees (P8 to 15): Eligible for a 4% bonus as per the wage agreement Refer to the Accounting Authority's report on page 62 for performance against the predetermined objectives
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 and Industry for consideration.

Details of remuneration earned by the Chief Executive Officer and executive management team are reflected in note 30.5 to the Annual Financial Statements

Co-administrators and Board remuneration

Co-administrators

The SABS was placed under administration by the Minister of **the dti** in the year and three co-administrators appointed. Mr Garth Strachan was appointed as the acting Chief Executive Officer and is deemed a salaried employee of the SABS. The remaining two co-administrators are employees of **the dti** and are not entitled to additional remuneration.

Board

The SABS compensates and remunerates non-executive Board members in a manner which enables it to attract and retain high-calibre and professional Board members to ensure that the Board has, at all times, the necessary skills required to execute on its mandate.

Non-executive members are remunerated according to their scope of responsibility and contribution to the SABS' operating and financial performance, taking into account industry norms, including the State-Owned Enterprise Remuneration Guidelines as well as the external market and benchmarks. Non-executive members receive fees according to their attendance at meetings. Non-executive members are not entitled to receive short-term incentives. Board members are compensated for expenses incurred in pursuance of the SABS' business.

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

No related party transactions with Board members occurred during the financial year, except for payments in respect of attendance at Board and Board committee meetings.

Details of fees earned by the non-executive members are reflected in note 30.5 to the annual financial statements.

Annual Financial Statements

ANNUAL FINANCIAL STATEMENTS

CONFIRMATION OF ACCURACY AND FAIR PRESENTATION

INTEGRATED ANNUAL REPORT AND ANNUAL FINANCIAL STATEMENTS

For the financial year ended 31 March 2019

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

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

Annual Financial Statements

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

Performance information

The performance information fairly reflects the operations, and actual output against planned targets for performance indicators as per the Corporate Plan of the SABS and approved amendments for the financial year ended 31 March 2019. The performance information has been reported on in accordance with the requirements of the guidelines on annual reports as issued by National Treasury. A system of internal control has been designed to provide reasonable assurance as to the integrity and reliability of performance information.

Human resource management

The human resource information contained in the respective tables in the Integrated Annual Report fairly reflects the information of the SABS for the financial year ended 31 March 2019.

In respect of material issues

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

Jodi Scholtz	**Garth Strachan**
Co-administrator	Co-administrator and Acting Chief Executive Officer

STATEMENT OF RESPONSIBILITY OF THE ACCOUNTING AUTHORITY

For the year ended 31 March 2019

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

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

The Integrated Annual Report has been prepared in accordance with the guidelines as issued by National Treasury and the Annual Financial Statements, from pages 70 to 149 were prepared in accordance with the PFMA and IFRS.

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

The Acting Chief Executive Officer, as the Accounting Officer, is responsible for the preparation of the Annual Financial Statements and for the judgments made in this information. The Accounting Authority, represented by the co-administrators, is responsible and accountable for the integrity of the Annual Financial Statements of the organisation and the objectivity of other information presented in the Integrated Annual Report.

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

The Auditor-General is engaged to express an independent opinion on the annual financial statements. Their report is presented on page 55.

In our opinion, the Integrated Annual Report and Annual Financial Statements fairly reflect the operations, performance information, human capital information and financial affairs of the SABS for the financial year ended 31 March 2019.

Jodi Scholtz
Co-administrator

Garth Strachan
Co-administrator and Acting Chief Executive Officer

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

Report on the audit of the consolidated and separate financial statements

Qualified opinion

1. I have audited the consolidated and separate financial statements of the South African Bureau of Standards (SABS) and its subsidiaries set out on pages 70 to 149, which comprise the consolidated and separate statement of financial position as at 31 March 2019, the consolidated and separate statement of profit or loss and other comprehensive income, statement of changes in equity, and statement of cash flows for the year then ended, as well as the notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

2. In my opinion, except for the effects of the matters described in the basis for qualified opinion sections of this auditor's report, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of the SABS as at 31 March 2019, and their 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 of South Africa, 1999 (Act No. 1 of 1999) (PFMA).

Basis for qualified opinion on consolidated financial statements

Property, plant and equipment

3. The entity incorrectly accounted for a prior period error related to upgrades, renovations and improvements to buildings as separate assets and not capitalised to the cost of the buildings in accordance with IAS 16, *Property, plant and equipment*. This resulted in the buildings being depreciated over incorrect useful lives, which caused a material misstatement to the carrying amount of buildings. Consequently, I was unable to determine the adjustments necessary to the carrying amount of the buildings stated at R184 111 000 (2018: R187 486 000) and the prior period error stated at R25 879 000 in notes 10 and 39 to the financial statements, respectively. Additionally, there was an impact on the loss for the year and accumulated profit.

Revenue – Laboratory services

4. I was unable to obtain sufficient appropriate audit evidence that revenue from laboratory services for the current and previous year had been properly accounted for, due to the sequencing of the various registers that record the initiation of the product and witness testing, which resulted in revenue from laboratory services. I was unable to confirm whether all the revenue from laboratory services had been recorded by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to revenue from laboratory services stated at R181 918 000 (2018: R179 985 000) in note 2 to the financial statements. Additionally, there was an impact on the loss for the year as well as on the accumulated profit.

Revenue – Standards: subscription fees

5. The entity did not recognise revenue as and when the entity satisfied a performance obligation in accordance with IFRS 15, *Revenue from contracts with customers*. The corrections made to rectify the prior period error relating to the split between the current revenue and income received in advance amounts could not be substantiated by accurate calculations. Consequently, I was unable to determine the adjustment necessary to the subscription fees revenue and the prior period error figure stated at R9 037 000 (2018: R7 911 000) and R4 100 000 in note 2 and note 39 to the financial statements, respectively. Additionally, there was an impact on the loss for the year, accounts payable as well as on the accumulated profit.

Irregular expenditure

6. I was unable to obtain sufficient appropriate audit evidence that all irregular expenditure incurred was identified and disclosed as required by section 55(2)(b)(i) of the PFMA. This was because the entity did not have an adequate system for identifying all irregular expenditure. I was unable to obtain reasonable assurance that all irregular expenditure had been identified and recorded by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to the balance of irregular expenditure stated at R11 790 000 in note 33 to the financial statements.

Basis for qualified opinion on separate financial statements

Property, plant and equipment

7. The entity incorrectly accounted for a prior period error related to upgrades, renovations and improvements to buildings as separate assets and not capitalised to the cost of the buildings in accordance with IAS 16, *Property, plant and equipment*. This resulted in the buildings being depreciated over incorrect useful lives which caused a material misstatement to the carrying amount of buildings. Consequently, I was unable to determine the adjustments necessary to the carrying amount of the buildings stated at R34 821 000 (2018: R31 239 000) and the prior period error stated at R14 047 000, in notes 10 and 39 to the financial statements, respectively. Additionally, there was an impact on the loss for the year as well as the accumulated profit.

REPORT OF THE AUDITOR-GENERAL (continued)

Investment property

8. The entity incorrectly accounted for a prior period error related to upgrades, renovations and improvements to buildings as separate assets and not capitalised to the cost of the buildings in accordance with IAS 40, *Investment property*. This resulted in the building being depreciated over incorrect useful lives which caused a material misstatement to the carrying amount of investment property. Consequently, I was unable to determine the adjustments necessary to the carrying amount of the investment property stated at R148 192 000 (2018: R152 210 000) and the prior period error stated at R3 366 000 in note 11 and note 39 to the financial statements, respectively. Additionally, there was an impact on the loss for the year as well as the accumulated profit.

Loan to group companies

9. The entity did not correctly apply the expected credit losses requirements relating to loans to group companies in accordance with IFRS 9, *Financial instruments*. This was because the entity did not consider all terms and conditions and the significant change in the credit risk relevant to the loan in the calculation of the expected credit losses. Consequently, the loan to group companies and other expenditure is materially misstated. Additionally, there was an impact on the loss for the year and accumulated profit.

Revenue – Standards: subscription fees

10. The entity did not recognise revenue as and when the entity satisfied a performance obligation in accordance with IFRS 15, *Revenue from contracts with customers*. The corrections made to rectify the prior period error relating to the split between the current revenue and income received in advance amounts could not be substantiated by accurate calculations. Consequently, I was unable to determine the adjustment necessary to the subscription fees revenue and the prior period error figure stated at R9 014 000 (2018: R7 911 000) and R4 100 000 in note 2 and note 39 of the financial statements, respectively. Additionally, there was an impact on the loss for the year, accounts payable as well as on the accumulated profit.

Irregular expenditure

11. I was unable to obtain sufficient appropriate audit evidence that all irregular expenditure incurred was identified and disclosed as required by section 55(2)(b)(i) of the PFMA. This was because the entity did not have an adequate system for identifying all irregular expenditure. I was unable to obtain reasonable assurance that all irregular expenditure had been identified and recorded by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to the balance of irregular expenditure stated at R8 672 000 in note 33 to the financial statements.

Context for the opinion

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

13. I am independent of the group in accordance with sections 290 and 291 of the International Ethics Standards Board for Accountants' *Code of ethics for professional accountants* (IESBA code), parts 1 and 3 of the *International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards)* and the ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA codes.

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

Emphasis of matters

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

Uncertainty relating to the future outcome of exceptional litigations

16. With reference to note 31 to the consolidated financial statements, the entity is the defendant in legal cases. The group is opposing the claims, as it believes that the claims are not valid. The ultimate outcome of the matter could not be determined and no provision for any liability that may result was made in the financial statements.

Material losses – trade receivables

17. As disclosed in note 5 to the consolidated financial statements, material losses of R35 427 000 were incurred as a result of write-off of irrecoverable trade receivables.

Prior period errors

18. As disclosed in note 39 to the financial statements, the corresponding figures for 31 March 2018 were restated as a result of errors in the financial statements of the entity at, and for the year ended, 31 March 2019.

Responsibilities of the accounting authority for the financial statements

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

20. In preparing the consolidated and separate financial statements, the accounting authority is responsible for assessing the group'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 group or to cease operations, or has no realistic alternative but to do so.

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

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

22. 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

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

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

25. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected objectives presented in the annual performance report of the entity for the year ended 31 March 2019:

Objectives	Pages in the annual performance report
Growth	62 and 63
Customer centricity	62 and 63
Productivity	62 and 63

26. 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.

27. The material findings in respect of the usefulness and reliability of the selected objectives are as follows:

REPORT OF THE AUDITOR-GENERAL (continued)

Strategic objective 1 – Growth

Revenue from services

28. I was unable to obtain sufficient appropriate audit evidence for the reported achievement of the target of R501 400 000. This was due to the financial qualification on the revenue from laboratory services and standards: subscriptions fees. Consequently, I was unable to determine whether any adjustments were required to the actual reported achievement of R501 400 000 as reported in the annual performance report.

Strategic objective 3 – Productivity

Percentage of laboratories that are profitable

29. I was unable to obtain sufficient appropriate audit evidence for the reported achievement of the target of 52%. This was due to the financial qualification on the revenue from laboratory services. Consequently, I was unable to determine whether any adjustments were required to the actual reported achievement of 52% as reported in the annual performance report.

Strategic objective 2 – Customer centricity

Percentage of laboratories that are profitable

30. I did not raise any material findings on the usefulness and reliability of the reported performance information for this objective.

Report on the audit of compliance with legislation

Introduction and scope

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

32. The material findings on compliance with specific matters in key legislations are as follows:

Annual financial statements and annual report

33. The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework, as required by section 55(1)(b) of the PFMA. Material misstatements of revenue, other income, non-current assets, current liabilities and disclosure items identified by the auditors in the submitted financial statements were corrected, but the uncorrected material misstatements resulted in the consolidated and separate financial statements receiving a qualified opinion.

Liability management

34. Future financial commitment was issued without the authorisation of the Minister of Finance by notice in the national Government Gazette, in contravention with section 66(3)(b) of the PFMA.

Procurement and contract management

35. Some of the goods, works or services were not procured through a procurement process which is fair, equitable, transparent and competitive, as required by section 51(1)(a)(iii) of the PFMA.

Other information

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

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

38. 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 objectives presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

Internal control deficiencies

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

41. The accounting authority's monitoring controls to ensure accurate financial reporting and proper implementation of the overall process of compliance with supply chain management requirements were not adequate.

42. Management did not monitor compliance with the requirements of certain accounting standards, PFMA and SCM laws and regulations

43. Management did not ensure that controls are implemented to prepare accurate financial statements that agree to supporting schedules.

Other reports

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

45. An agreed upon procedures engagement was performed on royalties' payable by the South African Bureau of Standards (SABS) for the period under review. The procedures were performed solely to assist the entity in evaluating 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 held by them. The report covered the period 1 January 2018 to 31 December 2018, and was issued to the accounting authority on 13 May 2019.

Auditor- General

Auditor-General
Pretoria
27 August 2019

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

REPORT OF THE AUDITOR-GENERAL (continued)

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

Financial statements

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

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

Communication with those charged with governance

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

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

ACCOUNTING AUTHORITY REPORT

For the year ended 31 March 2019

Introduction

SABS was established as a statutory body in terms of the Standards Act, 1945 (Act No. 24 of 1945), which was superseded by the Standards Act, 1993 (Act No. 29 of 1993) and subsequently superseded by the Standards Act, 2008 (Act No. 8 of 2008). In terms of the new Act, the objectives of SABS are to:

- Develop, promote and maintain South African National Standards that support the competitiveness of the South African industry
- Promote quality in connection with commodities, products and services
- Render conformity assessment services and matters connected therewith

This report is presented in accordance with the provisions of the prescribed legislation and addresses the performance of the SABS, as well as relevant statutory information requirements. The co-administrators have been designated as the Accounting Authority until such time as the new board has been appointed.

Governance environment

The SABS is listed as a Schedule 3B entity in terms of the Public Finance Management, 1999 (Act No. 1 of 1999) (PFMA) and the related Treasury regulations. The government of South Africa, through the Minister of Trade and Industry, is the sole shareholder. In compliance with the requirements of the PFMA, SABS concludes an annual shareholder's compact with the shareholder representative. The shareholder's compact contains shareholder expectations in the form of predetermined objectives and key performance information, and ensures that the Accounting Authority and the shareholder representative are aligned in their understanding and acceptance of strategic objectives. Progress on performance is regularly reviewed by the Board and reported to the shareholder representative quarterly.

The Accounting Authority is fully committed to conducting business in accordance with generally accepted corporate practices. Although the Accounting Authority is accountable to the Minister, and acts in the interests of the organisation, its inclusive decision-making approach accommodates the legitimate interests and expectations of its stakeholders.

The Accounting Authority supports the notion that good governance is essentially about effective leadership and that sustainability is a moral and economic imperative in running a business.

Financial results

The financial results of the SABS are fully disclosed from pages 40 to 42. The key financial indicators for the financial year were:

- Core-funding grant of R232.5 million (FY2018: R243.2 million) received to support the standard development and promotion activities of the organisation
- Decrease in revenue generated from services by 2.6% to R501.3 million (FY2018: R514.4 million)
- Operational expenditure of R847.8 million, reduced by 5.9% from the R901.3 million recorded in FY2018
- Net loss of R4.4 million was achieved (FY2018: R70.7 million loss).
- Balance sheet with equity and reserves of R884.4 million (FY2018: R867.7 million) and cash and cash equivalent of R259.2 million (FY2018: R126.0 million)

Summarised information on the financial performance of the SABS is included in the unaudited group financial overview section on pages 40 to 42 of the Integrated Annual Report.

ACCOUNTING AUTHORITY REPORT (continued)

Performance against approved annual performance plan

In order to achieve its vision and contribute to the achievement of the goals of national government and all its spheres, SABS pursued the following strategic objectives in FY2019:

- Increase the use of standardisation services by broadening the scope of services offered
- Put the customer at the forefront of everything the SABS does
- Improve the operational performance of the SABS to enable delivery of quality outputs for customers and the South African economy
- Develop and retain a competent human resource that is aligned with the organisation's mandate.

The balanced scorecard (BSC) methodology implements and monitors the strategy. To this end, the Board approved the corporate strategic objectives and targets. The table overleaf compares the planned and related actual performance on the high-level corporate strategic objectives for the 2019 financial year.

The SABS achieved six out of nine targets set for the year. The targets not met included:

- Revenue from services of R501.3 million was 10.6% below the annual target of R560.4 million, largely driven by low economic growth environment in the country and increased competition in the conformity assessment services market. Furthermore, the implementation of the approved turnaround plan, which seeks to address various operational, infrastructure and customer service issues, is anticipated to yield results over the medium-term
- Supporting SMMEs through design-oriented interventions, conformity assessment services including certification, consulting and training services. The overarching objective is to elevate the maturity of the SMMEs in the use of standardisation in their business to enable them to improve the quality of products and services that they offer. During the year, the SABS supported 101 SMMEs and 89 design innovators as part of the programme.

  For Corporate Plan performance measurement purposes, the SABS only recognises those SMMEs which meet the following criteria:

  - SMME must be a registered business with a valid tax clearance certificate
  - Must be trading with a product or service
  - Generate annual turnover of R10 million or less

  For the FY2019 financial year, appropriate documentation, in line with the set criteria, could only be provided by 51 of the SMMEs assisted, against the annual target of 75.

