PART F
SUPPORTED EMPLOYMENT ENTERPRISES

DEPARTMENT OF EMPLOYMENT AND LABOUR

PART F: SUPPORTED EMPLOYMENT ENTERPRISES

1. STATEMENT OF RESPONSIBILITY AND CONFIRMATION OF ACCURACY FOR THE ANNUAL REPORT

To the best of my knowledge and belief, I confirm the following:

All information and amounts disclosed throughout the annual report are consistent.

The annual report is complete, accurate and is free from any omissions.

The annual report has been prepared in accordance with the guidelines on the annual report as issued by National Treasury.

The Annual Financial Statements (Part F) have been prepared in accordance with the modified cash standard and the relevant frameworks and guidelines issued by the National Treasury.

The Accounting Officer is responsible for the preparation of the annual financial statements and for the judgements made in this information.

The Accounting Officer is responsible for establishing, and implementing a system of internal control that has been designed to provide reasonable assurance as to the integrity and reliability of the performance information, the human resources information and the annual financial statements.

The external auditors are engaged to express an independent opinion on the annual financial statements.

In my opinion, the annual report fairly reflects the operations, the performance information, the human resources information and the financial affairs of the SEE for the financial year ended 31 March 2021.

Yours faithfully

MR. T LAMATI

Accounting Officer

Date: 25/10/2021

2. REPORT OF THE ACCOUNTING OFFICER TO THE EXECUTIVE AUTHORITY AND PARLIAMENT OF THE REPUBLIC OF SOUTH AFRICA

OVERVIEW OF THE OPERATIONS OF THE SEE

The Supported Employment Enterprises (SEE) currently trading as Services Products, was established through a Cabinet Memorandum back in 1943. The entity were re-established in terms of the Employment Services Act, 2014, Act No. 4 of 2014, to promote work and employment for people with mental and physical disabilities that prevent them from participating in the open labour market due to the nature of their afflictions. There are currently 13 factories across the country, located in eight of the nine provinces with Mpumalanga being the only Province without a factory. These factories produce wood and metal furniture, hospital commodities, linen, bedding, protective clothing, garments, upholstery, and screen printing products that are sold to various government Departments and private entities and the public.

OVERVIEW OF THE RESULTS AND CHALLENGES FOR THE YEAR

Despite the Covid -19 lockdown restrictions that were in force during the current financial year, the SEE managed to achieve its first indicator by increasing its current factory staff establishment by 25 additional people with disabilities and had a total of 1 036 as at 31 March 2021. The SEE performance during 2020/21 was only 33%. The target on new agreements concluded was not achieved. Only 2 agreements were concluded and positioned the SEE to play a major role in the supply of urgent linen and gowns to the Eastern and Western Cape hospitals that experienced a high intake of Covid-19 patients during the April to June 2020 period from its reserved stock. The SEE was able to generate substantial revenue from these sales to augment its transfer budget, even though the entity could not achieve its projected 5% sales target.

The SEE also received delivery of its recapitalisation machinery across the 12 of its 13 factories. The new machinery will replace all the old machinery that dates back to the 60s and was already becoming very costly to repair. The machinery will improve productivity and quality of SEE products. The entity also received delivery of its 13 new trucks to reduce and/or eliminate dependency on private and very costly private transport. The trucks allocated to each factory will be coordinated such that they can be mobilized to distribute massive deliveries from any of the factories.

OVERVIEW OF HUMAN RESOURCES

The Supported Employment Enterprises has two categories of employees. There is a total of 159 staff members employed in terms of the Public Services Act to support the 13 Factories operations and the Head Office. These staff members are part of the Department of Employment and Labour and have been accounted for under the Department of Labour, Branch Public Employment Services under section D of the annual report. These staff members had access to DEL systems that enabled the leadership to reach and interact with them.

Support staff were issued with devises that enabled them to work from home during the staff rotation basis that was introduced during the different Covid-19 adjustment levels to minimise infections. Virtual meetings were introduced to maintain communication with factories at Directorate and Chief Directorate level.

The second category of staff consisted of 1036 People with Disabilities staff members employed under the Basic Condition of Employment Services Act and are spread across all the 13 Factories. Given the nature of SEE Operations, it was not possible to provide individual staff with equipment to work from home. The following measures were implemented to address the plight of staff during the Covid adjustment levels:

- Adjustment of factory operations to allow for social distancing as far as possible in and between machinery.
- Rotation of staff to minimise infections
- Employee Health and Wellness used the central DEL services to provide support and counselling to affected staff.

The following tables provides the staff establishment of the SEE during the financial year and the changes that occurred during the year, employment equity profile of factory workers within the entity, salary bands.

SEE STAFF ESTABLISHMENT					
PROVINCE	FACTORY	PWDS AS AT 01/04/2020	NEW PWDS DURING THE FINANCIAL YEAR	TERMINATIONS DURING THE FINANCIAL YEAR	TOTAL AS AT 31 MARCH 2021
Free State	Bloemfontein	60	0	1	59
KZN	Durban	84	0	2	82
	Pietermaritzburg	70	0	9	61
Eastern Cape	East London	69	0	1	68
	Port Elizabeth	77	0	6	71
Northern cape	Kimberley	60	10	2	68
Western cape	Ndabeni	153	3	3	153
	Epping	114	0	4	110
North West	Potchefstroom	44	0	2	42
Limpopo	Seshego	35	0	0	35
Gauteng	Pretoria	108	0	4	104
	Rand	92	12	0	104
Free State	Springfield	84	0	5	79
TOTAL		**1050**	**25**	**39**	**1036**

SEE EE PROFILE								
PROVINCE	FACTORY	RACE				GENDER		TOTAL
		AFRICAN	COLOURED	INDIAN	WHITE	FEMALE	MALE	
Free State	Bloemfontein	32	0	0	27	23	36	59
KZN	Durban	37	5	6	34	23	59	82
	Pietermaritzburg	40	1	4	16	26	35	61
Eastern Cape	East London	43	8	1	16	21	47	68
	Port Elizabeth	28	16	1	26	30	41	71
Northern cape	Kimberley	30	28	1	9	24	44	68
Western cape	Ndabeni	40	41	1	71	62	91	153
	Epping	47	58	0	5	31	79	110
North West	Potchefstroom	25	5	0	12	21	21	42
Limpopo	Seshego	35	0	0	0	20	15	35
Gauteng	Pretoria	66	2	0	36	40	64	104
	Rand	57	14	0	33	61	43	104
	Springfield	41	13	0	25	22	57	79
TOTAL								**1036**

SEE POST LEVEL STRUCTURE				
POST LEVEL	**2019/2020 WAGES**	**INCREASE 0%**	**2020/2021 WAGES**	**NUMBER OF PWDS PER BAND**
6	R6 750.56	0	R6 750.56	64
5	R6 194.00	0	R6 194.00	297
5	R6 069.29	0	R6 069.29	34
4	R5 944.58	0	R5 944.58	101
4	R5 819.88	0	R5 819.88	24
3	R5 695.17	0	R5 695.17	70
2	R5 570.45	0	R5 570.45	63
1	R5 445.76	0	R5 445.76	119
1	R5 321.09	0	R5 321.09	85
1	R5 196.31	0	R5 196.31	182
TOTAL				**1039**

NB: Three workers were terminated by 31 March 2021 however their last salaries were released by financial year end. As at 31 March 2021, the total number of factory workers were 1 036.

OVERVIEW OF THE FINANCIAL RESULTS OF THE SEE

The SEE budget comprises of a transfer from the National Treasury through the Branch Public Employment Services and additional income generated from sale of goods that are manufactured across all factories.

The SEE ran into a deficit and had to be bailed out with a cash injection of an additional R25 million to pay the Department of Employment and Labour outstanding 3 months salaries of the 159 support staff and the March 2021 salaries for the factory workers. The deficit resulted from the huge payments that the SEE had to make towards the new machinery as they were delivered. The SEE was also not succesful in securing contracts from the various Provincial governments for the supply of PPE and hospital gowns and linen, despite various commitments. The SEE also paid factory workers that had to stay home or were alternating during level 5 and level 3 lockdown with low levels or no production at all. The SEE had to pay a lot more for the price of raw material during the lockdown period as a result of unreasonablle increases that were introduced by the few suppliers that retained some stocks. The SEE also shelved its footprint expansion plans to Mpumulanga until recapitalisation budget funding is secured.

SUPPORTED EMPLOYMENT ENTERPRISES RECEIPTS

SUPPORTED EMPLOYMENT ENTERPRISES						
	2020/2021			**2019/2020**		
REVENUE	**BUDGET**	**ACTUAL AMOUNT COLLECTED**	**(OVER)/UNDER COLLECTION**	**ESTIMATE**	**ACTUAL AMOUNT COLLECTED**	**(OVER)/UNDER COLLECTION**
Sale of goods and services other than capital assets	207 804 867	42 012 761	165 792 106	122 320 101	128 326 662	(6 006 561)
Transfers received and conditional grants	153 049 000	175 412 648	(22 363 648)	148 923 000	150 051 297	(1 128 297)
Interest, dividends and rent on land	15 742 304	1 010 269	14 732 035	12 794 925	2 659 960	10 134 965
TOTAL	**376 596 171**	**218 435 678**	**158 160 493**	**284 038 026**	**281 037 919**	**3 000 107**

Actual amount collected does not include service in kind. The conditional grant collected is a portion realised as revenue. Unspent portion is recognised as a liability.

REASONS FOR OVER/UNDER COLLECTION OF REVENUE

SUPPORTED EMPLOYMENT ENTERPRISES					
				VARIANCE	
TOTAL REVENUE RECEIVED	2020/21	2019/20	VARIANCE	%	REASONS FOR VARIANCES
Sales of goods and services other than capital assets	42 012 761	122 320 101	86 313 901	67%	Less sales orders due Covid-19 and minimal orders received
Interest, dividends and rent on land	1 010 269	2 659 960	1 649 691	62%	Minimal interest received due to less cash reserves in the bank
Transfer received and Conditional Grants	175 412 648	150 051 297	25 361 351	17%	Entity requested additional funds due to less revenue generated since Covid 19 pandemic

DELIVERY ON THE PLANS FOR COLLECTING SEE REVENUE

SEE is dependent on a very old SYSPRO system to run its business. The system has had deficiencies that contributed towards loss of revenue or late collection of revenue that were due to SEE. The officials rely on manual spreadsheets to complement the system. The SEE secured a once-off cash injection amounting to R 17,5 million to revamp and effect enhancement to the SYSPRO system and its entire telephone network across all factories.

DETERMINATION OF TARIFFS CHARGED BY THE SEE

The SEE manufactured goods are sold to government Departments and to members of the public. The prices are determined by the entity and take into consideration, the transfer subsidy received from the National Treasury, cost of material and other overhead costs. The pricelist is submitted annually to the National Treasury for approval. The SEE also charges for maintenance services to various Departments in the repair of damaged furniture. The SEE had a small scale initiative aimed at collecting written off furniture within the Department of Employment and Labour, repair and sell them as second hand equipment to other users.

REVENUE UNDER COLLECTION AND FUTURE MEASURES TO RECTIFY UNDER COLLECTION OF REVENUE.

The SEE was not able to raise the targeted revenue in line with its projections during the year. This was partly due to declining support from National and Provincial Departments and absence of District and local municipality procurement from the entity. Measures that have been taken include the following: The revision of the projections and budget in line with the Covid-19 environment; introducing enhancement to the SYSPRO system used by the entity to ensure accurate recording of production, delivery and revenue collection, secured National Treasury deviation and approval to enter into long term contracts with suppliers of raw materials to SEE at fixed costs; replacement of old and costly machinery through investment into new machinery that are aimed at improving productivity levels and the quality of products produced by the entity; acquisition of new delivery trucks with maintenance plans for each factory to reduce dependency on expensive private delivery trucking companies; developed a list of key stakeholders to be targeted for conclusion of procurement agreements; diversifying SEE products to provide to sell directly to the public; made a submission to have the Procurement Amendment Bill to force government Departments to spend no less than 10% of their procurement budget in social development Enterprises employing vulnerable groups, youth, women and people with disabilities and approached the Minister and Director General to issue a directive for Department of Employment and Labour and all its entities to commence with the implementation of this practice. The SEE is also developing a new policy to ensure sufficient collection of revenue on its Cut-Make-and-Trim services offered to external parties that bring their material for production of various garments.

SEE BAD DEBTS WRITTEN OFF AND IMPACT ON THE ENTITY'S RECEIPTS.

There were no bad debts submitted for write off for the financial year 2020/2021.

PROGRAMME EXPENDITURE						
	2020/2021			2019/20		
PROGRAMME NAME	BUDGET	ACTUAL EXPENDITURE*	(OVER)/ UNDER EXPENDITURE	BUDGET	ACTUAL EXPENDITURE	(OVER)/UNDER EXPENDITURE
Factory Salaries	130 887 012	19 438 174	111 448 839	135 488 489	100 471 792	35 016 697
Admin Support Salaries	45 458 076	130 390 361	(84 932 285)	45 458 076	39 850 387	5 607 689
Manufacturing Cost	170 975 893	48 603 996	122 371 897	65 135 848	125 567 896	(60 432 048)
Operational Cost	29 375 190	13 487 111	15 888 079	38 360 614	8 678 566	29 682 048
TOTAL	**376 696 171**	**211 919 642**	**164 776 530**	**284 443 027**	**274 568 641**	**9 874 386**

* the actual expenditure exclude services in kind expenditure

SEE programme expenditure is less than budgeted expenditure in both 2019/2020 and 2020/2021 financial years. Factory salaries were under spent due to under achievement on target for additional employment for persons with disabilities and idle time accounted for under admin salaries in terms of GRAP. Admin support salaries were also over spent due to accounting for idle time for factory workers salary under admin support salaries as per GRAP requirements. The overall salary budget was not overspent. Manufacturing costs were underspent as less orders received than anticipated impacting on manufacturing costs. Operational cost was also under spent due to financial constraints in 2020/2021 financial year as well as less operations due to Covid-19 in 2020/2021 financial year.

Public Private Partnerships

- There was no public private partnership entered into with SEE.

Discontinued activities / activities to be discontinued

- There are no discontinued manufacturing activities at SEE.

New or proposed activities

- SEE intends embarking on the repair and refurbishment of old furniture that is lying in abundance in current schools and a number of clients have approached SEE to assist in this area
- SEE will also formalise the new Cut-Make and Trim process wherein clients bring their own materials to SEE for manufacturing as the service is also in high demand.

Supply Chain Management

There were no unsolicited bid proposals concluded with the entity for the year under review.

Indicate whether SCM processes and systems are in place to prevent irregular expenditure

The entity does have SCM processes and systems in place to detect and prevent irregular, fruitless and wasteful expenditure. SCM policy was reviewed to be updated with the current legislative updates. Delegation of Authority has also been reviewed to be aligned to functions of the entity. All procurements completed are aligned to an approved demand plan as well as procurement plan and are being reviewed to ensure prescripts are adhered to, to prevent any irregular, fruitless and wasteful expenditure.

Challenges experienced in SCM and how they were resolved

The entity had experienced high volume of emergency procurement in the past financial years and this was significantly reduced in the financial year under review. The Deputy Director SCM position has been vacant for more than 12 months and an Acting Deputy Director was appointed to address the gap. Interviews have been conducted and the post is targeted to be filled in the 2021/2022 financial year.

Gifts and Donations received in kind from non-related parties

There were no gifts or donations in kind or otherwise, received from non-related parties for 2020/2021 financial year under review.

Exemptions and deviations received from the National Treasury

SEE has been granted deviations on procurement of raw material for a sole service provider in the financial year under review for the following service providers:

- Hextex Bergriver Textiles for Cellular Blankets
- Colibri Towelling and Zoba Terx for Towels
- Ahlesa Blankets and Aranda Blankets for Blankets
- Da Gama Textiles for Textile fabric.

Events after the reporting date

There were no events identified.

Other

It is the vision of SEE to transform and expand direct employment for people with intellectual and physical disabilities, to develop as a provider of quality training for people with disabilities to enable and facilitate their transition into the open labour market. The factories are open to all races and supported by a total of 159 Department of Employment and Labour staff.

Acknowledgement/s or Appreciation

The Supported Employment Enterprises acknowledges the contributions of our staff and Executive Management in the attainment of the goals contained in this Annual Report, this despite the challenges we experienced in the labour market, the global economy and as a result of the Covid-19 pandemic.

Conclusion

In conclusion, I hereby submit the Supported Employment Enterprises Annual Report for the period ended 31 March 2021.

Approval and sign off

The Annual Financial Statements for the 2020/2021 financial year are hereby approved by the Accounting Officer.

MR. T LAMATI

Accounting Officer

DATE : 25/10/2021

GENERAL OVERVIEW AND RESULTS OF THE SUPPORTED EMPLOYMENT ENTERPRISES

Two matters on prior year audit escalated to National Treasury and Departments Public Works and Infrustructure relate to the use of Public Works government building, services in kind and fair value on accommodation rentals as well as differences between SEE and AGSA in cash flow and its calculations.

CHALLENGES FACING SEE

Challenges the entity still faced with in the year under review related to vacant positions of two senior management of the CEO and CFO and a possible repeat finding on Asset, Inventory and Cost of Sales. These challenges persist due to SEE dependence on the Department's processes and limitiations on financial resources to procure service providers to perform evaluation on assets useful life and impairment. The repairs of the Durban Factory also persisted to be a challenge for the entity as the processes are highly dependent on the Department of Public Works and Infrustructure (DPWI) to ensure the factory is repaired to workable conditions.

As the country continued to battle Covid-19 pandemic, the entity was not immune to the impact and managed rotation of employees to adhere to Covid-19 regulations. The impact also affected the way of doing business for the entity and that had a direct negative effect on sales orders. The entity's financial performance was negatively impacted and could not afford to pay March 2021 factory employees' salaries as well as admin employees' salaries for the last quarted of 2020/2021 financial year.

KEY STRATEGIC INITIATIVES TO ADDRESS OPERATIONAL CHALLENGES

The Director-General appointed officials to act in the key positions to ensure continuous administration of the entity. The DDG: Public Employment Services was appointed to act as the CEO above normal functions as DDG:PES, without additional remuneration. An acting CFO was appointed, seconded from the Finance division of the Department. The Deputy Director: Business development was appointed to act in the Director's position without additional remuneration. The Department is in the process of recuitment for these posts. The entity is also rolling out measures that were provided to National Treasury and strict monitoring of allocated and generated funds to avoid a recurrence of a similar situation during the 2021/22 financial year.

Implementation of marketing strategy has, due to funding limitations, been reprioritised on areas implementable with resources such as launching of website to increase marketing digital presence, roadshows to inland provincial Departments, pursuing participation of provinces in the current MOU with Department of Health and Education expiring in 2025 and 2024 respectfully.

The SEE made a request to have a 'set-aside' procurement statute for the Department and its entities to procure from SEE. Monitoring on the implementation of this is cruicial to aid the entity in increasing sales target. Recommendations have also been made to Cabinet to have 10% government institutions' budget allocation set aside to procure from SEE. This will guarantee constant business to SEE to ensure continuous production.

PROJECTS FOR THE YEAR AND FUTURE YEARS

SEE received a funding through shifting of funds from the Department for the enhancement of ICT infrustructure, i.e telephone, fibre and Syspro improvements targeted to be implemented by 2021/2022 financial year.

The entity plans to increase its establishment by employing an additional 25 people with disabilities to continue to deliver on its mandate and provide dignity to persons with disabilities. To achieve this, the entity has a target to increase participation in the existing MOUs and conclude additional 5 MOUs in 2021/2022 financial year. Management does take cognisance to the global pandemic Covid-19 interruptions and these plans will be reviewed to maintain relevance and achievable goals within the operations of the pandemic.

CORPORATE GOVERNANCE ARRANGEMENTS:

The SEE Administrative functions are performed by 159 seconded staff from the Department. The SEE also utilises the following transversal services:

- Chief Internal Audit and Audit Committee
- Chief Risk Officer and the Risk Committee
- Chief Legal Services
- Chief Information Officer
- Chief Financial Officer delegated functions.

FINANCIAL OVERVIEW

The Supported Employment Enterprises' financial health has seen more deterioration, compared to prior years, due to the significant decrease in sales revenue generation. The reality of Covid-19 impact also saw factories not being fully operational, particularly in the wood and steel sections. However, the entity continued to carry operational running cost and mantaining of high salaries bill as the entity continued to pay in full all factory workers' salaries. This has resulted in the entity's financial high pressure and the entity having to apply for a bail out through virement of R25 million to pay both salaries of factory employees and admin support officials for the last quarter of the 2020/2021 financial year. Key to strengthening our financial health is achieving a balance between the revenue generated and cost of production.

In response, the entity has put below, mitigating measures in place, aimed to halt further financial constraints:

- Persuing provincial Departments to participate in existing MOUs
- Continuous engagements with National Departments to source more sales orders
- Strict monitoring of budget/spending on allocation to prevent overcommiting on funds allocate
- Cost Containment Programmes to restore financial sustainability
- Request to Cabinet for government to set aside 10% of budget allocation to procure from SEE
- Budget recapitalisations bid to be submitted to National Treasury
- Re-engineering of production processes
- Driving Business Productivity.

PRIOR MODIFICATIONS TO AUDIT REPORTS

The Supported Employment Enterprises has received a qualified audit opinion in 2018/19 and 2019/2020 prior financial years. The table below illustrates the progress made in resolving the findings that were affecting the Audit Report.

NATURE OF QUALIFICATION, DISCLAIMER, ADVERSE OPINION AND MATTERS OF NON-COMPLIANCE	FINANCIAL YEAR IN WHICH IT FIRST AROSE	PROGRESS MADE IN RESOLVING OR CLEARING THE MATTER
Cost of Sales: The Auditor-General was unable to obtain sufficient appropriate audit evidence for labour recoveries of R8,275 million (2018-19: R 5,734 million), which are included in cost of sales, as the trading entity did not have adequate records. Additionally, there were misallocations of depreciation not related to the production of Inventories to cost of sales amounting to R2,254 million that resulted in misstatements of cost of sales and operating expenses and could not confirm the cost of sales by alternative means. Consequently, the Auditor-General was unable to determine whether any adjustment was necessary to cost of sales, stated at R227,09 million (2018-19: R169,608 million) in note 12 to the financial statements.	2018/19	The entity is in the process of procuring SYSPRO system enhancement services to address the internal control deficiencies within the system. The stock movement report and labour recoveries are system generated and thus will be corrected with Syspro enhancement process The missclassification and missallocation of depreciation were corrected in 2020/2021 financial year.

NATURE OF QUALIFICATION, DISCLAIMER, ADVERSE OPINION AND MATTERS OF NON-COMPLIANCE	FINANCIAL YEAR IN WHICH IT FIRST AROSE	PROGRESS MADE IN RESOLVING OR CLEARING THE MATTER
Inventories: The Auditor-General was unable to obtain sufficient appropriate evidence for inventories as the trading entity did not maintain adequate records to support the cost of inventory items produced, which impacts the measurement of Inventories as required GRAP 12. Inventories, as well could not determine the impact of the net realisable value on inventories as it was impracticable to do so. Additionally, there were misallocations between manufacturing overheads and finished goods that resulted in misstatements of inventories and cost of sales, and also had an impact on the surplus for the period and on the accumulated surplus and could not determine the full extent of the errors as it was impracticable to do so. The Auditor-General could not confirm the inventories by alternative means. Consequently, was unable to determine whether any adjustment was necessary to inventories, stated at R78,688 million (2018-19: R74,939 million) in note 3 to the financial statements.	2018/19	The review of run times capture is in process and the new approved run times will be captured on the system to update the system with the correct inventory values. The approved reviewed run times are to be documented to maintain sufficient evidence to the changes on the system. The allocation of manufaturing overheads and finished goods is based on the run times captured on the system and stringent system input controls to be implemented with Syspro enhancement to ensure correct allocations between direct/indirect cost, manufacturing overhead cost and finished goods
Property, Plant and Equipment: The Auditor-General was unable to obtain sufficient appropriate evidence for property, plant and equipment as the trading entity did not review the useful lives and residual value of assets at each reporting date in accordance with GRAP 17. This also resulted in assets with gross carrying amount of R8,579 million (2018-19: R6,687 million), which had a R1 net carrying amount while still being in use. The entity was unable to determine the impact on the net carrying amount of assets as it was impracticable to do so. Consequently, the entity was unable to determine if there were any adjustments necessary to property, plant and equipment, stated at R57,782 million (2018- 19: R28,839 million) in note 6 to the financial statements.	2018/19	The entity performed an a full assets verification process in December 2020 and the findings will be address and implemented in 2021/2022 financial year. Additionally asset spot checks are to be performed on a quartely basis and reconcile asset fixed register. The entity is not able to perform internal assessment on useful life and impairment due to capacity and financial constraints. A review of asset and dispoal policy and SOP in progress to address the disposal of R1 asset values
Services in Kind: The entity did not recognise the services in-kind in accordance with GRAP 23, Revenue from non- exchange transactions. The amounts disclosed in note 20 were not accounted for as revenue and expenditure as required, resulting in revenue from non-exchange transactions being understated by R6,943 million (2018-19: R6,799 million) and expenses being understated by R6,943 million (2018-19: R6,799 million). The entity also did not recognise services in-kind relating to the free use of buildings which are paid for by the Department to which it reports. The entity was unable to determine the full extent of the misstatement as it was impracticable to do so.	2018/19	Amounts were disclosed in the statement of financial performance 2020/2021 as revenue from non-exchanged transactions and related expenditure. DPWI has been informed and requested to provide property valuation to enable to entity to determine fair value rentals as the entity is unable to disclosed fair value rentals without property values from DPWI
Cash flow Statement: The trading entity did not correctly prepare and disclose the net cash flows from operating activities, as required by GRAP 2, Cash flow statements. This was due to multiple errors in determining cash flows from operating activities. The entity was unable to determine the full extent of the errors in the net cash flows as it was impracticable to do so. Consequently, the entity was unable to determine whether any adjustments to cash flows from operating activities as stated in the financial statements were necessary.	2018/19	Resolved

1. AUDITOR GENERAL'S REPORT: PREDETERMINED OBJECTIVES

The AGSA currently performs certain audit procedures on the performance information to provide reasonable assurance in the form of an audit conclusion. The audit conclusion on the performance against predetermined objectives is included in the report to management, with material findings being reported under the Predetermined Objectives heading in the Report on other legal and regulatory requirements section of the auditor's report.

Refer to page 258 - 259 of the Report of the Auditor General, published as Part F: Financial Information.

2. OVERVIEW OF SEE PERFORMANCE

2.1 SERVICE DELIVERY ENVIRONMENT

Manufacturing, Engineering and Related Services Sector Education and Training Authority

The entity has signed a MOU with Manufacturing, Engineering and Related Services Sector Education and Training Authority (MERSETA) aimed at establishing a government partnership in order to promote a long-term development relationship to enhance and capacitate technical skills of persons with disabilities. The current MOU is implemented as a pilot project focusing on three factories in Gauteng. The success of this project is continuously monitored to inform future phases of the partnership and aiming at the entity to be a training facility for persons with disabilities.

Education for Employability Programme

The entity is involved, through Public Employment Services, in the Education for Employability programme, funded by the European Union, to facilitate the entry and re-entry of work-seekers into the labour market through aiming at improving technical skills of Persons with Disabilities (PwD) that are exiting the Special schools by providing them with on-the-job training and providing access to work opportunities for PwDs and assist with their transition into the open labour market through training opportunities within the existing SEE factories. The Outcomes: Enhanced employability and improved placement of work-seekers and PwDs into work opportunities and long term jobs, to contribute to meeting national employment targets as reflected in the NDP – Five-year plan (MTSF).

COVID-19 impact on SEE's operations

The entity responded to the introduction of the regulation enforcing the use of cloth face masks by anticipating the demand by institutions and the general public which led to the manufacturing of cloth face masks in line with the DTIC guidelines.

The SEE operations were seriously affected by the lockdown during the 2020/21 financial year as a result of the Covid-19 pandemic.

The factories were all adversely affected by the initial lockdown restrictions, which resulted in the entity recording no sales during the first quarter of the financial year.

The Entity also paid all factory workers their full salaries and did not suspend or reduce them like other factories as this would have resulted in serious hardships, given their current earning levels.

The working from home concept could not be implemented during shift work as it was not practical to supply them with machinery to work from home.

With the introduction of lockdown regulations and the clarity on how essential work and manufacturing would be conducted, the factories experienced a sharp increase in the demand for reusable hospital PPE predominantly from the Western Cape.

2.2 ORGANISATIONAL ENVIRONMENT

The entity was established in terms of Chapter 6 of the Employment Services Act (ESA), 2014 (Act No. 4 of 2014, Government Gazette No. 37539) and is currently trading as Service Products with 13 factories across the country manufacturing furniture, hospital linen and steel products. The Department has retained ownership of these factories and provides administrative support as the factories continue to provide therapeutic employment and economic empowerment of people with disabilities. Although these factories have a commercial orientation, their primary purpose has a social impact.