- At the end of the year, 52% of the 31 operating business units in the Laboratory Services Division were profitable compared to a target of ≥70%. The under-performance was mainly attributable to the following:
  - Low market volume to support the laboratory operating cost
  - Low revenue base due to lack of environmental testing conditions caused by infrastructure breakdowns, power outages and the delayed commissioning of the plant room after shutdown
  - Loss of critical skills in some laboratories, including laboratory managers

Performance against approved annual performance plan

Strategic objectives	Output	Performance indicator	FY2019 Target	FY2019 Actual	Achievement
Growth Increase the use of standardisation services by broadening the geographical footprint as well as the scope of services offered	Increase in revenue from services	Revenue from services	R560.4 million	R501.3 million	Not achieved
	Increase in products / services offered	Number of new products / services offered	2	4	Target exceeded
Customer centricity Put the customer at the forefront of everything the SABS does	Improvement in stakeholder relations	% of deliverables completed as per the IPAP plan	≥80%	80%	Target achieved
		Number of sector-specific publications produced	4	8	Target exceeded
	SMME and entrepreneurship development	Number of SMMEs that received SABS services	75	51	Not achieved
Productivity Improve the operational performance of the SABS to enable delivery of quality outputs for customers and the South African economy	Execution of strategies to improve the sustainability of the organisation	% of laboratories (BUs in the Testing division) that are profitable	≥70%	52%	Not achieved
	Optimisation of the property assets of the SABS	Allocation of income generated from property to fund testing infrastructure	R5.0 million	R5.3 million	Target exceeded
Competent and empowered employees Develop and retain a competent human resource that is aligned with the mandate of the organisation	Development of technical expertise	Number of technical employees that have completed specialist training with leading partners	10	16	Target exceeded
		Number of doctoral and master's graduates recruited or developed to support testing and standards development	2	2	Target achieved

Subsidiaries

The activities of SABS subsidiaries, as set out in notes 13 and 30 to the Annual Financial Statements, are the provision of conformity assessment services which include certification and testing services.

Events subsequent to reporting date

The Accounting Authority is not aware of any matters or circumstances arising since the end of the financial year, not otherwise dealt with in the financial statements that will have a significant impact on the operations of the group, the results of the operations or the financial position of the group.

Going concern

The Accounting Authority assessed the SABS as being a going concern in terms of financial, operational and other indicators. The Accounting Authority is of the view that the SABS' status as a going concern is assured.

ACCOUNTING AUTHORITY REPORT (continued)

Board and secretariat

The Accounting Authority of the SABS are reflected on page 47 and the name and registered office of the Company Secretary appears on the inside back cover of the Integrated Annual Report.

Related party transactions

Details of the SABS' related party transactions are set out in note 30 of the Annual Financial Statements.

Information presented in terms of section 55(2)(b) of the PFMA

i. Particulars of material losses through criminal conduct and any irregular expenditure and fruitless and wasteful expenditure that occurred during the year: Refer to notes 32 and 33 of the Annual Financial Statements.

ii. Particulars of any criminal or disciplinary steps taken as a consequence of such losses or irregular expenditure or fruitless and wasteful expenditure. Disciplinary proceedings on the individuals concerned are currently underway.

iii. Particulars of any losses recovered or written off: No material losses were recovered or written off other than in the ordinary course of business. Refer to note 5 of the Annual Financial Statements.

iv. Particulars of any financial assistance received from the state and commitments made by the state on behalf of the SABS: During the year, the SABS received R232.5 million from the government. Refer to note 30.7 of the Annual Financial Statements.

SABS BBBEE rating

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

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 Companies Act and the King Code.

Legislative requirements

The Interim Audit and Risk Committee herewith presents its report for the financial year ended 31 March 2019, as required by section 77 of the Public Finance Management Act, 1999 (Act No. 1 of 1999, as amended by Act No. 29 of 1999) (PFMA) read with Treasury Regulation 27.1.10.

Membership and attendance

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

Name	Designation	Qualification	Areas of experience
Sikkie Kajee	Independent non-executive chairman	• CD(SA) • MBA • Professional accountant (SA) • Certified internal auditor • BCompt (Hons) Accounting and auditing	Finance, auditing, internal auditing, compliance and business turnaround
Oupa Mokgoantle [1]	Independent non-executive	• MCom • B.Compt (Hons & CTA) • Higher Diplomas in Tax and Computer Auditing • CISA • CRISC	Finance and tax, risk management, internal auditing
Rene Van Wyk	Independent non-executive	• CA(SA) • MBA • Diploma in Advanced banking	Finance, risk management and governance, human capital management, business turnaround
Jodi Scholtz	Non-executive	• BCom (Hons)	Strategy, operations, risk management and governance
Shabeer Khan	Non-executive	• CA(SA)	Finance, auditing, governance and risk

1. Mr Mokgoantle resigned from the Interim Audit and Risk Committee with effect from 5 February 2019

AUDIT AND RISK COMMITTEE REPORT (continued)

In terms of section 77(b) of the PFMA, an audit committee must meet at least twice a year. During the financial year ended 31 March 2019, the Committee met on six occasions. The table below reflects the attendance at these meetings:

	17 May 2018	29 May 2018	30 July 2018	28 August 2018	30 October 2018	22 January 2019	Attendance:
COMMITTEE MEMBERS							
Michael Ellman	✔ (chair)	✔ (chair)	N/A	N/A	N/A	N/A	2/2
Sikkie Kajee	N/A	N/A	✔ (chair)	✔ (chair)	A	✔ (chair)	3/4
Webster Masvikwa	✔	✔	N/A	N/A	N/A	N/A	2/2
Nivashnee Naraindath	✔	A	N/A	N/A	N/A	N/A	1/2
Shabeer Khan	✔	A	A	✔	A	✔	3/6
Oupa Mokgoantle	N/A	N/A	A	✔	✔	✔	3/4
Rene van Wyk	N/A	N/A	✔	✔	✔ (chair)	✔	4/4
Jodi Scholtz	N/A	N/A	✔	✔	✔	✔	4/4
BY INVITATION							
Bonakele Mehlomakulu (CEO)	✔	✔	N/A	N/A	N/A	N/A	2/2
Garth Strachan (Acting CEO)	N/A	N/A	✔	✔	✔	✔	4/4
Tina Maharaj [1]	✔	✔	✔	✔	✔	✔	6/6

✔ – Attended
A – Absent with apology
N/A – Not a Board member or co-administrator
1 – Acting CFO from 28 May 2018 and appointed as CFO from 15 October 2018

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

Audit and Risk Committee responsibilities

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

Effectiveness of internal control

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

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

The quality of management and quarterly reports submitted in terms of the PFMA

The Audit and Risk Committee is satisfied with the content and quality of management and quarterly reports prepared and issued during the year under review in compliance with the statutory framework. The Committee has engaged with management to remedy shortcomings, especially relating to reports on performance against predetermined objectives.

The Audit and Risk Committee has reviewed and commented on the SABS' Annual Financial Statements and report on performance information and their timely submission to the external auditors by 31 May 2019.

Internal audit function

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

The Committee is satisfied that the internal audit function maintains an effective internal quality assurance and programme that covers all aspects of the internal audit activity. The last external assessment indicates that a generally "conforms rating" can be applied to the internal audit work and the term "Conforms with the International Standards for the Professional Practice of Internal Auditing" may be used by the function.

Risk management function

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

Fraud and corruption

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

- Risk incidents are logged in an operational risk register and monitored.
- SABS has a toll-free whistle-blowing 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 whistle-blowing hotline during the year were investigated.

IT governance

The Committee provides oversight over the IT systems and automated controls and mechanisms within SABS' operating environment. To this end, the Committee has noted the need to strengthen various IT general controls and IT governance. This will be addressed in the new financial-year and is expected to be a multi-year project to modernise and upgrade information systems.

Evaluation of the finance function

Following the resignation of the CFO with effect from 1 April 2018, Ms Tina Maharaj acted in the role as the CFO from 28 May 2018 until her appointment as CFO of the SABS on 15 October 2018. The Committee is satisfied that the finance function performed effectively, with some constraints identified. The Committee will monitor the implementation of the remedial plans.

Performance information

The responsibilities of the Audit and Risk Committee include the review of performance information. The Committee has performed the following:

- Reviewed and commented on the alignment of the Corporate Plan, budget and performance agreements
- Reviewed and commented on the relevance of indicators to ensure that they are measurable and relate to services performed by the SABS
- Reviewed and commented on compliance with statutory requirements and performance management best practices and standards
- Reviewed compliance to reporting requirements
- Reviewed reports by both Internal Audit Services as well from the external auditors as the relate to performance management

The Audit and Risk Committee is satisfied that the performance report has been prepared in terms of the PFMA, the Treasury Regulations and any other related regulatory requirements for reporting performance.

AUDIT AND RISK COMMITTEE REPORT (continued)

Evaluation of the Integrated Annual Report and Annual Financial Statements

The Audit and Risk Committee has reviewed:

- Significant financial reporting judgements and estimates 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 Integrated Annual Report

The Committee has evaluated the Integrated Annual Report and Annual Financial Statements for the year ended 31 March 2019 and considers that it complies, except for the matters identified by the Auditor-General South Africa in the audit report, in all material respects, with the requirements of the IFRS and the requirements of the PFMA and the Standards Act, and that the adoption of the going concern basis in preparing the Annual Financial Statements is appropriate.

External auditor's report

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

The Committee concurs with the material findings on the reported performance information and compliance with legislation.

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

On behalf of the Audit and Risk Committee:

Sikkie Kajee
Chairman of the Interim Audit and Risk Committee

ANNUAL FINANCIAL STATEMENTS

STATEMENT OF PROFIT AND LOSS

FOR THE YEAR ENDED 31 MARCH 2019

		GROUP		SABS	
		2019	2018 Restated*	2019	2018 Restated*
	Note(s)	R'000	R'000	R'000	R'000
Revenue	2	501 286	514 368	28 691	31 547
Other income	3	79 569	64 311	141 584	135 882
Government grants	30	232 477	243 153	232 477	243 152
		813 332	**821 832**	**402 752**	**410 581**
Other operating expenditure					
Employee benefit expenditure	4	(516 369)	(551 554)	(223 289)	(250 835)
Depreciation and amortisation	10-12	(43 468)	(55 563)	(18 899)	(23 353)
Contract services		(41 235)	(45 398)	(38 639)	(39 206)
Travel expenditure		(34 827)	(34 546)	(6 799)	(9 232)
Advertising expenditure		(5 778)	(7 243)	(4 025)	(5 887)
Repairs and maintenance		(9 108)	(10 826)	(5 565)	(6 681)
Consulting and technical fees		(31 090)	(24 883)	(19 057)	(11 353)
Grant to subsidiary		-	-	(20 000)	-
Other expenditure	5	(165 905)	(171 308)	(163 644)	(177 909)
		(847 780)	**(901 321)**	**(499 917)**	**(524 456)**
Operating loss		**(34 448)**	**(79 489)**	**(97 165)**	**(113 875)**
Interest received	6	30 121	29 216	38 526	29 212
Finance costs	7	(48)	(107)	(48)	(102)
Loss before taxation		**(4 375)**	**(50 380)**	**(58 687)**	**(84 765)**
Taxation	8	-	(20 327)	-	-
Loss for the year		**(4 375)**	**(70 707)**	**(58 687)**	**(84 765)**

STATEMENT OF OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2019

		GROUP		SABS	
		2019	2018 Restated*	2019	2018 Restated*
	Note(s)	R'000	R'000	R'000	R'000
Loss for the year		**(4 375)**	**(70 707)**	**(58 687)**	**(84 765)**
Other comprehensive income:					
Items that will not be reclassified to profit or loss:					
Gain on post-retirement medical aid	22	6 957	5 119	2 842	6 042
Income tax effect on items that will not be reclassified	21	(1 152)	258	-	-
Total items that will not be reclassified to profit or loss		**5 805**	**5 377**	**2 842**	**6 042**
Items that may be reclassified to profit or loss:					
FVTPL investment adjustments	21	-	12 863	-	12 863
Income tax effect on items that may be reclassified		-	-	-	-
Total items that will not be reclassified to profit or loss		**-**	**12 863**	**-**	**12 863**
Other comprehensive income for the year net of taxation		**5 805**	**18 240**	**2 842**	**18 905**
Total comprehensive income/(loss)		**1 430**	**(52 467)**	**(55 845)**	**(65 860)**

STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2019

		GROUP			SABS		
		2019	2018 Restated*	2017 Restated*	2019	2018 Restated*	2017 Restated*
	Note(s)	R'000	R'000	R'000	R'000	R'000	R'000
ASSETS							
Non-current assets							
Property, Plant and Equipment	10	692 685	718 706	750 515	452 470	459 024	461 535
Investment property	11	7 734	7 937	8 370	148 192	152 210	158 952
Intangible assets	12	20 081	24 399	27 844	13 630	14 711	13 473
Investments in subsidiaries	13	-	-	-	-	-	65 662
Investments at fair value through profit and loss	14	312 583	430 525	427 338	312 583	430 525	427 338
Deferred tax	15	-	-	19 809	-	-	-
Loans to Group companies	16	-	-	-	56 446	83 078	109 687
		1 033 083	**1 181 567**	**1 233 876**	**983 321**	**1 139 548**	**1 236 647**
Current assets							
Inventories	17	3 125	2 708	1 640	3 125	2 708	1 640
Trade and other receivables	18	200 661	150 555	147 167	25 353	17 858	15 692
Cash and cash equivalents	19	259 161	125 995	91 943	186 733	125 921	91 866
VAT receivable	26	-	-	-	1 964	-	4 308
		462 947	**279 258**	**240 750**	**217 175**	**146 487**	**113 506**
Total assets		**1 496 030**	**1 460 825**	**1 474 626**	**1 200 496**	**1 286 035**	**1 350 153**
EQUITY AND LIABILITIES							
Equity and Reserves							
General reserve	20	54 282	54 282	54 282	54 282	54 282	54 282
Other components of equity	21	18 849	13 044	1 929	12 172	9 330	(2 450)
Accumulated profit		811 397	800 497	871 692	738 991	829 016	914 268
Reserves of disposal Group classified as held-for-sale	9	(94)	(94)	(94)	-	-	-
		884 434	**867 729**	**927 809**	**805 445**	**892 628**	**966 100**
LIABILITIES							
Non-current liabilities							
Retirement benefit obligation	22	92 203	98 388	101 576	53 066	55 763	61 005
Deferred income	23	221 003	242 461	273 910	201 414	239 354	245 087
Deferred tax	15	1 412	260	-	-	-	-
		314 618	**341 109**	**375 486**	**254 480**	**295 117**	**306 092**
Current liabilities							
Deferred income	23	125 721	30 965	7 564	64 896	5 733	5 733
Trade and other payables	24	159 870	160 219	119 726	68 776	59 056	52 212
Retirement benefit obligation	22	10 319	10 129	10 219	6 899	6 822	6 935
Provisions	25	784	46 921	30 044	-	26 594	13 081
VAT payable	26	190	3 659	3 684	-	85	-
		296 884	**251 893**	**171 237**	**140 571**	**98 290**	**77 961**
Liabilities directly associated with the assets held-for-sale	9	94	94	94	-	-	-
Total liabilities		**611 596**	**593 096**	**546 817**	**395 051**	**393 407**	**384 053**
Total equity and liabilities		**1 496 030**	**1 460 825**	**1 474 626**	**1 200 496**	**1 286 035**	**1 350 153**

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2019

	Other components of equity	Discontinued operations	General reserve	Accumulated profit	Total equity and reserves
	R'000	R'000	R'000	R'000	R'000
GROUP					
Opening balance as previously reported	1 929	(94)	54 282	819 128	875 245
Adjustments					
Prior period error	-	-	-	52 564	52 564
Restated* Balance at 01 April 2017 as restated	**1 929**	**(94)**	**54 282**	**871 692**	**927 809**
Loss for the year	-	-	-	(70 707)	(70 707)
Other comprehensive income	18 728	-	-	-	18 728
Gains realised on investments at FVTPL	(7 613)	-	-	-	(7 613)
Total comprehensive loss for the year	**11 115**	**-**	**-**	**(70 707)**	**(59 592)**
Unrealised loss on investments at FVTPL	-	-	-	(488)	(488)
Total contributions by and distributions to owners of company recognised directly in equity		**-**	**-**	**(488)**	**(488)**
Opening balance as previously reported	13 044	(94)	54 282	765 293	832 525
Adjustments					
Prior period errors	-	-	-	35 204	35 204
Balance at 31 March 2018 as restated	**13 044**	**(94)**	**54 282**	**800 497**	**867 729**
Loss for the year	-	-	-	(4 375)	(4 375)
Other comprehensive income	5 805	-	-	-	5 805
Total comprehensive Loss for the year	**5 805**	**-**	**-**	**(4 375)**	**1 430**
IFRS 9 change on impairment of trade and other receivables	-	-	-	15 275	15 275
Total contributions by and distributions to owners of company recognised directly in equity	**-**	**-**	**-**	**15 275**	**15 275**
Balance at 31 March 2019	**18 849**	**(94)**	**54 282**	**811 397**	**884 434**
Note(s)	21	9	20		

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2019

	Other components of equity	Discontinued operations	General reserve	Accumulated profit	Total equity and reserves
	R'000	R'000	R'000	R'000	R'000
SABS					
Opening balance as previously reported	(2 450)	-	54 282	890 040	941 872
Adjustments					
Prior period errors	-	-	-	24 228	24 228
Restated* Balance at 01 April 2017 as restated	**(2 450)**	**-**	**54 282**	**914 268**	**966 100**
Profit for the year	-	-	-	(84 765)	(84 765)
Other comprehensive income	19 393	-	-	-	19 393
Gains realised on investments at FVTPL	(7 613)	-	-	-	(7 613)
Total comprehensive income for the year	**11 780**	**-**	**-**	**(84 765)**	**(72 985)**
Unrealised loss on investments at FVTPL	-	-	-	(488)	(488)
Total contributions by and distributions to owners of company recognised directly in equity	**-**	**-**	**-**	**(488)**	**(488)**
Opening balance as previously reported	9 330	-	54 282	727 440	791 052
Adjustments					
Prior period errors	-	-	-	101 576	101 576
Balance at 31 March 2018 as restated	**9 330**	**-**	**54 282**	**829 016**	**892 628**
Loss for the year	-	-	-	(58 687)	(58 687)
Other comprehensive income	2 842	-	-	-	2 842
Total comprehensive loss for the year	**2 842**	**-**	**-**	**(58 687)**	**(55 845)**
Adjustments on initial application of IFRS 9 (refer to note 37)	-	-	-	(31 338)	(31 338)
Total contributions by and distributions to owners of company recognised directly in equity	**-**	**-**	**-**	**(31 338)**	**(31 338)**
Balance at 31 March 2019	**12 172**	**-**	**54 282**	**738 991**	**805 445**
Note(s)	21		20		

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2019

		GROUP		SABS	
		2019	2018 Restated*	2019	2018 Restated*
	Note(s)	R'000	R'000	R'000	R'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash receipts from customers		549 310	537 270	162 549	174 621
Cash received from government		232 477	243 153	232 477	243 152
Cash paid to suppliers and employees		(854 237)	(782 568)	(489 119)	(408 812)
Cash (used in)/generated from operations	27	(72 450)	(2 145)	(94 093)	8 961
Interest income		30 121	29 216	30 118	29 212
Dividend income		5 719	5 182	5 719	5 182
Finance costs		(48)	(107)	(48)	(102)
Cash (outflow)/inflow from operating activities		**(36 658)**	**32 146**	**(58 304)**	**43 253**
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of property, plant and equipment	10	(21 597)	(18 913)	(13 474)	(13 018)
Proceeds on disposal of property, plant and equipment	27	93	116	1 184	117
Purchase of other intangible assets	12	(3 100)	(5 973)	(3 022)	(5 973)
Purchase of investments at fair value through profit and loss	14	(24 528)	(448 386)	(24 528)	(448 386)
Disposal of investments at fair value through profit and loss	14	132 000	458 062	132 000	458 062
Grant funding		86 956	17 000	86 956	-
Grant funding to subsidiary		-	-	(60 000)	-
Cash inflow/(outflow) from investing activities		**169 824**	**1 906**	**119 116**	**(9 198)**
Increase in cash and cash equivalents		**133 166**	**34 052**	**60 812**	**34 055**
Cash and cash equivalents at beginning of the year		125 995	91 943	125 921	91 866
Cash and cash equivalents at end of the year	19	**259 161**	**125 995**	**186 733**	**125 921**

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, except for the changes set out in note 37 and 38.