SEE is administered and governed in accordance with Public Finance Management Act (PFMA), reporting under the Department and operates on VIP and SYSPRO ERP Systems to manage administrative and operational functions of the entity. The entity has a range of machinery, equipment, tools, raw materials, finished stock, office furniture, equipment etc, which have relied on SYSPRO system for the administration of its operations.

The entity is dependent on Departmental processes for administration functions and is in the process of finalising its governance structure document to outline governance structures applicable to SEE environment and to ensure that SEE achieves principles of Good Governance and the entity operates on best principles and practices endorsed in the King IV code on Corporate Governance. Currently, the entity also utilises the following Departmental transversal services:

- Chief Internal Audit and Audit Committee
- Chief Risk Officer and the Risk Committee
- Chief Legal Services
- Chief Information Officer
- Chief Financial Officer delegated functions.

2.3 KEY POLICY DEVELOPMENTS AND LEGISLATIVE CHANGES

Employment Services Act amendments

The entity is currently administered as a trading entity to comply to National Treasury prescripts, although it is not a registered entity yet. The Department is in the process of amending the Employment Services Act, to provide for SEE to be listed as a Trading Entity and to position it to benefit from government preferential procurement.

Draft Public Procurement Bill

The entity is abreast of the current Draft Public Procurement Bill and welcomes its intentions for the state utilises and leverages procurement to advance economic opportunities for previously disadvantaged people and women, the youth and people with disabilities small businesses and promote local production. This is believed to position SEE at a more suitable space to provide business to government and sustain financial health of the entity with the benefit to provide more employment opportunities for persons with disabilities.

3. STRATEGIC OUTCOME ORIENTED GOALS

Progress towards Achievement of Institutional Impacts and Outcomes:

Supported Employment Enterprises is contributing towards priority 2 of the Priorities of government as set out in the Medium Term Strategic Framework (MTSF), the National Development Plan (NDP) and the Department's Revised Strategic Plan 2020-25. The details of the outcomes, indicators, 5-year target and the achievements to date are highlighted in the tables below.

PRIORITY 2: ECONOMIC TRANSFORMATION AND JOB CREATION

MTSF OUTCOME	OUTCOME	OUTCOME INDICATOR	FIVE YEAR TARGET	SEE FIVE YEAR TARGETS	ACTUAL ACHIEVEMENT	REASONS FOR DEVIATION FOR YEAR UNDER REVIEW
More decent jobs created and sustained, with youth, women and persons with disabilities prioritised	Contribute to decent employment creation	Number of youth NEET absorbed in employment	1 million youth jobs by 2024 Departmental: 256 050 (contributors PES: 190 000, SEE and Designated Groups: 1 000; UIF (LAP): 61 050; CF: 4 000)	To employ 400 new additional persons with disabilities by 2025	Achieved 25 additional persons with disabilities employed in the SEE factories by the end of March 2021	None
Increase sales revenue	Financial viability increased and sustained	% annual increase of sales revenue from goods and services by end of March	None	To increase revenue to 40% by 2025	Not achieved -67% Actual sales R41 865 234 against last year's sales of R128 122 846	Insufficient orders received from government Departments due to reprioritisation of expenditure areas by government Departments as a result of Covid-19
Increase SEE's market share	SEE's market share increased and sustained	Number of MOU's entered into annually	None	Increase SEE's market share	Not achieved 2 customer agreements entered into by the end of March 2021	Insufficient commitment by Provincial parties to conclude agreements during Covid-19 uncertain times after the decentralisation of procurement from national to provincial Departments.

STRATEGIC OBJECTIVES, PERFORMANCE INDICATORS, PLANNED TARGETS AND ACTUAL ACHIEVEMENTS

The SEE for the MTSF, will embark on employing 400 new additional persons with disabilities by the end of March 2025. By end of March 2021, 89 PwDs were provided with work opportunities for the years 2019/20 and 2020/21. During 2019/20, 64 additional PwDs were provided with work opportunities out of a target of 150. For the year under review, 25 PwDs were provided with work opportunities out of a revised target of 25 due to Covid-19. The second target that SEE will be embarking on in order to improve on its operations is to increase revenue to 40% by the end March 2025 and for the 2019/20 financial year,-67% of the revenue was realised over a target of 10% and for the year under review, SEE realised a contraction out of a revised target of 5% due to Covid-19. The third target is to increase SEE's market share by entering into 30 MOUs by the end of March 2025, and this is a new indicator of which in the year under review only 2 MOUs were concluded over a revised target of 3 due to Covid-19.

4. PERFORMANCE INFORMATION

4.1 PROGRAMME: SUPPORTED EMPLOYMENT ENTERPRISES

Purpose: The SEE is established in terms of the Employment Services Act to provide employment for people with special disabilities in the various factories across provinces that manufacture wood, linen and steel products.

The Employment Services requires the entity to:

- Facilitate supported employment
- Provide work opportunities for persons with disabilities
- Develop and implement programmes that promote employability of PWD including persons with permanent disabilities as defined in the Compensation Act
- Perform other functions as prescribed by the Minister.

Sub-programmes:

- **Business Development:**

  Purpose: Develop and implement marketing initiatives that promote employment of persons with disabilities
- **Operations:**

  Purpose: Manage and monitor production within the factories; Provide a safe working environment infrastructure; Provided machine maintenance services; Supply and procurement of machinery
- **Office of the Chief Financial Officer:**

  Purpose: To provide strategic leadership and support regarding financial management functions and manage administrative support for assets and supply chain management functions
- **Human Resource Management**

  Purpose: Strengthening institutional capacity through: Maintaining vacancy rate; Implementation of PDMS policy; Employee relations; Workplace skills plan implementation; EHWP for all SEE employees and Medical health care
- **Planning, monitoring and evaluation**

  Purpose: Organise planning workshops, provide technical advice and monitor the alignment of the SEE Strategic/APP Plans with the Department priorities; Manage the compilation of performance information reports and Monitor performance against APP and the AOP
- **Information Communication and Technology**

  Purpose: Manage ICT desktop operations, manage information systems, network and telephony environments and monitor performance of service providers

SEE OUTCOMES AS PER THE APPROVED ANNUAL PERFORMANCE PLAN

- Provide additional job opportunities for People with Disabilities
- Increase sales revenue
- Increase SEE's market share.

PERFORMANCE INDICATORS

The table below is reflecting SEE's performance based on the Revised Annual Performance Plan 2020/21 tabled in July 2020. The Department gave effect to the impact of Covid-19 on its services and the impact on the budget.

PROGRAMME: SUPPORTED EMPLOYMENT ENTERPRISES								
OUTCOME	OUTPUT	OUTPUT INDICATOR	AUDITED ACTUAL PERFORMANCE 2018/2019	AUDITED ACTUAL PERFORMANCE 2019/2020	PLANNED ANNUAL TARGET. 2020/2021	ACTUAL ACHIEVEMENT 2020/2021	DEVIATION FROM PLANNED TARGET TO ACTUAL ACHIEVEMENT 2020/2021	REASONS FOR DEVIATIONS
Provide additional job opportunities for People with Disabilities	Employment Services Act and recruitment and selection strategy for PwDs implemented	Number of additional persons with disabilities employed in the SEE factories by the end of March	Achieved 100 additional PwDs provided with work opportunities by end of March 2019	Not achieved 64 additional PwDs provided with work opportunities by end of March 2020	25 additional persons with disabilities employed in the SEE factories by the end of March 2021	Achieved 25 additional persons with disabilities employed in the SEE factories by the end of March 2021	None	N/A
Increase sales revenue	Financial viability increased and sustained	% annual increase of sales revenue from goods and services by the end of March	Achieved 16.59% Actual out of R72 059 698 against a target of R61 805 926	Achieved 67%	5% annual increase of sales revenue from goods and services by the end of March 2021	Not achieved -67% Actual sales R41 865 234 against last year's sales of R128 122 846	-62%	Insufficient orders received from government Departments due to reprioritisation of expenditure areas by government Departments as a result of Covid-19
Increase SEE's market share	SEE's market share increased and sustained	Number of customer agreements entered into annually	N/A	N/A	3 customer agreements entered into by the end of March2021	Not achieved 2 customer agreements entered into by the end of March 2021	1 Customer agreement	Insufficient commitment by Provincial parties to conclude agreements during Covid-19 uncertain times after the decentralisation of procurement from national to provincial Departments.

STRATEGIES TO OVERCOME AREAS OF UNDER PERFORMANCE

OUTCOME	OUTPUT INDICATOR	2020/21 PLANNED TARGET	ACTUAL ACHIEVEMENT	REASON FOR VARIANCE	STRATEGY TO OVERCOME UNDER PERFORMANCE	DATE OF IMPLEMENTATION
Increase sales revenue	% annual increase of sales revenue from goods and services by the end of March	5% annual increase of sales revenue from goods and services by the end of March 2021	Not achieved -67% Actual sales R41 865 234 against last year's sales of R128 122 846	Reprioritisation of expenditure areas by government Departments as a result of Covid-19	Implement aggressive marketing strategy	31 March 2022
Increase SEE's market share	Number of customer agreements entered into annually	3 customer agreements entered into by the end of March 2021	Not achieved 2 customer agreements entered into by the end of March 2021	Decentralisation of procurement from national to provincial Departments.	Undertake roadshows to visit provincial districts of health and education to persuade participation into the national MoUs	31 March 2022

CHANGES TO PLANNED TARGERTS

All performance targets changed in July following the impact of Covid-19 pandamic as lockdown restrictions were effected. Targets were reduced from the initial targets as a result and as such, of the three of the planned targets two were not achieved and the major contributing factor is the impact of Covid-19.

5. STATEMENT OF RESPONSIBILITY BY THE ACCOUNTING OFFICER

The Director-General of Employment and Labour is responsible for the preparation and fair presentation of these Annual Financial Statements in accordance with South African Statements of Generally Recognized Accounting Practice (GRAP) and in the manner required by the Public Finance Management Act, 1999, (Act No. 1 of 1999). This responsibility includes designing, implementing and maintaining a system of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. The Auditor-General of South Africa is responsible for expressing an opinion on the fair presentation of the financial statements.

As the Director-General is also responsible for the system of internal financial controls, it should be noted that these controls are designed to provide reasonable, but not absolute, assurance as to the fair presentation of the financial statements; to adequately safeguard, verify and maintain accountability over the assets of the entity; and to prevent and detect misstatements and loss. Nothing has come to the attention of the Director-General to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year under review.

The financial statements have been prepared on the going concern basis, since the Director-General has every reason to believe that the SEE factories have adequate resources in place to continue operations for the foreseeable future.

The financial statements have been audited by the Auditor-General of South Africa, who was given unrestricted access to all financial records and related data, including minutes of all management meetings held. The Auditor-General of South Africa believes that all representations made to the Auditor-General of South Africa during the audit were valid and appropriate.

The financial statements were approved by the Director-General on 31 May 2021, for submission to audit.

MR. T LAMATI

Accounting Officer

Date: 25/10/2021

6. REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE SUPPORTED EMPLOYMENT ENTERPRISES

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

QUALIFIED OPINION

1. I have audited the financial statements of the Supported Employment Enterprises set out on pages 263 to 303, which comprise the statement of financial position as at 31 March 2021, statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget information with actual information for the year then ended, as well as notes to the financial statements, including a summary of significant accounting policies.

2. In my opinion, except for the effects of the matters described in the basis qualified opinion section of this auditor's report, the financial statements present fairly, in all material respects, the financial position of the Supported Employment Enterprises as at 31 March 2021, its financial performance and cash flows for the year then ended in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) and the requirements of the Public Finance Management Act 1 of 1999 (PFMA).

BASIS FOR QUALIFIED OPINION

Inventories

3. I was unable to obtain sufficient appropriate evidence that inventories for the current and previous year had been properly accounted for, due to the status of the accounting records, as evidence of the cost of finished goods, work in progress and inventory write down to net realisable value could not be provided. I could not confirm inventories by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to inventories, stated at R67,9 million (2020: R79,9 million) in the statement of financial position and note 2 to the financial statements.

Cost of sales

4. I was unable to obtain sufficient appropriate audit evidence that cost of sales for the current and previous year had been properly accounted for, due to the status of the accounting records, as evidence could not be provided for labour recoveries stated at R3,9 million (2020: R8,3 million) and purchase report movement stated at R4,4 million. I could not confirm the cost of sales by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to cost of sales, stated at R67,5 million (2020: R225,4 million) in the statement of financial performance and note 14 to the financial statements.

5. In addition, the trading entity did not appropriately account for labour costs as required by GRAP 12, ***Inventory***, in the prior year. Idle time was incorrectly included in cost of sales. Consequently, the corresponding figure of labour costs disclosed in note 14 to the financial statements was overstated. I was unable to determine the full extent of the overstatement as it was impractical to do so.

Property, plant and equipment

6. The trading entity did not review the residual values and useful lives of property, plant and equipment at each reporting date in accordance with GRAP 17, ***Property, plant and equipment***. As a result, property, plant and equipment with a gross carrying amount of R6,9 million (2020: R8,6 million) had a R1 net carrying amount while still being used. I was unable to determine the impact on the net carrying amount of property, plant and equipment as it was impracticable to do so.

Services in kind

7. The trading entity did not correctly apply the requirements of GRAP 1, ***Presentation of financial statements*** relating to impracticability. The trading entity did not make every reasonable effort to obtain information on the fair value of the free use of buildings. I was unable to determine the full extent of the understatement of services in kind disclosed in note 24 to the financial statements as well as services in kind revenue and expenditure presented in the statement of financial performance as it was impracticable to do so.

Prior year adjustments

8. The trading entity did not disclose all prior year adjustments in note 32 to the financial statements, as required by GRAP 3, ***Accounting policies, estimates and errors.*** The amounts of the correction for each financial statement item affected were not entirely disclosed in some instances. In addition, I was unable to obtain sufficient appropriate audit evidence that all the prior period errors had been properly disclosed, as the supporting information was not provided. I was unable to confirm these disclosures by alternative means. Consequently, I was unable to determine whether

any adjustments were necessary to the prior year adjustments disclosed in the financial statements.

CONTEXT FOR THE OPINION

9. 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 financial statements section of my report.
10. I am independent of the trading entity in accordance with the International Ethics Standards Board for Accountants' International code of ethics for professional accountants (including International Independence Standards) (IESBA code) as well as other ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.
11. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

RESPONSIBILITIES OF THE ACCOUNTING OFFICER FOR THE FINANCIAL STATEMENTS

12. The Accounting Officer is responsible for the preparation and fair presentation of the financial statements in accordance with the GRAP and the requirements of the PFMA, and for such internal control as the Accounting Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
13. In preparing the financial statements, the Accounting Officer is responsible for assessing the trading entity's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the trading entity or to cease operations, or has no realistic alternative but to do so.

AUDITOR-GENERAL'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

REPORT ON THE AUDIT OF THE ANNUAL PERFORMANCE REPORT

INTRODUCTION AND SCOPE

16. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, I have a responsibility to report on the usefulness and reliability of the reported performance information against predetermined objectives for selected programmes presented in the annual performance report. I performed procedures to identify material findings but not to gather evidence to express assurance.
17. My procedures address the usefulness and reliability of the reported performance information, which must be based on the trading entity's approved performance planning documents. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures do not examine whether the actions taken by the trading entity enabled service delivery. My procedures do not extend to any disclosures or assertions relating to the extent of achievements in the current year or planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.
18. 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 programme presented in the trading entity's annual performance report for the year ended 31 March 2021:

PROGRAMME	PAGES IN THE ANNUAL PERFORMANCE REPORT
Supported Employment Enterprises	253 – 254

19. 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.

20. I did not identify any material findings on the usefulness and reliability of the reported performance information for this programme:
    - Supported Employment Enterprises

OTHER MATTER

21. I draw attention to the matter below.

Achievement of planned targets

22. Refer to the annual performance report on page 253 – 254 for information on the achievement of planned targets for the year and management explanations provided for the under achievement of targets.

REPORT ON THE AUDIT OF COMPLIANCE WITH LEGISLATION

INTRODUCTION AND SCOPE

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

Annual financial statements

25. The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework and supported by full and proper records, as required by section 40(1) (a) and (b) of the PFMA.
26. Material misstatements of inventories, receivables from exchange transactions, payables from exchange transactions, cost of sales, operating expenditure, services in kind and commitments identified by the auditors in the submitted financial statements were corrected, but the uncorrected material misstatements and supporting records that could not be provided resulted in the financial statements receiving a qualified opinion.

Revenue management

27. Effective and appropriate steps were not taken to collect all money due, as required by section 38(1)(c)(i) of the PFMA.
28. Interest was not charged at the approved rates determined by the Minister of Finance, as required by treasury regulation 11.5.1.

Consequence management

29. I was unable to obtain sufficient appropriate audit evidence that disciplinary steps were taken against officials who had incurred irregular expenditure as required by section 38(1)(h)(iii) of the PFMA. This was due to proper and complete records that were not maintained as evidence to support the investigations into irregular expenditure.

Procurement and contract management

30. The bid documentation for procurement of commodities designated for local content and production, did not stipulate the minimum threshold for local production and content as required by the 2017 preferential procurement regulation 8(2).

OTHER INFORMATION

31. The Accounting Officer is responsible for the other information. The other information comprises the information included in the annual report. The other information does not include the financial statements, the auditor's report and those selected programmes presented in the annual performance report that have been specifically reported in this auditor's report.
32. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion on it.
33. 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 financial statements and the selected programme presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

34. 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

35. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance on it. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for the qualified opinion and the findings on compliance with legislation included in this report.
36. Management did not adequately review the financial statements to ensure that they were reliable. The misstatements identified during the audit could have been prevented had effective review controls been implemented.
37. There was inadequate monitoring of compliance with applicable laws and regulations as instances of non-compliance were identified through the audit process.

Auditor- General

Pretoria

15 September 2021

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

ANNEXURE – AUDITOR-GENERAL'S RESPONSIBILITY FOR THE AUDIT

1. As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements and the procedures performed on reported performance information for selected programmes and on the trading entity's compliance with respect to the selected subject matters.

FINANCIAL STATEMENTS

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

COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

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

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

ACCOUNTING OFFICER'S RESPONSIBILITIES AND APPROVAL

The member is required by the Public Finance Management Act (Act 1 of 1999), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the member to ensure that the annual financial statements fairly present the state of affairs of the entity as at the end of the financial year and the results of its operations and cash flows for the period then ended.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based on appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The member acknowledges that he is ultimately responsible for the system of internal financial control established by the entity and places considerable importance on maintaining a strong control environment. To enable the member to meet these responsibilities, the accounting authority sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the entity and all employees are required to maintain the highest ethical standards in ensuring the entity's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the entity is on identifying, assessing, managing and monitoring all known forms of risk across the entity. While operating risk cannot be fully eliminated, the entity endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The member is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The member has reviewed the entity's cash flow forecast for the year to 31 March 2022 and, in the light of this review and the current financial position, he is satisfied that the entity has or has access to adequate resources to continue in operational existence for the foreseeable future.

The entity is dependent on the National Treasury for continued funding of operations. The annual financial statements are prepared on the basis that the entity is a going concern and that the National Treasury has neither the intention nor the need to liquidate or curtail materially the scale of the entity.

The annual financial statements set out on pages 265 to 305, which have been prepared on the going concern basis, were approved by the Accounting Authority on 31 May 2021 and were signed on his behalf:

MR. T LAMATI

Accounting Officer

Date

25/10/2021

SUPPORTED EMPLOYMENT ENTERPRISES TRADING AS SERVICE PRODUCTS ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2021

Figures in Rand	Note(s)	2021	2020
Assets		R	R
			Restated*
Current Assets			
Inventories	2	67 981 947	79 906 151
Receivables from exchange transactions	3	10 880 157	37 428 210
Receivables from non-exchange transactions	4	1 092 000	1 092 000
Cash and cash equivalents	5	29 197 315	3 270 312
		109 151 419	**121 696 673**
Non-Current Assets			
Property plant and equipment	6	77 650 070	58 479 698
Intangible assets	7	22 633	38 873
		77 672 703	58 518 571
Total Assets		**186 824 122**	**180 215 244**
Liabilities			
Current Liabilities			
Finance lease obligation	8	117 926	167 830
Payables from exchange transactions	9	13 720 099	34 022 566
Conditional grant	10	20 479 911	-
VAT payable	11	60 648	265 706
Provisions	12	651 590	424 299
		35 030 174	**34 880 401**
Non-Current Liabilities			
Finance lease obligation	9	28 048	-
Total Liabilities		**35 058 222**	**34 880 401**
Assets		186 824 122	180 215 244
Liabilities		(35 058 222)	(34 880 401)
Net Assets		**151 765 900**	**145 334 843**
Accumulated surplus		151 765 900	145 334 843

SUPPORTED EMPLOYMENT ENTERPRISES TRADING AS SERVICE PRODUCTS ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 31 MARCH 2021

Figures in Rand	Note(s)	2021 R	2020 R Restated*
Revenue from exchange transactions	13	**41 865 234**	**128 122 846**
Cost of sales	14	**(67 452 864)**	**(225 420 073)**
Gross deficit		**(25 587 630)**	**(97 297 227)**
Revenue from Non - exchange transactions			
Transfers		153 049 000	148 923 000
Services in kind	24	6 076 141	6 097 939
Conditional grant income	10	22 363 648	1 128 297
Other income - exchange			
Canteen revenue	20	19 395	275 032
Commissions received		43 146	49 784
Gains on disposal of assets		-	46
Interest income	16	1 010 269	2 659 960
		182 561 599	**159 134 058**
Operating expense	15	**(149 910 123)**	**(54 466 506)**
Operating surplus	17	**7 063 846**	**7 370 325**
Finance cost and Penalties	18	(43 490)	(160 386)
Movement of NRV	2	(589 306)	(619 615)
		(632 796)	**(780 001)**
Profit (loss) before taxation		6 431 050	6 590 324
Taxation		-	-
Surplus for the year		6 431 050	6 590 324

SUPPORTED EMPLOYMENT ENTERPRISES TRADING AS SERVICE PRODUCTS
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 31 MARCH 2021

Figures in Rand	**Accumulated surplus**	**Total net assets**
	R	**R**
Opening balance as previously reported	133 684 906	133 684 906
Adjustments		
Prior year adjustments- Refer to note 32	5 059 620	5 059 620
Balance at 01 April 2019 as restated*	**138 744 526**	**138 744 526**
Changes in net assets		
Surplus for the year	6 590 324	6 590 324
Total changes	6 590 324	6 590 324
Restated* Balance at 01 April 2020	**145 334 850**	**145 334 850**
Changes in net assets		
Surplus for the year	6 431 050	6 431 050
Total changes	6 431 050	6 431 050
Balance at 31 March 2021	**151 765 900**	**151 765 900**

SUPPORTED EMPLOYMENT ENTERPRISES TRADING AS SERVICE PRODUCTS
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2021

Figures in Rand	Note(s)	2021 R	2020 R Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		68 413 287	118 601 980
Transfers and sponsorships		195 892 559	148 923 000
Interest income		1 010 269	2 659 960
Other receipts		62 541	324 817
		265 378 655	**270 509 757**
Payments			
Employee costs		(130 163 070)	(140 608 944)
Suppliers		(84 298 738)	(187 712 408)
Finance cost and Penalties		(43 489)	(160 386)
		(214 505 297)	**(328 481 738)**
Net cash flows from operating activities	27	**50 873 357**	**(57 971 981)**
Cash flows from investing activities			
Purchase of property plant and equipment	6	(24 928 500)	(33 708 611)
Proceeds from sale of property plant and equipment	6	4 000	
Purchase of other intangible assets	7	-	(48 719)
Net cash flows from investing activities		**(24 924 500)**	**(33 757 330)**
Cash flows from financing activities			
Finance lease payments		(21 856)	(382 477)
Net cash flows from financing activities		**(21 856)**	**(382 477)**
Net increase/(decrease) in cash and cash equivalents		**25 927 003**	**(92 111 786)**
Cash and cash equivalents at the beginning of the year		**3 270 312**	**95 382 098**
Cash and cash equivalents at the end of the year	**5**	**29 197 315**	**3 270 312**

SUPPORTED EMPLOYMENT ENTERPRISES TRADING AS SERVICE PRODUCTS
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 31 MARCH 2021

BUDGET ON ACCRUAL BASIS	APPROVED BUDGET	ADJUSTMENTS	FINAL BUDGET	ACTUAL AMOUNTS	DIFFERENCE BETWEEN FINAL BUDGET AND ACTUAL	REFERENCE
Statement of financial performance						
Revenue						
Revenue from exchange and non exhange						
Sale of goods	184 270 609	-	**184 270 609**	41 311 485	**(142 959 124)**	38
Rendering of services	19 994 233	-	**19 994 233**	553 749	**(19 440 484)**	38
Commissions received	68 763	-	**68 763**	43 146	**(25 617)**	38
Discount received	959 434	-	**959 434**	84 986	**(874 448)**	38
Canteen revenue	2 500 000	-	**2 500 000**	19 395	**(2 480 605)**	38
Conditional grants	111 828	-	**111 828**	22 363 648	**22 251 820**	38
Services in kind	-	-	**-**	6 076 141	**6 076 141**	38
Transfers and sponsorships	153 049 000	-	**153 049 000**	153 049 000	**-**	38
Interest received	15 742 304	-	**15 742 304**	1 010 269	**(14 732 035)**	38
Total revenue from exchange and non exchange transactions	**376 696 171**		**376 696 171**	**224 511 819**	**(152 184 352)**	
'Total revenue from exchange	376 696 171	-	**376 696 171**	224 511 819	**(152 184 352)**	
Expenditure						
Employee cost	(176 345 054)	-	**(176 345 054)**	(149 828 535)	**26 516 519**	38
Depreciation and amortisation	(10 322 913)	-	**(10 322 913)**	(5 770 370)	**4 552 543**	38
Finance costs	(152 534)	-	**(152 534)**	(43 490)	**109 044**	38
Lease rentals on operating lease	(300 000)	-	**(300 000)**	(95 364)	**204 636**	38
Allowance for debt impairment	-	-	**-**	(2 946 475)	**(2 946 475)**	38
General expenses	(189 575 756)	-	**(189 575 756)**	(58 800 913)	**130 774 843**	38
Total expenditure	**(376 696 257)**	**-**	**(376 696 257)**	**(217 485 147)**	**161 178 038**	
Operating surplus	**86**		**86**	**7 026 672**	**7 026 586**	
Loss on disposal of assets and liabilities	(86)	-	**(86)**	(6 316)	**(6 402)**	38
Inventories losses/write-downs				(589 306)	**(589 306)**	38
Surplus before taxation	**-**	**-**	**-**	**6 431 050**	**6 431 050**	
Taxation	-					
Actual amount on comparable - basis as presented in the budget and actual comparative statement	**-**	**-**	**-**	**6 431 050**	**6 431 050**	

SUPPORTED EMPLOYMENT ENTERPRISES TRADING AS SERVICE PRODUCTS
ACCOUNTING POLICIES FOR THE YEAR ENDED 31 MARCH 2021

1. PRESENTATION OF ANNUAL FINANCIAL STATEMENTS

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) issued by the Accounting Standards Board in accordance with Section 91(1)(b) of the Public Finance Management Act (Act 1 of 1999).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement unless specified otherwise. All figures are rounded to the nearest Rand.

Assets liabilities revenues and expenses were not offset except where offsetting is either required or permitted by a Standard of GRAP.

A summary of the significant accounting policies are disclosed below.

1.1 GOING CONCERN ASSUMPTION

These annual financial statements have been prepared based on the expectation that the entity will continue to operate as a going concern for at least the next 12 months.

1.2 SIGNIFICANT JUDGEMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

In preparing the annual financial statements; management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement are inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Receivables

The entity assesses its receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit the entity makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for receivables is calculated on a portfolio basis. For amounts due to the entity, significant financial difficulties of the receivable, probability that the receivable will enter bankruptcy and default of payments are all considered indicators of impairment.

On receivables an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the receivables carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Allowance for slow moving, damaged and obsolete inventory

An assessment is made of net realisable value of inventory at the end of each reporting period. A write down of inventory to the lower of cost or net realisable value is subsequently provided. Management has made estimates of the selling price and direct cost to sell on certain inventory items.

The write down is included in surplus or deficit.

IMPAIRMENT TESTING OF NON-FINANCIAL ASSETS

The recoverable amounts of potentially impaired cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value tangible assets.

Value in use of cash-generating assets

The entity reviews and tests the carrying value of cash-generating assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of tangible assets are inherently uncertain and could materially change over time.

They are significantly affected by a number of factors together with economic factors such as exchange rates inflation and interest rates.

Value in use of non-cash-generating assets

The entity reviews and tests the carrying value of non-cash-generating assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. The recoverable service amounts of non-cash-generating assets have been determined based on the higher of value in use calculations and fair values less costs to sell.