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 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. On disposal of the investment, the difference between the net disposal proceeds and the carrying amount is charged to profit and loss.

1.3 Significant judgements and sources of estimation uncertainty

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

Key sources of estimation uncertainty

Impairment of financial assets (excluding trade receivables)

The impairment provisions for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's 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.

Impairment of assets

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

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 obligations

The Group provides Certification services that start 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 separately. 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 estimating 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 reasonably estimated, the Group does not recognise any revenue estimates until it knows the amount that will be recognised.

Retirement benefits

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

Further details about post-retirement benefits are provided in note 22.

1.3 Significant judgements and sources of estimation uncertainty (continued)

Impairment 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. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

For trade receivables and contract assets, 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 credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by product type, customer type). The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e. gross domestic product) are expected to deteriorate over the next year, which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical 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 and contract assets is disclosed in note 18.

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

Provisions

The Group provides for performance bonus, salary related provisions and legal matters. The salary related provisions are calculated using management's best estimate of the cost to be incurred based on the historical information available as well as relevant policies applicable. Legal provisions are based on management's best estimate with the guidance of legal council.

1.4 Investment property

Investment property is recognised as an asset when, and only when, it is probable that the future economic benefits that are associated with the investment property will flow to the enterprise, and the cost of the investment property can be measured reliably.

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. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Cost model

Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses and are accounted for in line with the policy on property, plant and equipment (refer to note 11)

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 when either 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. Transfers between investment property and owner-occupied property do not change the carrying amount or cost of the property transferred. If owner-occupied property becomes an investment property, the Group accounts for it in accordance with the policy stated under property, plant and equipment up to the date of change.

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 year.

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 year 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 year, are included in property, plant and equipment.

Property, plant and equipment is subsequently stated at cost less accumulated depreciation and 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. Leased assets are depreciated in a consistent manner over the shorter of their expected useful lives and the lease term. 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.

Item	Depreciation method	Useful life
Buildings	Straight line	3 - 50 years
Motor vehicles	Straight line	3 - 10 years
Furniture and office equipment	Straight line	3 - 25 years
Laboratory equipment	Straight line	3 - 25 years
Artwork	Straight line	1 - 30 years

1.5 Property, Plant and Equipment (continued)

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

The Group reassessed the useful life of the R1 assets. This was accounted for as a change in estimate. Refer to note 39 for impact on financial results. Due to the reassessment the useful life of certain categories of property, plant and equipment have been extended. The extended useful life is:

Motor vehicles - up to 35 years
Furniture and office equipment - up to 50 years
Laboratory equipment - up to 60 years

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 year is recognised in profit or loss unless it is included in the carrying amount of another asset.

Impairment tests are performed on property, plant and equipment when there is an indicator that they may be impaired. When the carrying amount of an item of property, plant and equipment is assessed to be higher than the estimated recoverable amount, an impairment loss is recognised immediately in the statement of profit or loss to bring the carrying amount in line with the recoverable amount.

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.

Capital work in progress (WIP) is stated at cost net of accumulated impairment losses, if any. The Group capitalises all costs incurred in preparing the assets to be available for use as intended, during this time capital work in progress is not depreciated. 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 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 awaiting capitalisation as all asset acquisitions are procured through the WIP account and capitalised from there.

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.

Intangible assets are initially recognised at cost.

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

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- It is technically feasible to complete the asset so that it will be available for use or sale.
- There is an intention to complete and use or sell it.
- There is an ability to use or sell it.
- It will generate probable future economic benefits.
- There are available technical, financial and other resources to complete the development and to use or sell the asset. The expenditure attributable to the asset during its development can be measured reliably.

The Group does not have any internally generated intangibles, the WIP account in intangibles (refer note 12) relates to acquired intangibles awaiting capitalisation as all asset acquisitions are procured through the WIP account and capitalised from there.

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

Intangible assets with finite lives 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 - 15 years

The Group reassessed the useful life of the R1 assets. This was accounted for as a change in estimate. Refer to note 38 for impact on financial results. Due to the reassessment, certain categories of intangible assets useful life have been extended. The extended useful life is up to 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.

Intangible assets under development is stated at cost net of accumulated impairment losses, if any. The Group capitalises all costs incurred in preparing the assets to be available for use as intended, during this time intangible assets under development 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 intangible assets under development at cost to intangible assets. The normal provisions of intangible assets will then apply.

1.7 Financial instruments

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

Broadly, the classification possibilities, which are adopted by the Group, as applicable, are as follows:

Financial assets, which are equity instruments:

- Mandatorily at fair value through profit or loss; or
- Designated as at fair value through other comprehensive income. (This designation is not available to equity instruments which are held for trading or which are contingent consideration in a business combination).

Financial assets, which are debt instruments:

- Amortised cost. (This category applies only when the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest on principal, and where the instrument is held under a business model whose objective is met by holding the instrument to collect contractual cash flows); or
- Fair value through other comprehensive income. (This category applies only when the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest on principal, and where the instrument is held under a business model whose objective is achieved by both collecting contractual cash flows and selling the instruments); or
- Mandatorily at fair value through profit or loss. (This classification automatically applies to all debt instruments which do not qualify as at amortised cost or at fair value through other comprehensive income); or
- Designated at fair value through profit or loss. (This classification option can only be applied when it eliminates or significantly reduces an accounting mismatch).

Derivatives, which are not part of a hedging relationship:

- Mandatorily at fair value through profit or loss.

Financial liabilities:

- Amortised cost; or
- Mandatorily at fair value through profit or loss. (This applies to contingent consideration in a business combination or to liabilities which are held for trading); or
- Designated at fair value through profit or loss. (This classification option can be applied when it eliminates or significantly reduces an accounting mismatch; the liability forms part of a Group of financial instruments managed on a fair value basis; or it forms part of a contract containing an embedded derivative and the entire contract is designated as at fair value through profit or loss).

Note 29 Financial instruments and risk management presents the financial instruments held by the Group based on their specific classifications.

1.7 Financial instruments (continued)

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

The specific accounting policies for the classification, recognition and measurement of each type of financial instrument held by the Group are presented below:

Loans receivable at amortised cost

Classification

Loans to Group companies (note 16) are classified as financial assets subsequently measured at amortised cost.

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.

The amortised cost is the amount recognised on the loan 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.

Application of the effective interest method

Interest income is calculated using the effective interest method, and is included in profit or loss in interest received (note 6).

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.

Impairment

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.

The Group measures the loss allowance at an amount equal to lifetime expected credit losses (lifetime ECL) when there has been a significant increase in credit risk since initial recognition. If the credit risk on a loan has not increased significantly since initial recognition, then the loss allowance for that loan is measured at 12 month expected credit losses (12 month ECL).

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a loan. In contrast, 12 month ECL represents the portion of lifetime ECL that is expected to result from default events on a loan that are possible within 12 months after the reporting date.

In order to assess whether to apply lifetime ECL or 12 month ECL, in other words, whether or not there has been a significant increase in credit risk since initial recognition, the Group considers whether there has been a significant increase in the risk of a default occurring since initial recognition rather than at evidence of a loan being credit impaired at the reporting date or of an actual default occurring.

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.

The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the counterparties operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information.

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.

By contrast, if a loan is assessed to have a low credit risk at the reporting date, then it is assumed that the credit risk on the loan has not increased significantly since initial recognition.

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.

Definition of default

For purposes of internal credit risk management purposes, the Group consider that a default event has occurred if there is either a breach of financial covenants by the counterparty, or if internal or external information indicates that the counterparty is unlikely to pay its creditors in full (without taking collateral into account).

Irrespective of the above analysis, the Group considers that default has occurred when a loan instalment 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 counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty 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.

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 16).

1.7 Financial instruments (continued)

Credit risk

Details of credit risk related to loans receivable are included in the specific notes and the financial instruments and risk management (note 29).

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 18).

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.

Application of the effective interest method

For receivables which contain a significant financing component, interest income is calculated using the effective interest method, and is included in profit or loss in interest received (note 6).

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

- The effective interest rate is applied to the gross carrying amount of the receivable, provided the receivable is not credit impaired. The gross carrying amount is the amortised cost before adjusting for a loss allowance.
- If a receivable is a 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 receivable, even if it is no longer credit-impaired.
- If a receivable 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 receivable in the determination of interest. If, in subsequent periods, the receivable is no longer credit impaired, then the interest calculation reverts to applying the effective interest rate to the gross carrying amount.

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 3 or 5).

Details of foreign currency risk exposure and the management thereof are provided in the financial instruments and risk management (note 29).

Impairment

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.

The Group measures the loss allowance for trade and other receivables at an amount equal to lifetime expected credit losses (lifetime ECL), which represents the expected credit losses that will result from all possible default events over the expected life of the receivable.

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 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 are presented in note 18.

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 18).

Write off policy

The Group writes off a receivable when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. 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 18) and the financial instruments and risk management (note 29).

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 14. They are classified as mandatorily at fair value through profit or loss. As an exception to this classification, the Group may make an irrevocable election, on an instrument-by-instrument basis, and on initial recognition, to designate certain investments in equity instruments as at fair value through other comprehensive income.

The designation as at fair value through other comprehensive income is never made on investments, which are either held for trading or contingent consideration in a business combination.

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. Transaction costs are added to the initial carrying amount for those investments, which have been designated as at fair value through other comprehensive income. 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 or in other comprehensive income (and accumulated in equity in the reserve for valuation of investments), depending on their classification.

Fair value gains or losses recognised on investments at fair value through profit or loss are included in other income (note 3).

Dividends received on equity investments are recognised in profit or loss when the Group's right to receive 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 3).

Impairment

Investments in equity instruments are not subject to impairment provisions.

1.7 Financial instruments (continued)

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 24), 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.

If trade and other payables contain a significant financing component, and the effective interest method results in the recognition of interest expense, then it is included in profit or loss in finance costs (note 7).

Trade and other payables expose the Group to liquidity risk and possibly to interest rate risk. Refer to note 29 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 3 or 5).

Details of foreign currency risk exposure and the management thereof are provided in the financial instruments and risk management (note 29).

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. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

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.

Reclassification

Financial assets

The Group only reclassifies affected financial assets if there is a change in the business model for managing financial assets. If a reclassification is necessary, it is applied prospectively from the reclassification date. Any previously stated gains, losses or interest are not restated.

The reclassification date is the beginning of the first reporting period following the change in business model, which necessitates a reclassification.

Financial liabilities

Financial liabilities are not reclassified.

1.8 Tax

Current tax assets and liabilities

Current tax for current and prior periods, to the extent unpaid, is 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.

The Group did not recognised a deferred tax asset due, as there are no future taxable profits to offset it against.

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.

Receivables and payables are stated with the amount of VAT included.

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

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

Group as lessor

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

Rental income arising from operating leases on investment properties is accounted for on a straight- line basis over the lease term.

Group as lessee

An operating lease is a lease other than a finance lease. Operating lease payments are recognised as an operating expense in the statement of profit or loss on a straight-line basis over the lease term.

Any contingent rents are expensed in the period they are incurred.

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.

Inventories include a "right to returned goods asset" which represents the Group right to recover products from customers where customers exercise their right of return under the Group returns policy. The Group uses its accumulated historical experience to estimate the number of returns on a portfolio level using the expected value method. A corresponding adjustment is recognised against cost of sales.

1.11 Impairment of non- financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in profit or loss.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

A reversal of an impairment loss of an asset or CGU is recognised immediately in profit and loss. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

1.12 Reserves

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

1.13 Employee benefits

Short-term employee benefits

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

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

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

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the Group's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

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.

1.14 Provisions and contingencies

Provisions are recognised when:

- The Group has a present obligation because 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.

1.15 Government grants

Government grants are recognised when there is reasonable assurance that the Group will comply with the conditions attaching to them; and the grants will be received.

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

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

Government grants related to assets, including 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.

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

1.16 Revenue from contracts with customers

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

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

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

The Group enters into transactions for each product or service offering separately, the contracts entered into rarely combine a range of the Group's offering, and where the contract requires services from more than one division the performance obligation is considered as one.

Group's 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 usage and consumption. 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, and 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

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

Contract Balances

Contract assets - A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional

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.

Assets and liabilities arising from Standards subscription agreement

Contract asset - Standard subscriptions - Contract assets relating to standards subscriptions represent the Group's right to consideration in exchange for right to access standards that the entity has transferred to a customer when that right is conditional on something other than the passage of time.

Contract liabilities - Standard subscriptions - Contract liabilities relating to standards subscriptions represent the Groups obligation to provide subscribers right to access standards for which the Group has received consideration or for which an amount of consideration is due from the subscriber.

ACCOUNTING POLICIES (continued)

FOR THE YEAR ENDED 31 MARCH 2019

1.17 Translation of foreign currencies

Functional and presentation currency

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

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

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

	2019	2018
Euro	16,44	14,55
Pound Sterling	19,19	16,58
US Dollar	14,63	11,81
Swiss Franc	14,69	12,38

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.

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

1.18 Other expenditure

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

1.19 Other income

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

1.20 Other components of equity

Other components of equity are the gains and losses associated to the post-employment healthcare benefit directly recognised in other comprehensive income.

1.21 Fruitless and wasteful and irregular expenditure

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

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

Where such impracticality exists, the reasons therefore must be provided in the notes. Irregular expenditure must be removed from the notes when it is either condoned by the National Treasury or the relevant authority; it is transferred to receivables for recovery; or it is not condoned and is irrecoverable.

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

1.22 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.

1.23 Events after the reporting date

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

2. Revenue

	GROUP		SABS	
	2019	2018	2019	2018
	R'000	R'000	R'000	R'000
Revenue from contracts with customers				
Sale of Standards	25 938	23 517	25 938	23 594
Laboratory Services	181 918	179 985	-	-
Intercompany sale of standards	-	-	981	458
Management fees - Design Institute	1 772	7 495	1 772	7 495
Certification	281 430	290 912	-	-
Training	10 228	12 459	-	-
	501 286	**514 368**	**28 691**	**31 547**
Disaggregation of revenue from contracts with customers				
The Group disaggregates revenue from customers as follows:				
Sale of goods				
Sale of Standards	16 901	15 606	16 924	15 683
Intercompany sale of standards	-	-	981	458
	16 901	**15 606**	**17 905**	**16 141**
Rendering of services				
Laboratory Services	181 918	179 985	-	-
Management fees - Design Institute	1 772	7 495	1 772	7 495
Certification	281 430	290 912	-	-
Training	10 228	12 459	-	-
	475 348	**490 851**	**1 772**	**7 495**
Other revenue				
Standards - subscription fees	9 037	7 911	9 014	7 911
Total revenue from contracts with customers	**501 286**	**514 368**	**28 691**	**31 547**
Timing of revenue recognition				
At a point in time				
Sale of Standards	16 901	15 606	16 924	15 683
Pre assessment audits- Certification	23 850	30 720	-	-
Laboratory Services	181 918	179 985	-	-
Intercompany sale of standards	-	-	981	458
	222 669	**226 311**	**17 905**	**16 141**
Over time				
Certification	257 580	260 192	-	-
Training	10 228	12 459	-	-
Standards - subscription fees	9 037	7 911	9 014	7 911
Management fees - Design Institute	1 772	7 495	1 772	7 495
	278 617	**288 057**	**10 786**	**15 406**
Total revenue from contracts with customers	**501 286**	**514 368**	**28 691**	**31 547**

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

The transaction prices, which have 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	
	2019	2018	2019	2018
	R'000	R'000	R'000	R'000
Transaction price allocated to:				
Certification	8 451	6 474	8 451	6 474
Laboratory Services	10 951	27 139	10 951	27 139
	19 402	**33 613**	**19 402**	**33 613**

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 courier costs are expensed when incurred. Sales of standards are invoiced at the point in time when control of the asset is transferred to the customer. For cash customers payment of the transaction price is due immediately 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 in 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 from training services on a straight line basis over the term of the contract. Training services range from two to five days and the amount of work required to perform under the contracts does not vary significantly over the term of the contract, the straight-line method provides a faithful depiction of the transfer of goods or service. Training services are invoiced once the training has been provided thus, when the Group has satisfied its performance obligations. Payment of the transaction price is due 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. Payment is due 30 days from date of invoice.