In determining the value in use of asset, the remaining service potential of the asset is determined. The most appropriate approach selected to determine the remaining service potential is dependent on the availability of data and the nature of the impairment

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 12- Provisions.

Useful lives of property, plant and equipment and other assets

The entity's management annually determines the estimated useful lives and related depreciation charges for its property plant and equipment and other assets. This estimate is based on industry norms and on the pattern in which an asset's future economic benefit or service potential is expected to be consumed by the entity. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives and decrease depreciation charge where useful lives are more than previously estimated useful lives.

OTHER

1.3 PROPERTY, PLANT AND EQUIPMENT

Property plant and equipment are tangible non-current asset that are held for use in the production or supply of goods or services rental to others or for administrative purposes and are expected to be used during more than one period.

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

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

Property plant and equipment are initially measured at cost. Property plant and equipment is subsequently measured using the cost model.

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

Where an asset is acquired through a non-exchange transaction its cost is its fair value as at date of acquisition.

Where an item of property plant and equipment is acquired in exchange for a non-monetary asset or monetary assets or a combination of monetary and non-monetary assets the asset acquired is initially measured at fair value (the cost). Unless the fair value of neither the asset received nor the asset given up is reliably measurable its deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property plant and equipment have different useful lives they are accounted for as separate items (major components) of property plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property plant and equipment and costs incurred subsequently to add to replace part of or service it. If a replacement cost is recognised in the carrying amount of an item of property plant and equipment the carrying amount of the replaced part is derecognised.

Recognition of costs in the carrying amount of an item of property plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Items such as spare parts standby equipment and servicing equipment are recognised when they meet the definition of property plant and equipment.

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

Property plant and equipment are depreciated over their expected useful lives to their estimated residual values. The depreciation charge for each period is recognised in surplus or deficit.

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

ITEM	DEPRECIATION METHOD	AVERAGE USEFUL LIFE
Appliances	Straight-line	5- 8 years
Buildings	Straight-line	10- 40 years
Computer equipment	Straight-line	3- 5 years
Furniture and fittings	Straight-line	12- 15 years
Leased assets	Straight-line	3 years
Office equipment	Straight-line	8-10 years
Plant and machinery	Straight-line	10- 15 years
Motor vehicles	Straight-line	5 years

The entity assesses at each reporting date whether there is any indication that the entity's expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists the entity revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate in accordance with the Standard of GRAP on Accounting policies changes in estimates and errors.

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

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

The entity separately discloses expenditure to repair and maintain property plant and equipment in the notes to the financial statements (see note 6).

1.4 IMPAIRMENT OF CASH-GENERATING ASSETS

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Impairment is a loss in the future economic benefits or service potential of an asset over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation)

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets used with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable willing parties less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

Recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

Useful life is either:

- the period of time over which an asset is expected to be used by the entity; or
- the number of production or similar units expected to be obtained from the asset by the entity.

Designation

At initial recognition the entity designates an asset as non-cash-generating or an asset or cash-generating unit as cash- generating. The designation is made on the basis of the entity's objective of using the asset.

The entity designates an asset or a cash-generating unit as cash-generating when:

- its objective is to use the asset or a cash-generating unit in a manner that generates a commercial return; such that
- the asset or cash-generating unit will generate positive cash flows from continuing use and its ultimate disposal that are expected to be significantly higher than the cost of the asset.

An asset used with the objective of generating a commercial return and service delivery is designated either as a cash- generating asset or non-cash-generating asset based on whether the entity expects to use that asset to generate a commercial return. When it is not clear whether the objective is to use the asset to generate a commercial return the entity designates the asset as a non-cash-generating asset and applies the accounting policy on Impairment of non-cash-generating assets rather than this accounting policy.

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates the entity recognises a liability only to the extent that is a requirement in the Standard of GRAP.

After the recognition of an impairment loss the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount less its residual value (if any) on a systematic basis over its remaining useful life.

REVERSAL OF IMPAIRMENT LOSS

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

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

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

After a reversal of an impairment loss is recognised the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount less its residual value (if any) on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit the carrying amount of an asset is not increased above the lower of

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

1.5 IMPAIRMENT OF NON-CASH-GENERATING ASSETS

Non-cash-generating assets are assets other than cash-generating assets.

Designation

At initial recognition the entity designates an asset as non-cash-generating or an asset or cash-generating unit as cash- generating. The designation is made on the basis of the entity's objective of using the asset.

The entity designates an asset or a cash-generating unit as cash-generating when

- its objective is to use the asset or a cash-generating unit in a manner that generates a commercial return; such that
- the asset or cash-generating unit will generate positive cash flows from continuing use and its ultimate disposal that are expected to be significantly higher than the cost of the asset.

The entity designates an asset as non-cash-generating when its objective is not to use the asset to generate a commercial return but to deliver services.

An asset used with the objective of generating a commercial return and service delivery is designated either as a cash- generating asset or non-cash-generating asset based on whether the entity expects to use that asset to generate a commercial return. When it is not clear whether the objective is to use the asset to generate a commercial return the entity designates the asset as a non-cash-generating asset and applies this accounting policy rather than the accounting policy on Impairment of cash-generating assets.

RECOGNITION AND MEASUREMENT

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates the entity recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount less its residual value (if any) on a systematic basis over its remaining useful life.

Reversal of an impairment loss

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

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

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

After a reversal of an impairment loss is recognised the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount less its residual value (if any) on a systematic basis over its remaining useful life.

1.6 FINANCIAL INSTRUMENTS

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

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

A financial asset is:

- Cash;
- A residual interest of another entity; or
- A contractual right to:
  - receive cash or another financial asset from another entity; or
  - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial liability is any liability that is a contractual obligation to:

- Deliver cash or another financial asset to another entity; or
- Exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments excluding those instruments that:

The entity designates at fair value at initial recognition; or

- Are held for trading.

Classification

The entity has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Cash and cash equivalent	Financial asset measured at amortised cost
Receivables fro exchange transactions	Financial asset measured at amortised cost
Receivable from non-exchange transactions	Financial asset measured at amortised cost

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Finance lease obligation	Financial liability measured at amortised cost
Payables from exchange transaction	Financial liability measured at amortised cost

Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability except for financial instruments subsequently measured at fair value which are measured at its fair value.

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements where it is the issuer of the loan; or
- non-exchange revenue in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers) where it is the recipient of the loan.

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Reclassification

The entity does not reclassify a financial instrument while it is issued or held unless it is:

- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value the entity reclassifies the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost.

If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available and the instrument would have been required to be measured at fair value the entity reclassifies the instrument from cost to fair value.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired or through the amortisation process.

Impairment and un-collectability of financial assets

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

DE-RECOGNITION

Financial assets

The entity derecognises financial assets using trade date accounting. The entity derecognises a financial asset only when:

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

On derecognition of a financial asset in its entirety the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

Financial liabilities

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged cancelled expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid including any non-cash assets transferred or liabilities assumed is recognised in surplus or deficit. Any liabilities that are waived forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability are recognised as revenue or expense in surplus or deficit.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

1.7 INVENTORIES

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

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

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

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

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

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

The cost of inventories 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 of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

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

When inventories are sold the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue the expenses are recognised when the goods are distributed or related services are rendered.

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

1.8 VALUE-ADDED TAX (VAT)

The entity is registered with the South African Revenue Services (SARS) for VAT on the payment basis in accordance with Section 15(2) of the VAT Act No.89 of 1991.

1.9 INTANGIBLE ASSETS

An intangible asset is an identifiable non-monetary asset without physical substance. The entity has classified computer software as intangible assets.

An asset is identifiable if it either:

- is separable i.e. is capable of being separated or divided from the entity and sold transferred licensed rented or exchanged either individually or together with a related contract identifiable assets or liability regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts) regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

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

Where an intangible asset is acquired through a non-exchange transaction its initial cost at the date of acquisition is measured at its fair value as at that date.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses. Amortisation is provided on a straight-line basis over the expected useful lives of the intangible assets.

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

Amortisation is provided to write down the intangible assets to their residual values. The amortisation charge for each period is recognised in surplus or deficit

The useful lives of intangible assets have been assessed as follows

Item	Depreciation method	Average useful life
Computer software	Straight-line	2- 3 years

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an intangible assets is included in surplus or deficit when the asset is derecognised (unless the Standard of GRAP on Leases requires otherwise on a sale and leaseback). The gain or loss arising from the derecognition of an intangible asset is determined as the difference between the net disposal proceeds if any and the carrying amount of the asset.

Compensation from third parties for an intangible assets that was impaired lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

1.10 EMPLOYEE BENEFITS

Employee benefits are all forms of consideration given by the entity in exchange for service rendered by employees.

Termination benefits are employee benefits payable as a result of either:

- the entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within 12 months after the end of the period in which the employees render the related service.

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within 12 months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within 12 months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within 12 months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cell phones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard of GRAP requires or permits the inclusion of the benefits in the cost of an asset.

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 entity measures the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognises the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

MULTI-EMPLOYER PLANS

The entity classifies a multi-employer plan as a defined contribution plan or a defined benefit plan under the terms of the plan (including any constructive obligation that goes beyond the formal terms).

Where a plan is a defined contribution plan, the entity accounts for in the same way as for any other defined contribution plan.

1.11 ACCUMULATED SURPLUS/(DEFICIT)

The accumulated surplus/(deficit) represents the net difference between the total assets and the total liabilities of the entity. Any surpluses and deficits realised during a specific reporting period are credited/debited against accumulated surplus/(deficit). Prior year adjustments relating to income and expenditure are credited/debited against accumulated surplus/(deficit) when retrospective adjustments are made.

1.12 PROVISIONS AND CONTINGENCIES

A provision is a liability of uncertain timing or amount. Provisions are recognised when:

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

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

Where the effect of the time value of money is material the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation.

A provision is used only for expenditures for which the provision was originally recognised. Provisions are not recognised for future operating deficits.

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

1.13 REVENUE FROM EXCHANGE TRANSACTIONS

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets other than increases relating to contributions from owners.

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

Fair value is the amount for which an asset could be exchanged or a liability settled between knowledgeable willing parties in an arm's length transaction

Measurement

Revenue is measured at the fair value of the consideration received or receivable net of trade discounts and volume rebates.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied::

- the entity has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

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

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

When services are performed by an indeterminate number of acts over a specified time frame revenue is recognised on a straight-line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably revenue is recognised only to the extent of the expenses recognised that are recoverable.

Interest

Revenue arising from the use by others of entity assets yielding interest and dividends or similar distributions is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity; and
- the amount of the revenue can be measured reliably.

Interest is recognised using the effective interest rate method for financial instruments, and using the nominal interest rate method for statutory receivables. Interest levied on transactions arising from exchange or non-exchange transactions is classified based on the nature of the underlying transaction.

1.14 REVENUE FROM NON-EXCHANGE TRANSACTIONS

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

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the entity satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the entity has complied with the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met, a liability is recognised.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the entity.

When, as a result of a non-exchange transaction, the entity recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the condition is satisfied, the amount of the reduction in the liability is recognised as revenue

Services in-kind

The entity recognises services in-kind that are significant to its operations and/or service delivery objectives as assets and recognise the related revenue when it is probable that the future economic benefits or service potential will flow to the entity and the fair value of the assets can be measured reliably.

Where services in-kind are not significant to the entity's operations and/or service delivery objectives and/or do not satisfy the criteria for recognition the entity discloses the nature and type of services in-kind received during the reporting period in note 24.

1.15 COST OF SALES

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.16 BORROWING COSTS

Borrowing costs are interest and other expenses incurred by the entity in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.17 LEASES

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

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or if lower the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the entity's incremental borrowing rate.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

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

Operating leases - lessee

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

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis over the lease term.

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

1.18 COMMITMENTS

Items are classified as commitments when the entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments which include future capital commitments relating to property plant and equipment investment property intangible assets and heritage assets as applicable operational commitments as well as future commitments relating to operating leases. Refer to note 29- Commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements if both the following criteria are met:

- contracts should be non-cancellable or only cancellable at significant cost (for example contracts for computer or building maintenance services); and
- contracts should relate to something other than the routine steady state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.19 FRUITLESS AND WASTEFUL EXPENDITURE

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

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred and classified in accordance with the nature of the expense. Upon investigation if a person was found to be liable in law for the fruitless and wasteful expenditure that occurred a receivable is recognised for the recovery of the monies and where recovered it is subsequently accounted for as revenue in the statement of financial performance.

For details on fruitless and wasteful expenditure refer to note 36- Fruitless and wasteful expenditure.

1.20 IRREGULAR EXPENDITURE

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

(a) this Act; or

(b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or

(c) any provincial legislation providing for procurement procedures in that provincial government.

Irregular expenditure that was incurred and identified during the current financial year and which was condoned before year-end and/or before finalisation of the financial statements is recorded in the register and disclosed in the notes to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end is recorded in the register and disclosed in the notes to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year the register and the disclosure note to the financial statements are updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority is recorded appropriately in the register. If liability for the irregular expenditure can be attributed to a person a debt account must be created if such a person is liable in law. Immediate steps are thereafter taken to recover the amount from the person concerned. If recovery is not possible the accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The register is also updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law the expenditure related thereto remains against the relevant programme/expenditure item disclosed as such in the note to the financial statements and updated accordingly in the register.

For details on irregular expenditure refer to note 37- Irregular expenditure.

1.21 BUDGET INFORMATION

The approved budget is prepared on a accrual basis and presented by functional classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 01 April 2020 to 31 March 2021.

1.22 CONDITIONAL GRANTS

Revenue received from funding are recognised as revenue to the extent that the entity has complied with the criteria conditions or obligations embodied in the agreement. To the extent that the criteria conditions or obligations have not been met a liability is recognized.

1.23 RELATED PARTIES

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

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Joint control is the agreed sharing of control over an activity by a binding arrangement and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

A related party transaction is a transfer of resources services or obligations between the reporting entity and a related party regardless of whether a price is charged.

Significant influence is the power to participate in the financial and operating policy decisions of an entity but is not control over those policies.

Management are those persons responsible for planning directing and controlling the activities of the entity including those charged with the governance of the entity in accordance with legislation in instances where they are required to perform such functions.

Close members of the family of a person are those family members who may be expected to influence or be influenced by that person in their dealings with the entity.

The entity is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the entity to have adopted if dealing with that individual entity or person in the same circumstances and terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate.

Where the entity is exempt from the disclosures in accordance with the above it discloses narrative information about the nature of the transactions and the related outstanding balances to enable users of the entity's financial statements to understand the effect of related party transactions on its annual financial statements.