The Right of Use of Mark Scheme - The Group recognises revenue from right of use of mark scheme on a straight line basis over a period of 3 years. 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. There are compliance audits performed by the Group over the period of the contracts. Right of use under the mark scheme varies from monthly to quarterly to annually. Payment is due 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.

3. Other income

Includes:

	GROUP		SABS	
	2019	2018	2019	2018
	R'000	R'000	R'000	R'000
Bad debts recovered	26	-	-	-
Corporate services recoveries	-	-	26 215	29 894
Deferred income in respect of government grants recognised during the year for plant and equipment (refer to note 23)	8 716	8 925	5 733	5 733
Income recognised in local content verification	11 251	-	-	-
Dividends received from investments	5 719	5 182	5 719	5 182
Foreign exchange gains	220	2 843	24	380
Realised gains on available-for-sale investments	-	7 613	-	7 613
Rental income from investment property	15 874	14 875	15 874	14 875
Intercompany rentals received in respect of:				
- Land and buildings	-	-	54 189	31 727
- Equipment	-	-	10 160	24 759
Royalties received	-	-	73	-
Management fees relating to Jobs Fund programme	5 287	2 287	5 287	2 287
Profit on disposal of property, plant and equipment	-	-	1 063	67
Income relating to Design Institute	4 052	-	4 052	-
Income recovery dosimeters	10 933	8 251	-	-
Income relating to SMMEs	4 610	-	-	-

4. Employee benefit expenditure

Salaries and wages	423 662	465 261	177 796	210 401
Medical aid and other employment benefits	39 571	38 504	15 114	14 776
Pension contributions	33 579	32 552	15 179	15 047
Board emoluments (Note 30)	8 285	3 542	8 285	3 498
	505 097	539 859	216 374	243 722
Post-employment healthcare benefits (Note 22)	8 556	8 478	5 248	5 554
Long service leave benefits (Note 22)	2 716	3 217	1 667	1 559
	516 369	**551 554**	**223 289**	**250 835**

5. Other expenditure

Includes:

		GROUP		SABS	
		2019	2018	2019	2018
	Note(s)	R'000	R'000	R'000	R'000
Auditors remuneration - external auditors		4 178	3 284	2 749	2 197
Bad debts					
- Bad debts written-off		35 427	6 672	462	108
- (Reversal of impairment)/impairment of receivables		(3 289)	38 021	670	(9 357)
Computer software and license fees		9 975	9 301	9 975	9 263
Consumables		22 184	19 920	6 025	2 719
Direct operating expenses relating to investment properties that:					
- Generated rental income		17 982	15 322	20 520	17 947
- Did not generate rental income		2 255	1 754	2 573	5 774
Impairment of investment in subsidiary		-	-	-	100 000
Impairment of loans to group companies		-	-	62 524	-
Loss on disposal of property, plant and equipment		1 106	89	-	-
Realised foreign exchange losses		330	4 233	352	518
Non-executive board member emoluments	30	678	1 118	641	1 007
Fair value adjustment on investments through profit and loss		10 470	-	10 470	-
Insurance		2 043	2 212	2 038	2 212
Legal costs		3 326	2 995	3 326	2 995
Membership fees		4 433	5 262	3 766	4 624
Municipal services		49 031	50 036	47 710	48 184
Postal services		3 084	2 898	804	919
Rentals in respect of operating leases					
- Land and buildings		3 180	4 231	-	-
- Equipment		1 935	2 559	558	590
Training		2 357	3 492	1 997	2 628

6. Interest received

Bank balances	790	892	787	(5 532)
Money market investments, short-term deposits and available-for-sale investments	29 331	28 324	29 331	28 324
Fair value adjustment on loans to group companies	-	-	8 408	6 420
	30 121	**29 216**	**38 526**	**29 212**

7. Finance cost

Interest on banking facilities and late payments	48	107	48	102

8. Taxation

Major components of the tax expense	GROUP		SABS	
	2019	2018	2019	2018
	R'000	R'000	R'000	R'000
Deferred				
Deferred taxation - current year	-	20 327	-	-
Reconciliation of the tax expense				
The charge for the year can be reconciled to the profit statement of profit and loss as follows:				
Accounting profit/loss)	1 384	(65 614)	-	-
Accounting profit/(loss) before income tax	**1 384**	**(65 614)**	**-**	**-**
Taxation at 28% (2018: 28%)	388	(18 372)	-	-
Tax effect of adjustments on taxable income				
Exempt income and expenses	(835)	(894)	-	-
Non-deductible expenditure	79	141	-	-
Unrecognised deferred tax portion	368	19 125	-	-
Derecognition of deferred tax asset	-	20 327	-	-
Taxation	**-**	**20 327**	**-**	**-**
Deferred tax expense recognised directly in other comprehensive income	**(1 152)**	**258**	**-**	**-**

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 represent the SABS Commercial SOC Ltd taxation.

No provision has been made for 2019 deferred tax, as the Group has no taxable income.

9. Discontinued operations

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

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

GCS Namibia (Pty) Ltd	GROUP		SABS	
	2019	2018	2019	2018
	R'000	R'000	R'000	R'000
Non-current assets				
Intercompany loans	-	-	-	49
Current liabilities				
Trade and other payables	94	94	-	-
Liabilities of disposal Group classified as held for sale	94	94	-	-
Net liabilities directly associated with assets classified as held for sale	**(94)**	**(94)**	**-**	**-**

(N$1 equal R1)

10. Property, plant and equipment

GROUP

	2019			2018		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
	R'000	R'000	R'000	R'000	R'000	R'000
Land	350 700	-	350 700	350 700	-	350 700
Buildings	286 329	(102 218)	184 111	290 431	(102 945)	187 486
Furniture and office equipment	106 308	(84 702)	21 606	105 478	(76 932)	28 546
Motor vehicles	1 432	(1 109)	323	1 432	(1 040)	392
Laboratory equipment	262 547	(180 588)	81 959	259 166	(166 681)	92 485
Artwork	1 009	(194)	815	1 016	(161)	855
Capital - Work-in-progress	53 171	-	53 171	58 242	-	58 242
Total	**1 061 496**	**(368 811)**	**692 685**	**1 066 465**	**(347 759)**	**718 706**

SABS

	2019			2018		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
	R'000	R'000	R'000	R'000	R'000	R'000
Land	350 700	-	350 700	350 000	-	350 000
Buildings	60 654	(25 833)	34 821	57 707	(26 468)	31 239
Furniture and office equipment	82 621	(67 087)	15 534	82 223	(61 880)	20 343
Motor vehicles	139	(80)	59	139	(66)	73
Laboratory equipment	7 295	(4 137)	3 158	6 701	(3 632)	3 069
Artwork	1 000	(190)	810	1 000	(150)	850
Capital - Work-in-progress	47 388	-	47 388	53 450	-	53 450
Total	**549 797**	**(97 327)**	**452 470**	**551 220**	**(92 196)**	**459 024**

Reconciliation of property, plant and equipment - Group - 2019

	Opening balance	Additions	Disposals	Work-in progress expensed	Depreciation	Total
	R'000	R'000	R'000	R'000	R'000	R'000
Land	350 700	-	-	-	-	350 700
Buildings	187 486	4 733	(802)	-	(7 306)	184 111
Furniture and office equipment	28 546	3 348	(101)	-	(10 187)	21 606
Motor vehicles	392	-	-	-	(69)	323
Laboratory equipment	92 485	8 386	(296)	-	(18 616)	81 959
Artwork	855	-	-	-	(40)	815
Capital - Work-in-progress	58 242	5 130	-	(10 201)	-	53 171
	718 706	**21 597**	**(1 199)**	**(10 201)**	**(36 218)**	**692 685**

Reconciliation of property, plant and equipment - Group - 2018

	Opening balance	Additions	Disposals	Work-in progress expensed	Other changes, movements	Depreciation	Total
	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Land	350 700	-	-	-	-	-	350 700
Buildings	194 332	3 756	(64)	-	(657)	(9 881)	187 486
Furniture and office equipment	36 609	4 185	(54)	-	1 334	(13 528)	28 546
Motor vehicles	421	-	-	-	76	(105)	392
Laboratory equipment	101 763	14 866	(87)	-	(753)	(23 304)	92 485
Artwork	894	-	-	-	-	(39)	855
Capital - Work-in-progress	65 796	(3 894)	-	(3 660)	-	-	58 242
	750 515	**18 913**	**(205)**	**(3 660)**	**-**	**(46 857)**	**718 706**

10. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - SABS - 2019

	Opening balance	Additions	Assets transferred to subsidiary	Disposals	Work-in progress expensed	Depreciation	Total
	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Land	350 000	-	700	-	-	-	350 700
Buildings	31 239	5 919	682	(46)	-	(2 973)	34 821
Furniture and office equipment	20 343	2 957	(133)	(72)	-	(7 561)	15 534
Motor vehicles	73	-	-	-	-	(14)	59
Laboratory equipment	3 069	267	388	(3)	-	(563)	3 158
Artwork	850	-	-	-	-	(40)	810
Capital - Work-in-progress	53 450	4 331	(331)	-	(10 062)	-	47 388
	459 024	**13 474**	**1 306**	**(121)**	**(10 062)**	**(11 151)**	**452 470**

Reconciliation of property, plant and equipment - SABS - 2018

	Opening balance	Additions	Assets transferred to subsidiary	Disposals	Work-in progress expensed	Depreciation	Total
	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Land	349 700	-	300	-	-	-	350 000
Buildings	29 898	3 716	427	-	-	(2 802)	31 239
Furniture and office equipment	25 728	3 972	375	(50)	-	(9 682)	20 343
Motor vehicles	-	-	75	-	-	(2)	73
Laboratory equipment	2 674	974	(86)	-	-	(493)	3 069
Artwork	890	-	-	-	-	(40)	850
Capital - Work-in-progress	52 645	4 356	(665)	-	(2 886)	-	53 450
	461 535	**13 018**	**426**	**(50)**	**(2 886)**	**(13 019)**	**459 024**

Other information

Work-in-progress expensed relates to initial feasibility and professional fees on long-term projects, which did not result into an asset. Asset expensed relates to roof repairs incorrectly capitalised during the year.

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

Capital work-in-progress for the Group includes R5.7 million for new laboratory equipment, R47.1 million for infrastructure, refurbishment projects and R0.3 million for ICT equipment.

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

There were no assets that were pledged as security.

During the year, land and buildings that were in the subsidiary books were transferred to the holding company. The value of the land that was transferred amounted to R700 000.

11. Investment property

Group

	2019			2018		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
	R'000	R'000	R'000	R'000	R'000	R'000
Investment property	12 984	(5 250)	7 734	12 984	(5 047)	7 937

SABS

	2019			2018		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
	R'000	R'000	R'000	R'000	R'000	R'000
Investment property	222 874	(74 682)	148 192	225 480	(73 270)	152 210

Reconciliation of investment property - Group - 2019

	Opening balance	Depreciation	Total
	R'000	R'000	R'000
Investment property	7 937	(203)	7 734

Reconciliation of investment property - Group - 2018

	Opening balance	Depreciation	Total
	R'000	R'000	R'000
Investment property	8 370	(433)	7 937

Reconciliation of investment property - SABS - 2019

	Opening balance	Depreciation	Total
	R'000	R'000	R'000
Investment property	152 210	(4 018)	148 192

Reconciliation of investment property - SABS - 2018

	Opening balance	Depreciation	Total
	R'000	R'000	R'000
Investment property	158 952	(6 742)	152 210

Investment properties and significant components thereof are stated at the costs thereof. At the reporting date, management's assessment of the fair value of investment properties was R15.3 million for the Group and R403.0 million for SABS. (2018 R15.3 million for the Group and R403.0 million for SABS). Refer to notes 3 and 5 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:
- Buildings N, R and Z including the parking located on the Groenkloof Campus
- A property in East London
- All the buildings on the Groenkloof Campus except for the administration building Block A

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

12. Intangible assets

Group

	2019			2018		
	Cost	Accumulated amortisation	Carrying value	Cost	Accumulated amortisation	Carrying value
	R'000	R'000	R'000	R'000	R'000	R'000
Computer software, other	79 088	(63 296)	15 792	76 417	(56 253)	20 164
Intangible assets under development	4 289	-	4 289	4 235	-	4 235
Total	**83 377**	**(63 296)**	**20 081**	**80 652**	**(56 253)**	**24 399**

SABS

	2019			2018		
	Cost	Accumulated amortisation	Carrying value	Cost	Accumulated amortisation	Carrying value
	R'000	R'000	R'000	R'000	R'000	R'000
Computer software, other	49 459	(40 118)	9 341	46 864	(36 388)	10 476
Intangible assets under development	4 289	-	4 289	4 235	-	4 235
Total	**53 748**	**(40 118)**	**13 630**	**51 099**	**(36 388)**	**14 711**

Reconciliation of intangible assets - Group - 2019

	Opening balance	Additions	Work-in-progress expensed	Amortisation	Total
	R'000	R'000	R'000	R'000	R'000
Computer software, other	20 164	2 673	-	(7 045)	15 792
Intangible assets under development	4 235	427	(373)	-	4 289
	24 399	**3 100**	**(373)**	**(7 045)**	**20 081**

Reconciliation of intangible assets - Group - 2018

	Opening balance	Additions	Work-in-progress expensed	Amortisation	Total
	R'000	R'000	R'000	R'000	R'000
Computer software, other	25 663	2 775	-	(8 274)	20 164
Intangible assets under development	2 181	3 198	(1 144)	-	4 235
	27 844	**5 973**	**(1 144)**	**(8 274)**	**24 399**

Reconciliation of intangible assets - SABS - 2019

	Opening balance	Additions	Work-in-progress expensed	Amortisation	Total
	R'000	R'000	R'000	R'000	R'000
Computer software, other	10 476	2 595	-	(3 730)	9 341
Intangible assets under development	4 235	427	(373)	-	4 289
	14 711	**3 022**	**(373)**	**(3 730)**	**13 630**

Reconciliation of intangible assets - SABS - 2018

	Opening balance	Additions	Work-in-progress expensed	Amortisation	Total
	R'000	R'000	R'000	R'000	R'000
Computer software, other	11 292	2 775	-	(3 591)	10 476
Intangible assets under development	2 181	3 198	(1 144)	-	4 235
	13 473	**5 973**	**(1 144)**	**(3 591)**	**14 711**

Impairment of intangible assets is disclosed in the statement of profit or loss under depreciation and amortisation and there are no restrictions imposed on the realisability of intangible assets.

13. Investment in subsidiaries

The entity's principal subsidiary is:		SABS	
		2019	2018
		R'000	R'000
Name	**Ownership**		
GCS Namibia (Pty) Ltd	100%	-	-
SABS Commercial SOC Ltd	100%	-	-
Opening balance		-	65 662
Share subscription		-	34 338
Below market portion of loan to group companies adjustment of loan		19 004	-
Impairment of investment in subsidiary		(19 004)	(100 000)
		-	**-**

In 2018 SABS Commercial issued 34 338 000 no par value shares for R34.338 million which the SABS fully subscribed for. No shares were issued in 2019. The transaction was settled through the intercompany loan. The Group results and position comprise of SABS, SABS Commercial SOC Ltd and the GCS Namibia (Pty) Ltd. Separate financial statements are available for each subsidiary company.

With the adoption of IFRS 9, the portion of loan to group companies that is below market was reclassified as investment in subsidiary and subsequently impaired.

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

SABS Commercial SOC Ltd	SABS	
	2019	2018
	R'000	R'000
Revenue	473 575	483 280
Other income	52 547	17 209
Expenditure	(524 742)	(566 102)
Operating profit/(loss)	**1 380**	**(65 613)**
Net finance costs	3	(1)
Taxation	-	(20 327)
	1 383	**(85 941)**

14. Investment at fair value through profit and loss

The entity's principal subsidiary is:	GROUP		SABS	
	2019	2018	2019	2018
	R'000	R'000	R'000	R'000
Opening balance	430 525	427 338	430 525	427 338
Additions (net of costs)	24 528	448 386	24 528	448 386
Disposals	(132 000)	(458 062)	(132 000)	(458 062)
(Losses)/profit on investments transferred to equity (Refer to note 21)	-	12 863	-	12 863
(Losses)/profit on financial assets measured at FVTPL	(10 470)	-	(10 470)	-
Non-current portion	**312 583**	**430 525**	**312 583**	**430 525**

Financial assets previously classified as available for sale investments are now classified as financial assets measured at FVTPL in line with the new IFRS 9. These financial assets measured at FVTPL comprise:

	GROUP		SABS	
	2019	2018	2019	2018
	R'000	R'000	R'000	R'000
Equities and other	312 583	430 525	312 583	430 525

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.