1.24 EVENTS AFTER REPORTING DATE

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

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

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

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

1.25 COMPARATIVE FIGURES

Where necessary comparative figures have been reclassified and/or adjusted to conform to changes in presentation in the current year. Refer to note 32 prior year reclassified and/or adjusted figures.

1.26. ERRORS CHANGES IN ACCOUNTING POLICIES AND ESTIMATE

The entity accounts for the changes in accounting policy and errors retrospectively unless if it is impractical to do so. The opening balances are restated with the effect of the errors and the change in accounting policies.

The entity accounts for the change in accounting estimates prospectively.

1.27 NEW STANDARDS AND INTERPRETATIONS

The standards issued and effective that are applicable to the entity are:

GRAP PRONOUNCEMENT	EFFECTIVE DATE	RELEVANT
GRAP 20 on Related-party disclosures	1 Apr 2021	Early Adopted
Guideline on The application of materiality to financial statements	Voluntary*	Materiality Framework currently in place

* The guideline was issued in April 2019 and is available for immediate consideration, to assist entities to apply the concept of materiality when preparing financial statements in accordance with Standards of Grap. Although the application of the guideline is voluntary, application is encouraged.

SUPPORTED EMPLOYMENT ENTERPRISES TRADING AS SERVICE PRODUCTS ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

FIGURES IN RAND	2021	2020
2. Inventories		**Restated**
Raw materials and components	59 294 843	67 045 741
Work in progress	674 209	606 724
Finished goods	9 223 091	12 872 111
Inventory clearing account	10 171	12 636
	69 202 314	80 537 212
Inventory write down to net realisable value	(1 220 367)	(631 061)
	67 981 947	**79 906 151**

Redundant and slow moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values as determined using estimation techniques.

Inventory pledged as security

No inventory was pledged as security.

3. Receivables from exchange transactions	**2021**	**2020**
Trade Debtors	24 015 599	36 275 042
Impairment of trade debtors	(13 571 463)	(10 624 988)
Prepayments	431 970	11 748 106
Sundry receivables	4 051	30 051
	10 880 157	**37 428 210**

3.1. Trade debtors past due but not impaired

Trade debtors which are less than 3 months past due are not considered to have high risk of irrecoverability.

At 31 March 2021 R 10 610 856- (2020: R 21 790 009) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

	2021	**2020**
Current (0- 30 Days)	10 152 011	20 091 292
31- 60 Days	472 485	1 102 726
61- 90 Days	(13 640)	595 991
	10 610 856	**21 790 009**

FIGURES IN RAND	2021	2020
		Restated

3.2 Trade debtors impaired

As of 31 March 2021 trade debtors of R 13 571 463- (2020: R 10 624 987) were impaired and provided for.

The amount of the allowance was R 13 571 463 as of 31 March 2021 (2020: R 10 624 987).

The ageing of these trade debtors is as follows:

	2021	2020
Current (0- 30 Days)	-	-
31- 60 Days	-	-
61- 90 Days	213 451	506 665
91- 120 Days	2 208 871	44 565
Greater than 120 Days	11 149 141	10 073 757
	13 571 463	10 624 987

3.3 Reconciliation of allowance for impairment of trade debtors from exchange transactions

	2021	2020
Opening balance	10 624 988	16 929 316
Increase / (decrease) in allowance for impairment	2 946 475	(6 304 328)
	13 571 463	**10 624 988**

4. Receivables from non-exchange transactions

	2021	2020
Other receivables from non-exchange	1 092 000	1 092 000

5. Cash and cash equivalents

Cash and cash equivalents consist of:

	2021	2020
Cash on hand	25 922	26 641
Bank balances	29 171 393	3 243 671
	29 197 315	**3 270 312**

The entity holds the amount in its call account which relates to certain conditional grants from Department of Employment and Labour for which the conditions of recognition have not yet been met. Conditional grants are disclosed for the same amount.

Except for cash and cash equivalents not available for use no other cash and cash equivalents are held as security for liabilities.

6. Property, plant and equipment

FIGURES IN RAND	2021			2020		
	COST / VALUATION	ACCUMULATED DEPRECIATION AND ACCUMULATED IMPAIRMENT	CARRYING VALUE	COST / VALUATION	ACCUMULATED DEPRECIATION AND ACCUMULATED IMPAIRMENT	CARRYING VALUE
Appliances	2 042 939	(708 471)	1 334 468	2 127 100	(499 890)	1 627 210
Buildings	2 273 867	(225 553)	2 048 314	2 273 867	(162 203)	2 111 664
Furniture and fittings	2 726 929	(1 449 647)	1 277 282	3 324 120	(1 712 773)	1 611 347
Computer equipment	3 911 519	(2 590 597)	1 320 922	4 513 577	(2 902 767)	1 610 810
Leased assets	1 255 316	(1 079 795)	175 521	1 025 789	(896 813)	128 976
Motor vehicles	10 384 485	(3 389 426)	6 995 059	10 384 485	(1 312 530)	9 071 955
Office equipment	929 766	(543 625)	386 141	1 259 590	(798 244)	461 346
Plant and machinery	78 316 429	(14 204 066)	64 112 363	55 000 220	(13 143 830)	41 856 390
TOTAL	**101 841 250**	**(24 191 180)**	**77 650 070**	**79 908 748**	**(21 429 050)**	**58 479 698**

6.1 Reconciliation of property, plant and equipment - 2021

FIGURES IN RAND	OPENING BALANCE	ADDITIONS	ASSETS DERECOGNITION	OTHER CHANGES, MOVEMENTS	DEPRECIATION	TOTAL
Appliances	1 627 210	9 518	40 088	-	(262 172)	1 334 468
Buildings	2 111 664	-	-	-	(63 350)	2 048 314
Computer equipment	1 610 810	255 541	(19 821)	(2 944)	(522 664)	1 320 922
Furniture and fittings	1 611 347	8 980	(136 953)	(40 003)	(166 089)	1 277 282
Leased assets	128 976	229 526	-	-	(182 981)	175 521
Motor vehicles	9 071 955	-	-	-	(2 076 896)	6 995 059
Office equipment	461 346	5 502	(9 168)	-	(71 539)	386 141
Plant and machinery	41 856 390	25 023 300	(401 427)	42 535	(2 408 435)	64 112 363
	58 479 698	**25 532 367**	**(607 457)**	**(412)**	**(5 754 126)**	**77 650 070**

6.2 Reconciliation of property, plant and equipment - 2020

FIGURES IN RAND	OPENING BALANCE	ADDITIONS	DISPOSALS	DEPRECIATION	TOTAL
Appliances	686 391	1 174 106	(705)	(232 582)	1 627 210
Buildings	2 172 308	-	-	(60 644)	2 111 664
Computer equipment	1 440 304	632 130	-	(461 624)	1 610 810
Furniture and fittings	1 069 094	707 822	(8 180)	(157 389)	1 611 347
Leased assets	470 906	-	-	(341 930)	128 976
Motor vehicles	-	10 384 485	-	(1 312 530)	9 071 955
Office equipment	468 427	63 087	-	(70 168)	461 346
Plant and machinery	22 532 289	20 755 866	-	(1 431 765)	41 856 390
	28 839 719	**33 717 496**	**(8 885)**	**(4 068 632)**	**58 479 698**

FIGURES IN RAND	2021	2020
		Restated

Building

The Human Resource office building was constructed on land that belongs to the Department of Public Works.

Impairment losses

Impairment losses are included in cost of sales as well as the line item named "Depreciation amortisation and impairments" in the operating expenditure disclosure.

Pledged as security

No items of property plant and equipment were pledged as security.

Repairs and maintenance expenditure

The repairs and maintenance expenditure incurred in relation to Property plant and equipment is R432 811 (2020: R5 040 912).

Assets   subject to finance lease (Net carrying amount)

	2021	2020
Leased assets- Office equipment	175 521	128 976

7. Intangible assets

	2021			2020		
	COST / VALUATION	ACCUMULATED AMORTISATION AND ACCUMULATED IMPAIRMENT	CARRYING VALUE	COST / VALUATION	ACCUMULATED	CARRYING VALUE AMORTISATION AND ACCUMULATED IMPAIRMENT
Computer software	**48 719**	**(26 086)**	**22 633**	**48 719**	**(9 846)**	**38 873**

7.1 Reconciliation of intangible assets - 2021

	OPENING BALANCE	AMORTISATION	TOTAL
Computer software	**38 873**	**(16 240)**	**22 633**

7.2 Reconciliation of intangible assets - 2020

	OPENING BALANCE	ADDITIONS	AMORTISATION	TOTAL
Computer software	**-**	**48 719**	**(9 846)**	**38 873**

Pledged as security

No intangible assets were pledged as security.

8. Finance lease obligation

	2021	2020
Minimum lease payments due		
- within one year	127 548	179 217
- in second to fifth year inclusive	28 630	-
	156 178	179 217
less: future finance charges	(10 204)	(11 387)
Present value of minimum lease payments	**145 974**	**167 830**
Present value of minimum lease payments due		
- within one year	117 926	167 830
- in second to fifth year inclusive	28 048	-
	145 974	**167 830**
Non-current liabilities	28 048	-
Current liabilities	117 926	167 830
	145 974	**167 830**

FIGURES IN RAND	2021	2020
		Restated

It is the entity's policy to lease certain of its office equipment under finance leases. The entity has an option to acquire certain leased assets at the termination of the lease.

The average lease term is between 3-5 years and the average effective borrowing rate is 10% (2020: 10%).

Interest rates are linked to prime at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent.

The entity's obligations under finance leases are secured by the lessor's charge over the leased assets.

9. Payables from exchange transactions

	2021	2020
Trade payables	1 138 533	7 100 526
Income received in advance	1 541 682	11 494 501
Stabilisation fund	106 541	106 541
Medical account	204 845	204 845
Accrued leave pay	4 454 016	2 921 668
Accruals	6 274 482	12 194 485
	13 720 099	**34 022 566**

Stabilisation Fund: During 2010 the entity received a refund of R3 210 268 from Civil Pensions Stabilisation Account (CPSA) for Stabilisation Fund contributions collected from Temporary Employees Pension Fund members after 1 July 1999 plus interest. The employer contribution (R2 407 700) was surrendered to the Revenue Fund and the employee contribution portion (R802 568) was to be refunded to the members. The full amount of employee contributions could not be refunded to all the members due to the fact that some of the old members could not be traced. The outstanding amount of R 106 541 is accounted for in the Stabilisation Fund account of the entity.

Income received in advance is made up of orders that have been paid in advance as some of the customers pay the entity 50% up front for their orders and in other cases the full amount of the order.

10. Conditional Grant

The entity received a conditional grant from the Department of Employment and Labour amounting to R42,5 Million. R25 Million of the grant was relating to salaries and R17,5 Million was for the ICT projects. R22,3 Million relating to the salaries portion of the grant has been utilised in the current year and the remainder of R2,6 Million has been disclosed below. The R17,5 Million relating to ICT project has not been utilised at year end.

The entity also received the grant from Manufacturing, Engineering and Related Services Sector Education and Training Authorities (MERSETA) of R343 559 to be utilised for training of the factory employees, this grant was not utilised during the current year.

CONDITIONAL GRANTS ARE AS FOLLOWS:	2021	2020
Salaries	2 636 352	-
Information Technology	17 500 000	-
Human Resource Trading	343 559	-
	20 479 911	**-**

RECONCILIATION	SALARIES GRANT	ICT GRANT	HUMAN RESOURCE TRAINING GRANT	TOTAL
Received during the year	25 000 000	17 500 000	343 559	42 843 559
Utilised during the year	(22 363 648)	-	-	(22 363 648)
	2 636 352	**17 500 000**	**343 559**	**20 479 911**

11. VAT payable

VAT	60 648	265 706

FIGURES IN RAND	2021	2020
		Restated
12. Provisions		
Provisions	651 590	424 299

12.1. Reconciliation of provisions - 2021

	OPENING BALANCE	ADDITIONS	TOTAL
Performance bonuses	**424 299**	**227 291**	**651 590**

12.2. Reconciliation of provisions - 2020

	OPENING BALANCE	ADDITIONS	UTILISED DURING THE YEAR	REVERSED DURING THE YEAR	TOTAL
Performance bonuses	**711 064**	**424 299**	**(97 087)**	**(613 977)**	**424 299**

The provision for performance bonuses was provided for at 0.5% (2019/20 0.75%) of the remuneration budget as per the 2019 Incentive Policy Framework for Employees in the Public Service Directive.

13. Revenue from exchange transaction

Sale of goods	41 311 485	122 973 072
Rendering of services	553 749	5 149 774
	41 865 234	**128 122 864**

The amount included in revenue arising from exchanges of goods or services are as follows:

Sale of goods	41 311 485	122 973 072
Rendering of services	553 749	5 149 774
	41 865 234	**128 122 846**

14. Cost of sales

Sale of goods

Opening inventory (including NRV movement)	77 956 735	74 939 434
Purchases and overheads	17 940 005	95 257 596
Manufacturing overhead	16 996 843	38 461 851
Depreciation	2 647 398	1 657 690
Labour cost	19 438 174	100 471 792
Recoveries- Labour	(3 954 279)	(8 263 042)
Purchases report / stock movement	4 409 935	851 487
Closing inventory (including NRV movement)	(67 981 947)	(77 956 735)
	67 452 864	**225 420 073**

15. Operating expenses		Restated
Advertising	(10 500)	(236 619)
Reversal/(Allowance) for debt impairment and impairment losses	(2 946 475)	6 304 328
Allowance for obsolete inventory	-	(130 467)
Auditors remuneration	(2 106 483)	(1 715 392)
Bank charges	(151 933)	(251 659)

FIGURES IN RAND	2021	2020
15. Operating expenses (continue)		**Restated**
Canteen expenses	(12 555)	(1 073 304)
Cleaning	(40 101)	(76 800)
Consulting and professional fees	(1 450 437)	(2 380 728)
Consumables	(3 659)	(61 359)
Depreciation amortisation and impairments	(3 122 972)	(412 420)
Employee costs	(130 390 361)	(39 850 387)
Entertainment	(7 762)	(108 109)
WIP overheads	-	(9 178)
IT expenses	-	(749 325)
Internet services	(412 346)	(520 864)
Lease rentals on operating lease	(95 364)	(87 417)
Loss on disposal of assets	(6 316)	-
Motor vehicle expenses	(62 260)	(34 041)
Occupational health and safety expenses	(7 040)	(443 885)
Losses	(838 035)	-
Printing and stationery	(93 600)	(123 688)
Refuse	-	(130)
Repairs and maintenance	(67 842)	(603 723)
Seminars conferences and workshops	-	(247 315)
License fees	(487 825)	(351 519)
Staff welfare	(242 290)	(47 232)
Telephone and fax	(187 280)	(189 416)
Training	(45 691)	(1 003 063)
Travel- local	(1 044 855)	(3 964 855)
Services in kind expenditure	(6 076 141)	(6 097 939)
	(149 910 123)	**(54 466 506)**
16. Interest income		
Interest exchange revenue		
Bank	416 834	1 995 490
Trade and other receivables	593 435	664 470
	1 010 269	**2 659 960**
17. Operating surplus		
Operating surplus for the year is stated after accounting for the following:		
Operating lease charges		
Building and Motor Vehicle	771 750	568 510
Gain/(loss) on sale of property, plant and equipment	(6 316)	46
Depreciation on property, plant and equipment	5 770 370	4 078 479
Employee costs	149 828 535	140 322 179

FIGURES IN RAND	2021	2020
		Restated
18. Finance cost and Penalties		
Finance leases	22 391	83 939
Interest and penalties on late payments	21 099	76 447
	43 490	**160 386**
19. Auditors' remuneration		
Fees	2 106 483	1 715 392
20. Other income		
Revenue from exchange transaction		
Canteen revenue	19 395	275 032
Commissions received	43 146	49 784
Revenue from non-exchange transactions		
Deferred income	22 363 648	1 128 297
Transfers (Department of Employment and Labour)	153 049 000	148 923 000
Services in kind- Revenue	6 076 141	6 097 939
	181 551 330	**156 474 052**
21. Employee related costs		
Salaries, allowances and bonuses	149 828 535	140 322 179
Less: Employee costs included in cost of sales	(19 438 174)	(100 471 792)
	130 390 361	**39 850 387**

The entity erred in the prior year by overstating employee costs relating to salaries allowances and bonuses with R605 139 and overstating employee cost included in cost of sales with R9 013. The net effect of the error is included in note 32.