15. Deferred tax

The entity's principal subsidiary is:	GROUP		SABS	
	2019	2018	2019	2018
	R'000	R'000	R'000	R'000
Temporary differences				
Accelerated wear and tear for tax purposes on property, plant and equipment	(14 601)	(15 756)	-	-
Intangible assets	(1 767)	(2 438)	-	-
Assessed losses	30 640	19 228	-	-
Other deductible temporary differences				
Employee related provisions	13 940	20 075	-	-
Doubtful debts allowance	10 266	14 634	-	-
Income received in advance	14 113	16 288	-	-
Other	(6)	(147)	-	-
	52 585	51 884	-	-
Unrecognised portion of deferred tax asset	(53 997)	(31 817)	-	-
Less: Derecognition of deferred tax asset	-	(20 327)	-	-
Deferred tax liability	**(1 412)**	**(260)**	**-**	**-**
Deferred tax movement				
The movement for the year in the Group's deferred tax positions was as follows:				
Opening balance	(260)	19 809	-	-
Temporary differences on property, plant and equipment	1 155	1 242	-	-
Temporary differences on intangible assets	671	744	-	-
Temporary differences on employee related provisions	(6 135)	2 459	-	-
Temporary difference on income received in advance	(2 175)	5 307	-	-
Temporary differences on tax losses	11 412	(52)	-	-
Reversing temporary differences on other deductible temporary differences	(1 712)	(40 012)	-	-
Temporary differences on doubtful debt allowance	(4 368)	10 243	-	-
Closing balance	**(1 412)**	**(260)**	**-**	**-**
Deferred tax liability				
Balance at the beginning of the year	(260)	19 809	-	-
Current year charge				
- per the statement of profit and loss - impairment of deferred tax asset	-	(20 327)	-	-
- per the statement of comprehensive income	(1 152)	258	-	-
Closing balance	**(1 412)**	**(260)**	**-**	**-**
Reflected in the statement of financial position as follows:				
Deferred tax assets	-	-	-	-
Deferred tax liabilities	(1 412)	(260)	-	-
Deferred tax liability	**(1 412)**	**(260)**	**-**	**-**

At the reporting date, the Group has unutilised tax losses of R109.4 million (2018: R81.9 million) available for offset against future taxable profits. No provision has been made for 2019 deferred tax, as the Group has no taxable income.

16. Loans to Group Companies

	SABS	
	2019	2018
	R'000	R'000
Loans to GCS Namibia (Pty) Ltd		
GCS Namibia (Pty) Ltd	49	49
Impairment of loan	(49)	-
Closing balance	**-**	**49**
Loans to SABS Commercial SOC Ltd		
Opening balance	83 029	109 639
On initial application of IFRS 9		
- Below market value adjustment	(27 306)	-
- ECL allowance	(4 473)	-
Balance at 1 April	51 250	109 639
Increase in loan to SABS Commercial SOC Ltd	59 311	7 728
Decrease in loan to SABS Commercial SOC Ltd - share subscription (refer to note 13)	-	(34 338)
Interest income	8 409	-
Below market adjustment - refer to note 13	(19 004)	-
Loan balance	99 966	83 029
ECL allowance	(43 520)	-
Closing balance	**56 446**	**83 629**

Reconciliation of provision for impairment of loans to group companies	SABS
	2019
	R'000
As at 31 March 2018	-
Change in initial application of IFRS 9	4 473
As at 1 April 2018	4 473
Net re-measurement	43 520
	47 993

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. Interest is charged at zero percent. The loan to SABS Commercial is disclosed at the fair value of a similar debt instrument between unrelated market participants and was discounted using an effective interest rate of 10.87% over a period of 3 years since the intention is to call the loan in time to be repayable at 31 March 2022. Interest income was calculated based on the market rate of 10.5% of a similar debt instrument. SABS Commercial SOC Ltd was a subsidiary throughout the year and was directly held. GCS Namibia (Pty) Ltd is registered in Namibia.

17. Inventories

	GROUP		SABS	
	2019	2018	2019	2018
	R'000	R'000	R'000	R'000
Finished goods	3 139	2 728	3 139	2 728
Obsolete stock written-off	(14)	(20)	(14)	(20)
	3 125	**2 708**	**3 125**	**2 708**

No amounts other than obsolete stock were recognised as expense during the year (2018: Nil).

18. Trade and other receivables

	GROUP		SABS	
	2019	2018	2019	2018
	R'000	R'000	R'000	R'000
Trade receivables	241 608	212 600	18 435	13 556
Less: Impairment of trade receivables	(49 985)	(68 548)	(1 098)	(868)
Trade receivables	191 623	144 052	17 337	12 688
Deposits and payments in advance	8 277	5 915	7 944	5 120
Employee related debtors	761	588	72	50
Other receivables	9 038	6 503	8 016	5 170
Non-current portion	**200 661**	**150 555**	**25 353**	**17 858**

The Group's contract balances relating to contracts with customers are as follow:

	GROUP		SABS	
	31 March 2019	1 April 2018	31 March 2019	1 April 2018
	R'000	R'000	R'000	R'000
Trade receivables relating to contracts with customers	220 247	200 187	6 854	6 789
Impairment relating to contracts with customers	(534)	-	(534)	-
	219 713	**200 187**	**6 320**	**6 789**

The impairment of trade receivables has been determined by reference to expected credit loss and the current economic environment. Trade receivables are discounted at an effective rate of 6.75% (2018: 6.50%). No interest is charged on overdue accounts. The credit period is 30 days from date of invoice. The carrying amounts approximate their fair value. No individual customer represents more than 10% of the Group's trade receivables.

Impairment of trade and other receivables:

	GROUP	SABS
	R'000	R'000
As at 31 March, 2017	(30 526)	(10 225)
Utilised during the year	6 673	108
Prior period error	(15 122)	-
(Raised)/reversed during the year	(29 573)	9 249
As at 31 March 2018	**(68 548)**	**(868)**
Change on initial application of IFRS 9	15 275	441
Restated balance at 1 April 2018	(53 273)	(427)
Amount written off	35 427	462
Net re-measurement	(32 139)	(1 133)
As at 31 March 2019	**(49 985)**	**(1 098)**

Impairment 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						
2019						
Carrying value (R '000)	192 384	45 015	22 352	11 660	12 481	100 876
	100%	23%	12%	6%	6%	52%
Impairment (R '000)	49 985	1 832	1 397	1 002	1 491	44 263
	100%	4%	3%	2%	3%	89%
Weighted average loss rate	26%	4%	6%	9%	12%	44%
2018						
Carrying value (R '000)	144 640	37 173	18 974	9 606	5 213	73 674
	100%	26%	13%	7%	4%	51%
Impairment (R '000)	68 548	8 933	3 058	5 198	2 818	48 541
	100%	13 %	4%	8%	4%	71%

	Total	Not past due	Past due			
			>30 days	>60 days	>90 days	>120 days
SABS						
2019						
Carrying value (R '000)	17 409	6 053	3 471	92	3 294	4 499
	100%	35%	20%	1%	19%	26%
Impairment (R '000)	1 098	179	135	3	250	531
	100%	16%	12%	- %	23%	48%
2018						
Carrying value (R '000)	12 738	4 076	2 651	209	241	5 561
	100%	32%	21%	2%	2%	44%
Impairment (R '000)	868	13	16	1	3	835
	100%	1%	2%	- %	- %	96%

19. 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	
	2019	2018	2019	2018
	R'000	R'000	R'000	R'000
Bank balances	148 484	83 913	76 111	83 896
Money Market investments	110 656	42 060	110 606	42 009
Cash on hand	21	22	16	16
Net cash and cash equivalents used in the statement of cash flows	**259 161**	**125 995**	**186 733**	**125 921**

The Group has cash management facilities, resulting in all SABS bank balances being swept daily into the account held by SABS and its subsidiary. As of 29 March 2019, SABS Commercial's bank accounts swept into Commercial's main bank account while SABS's bank accounts continued to sweep into SABS's main bank account. Short-term deposits are made for varying periods between one day and three months, depending on the immediate operational cash requirements of the Group, and earn interest and the respective short-term deposit dates. The funds are available on demand and there are no restrictions placed on the funds.

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

The carrying value of cash and cash equivalents approximates fair value due to the short-term maturity of these instruments. The effective interest rate of money market instruments is 7.31% as at 31 March 2019 (2018: 7.24%).

20. General reserve

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

	GROUP		SABS	
	2019	2018	2019	2018
	R'000	R'000	R'000	R'000
Balance	54 282	54 282	54 282	54 282

21. Other components of equity

	GROUP		SABS	
	2019	2018	2019	2018
	R'000	R'000	R'000	R'000
Available-for-sale reserve				
Opening balance	-	(5 738)	-	(5 738)
Movements during the year				
(Losses)/gains on investments realised in statement of profit or loss - refer to note 3	-	(7 613)	-	(7 613)
(Losses)/gains on revaluation of investments at FVTPL - refer to note 14	-	12 863	-	12 863
Unrealised gains on investments at FVTPL written off to retained income	-	488	-	488
Closing balance	**-**	**-**	**-**	**-**
Employee benefits				
Opening balance	13 044	7 667	9 330	3 288
Movements during the year				
Remeasurement of defined liability - Before tax - refer to note 22	6 957	5 119	2 842	6 042
Tax expense	(1 152)	258	-	-
	18 849	**13 044**	**12 172**	**9 330**
Closing balance	**18 849**	**13 044**	**12 172**	**9 330**

22. 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.

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. Valuations of these obligations are carried out annually by independent qualified actuaries. The most recent valuation was done as at 31 March 2019.

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 401 (2018: 409) pensioners and 115 (2018: 128) active employees, whilst the SABS had 338 (2018: 350) pensioners and 42 (2018: 43) active employees entitled to the benefit.

The total outstanding liability amounts to R78.2 million per the valuation performed during March 2019 (2018: R82.7 million)

22. Employment benefit obligations (continued)

Post-employment healthcare benefit

	GROUP		SABS	
	2019	2018	2019	2018
	R'000	R'000	R'000	R'000
Opening balance	82 748	85 472	53 848	59 376
Provisions made	8 556	8 478	5 248	5 554
Benefits paid	(6 177)	(6 083)	(5 099)	(5 040)
Remeasurements (Other component of equity)	(6 957)	(5 119)	(2 842)	(6 042)
Total liability	78 170	82 748	51 155	53 848
Current portion	(6 705)	(6 561)	(5 516)	(5 523)
Total non-current portion	**71 465**	**76 187**	**45 639**	**48 325**
The amount recognised in the other comprehensive income is determined as follows:				
Actuarial gain/(loss) - change in financial assumptions	4 675	(1 652)	2 498	(854)
Experience gain	2 282	6 771	344	6 896
	6 957	**5 119**	**2 842**	**6 042**
The amount recognised in the statement of profit and loss is determined as follows:				
Current service cost	967	799	323	281
Interest cost	7 589	7 679	4 925	5 273
	8 556	**8 478**	**5 248**	**5 554**

Post-employment healthcare benefit

	GROUP		SABS	
	2019	2018	2019	2018
	R'000	R'000	R'000	R'000
Present value of the obligation				
Opening balance	82 748	85 472	53 848	59 376
Current service cost	967	799	323	281
Interest cost	7 589	7 679	4 925	5 273
Remeasurements	-	-	-	-
Benefits paid	(6 177)	(6 083)	(5 099)	(5 040)
Actuarial (gain)/loss - change in financial assumptions	(4 675)	1 652	(2 498)	854
Experience (gain)/loss	(2 282)	(6 771)	(344)	(6 896)
Total non-current portion	**78 170**	**82 748**	**51 155**	**53 848**

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 329 (2018: 342) and 121 (2018: 120) employees entitled to the benefit respectively.

The total outstanding liability amounts to R24.4 million per the valuation performed during March 2019 (2018: R25.8 million).

	GROUP		SABS	
	2019	2018	2019	2018
	R'000	R'000	R'000	R'000
Opening balance	25 769	26 323	8 737	8 564
Provisions made	2 716	3 217	1 667	1 559
Benefits paid	(4 133)	(3 771)	(1 594)	(1 386)
Net liability in statement of financial position	24 352	25 769	8 810	8 737
Current portion	(3 614)	(3 568)	(1 383)	(1 299)
Total non-current portion	**20 738**	**22 201**	**7 427**	**7 438**
Present value of funded obligations	**24 352**	**25 769**	**8 810**	**8 737**

22. Employment benefit obligations (continued)

The amount recognised in the statement of profit and loss is determined as follows:

	GROUP		SABS	
	2019	2018	2019	2018
	R'000	R'000	R'000	R'000
Current service cost	1 622	1 675	558	556
Interest cost	1 943	2 124	652	685
Actuarial loss - change in financial assumptions	(1 421)	(203)	(489)	(65)
Experience loss	572	(379)	946	383
	2 716	**3 217**	**1 667**	**1 559**
Present value of the obligation				
Opening balance	25 769	26 323	8 737	8 564
Current service cost	1 622	1 675	558	556
Interest cost	1 943	2 124	652	685
Actuarial loss - change in financial assumptions	(1 421)	(203)	(489)	(65)
Experience gain/(loss)	572	(379)	946	383
Benefits paid	(4 133)	(3 771)	(1 594)	(1 386)
Closing balance	**24 352**	**25 769**	**8 810**	**8 737**
Defined benefit obligation - current and non-current portion				
Non-current				
Post-employment healthcare benefit	71 465	76 187	45 639	48 325
Long service leave obligation	20 738	22 201	7 427	7 438
	92 203	**98 388**	**53 066**	**55 763**
Current				
Post-employment healthcare benefit	6 705	6 561	5 516	5 523
Long service leave obligation	3 614	3 568	1 383	1 299
	10 319	**10 129**	**6 899**	**6 822**

Significant assumptions

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

	GROUP	
Discount rate per annum	2019	2018
Post employment healthcare benefit obligation	9,81 %	9,12 %
Long service leave award obligation	8,36 %	7,92 %
Salary inflation		
Post employment healthcare benefit obligation	6,97 %	7,58 %
Long service leave award obligation	6,97 %	7,58 %
Discount rate per annum		
Post employment healthcare benefit obligation	9,81 %	9,12 %
Healthcare cost inflation		
Post employment healthcare benefit obligation	6,29 %	6,23 %
Pre-retirement mortality		
Post employment healthcare benefit obligation	SA85-90 (Light) rated down 1 year for males and females	SA85-90 (Light) rated down 1 year for males and females
Expected retirement age - Males and females		
Post employment healthcare benefit obligation	60/65 years*	60/65 years*

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

Sensitivity analysis - Post-employment healthcare benefit obligation

Quantitative sensitivity analysis for significant assumptions on the obligations as at 31 March 2019 as shown below:

Below the effects on the central basis liability results when assumptions are increased or decreased on:

		GROUP		SABS	
		Liability	Change in liability	Liability	Change in liability
		R'000	%	R'000	%
Age rating					
	-1 year	75 199	(3.8)	49 031	(4.2)
	Central	78 170	-	51 155	-
	- 3 years	81 174	3.8	53 311	4.2
Discount rate					
	+1%	71 643	(8.3)	47 604	(6.9)
	Central	78 170	-	51 155	-
	- 1%	85 861	9.8	55 246	8.0

22. Employment benefit obligations (continued)

The amount recognised in the statement of profit and loss is determined as follows:

		GROUP		SABS	
		Liability	Change in liability	Liability	Change in liability
		R'000	%	R'000	%
Salary inflation					
	+1%	86 059	10.1	55 349	8.2
	Central	78 170	-	51 155	-
	- 1%	71 385	(8.7)	47 462	(7.2)
Future sensitivity on service and interest cost (March 2020)					
Service cost					
	+1%	734	(14.0)	284	(13.4)
	Central	853	-	328	-
	- 1%	1 000	17.2	381	16.2
Interest cost					
+1%		7 513	0.5	4 903	2.1
Central		7 475	-	4 804	-
- 1%		7 410	(0.9)	4 682	(2.5)

Sensitivity analysis - Long service leave award obligation

Below the effects on the central basis liability results when the assumptions are increased and decreased by:

		GROUP		SABS	
		Liability	Change in liability	Liability	Change in liability
		R'000	%	R'000	%
Discount rate					
	+1%	23 109	(5.1)	8 381	(4.9)
	Central	24 352	-	8 810	-
	- 1%	25 718	5.6	9 280	5.3
Salary inflation					
	+1%	25 724	5.6	9 282	5.4
	Central	24 352	-	8 810	-
	- 1%	23 083	(5.2)	8 372	(5.0)
Expected retirement age					
	+0.50%	26 189	7.5	9 562	8.5
	Central	24 352	-	8 810	-
	- 0.50%	22 512	(7.6)	8 066	(8.4)
Future sensitivity on service and interest cost (March 2020)					
Service cost					
	+1%	1 373	(5.2)	509	(4.9)
	Central	1 448	-	535	-
	- 1%	1 533	5.9	565	5.6
Interest cost					
	+1%	2 190	5.9	793	6.3
	Central	2 068	-	746	-
	- 1%	1 929	(6.7)	694	(7.0)

Five-year summary

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

	2019	2018	2017	2016	2015
	R'000	R'000	R'000	R'000	R'000
Post-employment healthcare obligation benefit					
Present value of obligation	78 170	82 748	85 472	83 172	84 291
Actuarial gains/(losses)	(6 957)	(5 119)	(214)	(4 312)	3 669

The contributions expected to be paid during the next reporting period is R6.7 (2018: R6.0 million) for the Group and R5.5 million (2018: R5.5 million) for SABS.

Five year summary of long service leave awards are as follows:

	2019	2018	2017	2016	2015
	R'000	R'000	R'000	R'000	R'000
Long service leave award					
Present value of obligation	24 352	25 769	26 323	27 310	26 884
Actuarial (losses)/gains	(849)	(582)	(1 806)	(280)	(113)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2019

23. Deferred income

	GROUP		SABS	
	2019	2018	2019	2018
	R'000	R'000	R'000	R'000
Opening balance - Plant and equipment	273 426	281 474	245 087	250 820
Recognised in deferred income (Refer to note 3)	(8 716)	(8 925)	(5 733)	(5 733)
Grant funding received				
Total grant funding received	81 956	-	86 956	-
Cash transfer to subsidiary	-	-	(60 000)	-
Department of energy	58	877	-	-
Grants received to be recognised in future accounting periods (refer to note 30)	82 014	877	26 956	-
Closing balance	**346 724**	**273 426**	**266 310**	**245 087**
Non-current portion	221 003	259 461	201 414	239 354
Current portion	125 721	13 965	64 896	5 733
	346 724	**273 426**	**266 310**	**245 087**

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

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

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

24. Trade and other payables

	GROUP		SABS	
	2019	2018	2019	2018
	R'000	R'000	R'000	R'000
Trade payables	106 499	109 577	43 850	38 494
Contract liabilities	4 830	-	4 830	-
Short-term employee obligations	48 429	50 585	20 096	20 562
Straight lining of operating leases	112	57	-	-
Other payables	48 541	50 642	20 096	20 562
	159 870	**160 219**	**68 776**	**59 056**

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.

Included in trade payables is an amount of R10 million (2018: R17 million) relating to income received in advance for Local Content Verification.

The contract liabilities as at 1 April 2018 amounted to R2.6 million. Revenue recognised from amounts included in contract liabilities at 1 April 2018 amounted to R2.6 million.

25. Provisions

Group - 2019

	Opening balance	Additions	Utilised during the year	Reversed during the year	Total
	R'000	R'000	R'000	R'000	R'000
Performance bonus	41 296	26 851	(27 142)	(40 221)	784
Other salary related provisions	1 324	-	(600)	(724)	-
Other provisions	4 301	-	(885)	(3 416)	-
	46 921	**26 851**	**(28 627)**	**(44 361)**	**784**

Group - 2018

	Opening balance	Additions	Utilised during the year	Reversed during the year	Total
	R'000	R'000	R'000	R'000	R'000
Performance bonus	29 544	27 336	(15 584)	-	41 296
Other salary related provisions	-	13 859	(12 514)	(21)	1 324
Other provisions	500	3 801	-	-	4 301
	30 044	**44 996**	**(28 098)**	**(21)**	**46 921**

SABS - 2019

	Opening balance	Additions	Utilised during the year	Reversed during the year	Total
	R'000	R'000	R'000	R'000	R'000
Performance bonus	21 703	13 885	(15 549)	(20 039)	-
Other salary related provisions	590	-	(335)	(255)	-
Other provisions	4 301	-	(885)	(3 416)	-
	26 594	**13 885**	**(16 769)**	**(23 710)**	**-**

SABS - 2018

	Opening balance	Additions	Utilised during the year	Reversed during the year	Total
	R'000	R'000	R'000	R'000	R'000
Performance bonus	12 581	16 108	(6 986)	-	21 703
Other salary related provisions	-	6 294	(5 683)	(21)	590
Other provisions	500	3 801	-	-	4 301
	13 081	**26 203**	**(12 669)**	**(21)**	**26 594**

Other provisions – relates to litigation claims and similar commitments anticipated expenses from cases in which the SABS is the defendant party and other miscellaneous provisions.

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.

Other salary related provisions - relates to salary disputes, workmen's compensation as well as other salary related items.

The provisions have been determined based on assessments and estimates by management. Actual results could differ from estimates and there is no certainty regarding timing of these cash flows.

26. VAT Payable/(receivable)

	GROUP		SABS	
	2019	2018	2019	2018
	R'000	R'000	R'000	R'000
March 2019 VAT to be paid over to / (refunded by) SARS	190	3 659	(1 964)	85

27. Notes to cash flow statements

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

	Note(s)	GROUP 2019	GROUP 2018	SABS 2019	SABS 2018
		R'000	R'000	R'000	R'000
(Loss)/profit before taxation		(4 375)	(50 380)	(58 687)	(84 765)
Adjustments for:					
Depreciation on property, plant and equipment		36 219	46 856	11 151	13 019
Depreciation on investment properties		203	433	4 018	6 743
Plant and equipment related government grants amortised	3	(8 716)	(8 925)	(5 733)	(5 733)
Amortisation of intangible assets		7 045	8 274	3 730	3 591
Loss/(profit) on disposal	3, 5	1 106	89	(1 063)	(67)
FVTPL Investment movement		10 470	-	10 470	-
Realised gain on available-for-sale investment	3	-	(7 613)	-	(7 613)
Provision for employment benefit obligations		11 272	11 695	6 915	7 113
Employee benefits paid from provisions		(10 310)	(9 854)	(6 693)	(6 426)
Increase/ (decrease) in impairment of trade receivables		(18 563)	38 022	230	(9 357)
Dividend income		(5 719)	(5 182)	(5 719)	(5 182)
Expense transferred out of work-in-progress and assets	10, 12	10 574	4 804	10 435	4 030
Interest income		(30 121)	(29 216)	(38 526)	(29 212)
Finance costs		48	107	48	102
Movements in provisions		(46 137)	16 877	(26 594)	13 513
Opening balance adjustment on IFRS 9 impairment of debtors		15 275	-	441	-
Non cash grant transfer to subsidiary through loan account		-	-	(20 000)	-
Impairment of investment in subsidiary	13	-	-	19 004	100 000
Non cash intercompany transactions	16	-	-	(39 262)	(7 728)
Transfer of assets to subsidiary	10	-	-	(1 306)	(427)
		(31 729)	**15 987**	**(93 621)**	**(8 399)**
Changes in working capital:					
(Increase)/decrease in inventory		(417)	(1 068)	(417)	(1 068)
(Increase)/decrease in trade and other receivables		(31 545)	(41 409)	(7 726)	7 192
Decrease in asset related government grants	23	58	877	-	-
(Decrease)/increase in VAT Liability		(3 469)	(25)	(85)	85
(Increase)/decrease in VAT receivable		-	-	(1 964)	4 308
(Decrease)/increase in trade and other payables		(5 348)	23 493	9 720	6 843
		(40 721)	**(18 132)**	**(472)**	**17 360**
		(72 460)	**(2 146)**	**(94 093)**	**8 961**

27. Notes to cash flow statements (continued)

27.2 Proceeds on disposals of property, plant and equipment

	GROUP		SABS	
	2019	2018	2019	2018
	R'000	R'000	R'000	R'000
Carrying value of disposals	1 199	205	121	50
(Loss)/profit on disposal	(1 106)	(89)	1 063	67
	93	**116**	**1 184**	**117**

28. Commitments

Capital commitments

Commitments for the acquisition of property, plant and equipment

	GROUP		SABS	
	2019	2018	2019	2018
	R'000	R'000	R'000	R'000
Contracted	16 429	24 538	10 199	12 858

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

Prior period error

The commitments reported in the prior year included certain requisitions that were not commitment related in error. This has resulted in a decrease in the commitments of R4.8 million for the Group and R1.6 million for the company.

Operating lease commitments - the Group as lessee

The future minimum payments payable under non-cancellable operating leases are as follows:

	GROUP		SABS	
	2019	2018	2019	2018
	R'000	R'000	R'000	R'000
Buildings				
Up to 1 year	1 665	1 680	-	-
1 to 5 years	4 767	1 015	-	-
More than 5 years	-	-	-	-
	6 432	**2 695**	**-**	**-**
Vehicles				
Up to 1 year	435	890	150	502
1 to 5 years	121	492	4	425
More than 5 years	-	-	-	-
	556	**1 382**	**154**	**927**
Licenses				
Up to 1 year	5 348	4 372	5 348	4 372
1 to 5 years	4 457	8 015	4 457	8 015
	9 805	**12 387**	**9 805**	**12 387**
	16 793	**16 464**	**9 959**	**13 314**

None of the lease agreements contains any contingent rent clauses and it is assumed that there are no contingent rent payments. The Group does not have the option to purchase the property. Escalation clauses vary from contract to contract, averaging 7,830% (2018: 7,200%).

29. Financial risk management

29.1 Foreign currency risk management

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

Forward exchange contracts - recognised transactions.

No forward exchange contracts were entered into during the financial year ended 31 March 2019 (2018: 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	
	2019	2018
	'000	'000
Foreign amount:		
United States Dollar	53	62
Great Britain Pounds	20	11
Euro	29	146
Swiss Franc	17	5

Foreign currency sensitivity

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

29.2 Interest rate risk management

The Group is exposed to interest rate risk as it places funds in the money market floating interest rates. Interest rate risk is managed through effective cash management. The net interest income as at 31 March 2019 was R30.1 million (2018: R 29.2 million). The exposure of financial assets to interest rate risk is as follows:

	2019			2018		
	Interest bearing financial assets	Non-interest bearing financial assets	Total	Interest bearing financial assets	Non-interest bearing financial assets	Total
	Floating rate	Other		Floating rate	Other	
	R'000	R'000	R'000	R'000	R'000	R'000
GROUP						
Cash and cash equivalents	259 161	-	259 161	125 995	-	125 995
Trade and other receivables	-	192 384	192 384	-	144 640	144 640
Financial asset exposure to interest rate risk	**259 161**	**192 384**	**451 545**	**125 995**	**144 640**	**270 635**
SABS						
Cash and cash equivalents	186 733	-	186 733	125 921	-	125 995
Trade and other receivables	-	17 409	17 409	-	12 738	144 640
Financial asset exposure to interest rate risk	**186 733**	**17 409**	**204 142**	**125 921**	**12 738**	**138 659**

29. Financial risk management (continued)

	2019			2018		
	Interest bearing financial assets	Non-interest bearing financial assets	Total	Interest bearing financial assets	Non-interest bearing financial assets	Total
	Floating rate	Other		Floating rate	Other	
	R'000	R'000	R'000	R'000	R'000	R'000
GROUP						
Trade and other receivables	-	159 758	159 758	-	160 162	160 162
Financial liabilities exposure to interest rate risk	**-**	**159 758**	**159 758**	**-**	**160 162**	**160 162**
SABS						
Trade and other receivables	-	68 776	68 776	-	59 056	59 056
Financial liabilities exposure to interest rate risk	**-**	**68 776**	**68 776**	**-**	**59 056**	**59 056**

29.3 Liquidity risk management

The Group manages liquidity risk through the compilation and monitoring of cash flow forecasts as well as ensuring that there are adequate banking facilities. The maturity profiles of the financial instruments are summarised as follows:

GROUP - 2019

Financial liabilities	Within 1 month	1 - 3 months	3 - 12 months	1 - 5 years	Total
	R'000	R'000	R'000	R'000	R'000
Financial liabilities amortised at cost					
Trade and other payables	111 831	47 927	-	-	159 758

GROUP - 2018

Financial liabilities	Within 1 month	1 - 3 months	3 - 12 months	1 - 5 years	Total
	R'000	R'000	R'000	R'000	R'000
Financial liabilities amortised at cost					
Trade and other payables	112 113	48 049	-	-	160 162

SABS - 2019

Financial liabilities	Within 1 month	1 - 3 months	3 - 12 months	1 - 5 years	Total
	R'000	R'000	R'000	R'000	R'000
Financial liabilities amortised at cost					
Trade and other payables	48 143	20 633	-	-	68 776

SABS - 2018

Financial liabilities	Within 1 month	1 - 3 months	3 - 12 months	1 - 5 years	Total
	R'000	R'000	R'000	R'000	R'000
Financial liabilities amortised at cost					
Trade and other payables	41 339	17 717	-	-	59 056

29.4 Credit risk management

Credit risk is managed on a Group basis.

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

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

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

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

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 68% of the invoices settled in the first month, 78% and 97% by 6 and 12 months respectively. It was determined then that this is sufficient to demonstrate that the expected life of their trades is 1 month and there is no significant financing components to their monthly invoice (no effective interest rate applied). As a result, the IFRS 9 Simplified approach has been used to calculate their ECL. 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	
	2019	2018	2019	2018
	R'000	R'000	R'000	R'000
Cash and cash equivalents	259 161	125 995	186 733	125 921
Trade receivables	191 623	144 052	17 337	12 688
	450 784	**270 047**	**204 070**	**138 609**

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

	GROUP		SABS	
	2019	2018	2019	2018
	%	%	%	%
South Africa	94,7	89,3	100,0	100,0
Other	5,3	10,7	-	-
Other	**100,0**	**100,0**	**100,0**	**100,0**

29. Financial risk management (continued)

29.5 Equity price risk

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

29.6 Fair value of financial instruments

The comparison by class of the carrying amounts and fair value of the Group's financial instruments that are carried in the financials are set out below:

	Carrying amount		Estimated fair value	
	2019	2018	2019	2018
	R'000	R'000	R'000	R'000
GROUP				
Financial assets				
Trade receivables	191 623	144 052	191 623	144 052
FVTPL Investments	312 583	430 525	312 583	430 525
Cash and cash equivalents	259 161	125 995	259 161	125 995
	763 367	**700 572**	**763 367**	**700 572**
Financial liabilities				
Trade and other payables	159 870	160 219	159 870	160 219
SABS				
Financial assets				
Trade receivables	17 337	12 688	17 337	12 688
FVTPL Investments	312 583	430 525	312 583	430 525
Cash and cash equivalents	186 733	125 921	186 733	125 921
Loans to Group companies	-	-	56 446	83 029
	516 653	**569 134**	**573 099**	**652 163**
Financial liabilities				
Trade and other payables	68 776	59 056	68 776	59 056
	68 776	**59 056**	**68 776**	**59 056**

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

Financial instruments not traded in an active market

As at 31 March 2019, the carrying amounts of cash and short-term deposits, trade receivables, investments, trade payables and short-term borrowings approximated their fair values due to the short-term maturities of these assets and liabilities. Loans between Group companies are repayable 367 days after demand, but no later than 31 March 2050; the interest on the loan is rated by mutual agreement.

Financial instruments traded in an active market

Financial instruments traded in an organised financial market are measured at the current quoted market price, adjusted for any transaction costs necessary to realise the assets or settle the liabilities.

Interest bearing debt

Interest bearing debt is measured at amortised cost using the effective interest rate method. The carrying amounts of interest bearing debt approximate their fair values.

Available-for-sale financial assets

For financial assets, which are traded on an active market, such as listed investments, fair value is determined by reference to market value. For non-traded financial liabilities, fair value is calculated using discounted cash flows, considered reasonable and consistent with those that would be used by a market participant, unless carrying value is considered to approximate fair value.

Fair value hierarchy

The Group used the following hierarchy for determining and disclosing the fair value of the financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2: other techniques, for which all inputs which have a significant effect on the recorded fair value, are observable, either directly or indirectly

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

As at 31 March 2019, the Group held the following financial instruments measured at fair value:

	Level 1	Level 2	Level 3	Total
	R'000	R'000	R'000	R'000
GROUP				
2019				
FVTPL - Equities and bonds	312 583	-	-	312 583
2018				
FVTPL - Equities and bonds	430 525	-	-	430 525
SABS				
2019				
FVTPL - Equities and bonds	312 583	-	-	312 583
2018				
FVTPL - Equities and bonds	430 525	-	-	430 525

The cost of the asset is the deemed fair value.

There were no transfers between level 1 and level 2 in the year ended 31 March 2019 (2018: None).

29.7 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	
	2019	2018	2019	2018
	%	%	%	%
Trade and other payables	(159 870)	(160 219)	(68 776)	(59 056)
Cash and cash equivalents	259 161	125 995	186 733	125 921
	99 291	(34 224)	117 957	66 865
Equity	**884 434**	**867 729**	**805 445**	**892 628**

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

30. Related party disclosure

National Government and state controlled entities

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

Principal related parties

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

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

30.1 Loans receivable from related parties - SABS

	SABS	
	2019	2018
	R'000	R'000
GCS Namibia (Pty) Ltd	49	49
Impairment of loan	(49)	-
	-	49
SABS Commercial SOC Ltd	56 446	83 029
Net loan receivable from Group companies	**56 446**	**83 078**

30.2 Other Group transactions - income

	2019	2018
Royalties received	73	-

30.3 Purchases from related parties

The following transactions were carried out with related parties:

	2019				2018			
	GROUP		SABS		GROUP		SABS	
	Purchases	Balances outstanding	Purchases	Balances outstanding	Purchases	Balances outstanding	Purchases	Balances outstanding
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
National Regulator for Compulsory Specifications	48	1	21	-	37	-	2	-
National Metrology Institute of South Africa	97	35	-	-	109	-	-	-
South African National Accreditations System	1 949	(1)	1 918	(1)	1 800	24	55	24
	2 094	**35**	**1 939**	**(1)**	**1 946**	**24**	**57**	**24**

30.4 Sales to related parties

The following transactions were carried out with related parties:

	2019				2018			
	Sales	Impairment of debt	Bad debt	Balances outstanding	Sales	Impairment of debt	Bad debt	Balances outstanding
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
GROUP								
National Regulator for Compulsory Specifications	14 366	-	3	4 723	12 528	-	-	2 417
National Metrology Institute of South Africa	244	-	-	55	18	-	-	-
South African National Accreditations System	560	-	-	27	47	-	-	20
National Consumer Council	7 463	-	-	-	-	-	-	-
	22 633	**-**	**3**	**4 805**	**12 593**	**-**	**-**	**2 437**
SABS								
SABS Commercial SOC Ltd - Corporate Charges	51 897	-	-	-	48 447	-	-	-
SABS Commercial SOC Ltd - Intercompany sale of standards	981	-	-	-	458	-	-	-
SABS Commercial SOC Ltd - Rentals: Land and Buildings	38 668	-	-	-	36 501	-	-	-
SABS Commercial SOC Ltd - Overheads recoveries	2 831	-	-	-	2 401	-	-	-
National Regulator for Compulsory Specifications	10 192	-	-	3 645	8 926	-	-	1 303
National Metrology Institute of South Africa	86	-	-	50	18	-	-	-
South African National Accreditations System	560	-	-	24	42	-	-	20
National Consumer Council	7 463	-	-	-	-	-	-	-
	112 678	**-**	**-**	**3 719**	**96 793**	**-**	**-**	**1 323**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2019