22. Key Management Personnel

22.1 Ms M Sebaka

Annual remuneration	961 458	

The position of the CFO became vacant on the 19th February 2020. Ms Malebo Sebaka was appointed as the Acting CFO from the 4th of May 2020

22.2 Mr BS Ngcongo - Chief Financial Officer

Annual remuneration	-	952 651

Mr. BS Ngcongo resigned from the CFO position on 18 February 2020. The position was vacant form 19 February 2020 to the end of the financial year. The above totals represent salary related costs for the period 01 April 2019 up to 18 February 2020.

22.3 Ms G Manamela - Director: Operations

Annual remuneration	1 139 058	1 139 058

22.4 Ms E Ntshabele - Director: Governance Assurance

Annual remuneration	1 173 483	1 115 478

22.5 Ms KW Tselane - Director: Human Resource Management and Special Projects

Annual remuneration	1 173 483	1 115 478

FIGURES IN RAND	2021	2020
		Restated
22.6 Ms KM Mongane - Director: Business Development		
Annual remuneration	1 057 326	1 057 326
22.7. Mr. V Pillay - Director: ICT		
Annual Remuneration	1 057 326	1 057 326

22.8. Mr. S Morotoba - Acting CEO

The position of the CEO became vacant on 31 December 2018 and Mr. Morotoba was appointed to act in the position from the 1st of January 2019 at no cost.

23. Employee benefit obligations

Defined contribution plan

Included in the employee costs are the following :

Pension fund	4 613 367	4 567 921
Provident fund	6 457 113	6 405 040

The entity started participating in the Textile Industry Provident Fund with effect from 01 November 2009. The employer contributes 9% of salary on behalf of each employee and the employees contribute 7%.

Only one employee is contributing to the Temporary Pension Fund. The employer is contributing 2.74834% and the employee contributes 5%.

The employee retirement benefit is a multi-employer plan and therefore only the contributions made towards the plan are disclosed.

24. Services in kind

Administrative salaries - Department of Employment and Labour	6 076 141	6 097 939
Internal audit - Department of Employment and Labour	276 959	356 397
Municipal payment- Department of Employment and Labour	705 135	1 755 650
	7 058 235	8 209 986

The entity receives the benefit to use the land and buildings from the Department of Employment and Labour at no cost.

The measurement criteria is not met as the entity is not able to reliably measure the benefit received due to limitations relating to determination of usage and billing cost provided by Department of Public Works. The Department of Public Works invoices the Department of Employment and Labour a single amount for the usage of the entire portfolio of land and buildings. From the invoices received it is not possible to ascertain the amount relating to the benefit provided to Supported Employment Enterprises.

National Treasury Accounting Guideline indicates "Entities may but are not required to recognise services in-kind as revenue and as an asset. Due to the uncertainties surrounding services in-kind including the ability to exercise control over the service and measuring the fair value of the services entities are not required to recognise services in-kind. However entities are required to disclose the nature and type of services in-kind that are material during the reporting period." Therefore service in kind is disclosed in accordance with GRAP 23.117 as asset and recognition criteria are not met

25. Allowance for debt impairment and impairment losses

Contributions to debt impairment allowance	(2 946 475)	(6 304 328)

The entity has recalculated the debt impairment for the prior year and reinstated the debt impairment allowance from from R6 304 328 to R2 444 285

26. Depreciation and amortization

Depreciation amortisation and impairment	5 770 366	4 078 478

FIGURES IN RAND	2021	2020
		Restated
27. Cash generated from (used in) operations		
Surplus/(deficit)	6 431 050	6 590 324
Adjustments for:		
Depreciation and amortization	5 770 366	4 078 478
Movements in provisions	227 291	(286 764)
Changes in working capital:		
Inventories	11 924 203	(4 966 716)
Receivables from exchange transactions	26 548 052	(8 972 963)
Other receivables from non-exchange transactions	-	(547 902)
Payables from exchange transactions	(20 302 465)	(52 001 087)
Unspent grant	20 479 911	(1 128 297)
VAT	(205 056)	(737 051)
	50 873 352	**(57 971 983)**

28. Financial instruments disclosure

Categories of financial instruments

2021

Financial assets

	At amortised cost	Total
Cash and cash equivalents	29 197 312	29 197 312
Receivables from exchange transactions (Excluding prepayments)	10 448 187	10 448 187
Receivables from non-exchange transactions (excluding statutory receivables)	1 092 000	1 092 000
	40 737 499	**40 737 499**

28.2. FINANCIAL LIABILITIES

	At amortised cost	Total
Finance lease obligation	145 974	145 974
Payables from exchange transactions (Excluding income received in advance)	12 178 417	12 178 417
	12 324 391	**12 324 391**

2020

28.3 Financial assets

	At amortised cost	Total
Cash and cash equivalents	3 270 312	3 270 312
Receivables from exchange transactions (Excluding prepayments)	25 680 104	25 680 104
Receivables from non-exchange transactions (Excluding statutory receivables)	1 092 000	1 092 000
	30 042 416	**30 042 416**

28.4 Financial liabilities

	At amortised cost	Total
Finance lease obligation	167 830	167 830
Payables from exchange transactions (Excluding income received in advance)	22 260 325	22 260 325
	22 428 155	**22 428 155**

FIGURES IN RAND	2021	2020
		Restated
29. Commitments		
29.1 Authorised operational expenditure		
Already contracted for but not provided for Contractual commitments	118 537 004	91 126 406
Total operational commitments		
Already contracted for but not provided for	118 537 004	91 126 406
29.2 Operating leases - as lessee (expense)		
Minimum lease payments due		
- within one year	569 927	585 349
- in second to fifth year inclusive	1 352 238	1 922 165
	1 922 165	**2 507 514**

Operating lease payments represent rentals payable by the entity for a motor vehicle and building leased. Motor Vehicle leases are negotiated for an average term of seven years and rentals are fixed for an average of three years.

No contingent rent is payable. The lease for the building is a five year lease commenced on 1 June 2019.

The entity erred to include the commitment of operating lease relating to our factory in Seshego the prior year note has been amended.

30. Contingencies

Contingent liabilities

30.1. Supplier invoices on hold

The Entity has put on hold the payment of invoices for the supplier amounting to R235 309 due to insufficient evidence that need to be obtained from the supplier to corroborate the amount owed by the entity.

Invoices on hold	235 309	-

30.2. Long service awards

The entity entered into an agreement with the Unions to pay long service awards to employees that are in service of the entity. The long service award agreement was entered into in July 2016 effective 01 April 2017.

The long service award liability is reviewed at year end and adjusted to reflect the current best estimates. The current criteria to qualify for the long service award is as follows:

- For a period of five (5) years an award equivalent to R2 500
- For a period of ten (10) years an award equivalent to R5 000
- For a period of fifteen (15) years an award equivalent to R7 500
- For a period of twenty (20) years an award equivalent to R10 000
- For a period of twenty five (25) years an award equivalent to R12 500
- For a period of thirty to forty (30- 40) years an award equivalent to R15 000

In terms of Department Pubic Service and Administration a long service recognition has been determined and a directive is made by the Minister for Public Service and Administration in terms of the provisions of section 3(5)a and 5(6)(b) of the Public Service Act 1994; as amended.

The recognition of the long service is as follows:

For a period of twenty (20) years a cash amount equivalent to service is R10 899. For a period of Thirty (30) years a cash amount equivalent to service is R21 797. For a period of Forty (40)years a cash amount equivalent to service is R 29 064.

FIGURES IN RAND	2021	2020
		Restated

An employee who has rendered a 10 years or more of continuous service is eligible to a certificate and an increase in annual leave entitlement of absence.

Long service award- VIP	37 102 500	33 222 500
Long service award- PERSAL	7 658 241	7 044 272
	44 760 741	**40 266 772**

The long service allowance for PERSAL employees in the 2019-20 financial year was erroneously omitted. The omission has been corrected

30.3. Salary disputes between the Unions and the State

The Labour Appeal Court (LAC) declared the salary increases for the 2020/2021 financial year unlawful and invalid. The LAC ruling has been appealed and referred to the Constitutional Court. The ruling by the Constitutional Court will confirm if the entity will be obligated to pay the salary increases in dispute. As at 31 March 2021 it is not certain whether an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and the amount of the obligation cannot be measure with sufficient reliability as the matter is still in negotiation stage

30.4. Contingent assets

The entity has no contingent assets as at 31 March 2021

31. Related parties

Relationships	
Controlling entity	Department of Employment and Labour
Entities under common control	Commission for Conciliation, Mediation and Arbitration
	Compensation Fund
	National Economic Development and Labour Council Productivity South Africa
	Unemployment Insurance Fund
Members of key management	Refer to note 22

31.1 Related party balances
Amounts included in trade receivables regarding related parties

Commission for Conciliation, Mediation and Arbitration	224 262	207 242
Compensation Fund	511 131	817 724
Unemployment Insurance Fund	47 640	30 140
Department of Employment and Labour	-	1 484 528

All outstanding balances is to be settled in cash.

31.2 Provision for doubtful debts related to outstanding balances with related parties

Commission for Conciliation, Mediation and Arbitration	218 700	201 717
Compensation Fund	511 130	817 724
Unemployment Insurance Fund	47 640	30 140
Department of Employment and Labour	-	626 990

Related party transactions

31.3 Sales to related parties (including finance charges)

Commission for Conciliation, Mediation and Arbitration	17 020	15 602
Compensation Fund	-	177 750
Department of Employment and Labour	1 414 306	2 567 552
Unemployment Insurance Fund	17 500	-
Transfer received from related parties		
Department of Employment and Labour	153 049 000	148 923 000
Conditional Grant-Department of Employment and Labour	42 500 000	-

FIGURES IN RAND	2021	2020
		Restated

32. Prior-year adjustments

Presented below are those items contained in the statement of financial position and statement of financial performance that have been affected by prior-year adjustments:

32.1 Statement of financial position 2020

	NOTE	AS PREVIOUSLY REPORTED	CORRECTION OF ERROR	RESTATED
Provisions		(1 135 363)	711 064	(424 299)
Payables from exchange transactions		(33 094 322)	(928 244)	(34 022 566)
Receivables from exchange transaction		33 429 017	3 999 193	37 289 060
Inventories		78 688 834	1 217 316	79 906 150
VAT payable		247 556	(18 150)	229 406
Property plant and equipment		57 782 914	696 784	58 479 698
		135 918 636	**5 677 963**	**141 457 449**

32.2 Statement of financial performance 2020

	NOTE	AS PREVIOUSLY REPORTED	CORRECTION OF ERROR	RESTATED
Operating expenses		(52 136 121)	2 330 384	(54 466 505)
Cost of sales		(227 209 484)	1 789 411	(225 420 073)
Services in kind revenue		-	6 097 939	6 097 939
Revenue from exchange transactions		128 001 846	121 000	128 122 846
Surplus for the year		**(151 343 759)**	**5 677 966**	**(145 665 793)**

32.3 Cash flow statement 2020

	NOTE	AS PREVIOUSLY REPORTED	CORRECTION OF ERROR	RESTATED
Cash flow from Operating activities				
Sale of goods and services				
Other receipts		124 924 457	(6 322 477)	118 601 980
Employee Cost		1 453 113	(1 128 296)	324 817
Suppliers		(139 598 947)	(1 009 997)	(140 608 944)
Cash flow from Investing activities		(195 044 927)	7 332 519	(187 712 408)
Purchase of property plant and equipment		(33 717 495)	8 884	(33 708 611)
Proceed from sale of property plant and equipment		8 931	(8 931)	
Cash flow from financing activities		(1 128 298)	1 128 298	-
Conditional grant		-	-	-
Net Change		**(243 103 166)**	**-**	**(243 103 166)**

FIGURES IN RAND	2021	2020
		Restated

32.4. Errors

During the financial year the following errors were noted. All errors effecting periods before 2019/20 were corrected retrospectively from the earliest prior period presented. Errors that occurred during the current year were corrected in the current year.

The following prior period errors adjustments occurred:

Error 1		
Decrease in provisions		711 064
Decrease in employee cost		(711 064)
		-

The performance bonus provided for 2018-19 was not accounted for appropriately in the 2019-20 financial year this transaction account for the error.

Error 2		
Increase in accruals		(2 172 185)
Increase in employee cost		2 172 185
		-

The service bonus for VIP employees in the 2019-20 financial year was erroneously omitted the employee cost has been adjusted.

Error 3		
Increase in receivables from exchange transactions		3 860 043
Decrease in operating expenses		(3 860 043)
		-

Adjustment of the debtors impairment calculation erred in the 2019-20 financial year.

Error 4		
Decrease in employee cost		(1 377 811)
Decrease in accruals		1 377 811
		-

Accounting for a reversal of a service bonus for 2018-19 incurred in 2019-20 financial year.