30.5 Key personnel compensation

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

		Committee fees	Salary/ Director's fees	Bonus/ payments	Retirement and medical fund	Other*	Total
		R'000	R'000	R'000	R'000	R'000	R'000
GROUP 2019							
Executive							
B Mehlomakulu CEO	1	-	1 982	1 423	70	2 875	6 350
G Strachan Acting CEO	2	-	1 935	-	-	-	1 935
Non-executive							
Z Monnakgotla	3	67	-	-	-	-	67
W K Masvikwa	4	64	-	-	-	-	64
G P Harris	5	-	-	-	-	-	-
D E Ndlovu	3	66	-	-	-	-	66
N Naraindath	4	70	-	-	-	-	70
J Molobela	3	133	-	-	-	-	133
M J Ellman	3	90	-	-	-	-	90
S Khan	&	-	-	-	-	-	-
J Scholtz	#	-	-	-	-	-	-
T Demana	#	-	-	-	-	-	-
Audit and Risk Committee							
R Van Wyk	6	89	-	-	-	-	89
S Kajee	6	53	-	-	-	-	53
O Mokgoantle	7	46	-	-	-	-	46
		678	**3 917**	**1 423**	**70**	**2 875**	**8 963**

& 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
1. Resigned 31 July 2018
2. Appointed acting CEO August 2018
3. Removed from Board by Minister of Trade and Industry 28 June 2018
4. Resigned from Board 15 June 2018
5. Resigned 14 April 2018
6. Appointed 14 September 2018
7. Appointed 14 September 2018, resigned 5 February 2019

* Other relates to settlement fees

		Committee fees	Salary/ Director's fees	Bonus/ payments	Retirement and medical fund	Other*	Total
		R'000	R'000	R'000	R'000	R'000	R'000
SABS 2019							
Executive							
B Mehlomakulu CEO	1	-	1 982	1 423	70	2 875	6 350
G Strachan	2	-	1 935	-	-	-	1 935
Non-executive							
Z Monnakgotla	3	59	-	-	-	-	59
W K Masvikwa	4	57	-	-	-	-	57
D E Ndlovu	3	59	-	-	-	-	59
N Naraindath	4	62	-	-	-	-	62
M J Ellman	3	83	-	-	-	-	83
J Molobela	3	133	-	-	-	-	133
J Scholtz	#	-	-	-	-	-	-
T Demana	#	-	-	-	-	-	-
S Khan	&	-	-	-	-	-	-
GP Harris	5	-	-	-	-	-	-
Audit and Risk Committee							
R van Wyk	6	89	-	-	-	-	89
S Kajee	6	53	-	-	-	-	53
O Mokgoantle	7	46	-	-	-	-	46
		641	**3 917**	**1 423**	**70**	**2 875**	**8 926**

\# Appointed administrators - 14 September 2018
1. Resigned 31 July 2018
2. Appointed as Acting CEO 1 August 2018
3. Removed from the Board by Minister of Trade and Industry 28 June 2018
4. Resigned -15 June 2018
5. Resigned 14 April 2018
6. Appointed 14 September 2018
7. Appointed 14 September 2018 , resigned 05 February 2019

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

30. Related party disclosure (continued)

	Committee fees	Salary/ Director's fees	Bonus/ payments	Retirement and medical fund	Other*	Total
	R'000	R'000	R'000	R'000	R'000	R'000
GROUP 2018						
Executive						
B Mehlomakulu	-	3 126	-	202	-	3 328
Non-executive						
Z Monnakgotla	122	-	-	-	-	122
W K Masvikwa	118	-	-	-	-	118
G P Harris	218	-	-	-	-	218
G Strachan #	-	-	-	-	-	-
N Naraindath	141	-	-	-	-	141
A Lotter #	-	-	-	-	-	-
M J Ellman	155	-	-	-	-	155
D E Ndlovu	147	-	-	-	-	147
J Molobela	431	-	-	-	-	431
	1 332	**3 126**	**-**	**202**	**-**	**4 660**

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.

	Committee fees	Salary/ Director's fees	Bonus/ payments	Retirement and medical fund	Other*	Total
	R'000	R'000	R'000	R'000	R'000	R'000
SABS 2018						
Executive member						
B Mehlomakulu	-	3 126	-	202	-	3 328
Non-executive						
Z Monnakgotla	100	-	-	-	-	100
W K Masvikwa	104	-	-	-	-	104
G P Harris	196	-	-	-	-	196
G Strachan #	-	-	-	-	-	-
N Naraindath	119	-	-	-	-	119
A Lotter #	-	-	-	-	-	-
M J Ellman	139	-	-	-	-	139
D E Ndlovu	125	-	-	-	-	125
J Molobela	393	-	-	-	-	393
	1 176	**3 126**	**-**	**202**	**-**	**4 504**

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.

Key management personnel compensation - other

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

		Salary	Bonus performance payments (a)	Retirement and medical fund	Other (b)	Total
		R'000	R'000	R'000	R'000	R'000
SABS 2019						
Executive management						
B Mosako (CFO)		-	749	-	148	897
T Maharaj (CFO)	2	1 583	143	177	62	1 965
Dr S Bissoon (Enterprise Development)	3/*	1 706	487	243	90	2 526
IC Plaatjes (Chief Digital Officer)	4	2 549	1 426	381	-	4 356
LH Makele (Human Capital)	6	1 380	51	155	-	1 586
ZNR Motloba (Standards)		2 080	-	236	-	2 316
SABS		**9 298**	**2 856**	**1 192**	**300**	**13 646**
MLA Gcabashe (Certification)	7	2 158	692	157	-	3 007
GJ Louw (Testing)	3	2 186	-	268	72	2 526
Dr S Bissoon (Training)	3/*	320	-	46	-	366
Subsidiary		**4 664**	**692**	**471**	**72**	**5 899**
SABS GROUP		**13 962**	**3 548**	**1 663**	**372**	**19 545**

1. Resigned 31 March 2018
2. Acting CFO 28 May 2018 to 14 October 2018, appointed CFO 15 October 2018
3. Executive Training until 31 May 2018, appointed Executive Enterprise Development 1 June 2018 (Executive Enterprise Development has a dual function which includes Training services in SABS Commercial)
4. Appointed Chief Digital Officer 1 April 2018
5. Resigned 30 September 2018
6. Appointed Executive Human Resources 1 July 2018
7. Appointed Executive Certification 1 April 2018

(a) Includes bonuses relating to the 2016/17 financial year disclosed in the 2017/2018 financial year
(b) Other relates to cell phone allowance and leave reimbursements
* Employee entitled to long service leave benefit

		Salary	Bonus performance payments (a)	Retirement and medical fund	Other (b)	Total
		R'000	R'000	R'000	R'000	R'000
SABS 2018						
Executive management						
MA Mello (Enterprise Development)	1	1 626	-	176	8	1 810
N B K Gasa (Standards)	2	775	-	100	38	913
ZNR Motloba (Standards)	3	1 152	-	131	-	1 283
IC Plaatjes (Corporate Services)		2 148	-	329	-	2 477
B Mosako (CFO)		2 019	-	234	-	2 253
SABS		**7 720**	**-**	**970**	**46**	**8 736**
GJ Louw (Testing		344	-	44	12	400
MLA Gcabashe (Acting Testing)		1 579	-	-	-	1 579
Dr S Bissoon (Training)		1 918	601	252	-	2 771
Subsidiary		**3 841**	**601**	**296**	**12**	**4 750**
SABS GROUP		**11 561**	**601**	**1 266**	**58**	**13 486**

1. Appointed Executive Enterprise Development 4 May 2017 and resigned 31 January 2018
2. Resigned as Executive Standard 31 August 2017
3. Appointed as Executive Standards 1 September 2017
4. Appointed 1 February 2018
5. Acting Executive Testing: 13 September - 31 January 2018

(b) Other relates to cell phone allowance and leave reimbursements

30. Related party disclosure (continued)

Prior period error

Management in its assessment of key personnel incorrectly included the Group Audit Manager as well as the Company Secretary in the disclosure. These roles do not meet the definition of key personnel as they do not direct or control activities directly or indirectly. This resulted in a decrease in emoluments of R3.4 million.

The Executive for Enterprise Development and Training has dual SABS and SABS Commercial responsibilities and, as such, the emoluments were required to be split between the two entities. The financial statements have been amended to reflect this.

30.6 Transfer of assets (to)/from related parties

	SABS	SABS
	2019	2018
	R'000	R'000
SABS - assets transferred to subsidiary	(133)	(86)
WIP transfer to subsidiary	(331)	(665)
SABS - assets transferred from subsidiary	1 771	1 178
SABS - assets purchased from subsidiary	1 184	-
GCS Namibia (Pty) Ltd	-	-

30.7 Government grants

	GROUP		SABS	
	2019	2018	2019	2018
	R'000	R'000	R'000	R'000
Received from the dti	232 477	243 153	232 477	243 152
Transferred to SABS Commercial	-	-	(20 000)	-
	232 477	243 153	212 477	243 152
Other government grants (refer to note 23)				
Received from Department of Energy - Energy Efficiency labelling project	58	877	-	-
Received from Department of trade and Industry - Local content verification	5 000	17 000	5 000	-
- Transferred to SABS Commercial	-	-	(5 000)	-
Received from Department of Trade and Industry - Infrastructure funds	81 956	-	81 956	-
- Transferred to SABS Commercial	-	-	(55 000)	-
	87 014	**17 877**	**26 956**	**-**

31. Contingent liabilities

	GROUP		SABS	
	2019	2018	2019	2018
	R'000	R'000	R'000	R'000
Third parties	45 517	5 123	23 925	-

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.

32. Fruitless and wasteful expenditure

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

	GROUP		SABS	
	2019	2018	2019	2018
	R'000	R'000	R'000	R'000
Opening balance	126	7	122	-
Incurred during the year:				
Interest and penalties incurred due to late payments to suppliers.	58	-	58	-
The amount is not recoverable.				
Salary payment made to terminated employee. A portion of the amount could not be recovered.	-	(3)	-	-
SARS interest and penalties incurred. SARS interest relates to alleged late payments on PAYE and output VAT claimed in the incorrect period.	-	122	-	122
SARS interest and penalties relates to alleged late payments on VAT and output vat claimed on entertainment. The items are under investigation.	17	-	17	-
Closing balance	**201**	**126**	**197**	**122**

33. Irregular expenditure

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

Corrective action is taken where situations lead to irregular expenditure.

	GROUP		SABS	
	2019	2018	2019	2018
	R'000	R'000	R'000	R'000
Confirmed				
Opening balance	3 129	3 129	3 129	3 129
Incurred during the year:				
Condoned by National Treasury	(3 129)	-	(3 129)	-
Overspend on certain contract values	5 545	-	3 886	-
Overspend on certain contract values relating to prior year which were identified in current year	3 824	-	2 485	-
Non-compliance to policies and legislation	2 421	-	2 301	-
	11 790	**3 129**	**8 672**	**3 129**
Unconfirmed				
Incurred during the year				
Overspend on certain contract values	1 272	-	443	-
Overspend on certain contract values relating to prior	258	-	102	-
year which were identified in current year				
	1 530	**-**	**545**	**-**

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 are currently underway.

34. Events after the reporting period

There are no other matters or circumstances arising since the end of the financial year, not otherwise dealt with in the financial statements that will have a significant impact on the operations of the Group, the results of the operations or the financial position of the Group.

35. Going concern

The going concern consideration regarding the SABS subsidiary, SABS Commercial SOC Ltd is included below:

At 31 March 2019, the company had accumulated losses of R 112.3 million (2018: R128.5 million) and the company's total liabilities exceed its assets by R 130.9 million (2018: R54.3 million).

The company has the following adverse ratios as a result of the incurred net loss position:

	2019	2018
	%	%
ROE	1.06	(156.76)
Debt to equity	171.34	(370.37)
Net profit margin	0.29	(17.86)

The company has a payable at year-end which relates to a loan owed by the Group company, SABS of R56.4 million (2018: R83.1 million) as detailed in note 16 and 30 of the financial statements. The loan is repayable 367 days after demand but no later than 31 March 2050.

The Standards Act, 2008, section 4(1)a, b and c outlines the critical legislated functions of SABS with respect to the development, promotion and maintenance of South African National Standards, and the rendering of conformity assessment services. Since these are legislated functions, there is no intention to cease the operations of SABS Commercial in the near future. The dti has made available additional funding in the 2019/20 financial year to support the operations of the SABS and reaffirmed its commitment of continuously working closely with the SABS to ensure long-term sustainability and success. The revised allocation from dti will be aimed at supporting the operations of the SABS Group (including SABS Commercial SOC Ltd). The shareholder, SABS, has committed to supporting SABS Commercial SOC ltd in the foreseeable future.

The turnaround strategy was implemented in collaboration with the co administrators to stabilise the business of SABS Commercial. The turnaround strategy focused on reintroduction of Customer Specific Requirements Testing; engagement with various industry bodies and stakeholders; customer growth strategies; filling of mission critical positions to enable service delivery; creating efficiencies throughout the organisation to support the company as well as the investment in key infrastructure to aid in revenue generation.

The significant investment in infrastructure will enable SABS Commercial to improve operational efficiencies thereby increasing throughput and as a result increase revenue.

The financial statements for the Group have thus been prepared based on accounting policies applicable to a going concern.

36. New standards and interpretations

36.1 Standards and interpretations effective and adopted in the current year

In the current year, the Group has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
IFRS 9 Financial Instruments	01 January 2018	The impact of the standard is set out in note 37 Changes in accounting policy.
IFRS 15 Revenue from Contracts with Customers	01 January 2018	The impact of the standard is set out in note 37 Changes in accounting policy.
Amendments to IFRS 15: Clarifications to IFRS 15 Revenue from Contracts with Customers	01 January 2018	The impact of the standard is set out in note 37 Changes in accounting policy.
Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions	01 January 2018	The impact of the standard is not material
Amendments to IAS 28: Annual Improvements to IFRS 2014 - 2016 cycle	01 January 2018	The impact of the standard is not material
Amendments to IFRS 1: Annual Improvements to IFRS 2014 - 2016 cycle	01 January 2018	The impact of the standard is not material
Amendments to IAS 40: Transfers of Investment Property	01 January 2018	The impact of the standard is not material
Foreign Currency Transactions and Advance Consideration	01 January 2018	The impact of the standard is not material
Amendments to IFRS 4: Insurance Contracts	01 January 2018	The impact of the standard is not material
Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts	01 January 2018	The impact of the standard is not material

36.2 Standards and interpretations not yet effective

The Group has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the Group's accounting periods beginning on or after 01 April 2019 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
Plan Amendment, Curtailment or Settlement - Amendments to IAS 19	01 January 2021	Unlikely there will be a material impact
Long-term Interests in Joint Ventures and Associates - Amendments to IAS 28	01 January 2019	Unlikely there will be a material impact
Prepayment Features with Negative Compensation - Amendment to IFRS 9	01 January 2019	Unlikely there will be a material impact
Amendments to IFRS 3 Business Combinations: Annual Improvements to IFRS 2015 - 2017 cycle	01 January 2019	Unlikely there will be a material impact
Amendments to IFRS 11 Joint Arrangements: Annual Improvements to IFRS 2015 - 2017 cycle	01 January 2019	Unlikely there will be a material impact
Amendments to IAS 12 Income Taxes: Annual Improvements to IFRS 2015 - 2017 cycle	01 January 2019	Unlikely there will be a material impact
Amendments to IAS 23 Borrowing Costs:	01 January 2019	Unlikely there will be a material impact
Improvements to IFRS 2015 - 2017 cycle	01 January 2019	Unlikely there will be a material impact
Uncertainty over Income Tax Treatments	01 January 2019	Unlikely there will be a material impact
IFRS 16 Leases	01 January 2018	Impact is currently being assessed

37. Changes in accounting policy

The annual financial statements have been prepared in accordance with International Financial Reporting Standards on a basis consistent with the prior year except for the adoption of the following new or revised standards.

Application of IFRS 9 Financial Instruments

In the current year, the Group has applied IFRS 9 Financial Instruments (as revised in July 2014) and the related consequential amendments to other IFRSs. IFRS 9 replaces IAS 39 Financial Instruments and introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) impairment for financial assets and 3) general hedge accounting. Details of these new requirements as well as their impact on the Group's financial statements are described below.

The Group has applied IFRS 9 retrospectively, but the Group has applied transitional relief and opted not to restate prior period figures, which continues to be reported under IAS 39. Differences arising from adoption of IFRS 9 have been recognised directly in retained earnings, trade and other receivables and loans to group companies on 1 April 2018.

Classification and measurement of financial assets

All recognised financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value through profit or loss. The classification is based two criteria:

- Group's business model for managing the assets, and
- Whether the instruments contractual cash flows represent solely payments of principal and interest on the principal amount outstanding.

The assessment of Group's business model was made as at 1 April 2018. The assessment of whether contractual cash flows on equity instruments are solely comprised of principal and interest was made based on the facts and circumstances as at initial recognition of the asset.

Classification and measurement of IFRS 9 did not have a significant impact to the Group. The Group continued measuring at fair value all financial assets previously held at fair value under IAS 39. The following are the changes in the classification of Groups financial assets

Trade receivables and other non-current financial assets (i.e. loan to an associate) classified as loans and receivables as at 31 March 2018 are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are classified and measured as at amortised cost beginning 1 April 2018

Equity investments in non-listed companies classified as available-for-sale investments as at 31 March 2018 are classified and measured as equity instruments designated at fair value through profit or loss beginning 1 April 2018.

The Group elected to classify irrevocably its non-listed equity investments under this category at the date of initial application as it has shown a pattern of selling thus an intention to trade rather than an intention to hold these investments for the foreseeable future. There were no impairment losses recognised in profit or loss for these investments in prior periods

The Group's existing financial assets were reviewed and assessed as at 01 April 2018 based on the facts and circumstances that existed at that date and concluded that the initial application of IFRS 9 has had the following impact on the Group's financial assets as regards to their classification and measurement:

37. Changes in accounting policy (continued)

Impairment of financial assets

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires the Group to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

IFRS 9 provides a simplified approach for measuring the loss allowance at an amount equal to lifetime expected credit losses for trade receivables, contract assets and lease receivables in certain circumstances.