Error 5		
Increase in cost of sales		487 078
Decrease in inventory		(487 078)
		-

Error in adjusting the stock price for the prior year.

Error 6		
Increase in cost of sales		133 870
Increase in accruals		(133 870)
		-

Recognition of the prior year operating lease not accounted for.

FIGURES IN RAND	2021	2020
		Restated
Error 7		
Increase in receivables from exchange transactions		139 150
Increase in revenue		(121 000)
Increase in vat		(18 150)
Increase in cost of sales		19 409
Decrease in inventory		(19 409)
		-

Adjustment of revenue recognized in the incorrect period

Error 8		
Increase in property plant and equipment		677 089
Increase in property plant and equipment		18 385
Increase in property plant and equipment		1 310
Decrease in cost of sales		(677 089)
Decrease in cost of sales		(18 385)
Decrease in cost of sales		(1 310)
		-

Reversal of accumulated depreciation and depreciation of assets not ready for use.

Error 9		
Increase in cost of sales		225 612
Decrease in inventory		(216 255)
Decrease in inventory		(9 357)
		-

Reversal of the prior year labour recoveries not yet absorbed to the products.

Error 10

The entity has erroneously omitted the disclosure of long services awards for PERSAL employees under the contingent liability note for an amount of R 7 044 272. Note 30.2 have been amended.

Error 11

The entity has erroneously omitted to disclose services in kind relating to the benefit received from the Acting CEO. The value of the benefit is R 1 251 183 and note 24 has been amended. The entity omitted to disclose the Director ICT under the key management personnel in the prior year and Note 22 has also been amended to include the acting CEO.

Error 12	NOTE	AS PREVIOUSLY REPORTED	CORRECTION OF ERROR	RESTATED
Surplus/Deficit		912 359	5 677 965	6 590 324
Depreciation		4 775 262	(696 784)	4 078 478
Gain/loss on sale of property plant and equipment		(46)	46	0
Dept impairment allowance		2 444 285	(2 444 285)	0
Movement in provisions		424 299	(711 063)	(286 764)
Allowance for obsolete inventory		130 467	(130 467)	0
Inventory losses/Write downs		619 615	(619 615)	0

FIGURES IN RAND		2021	2020
			Restated

Error 12

	NOTE	AS PREVIOUSLY REPORTED	CORRECTION OF ERROR	RESTATED
Movement in accrual for leave pay		215 623	(215 623)	0
Inventories		4 499 482	(9 466 197)	(4 966 715)
Receivables		2 529 486	(11 502 449)	(8 972 963)
VAT		(755 202)	18 151	(737 051)
Payable from exchange transaction		(53 144 952)	1 128 297	(52 016 655)
Unspent grant		-	(1 128 297)	(1 128 297)

Correction of errors in the cash generated from operations note.

Error 13

Services in kind revenue	(6 097 939)
Services in kind Expenditure	6 097 939
	-

Recognition of the prior year services in kind revenue and expenditure that was not recognized.

Error 14

Decrease in cost of sales	(1 958 593)
Increase in operating expenditure	9 178
Increase in inventory	1 949 415
	-

Raw materials issued to WIP but not yet absorbed.

Reclassification

The effect of the reclassification are as follows:

Reclassification 1

Employee cost (Cash flows)	(926 686)
Employee cost	926 686
	-

The workings in terms of the cash flow presentation was erroneously misrepresented the employees cost figure was negated in working instead of being disclosed as a positive figure.

Reclassification 2

Depreciation motor vehicle: cost of sales	(1 312 530)
Depreciation Appliances : cost of sales	(159 555)
Depreciation computer equipment : cost of sales	(399 958)
Depreciation office equipment : cost of sales	(38 205)
Depreciation office furniture : cost of sales	(98 121)
Operational expenses: Administration	2 008 369
	-

Reclassification of the prior year depreciation from cost of sales to operating expenses for assets not used in production.

FIGURES IN RAND	2021	2020
		Restated
Reclassification 3		
Raw material		1 723 803
Work in progress		(1 723 803)
		-

Reclassification of raw material issued to production but not absorbed.

33. Risk management

Financial risk management

The entity's activities expose it to a variety of financial risks: market risk (including fair value interest rate risk cash flow interest rate risk and price risk) credit risk and liquidity risk.

The entity's finance department monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk credit risk and liquidity risk. Compliance with policies and procedures is reviewed by the internal auditors on a continuous basis and annually by external auditors. The entity does not enter into or trade financial instruments for speculative purposes.

Liquidity risk

The entity's liquidity risk is as a result of the funds available to cover future commitments. The entity manages liquidity risk through an ongoing review of future commitments and credit facilities.

Sufficient cash is maintained to manage the entity's liquidity risk. Limitations are imposed by Treasury Regulations 32 to the PFMA 1999 (Act 1 of 1999) on borrowings which limits the committed lines of credit available to the entity.

The table below analyses the entity's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

As at 31 March 2021	LESS THAN 1 YEAR	TOTAL
Finance lease obligation	145 974	145 974
Payables from exchange transactions (Excluding income received in advance)	12 178 417	12 178 417
	12 324 391	**12 324 391**

As at 31 March 2020	LESS THAN 1 YEAR	TOTAL
Finance lease obligation	167 830	167 830
Payables from exchange transactions (Excluding income received in advance)	22 260 325	22 260 325
	22 428 155	**22 428 155**

Credit risk

Cash deposits cash equivalents and trade receivables expose the entity to credit risk. The entity only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Financial assets exposed to credit risk at year end were as follows:

	2021	2020
Cash and cash equivalents	29 197 312	3 270 311
Receivables from exchange transactions (Excluding prepayments)	10 448 187	25 680 104
Receivables from non-exchange transactions	1 092 000	1 092 000

FIGURES IN RAND	2021	2020
		Restated

Trade receivables that have been impaired and provided amounting to R13 571 463 as 31 March 2021 (2020: R10 624 987) have been disclosed. This exposes the entity to the credit risk with regards to the recoverability of these debts. The ageing for the impairment amount it is as follows:

Current (0-30 days)	-	
31-60 days	-	-
61-90 days	213 451	506 665
91-120 days	2 208 871	44 565
Greater than 120 days	11 149 141	10 073 757
	13 571 463	**10 624 987**

Market risk

Interest rate risk

Interest rate risk is defined as the risk that the fair value of future cash flows associated with a financial instrument will fluctuate in the amount as a result of market interest rate changes. There were no change in the entity's interest rate risk management policy during the current financial year.

The entity's financial instruments attract interest at rates linked directly to the prime bank overdraft rate. The effective interest rate used by the entity is the prime interest rate.

In the case of receivables whose accounts become in arrears it is endeavoured to collect such accounts by levying penalty interest charges alternatively demand for payment and as last resort handed over for collection in terms of the entity receivables management policy. The interest rate that was charged for receivables as at 31 March 2021 is 10.25% (2020: 10.25%). This interest rate is subject to the changes in the prime rate.

All trade receivables and other receivables are individually evaluated annually at reporting date for impairment. A report on the various categories of receivables is drafted to substantiate such evaluation and subsequent impairment where applicable.

The entity is exposed to interest rate risk with regards to finance lease obligations because it rents the printing machines on a finance lease at an interest rate of 10.35%. The entity is also exposed to interest rate risk with regards to supplier payments if the entity defaults at a rate determined by the supplier.

The financial instruments that are exposed to interest rate risk are as follows:

Financial Instruments	2021	INTEREST RATE	2020	INTEREST RATE
Cash and cash equivalents	29 197 312	3.5%	3 270 311	3.5%
Receivables from exchange transactions (excluding pre-payments)	10 448 187	10.25%	25 680 104	10.25%
Receivables from non-exchange transactions	1 092 000	0%	1 092 000	0%
Financial lease obligation	145 794	10.35%	167 830	10.35%
Payables from Exchange transactions	12 178 417	Depends on a supplier contracts	22 260 325	Depends on a supplier contracts
	53 061 710		**52 470 570**	

34. Going concern

Legislative mandate

The Supported Employment Enterprise (SEE) is a Government Component under the Department of Employment and Labour (DEL) established in terms of Employment Services Act (ESA) to promote work and employment opportunities for persons with disabilities and is managed in accordance with PFMA of 1999 (as amended by Act 29 of 1999).

Financial relationship

SEE has operations in various factories across provinces that manufacture wood, linen and steel products for purpose of trading at an arm's length. SEE is trading as Service Products and is required to prepare its Annual Financial Statements in accordance with GRAP as per Accounting Standard Board (ASB) mandated in accordance with PFMA of 1999 (as amended by Act 29 of 1999). SEE is financed from:

a) money appropriated by Parliament for this purpose

b) income earned from services rendered by it

c) grants or donations made to it

d) money received from any other source.

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

FIGURES IN RAND	2021	2020
		Restated

Going concern assessment

Management is not aware of any events or conditions that that may cast significant doubt on SEE's ability to continue as a going concern. The following factors were considered to determine that SEE is a going concern and will continue to be a going concern:

- The entity was established in 1943 and is a business unit of the Department of Labour and has been in operation for the past 77 years.
- The entity receives National Treasury Grant Allocation for continued funding of operations. In the financial year under review National Treasury allocation contributed to the entity revenue by over 70% and the remaining income was derived other revenue streams.
- Current assets of R109 151 419 exceeding current liabilities of R35 030 174.
- Total assets of R186 824 122 exceeding total liabilities of R35 058 222.
- The entity's liquidity ration and current ratio is 533% and 312% respectfully. Thus the entity has the ability to pay back its current/short-term and non-current/long-term liabilities. This is an indication of positive financial viability and the entity's ability to continue operating optimally at its current capacity and as a going concern.

Although the entity realised an operating surplus for the financial year ended 31 March 2021 the entity received an additional funding of R25 million for payment of both factory employees and admin support employees' salaries for March 2021 and last quarter of 2020/2021 financial year respectfully. The remaining funding received of R17,5 million is earmarked for enhancement of SEE ICT infrastructure.

Entity receives a grant allocations from the Department of Employment and Labour through transfers and together with revenue generated through sales totals 99% of the entity's revenue for running of the operations of the entity. The grant allocation and budgeted sales for 2021/2022 financial year amounts to R155,1 million and R41 million respectfully. The entity is pursuing to have various customers to participate in the existing MOUs ending in 2025 and that will augment current budget sales revenue. Additionally the a tender worth R41 million sales has already been secured with one of our customers

South Africa and the rest of the world is experiencing a global pandemic called COVID-19 and as a result lockdown restriction are still in place. The entity is currently functioning but not at full capacity due to lockdown restrictions. SEE identified a gap in the market and started producing masks in expanding its product range in an attempt to increase revenue during this time COVID-19 pandemic. Although these restrictions halted operations for a while the entity started operating again and management believes the current targets will still be met.

Conclusion

Therefore it is appropriate to prepare annual financial statements on the going concern basis as funds will be available to finance future operations and that the realisation of assets and the settlement of liabilities, contingent liabilities and commitments will occur in the ordinary course of business.

35. Events after the reporting date

There were no events identified

36. Fruitless and wasteful expenditure

Opening balance	1 313 014	13 724
Add: Correction of prior period error	**30 051**	**-**
Opening balance as restated	**1 343 065**	**13 724**
Add: Fruitless and wasteful expenditure identified- current	859 133	1 299 290
Less: Amounts recoverable- current	(1 092 000)	-
Less: Amount recovered	(24 000)	-
Less: Amount Condoned	**-**	**-**
Closing balance	**1 086 198**	**1 313 014**

The entity erred to include fruitless and wasteful expenditure of R41 176 relating to over-payment of salaries and R2 875 relating to non-attendance of training in the prior year. The disclosure note has been amended to correct this. The R14 000 of this expenditure has been recovered in the prior year.

There is no fruitless and wasteful expenditure condoned both in prior and current year.

FIGURES IN RAND	2021	2020
		Restated

36.1. Details of fruitless and wasteful expenditure:

Interest on overdue accounts	8 130	13 164
SARS Penalty	-	50 676
SARS interest	12 968	12 983
Overpayments to supplier	-	1 092 000
Goods dispatched written-off	-	130 467
Losses	838 035	-
	859 133	**1 299 290**

37. Irregular expenditure

Opening balance	11 149 687	-
Correction of prior period error.	790 430	3 869 687
Opening balance as restated	**11 940 117**	**3 869 687**
Add: Irregular Expenditure- current	1 743 640	7 280 000
Add: Irregular Expenditure- prior period	-	-
Less: Amount condoned	-	-
Closing balance	**13 683 757**	**11 149 687**

The entity erroneously omitted to include the irregular expenditure amount of R 4 660 117 (2020: R790 430 and prior period: R3 869 687) relating to hygiene service (R 373 836) internet services (R 3 563 543) and waste management (R 722 289).

There was no irregular expenditure condoned in the current and the prior year.

37.1. Details of irregular expenditure:

Acquisition of trucks	-	7 280 000
Hygiene services	19 259	-
Internet services	473 978	-
Waste management	8 236	-
Local content	1 242 167	-
	1 743 640	**7 280 000**

38. Budget differences

Material differences between budget and actual amounts

Sale of goods

The budgeted sales were not achieved due to the Covid-19 pandemic which affected the market as a whole

Rendering of services

The rendering of services is not achieved because of the Covid-19 which affected the market for our CMT products.

Commissions received

Commission received was not achieved because of a reduction in the number of third parties on which we collect the contributions on their behalf.

Canteen revenue

Canteen revenue is not achieved because our factories were not operating at full capacity due to the Covid-19 pandemic.

Conditional grant

The entity received a conditional grant for salaries training and for ICT purposes.

Interest received

The interest received is low due to the low bank balance.

Employee cost

The entity underspent on employee cost because the entity revised its APP and reduced the number of factory employees to be appointed. Entity also had some vacancies that were not filled at year end.

Depreciation and amortisation

Depreciation of assets was not achieved due to the reduction on anticipated additions.

Finance costs

The reduction in finance cost is due to the reduction in the interest charged relating to late payments.

Lease rentals on operating lease

The increase in lease rentals is caused by the increase in lease rentals for Seshego factory.

Allowance for debt impairment

Year- end calculation that was not budgeted for.

Discount received

Less discount have been obtained from the suppliers than it was anticipated.

General Expenses

The general expenses are lower than anticipated because the entity was not operating at full capacity due to the pandemic.

Loss on disposal of assets and liabilities

Evidence for assets that were disposed in the prior years were obtained during the current year verification and were removed from the system.

Inventories losses/write-downs

Year-end calculation that is not budgeted for.

NOTES

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