As at 01 April 2018, the accounting authority reviewed and assessed the Group's existing financial assets, amounts due from customers and financial guarantee contracts for impairment using reasonable and supportable information that was available without undue cost or effort in accordance with the requirements of IFRS 9 to determine the credit risk of the respective items at the date they were initially recognised, and compared that to the credit risk as at 01 April 2018. The result of the assessment is as follows:

GROUP

			Cumulative reduction in loss allowance recognised on:
Items existing on 01 April 2018 that are subject to the impairment provisions of IFRS 9:	**Note**	**Credit risk attributes at 01 April 2018**	**01 April 2018**
Trade and other receivables	18	The Group applies the simplified approach and recognises lifetime expected credit losses for these assets.	15 275

SABS

			Cumulative reduction/(additional) loss allowance recognised on:
Items existing on 01 April 2018 that are subject to the impairment provisions of IFRS 9:	**Note**	**Credit risk attributes at 01 April 2018**	**01 April 2018**
Loans to group companies	16	The company applies the general approach.	(4 473)
Trade and other receivables	18	The company applies the simplified approach and recognises lifetime expected credit losses for these assets.	441
			(4 032)

Classification and measurement of financial liabilities

The implementation of IFRS 9 has had no impact on the classification and measurement of the Group's financial liabilities.

Reconciliation of the reclassifications and remeasurements of financial assets as a result of adopting IFRS 9

The following table presents a summary of the financial assets as at 01 April 2018. The table reconciles the movement of financial assets from their IAS 39 measurement categories and into their new IFRS 9 measurement categories. "FVTPL" denotes "fair value through profit or loss" and "FVOCI" denotes "fair value through other comprehensive income."

	Previous measurement	New measurement category: IFRS 9			
	IAS 39	**FVTPL - designated**	**Amortised cost**	**Re-measurement changes - Adjustment to equity**	**Change attributable to:**
GROUP					
Previously Loans and receivables:					
Cash and cash equivalents	125 995	-	125 995	-	Change in measurement attribute
Trade and other receivables	143 896	-	159 170	15 274	Change in measurement attribute
	269 811	**-**	**285 165**	**15 274**	
Previously Available for sale:					
Equity investments	430 525	430 525	-	-	No change
	700 416	**430 525**	**285 165**	**15 274**	
SABS					
Previously Loans and receivables:					
Cash and cash equivalents	125 921	-	125 921	-	Change in measurement attribute
Trade and other receivables	12 530	-	12 971	441	Change in measurement attribute
Loans to group companies	83 029	-	51 250	(31 779)	Change in measurement attribute
	221 480	**-**	**190 142**	**(31 338)**	
Previously Available for sale:					
Equity investments	430 525	430 525	-	-	No change
	652 005	**430 525**	**190 142**	**(31 338)**	

Application of IFRS 15 Revenue from contracts with customers

In the current year, the Group has applied IFRS 15 Revenue from Contracts with Customers (as revised in April 2016) and the related consequential amendments to other IFRSs. IFRS 15 replaces IAS 11 Construction Contracts and IAS 18 Revenue.

IFRS 15 introduces a five-step approach to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. Refer to the revenue accounting policy for additional details.

37. Changes in accounting policy (continued)

IFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The Group adopted IFRS 15 using the modified retrospective method of adoption with the date of initial application of 1 April 2018. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group elected to apply the standard to all contracts as at 1 April 2018.

The cumulative effect of initially applying IFRS 15 is recognised at the date of initial application as an adjustment to the opening balance of retained earnings. Therefore, the comparative information was not restated and continues to be reported under IAS 11, IAS 18 and related Interpretations. The implementation of IFRS 15 had no impact on the retained income and related balances.

38. Changes in estimate

Property, Plant and Equipment

The useful life of certain buildings was estimated to be 30 years. In the current period management have revised their estimate to 50 years. The effect of this revision has increased the depreciation charges for the current period by R2.4 million.

Investment properties

The useful life of investment properties was estimated to be 30 years. In the current period management have revised their estimate to 50 years. The effect of this revision has increased the depreciation charges for the current period by R229 000.

39. Prior period errors

1. Property, Plant and Equipment - R1 assets. The Group and company reassessed its useful life on R1 assets. The assets useful lives were extended for a period of between 2-4 years. Impact on opening retained earnings amounted to R35.2 million for the Group and R15 million for the Company and depreciation of R8.6 million for the Group and R3.8 million for the Company
2. Property, Plant and Equipment - Repairs and maintenance capitalised. The Company incorrectly capitalised repairs and maintenance relating to roofing. The amount that should have been expensed amounted to R742 000.
3. Intangible assets - R1 assets. The Group and company reassessed its useful life on R1 assets. The assets useful lives were extended for a period of between 2-4 years. Impact on opening retained earnings amounted to R17.3 million for the Group and R9 million for the Company and depreciation of R4.3 million for the Group and R2.2 million for the company.
4. Property, Plant and Equipment and Investment property reclassification - The SABS charges its subsidiary rental income for the use of office and laboratory accommodation. Certain buildings were identified as not being rented to the subsidiary but charged internally within the company and should not have been classified as Investment Property in the books of the company. The impact of the reclassification is an increase in the opening balance of property, plant and equipment of R3.6 million and a decrease in Investment property of R3.6 million. Prior period impact is a decrease in investment properties of R3.4 million and an increase in property, plant and equipment of R3.4 million.
5. Reclassification of income relating to dosimeters - The Group incorrectly accounted for damaged or non-returned dosimeters as revenue instead of other income. The impact on the prior year figures is a reclassification of R8.2 million between revenue and other income.
6. Revenue - Prior year revenue was restated based on a comprehensive analysis of revenue, which related to expired certificates. As SABS controls the outcome of the Mark Scheme and the customer continued to use the Mark, the SABS is entitled to the revenue. This resulted in an increase in revenue of R10.1 million and a decrease in trade payables of R10.1 million.
7. Impairments - Management raised the 2017/18 impairment provision and subsequently revised the provision. The impact on the impairment of trade receivables is an increase in the impairment of R15.1 million and an increase in bad debts expense provision of R15.1 million.
8. Management fees - The company did not invoice SEDA for management services due in the 2018 financial year amounting to R158 000 resulting in unrecognised revenue and understatement of trade and other receivables.
9. Subscription fees relating to Standard sales - The Company incorrectly accounted for subscriptions sales when the contract was concluded instead of spreading the revenue over the period of the contract, which is 12 months. This resulted in overstatement of revenue and understatement of income received in advance to the value of R4.1 million.
10. Leave pay provision - The Group incorrectly disclosed the leave pay provision under provisions. The leave pay provision should have been disclosed as a short-term employee benefit under trade and other payables. This resulted in the overstatement of provisions for the Group of R27.9 million and SABS of R11 million.
11. Deferred income and trade and other payables - The Group received R17 million funding from the dti for its Local Content Verification in March 2019. The funds were incorrectly allocated to deferred income based on the information available at that stage. During the current year, it was established that the funds were not for the purchase of assets but for expenses incurred on the dti projects. The R17 million were correctly allocated to income received in advance under trade and other payables. This resulted in a decrease of R17 million in deferred income and an increase for the same amount in trade and other payables.
12. Investment subsidiaries - The investment in subsidiary balance was incorrectly assessed as not impaired in the previous financial year. This balance was reassessed during the financial year and was found to be fully impaired. The impact is a decrease in the opening balance of the investment in SABS of R100 million and increase in other expenditure of R100 million.
13. Related parties - key personnel emoluments - Management in its assessment of key personnel incorrectly included the Group Audit Manager as well as the Company Secretary in the disclosure. These roles do not meet the definition of key personnel as they do not direct or control activities directly or indirectly. This resulted in a decrease in emoluments of R3.4 million.

    The Executive for Enterprise Development and Training has dual SABS and SABS Commercial responsibilities and as such, the emoluments were required to be split between the two entities. The financial statements have been amended to reflect this.
14. Commitments - The commitments reported in the prior year included certain requisitions that were not commitment related in error. This has resulted in a decrease in the commitments of R4.8 million for the Group and R1.6 million for the company.
15. Cash flow statements - Management did not disclose on the face of the cash flow statement the impact of dividends received as well as the grant funding received for dti projects. The dividends amounted to R5.2 million and grant funding R17 million.

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

	GROUP			SABS		
Impact of restatement on Statement of profit and loss (Figures in Rand thousand)	**Previously reported 2018**	**Impact**	**Restated amount 2018**	**Previously reported 2018**	**Impact**	**Restated amount 2018**
Revenue	516 358	(1 990)	514 368	35 402	(3 855)	31 547
Other income	56 059	8 252	64 311	135 882	-	135 882
Government grant	243 153	-	243 153	243 152	-	243 152
	815 570	6 262	821 832	414 436	(3 855)	410 581
Employee benefit expenditure	(551 554)	-	(551 554)	(250 835)	-	(250 835)
Depreciation	(38 259)	(12 935)	(51 194)	(8 951)	(6 044)	(14 995)
Contract services	(45 398)	-	(45 398)	(39 206)	-	(39 206)
Travel expenditure	(34 546)	-	(34 546)	(9 232)	-	(9 232)
Advertising expenditure	(7 243)	-	(7 243)	(5 887)	-	(5 887)
Repairs and maintenance expenditure	(10 084)	(742)	(10 826)	(5 939)	(742)	(6 681)
Consulting and technical fees	(24 883)	-	(24 883)	(11 353)	-	(11 353)
Other expenditure	(160 555)	(15 122)	(175 677)	(86 267)	(106 420)	(192 687)
Operating loss	(56 952)	(22 537)	(79 489)	(3 234)	(117 061)	(120 295)
Interest received	29 216	-	29 216	29 212	6 420	35 632
Interest paid	(107)	-	(107)	(102)	-	(102)
(Loss)/profit before taxation	(27 843)	(22 537)	(50 380)	25 876	(110 641)	(84 765)
Taxation	(20 327)	-	(20 327)	-	-	-
	(48 170)	**(22 537)**	**(70 707)**	**25 876**	**(110 641)**	**(84 765)**

39. Prior period errors (continued)

Impact of restatement on Statement of financial position (Figures in Rand thousand)	GROUP			SABS		
	Previously reported 2018	Impact	Restated amount 2018	Previously reported 2018	Impact	Restated amount 2018
Assets						
Property, plant and equipment	692 827	25 879	718 706	444 977	14 047	459 024
Investment properties	7 937	-	7 937	155 576	(3 366)	152 210
Intangible assets	11 389	13 010	24 399	7 949	6 762	14 711
Investment in subsidiaries	-	-	-	100 000	(100 000)	-
Available-for-sale investments	430 525	-	430 525	430 525	-	430 525
Loans to Group companies	-	-	-	83 078	-	83 078
Non-current assets	1 142 678	38 889	1 181 567	1 222 105	(82 557)	1 139 548
Inventory	2 708	-	2 708	2 708	-	2 708
Trade and other receivables	165 520	(14 965)	150 555	17 700	158	17 858
Cash and cash equivalents	125 995	-	125 995	125 921	-	125 921
Current assets	294 223	(14 965)	279 258	146 329	158	146 487
	1 436 901	**23 924**	**1 460 825**	**1 368 434**	**(82 399)**	**1 286 035**
Equity and liabilities						
General reserve	54 282	-	54 282	54 282	-	54 282
Other components of equity	12 556	488	13 044	8 842	488	9 330
Accumulated profit	770 958	29 539	800 497	915 916	(86 900)	829 016
Reserves of disposal Group	(94)	-	(94)	-	-	-
Equity and reserves	837 702	30 027	867 729	979 040	(86 412)	892 628
Deferred taxation	260	-	260	-	-	-
Employment benefit obligation	98 388	-	98 388	55 763	-	55 763
Deferred income	259 461	(17 000)	242 461	239 354	-	239 354
Non-current liabilities	358 109	(17 000)	341 109	295 117	-	295 117
Employment benefit obligation	10 129	-	10 129	6 822	-	6 822
Deferred income	30 965	-	30 965	5 733	-	5 733
Trade and other payables	121 385	38 834	160 219	44 051	15 005	59 056
Provisions	74 858	(27 937)	46 921	37 586	(10 992)	26 594
VAT payable	3 659	-	3 659	85	-	85
Current liabilities	240 996	10 897	251 893	94 277	4 013	98 290
Liabilities directly associated with disposal Group	94	-	94	-	-	-
	1 436 901	**23 924**	**1 460 825**	**1 368 434**	**(82 399)**	**1 286 035**

Figures in Rand thousand	GROUP			SABS		
	Previously reported 2017	Impact	Restated amount 2017	Previously reported 2017	Impact	Restated amount 2017
Opening retained earnings	819 128	52 564	871 692	890 040	24 228	914 268
Subtotal	819 128	52 564	871 692	890 040	24 228	914 268

Impact of restatement on Statement of financial position (Figures in Rand thousand)	GROUP			SABS		
	Previously reported 2017	Impact	Restated amount 2017	Previously reported 2017	Impact	Restated amount 2017
Assets						
Non-current assets						
Property, plant and equipment	715 297	35 218	750 515	442 677	18 858	461 535
Investment properties	8 370	-	8 370	162 597	(3 645)	158 952
Intangible assets	10 498	17 346	27 844	4 458	9 015	13 473
Investment in subsidiary	-	-	-	65 662	-	65 662
Available-for-sale Investments	427 338	-	427 338	427 338	-	427 338
Deferred taxation	19 809	-	19 809	-	-	-
Loans to Group companies	-	-	-	109 687	-	109 687
Current assets						
Inventory	1 640	-	1 640	1 640	-	1 640
Trade and other receivables	147 167	-	147 167	15 692	-	15 692
Cash and cash equivalents	91 943	-	91 943	91 866	-	91 866
VAT receivable	-	-	-	4 308	-	4 308
	1 422 062	**52 564**	**1 474 626**	**1 325 925**	**24 228**	**1 350 153**

39. Prior period errors (continued)

Impact of restatement on Statement of financial position (Figures in Rand thousand)	GROUP Previously reported 2017	GROUP Impact	GROUP Restated amount 2017	SABS Previously reported 2017	SABS Impact	SABS Restated amount 2017
Equity and liabilities						
Equity and reserves						
General reserve	54 282	-	54 282	54 282	-	54 282
Other components of equity	1 929	-	1 929	(2 450)	-	(2 450)
Accumulated profit	819 128	52 564	871 692	890 040	24 228	914 268
Reserves of disposal Group	(94)	-	(94)	-	-	-
Non-current liabilities						
Employment benefit obligations	101 576	-	101 576	61 005	-	61 005
Deferred income	273 910	-	273 910	245 087	-	245 087
Current liabilities						
Employment benefit obligations	10 219	-	10 219	6 935	-	6 935
Deferred income	7 564	-	7 564	5 733	-	5 733
Trade and other payables	93 657	26 069	119 726	42 795	9 417	52 212
Provisions	56 113	(26 069)	30 044	22 498	(9 417)	13 081
Vat payable	3 684	-	3 684	-	-	-
Liabilities directly associated with disposal Group	94	-	94	-	-	-
	1 422 062	**52 564**	**1 474 626**	**1 325 925**	**24 228**	**1 350 153**

Impact of restatement on Statement of cash flows (Figures in Rand thousand)	GROUP Previously reported 2018	GROUP Impact	GROUP Restated amount 2018	SABS Previously reported 2018	SABS Impact	SABS Restated amount 2018
Cash flows from operating activities						
Cash receipts from customers	531 165	6 105	537 270	178 633	(4 012)	174 621
Cash received from government	243 153	-	243 153	243 152	-	243 152
Cash paid to suppliers and employees	(754 281)	(28 287)	(782 568)	(407 642)	(1 170)	(408 812)
Cash generated from/(used in) operations	20 037	(22 182)	(2 145)	14 143	(5 182)	8 961
Interest income	29 216	-	29 216	29 212	-	29 212
Dividend income	-	5 182	5 182	-	5 182	5 182
Finance cost	(107)	-	(107)	(102)	-	(102)
Cash inflow/(outflow) from operating activities	**49 146**	**(17 000)**	**32 146**	**43 253**	**-**	**43 253**
Purchase of property, plant and equipment	(18 913)	-	(18 913)	(13 018)	-	(13 018)
Proceeds on disposal of property, plant and equipment	(5 973)	-	(5 973)	(5 973)	-	(5 973)
Purchase of other intangible assets	116	-	116	117	-	117
Purchase of investments at FVTPL	(448 386)	-	(448 386)	(448 386)	-	(448 386)
Disposal of investments at FVTPL	458 062	-	458 062	458 062	-	458 062
Grant funding	-	17 000	17 000	-	-	-
Cash inflow/(outflow) from investing activities	(15 094)	17 000	1 906	(9 198)	-	(9 198)
Increase in cash and cash equivalents	34 052	-	34 052	34 055	-	34 055
Cash and cash equivalents at the beginning of the year	91 943	-	91 943	91 866	-	91 866
Cash and cash equivalents at the end of the year	**125 995**	**-**	**125 995**	**125 921**	**-**	**125 921**

REFERENCE INFORMATION

ABBREVIATIONS AND ACRONYMS

AFS	Available-for-sale
AFSEC	African Electro-technical Standardisation Committee
ARSO	African Regional Standards Organisation
BBBEE	Broad-Based Black Economic Empowerment
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CGU	Cash generating unit
DCF	Discounted cash slow
EE	Employment equity
EIR	Effective interest rate
EME	Exempt micro enterprises
ERM	Enterprise wide management
GAAP	Generally Accepted Accounting Principles
GCS	Global Conformity Services
IAS	International Accounting Standard
IASB	International Standards on Auditing Board
IATF	International Automotive Task Force
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
VAT	Value Added Tax
VDA	German Association of the Automotive Industry
WIP	Work-in-progress
ZAR	South African Rand

CONTACT DETAILS

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