SUPPORTED EMPLOYMENT ENTERPRISES

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, were established through a Cabinet Memorandum back in 1943. The entity was re-established in terms of the Employment Services Act, 2014, Act No. 4 of 2014, to provide employment for persons 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. The 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

The SEE managed to achieve its first indicator by increasing its current factory staff establishment by 25 additional Persons with Disabilities and had a total of 1 014 as at 31 March 2022. The SEE sales performance during 2021/22 was a -33% decline which is a slight improved performance compared to prior year of -67% decline of 2020/2021 financial year. The target on new agreements concluded was also over achieved as 6 agreements were concluded compared to 5 planned and the next step is to ensure conversion of customer contracts into realizable sales output. Although the signed agreements have been achieved, the entity still required a bigger injection in the revenue funding to be able to operate efficiently across all factories.

The financial constraints continues to cripple the entity's operations as well as potential to achieve it's mandate fully. Although the entity is expected to generate additional revenue to augment the grant allocation, the lack of support on sales poses a challenge in achieving expected sales projection and had decline in sales which imposes cash flow difficulties to the entity. The factories states continues to deteriorate while the entity is battling to secure funding for offramp projects on repairs and maintenance.

The entity is still functioning on a structural limitation on human resource capacity as the current structure is not adequate for the manufacturing environment SEE is operating in, especially in Finance, SCM as well as factory level. The latter is an underlying reason on the weakening control environment as well as risk of occupational health and safety compliance at factories.

Overview of the human resources

The Supported Employment Enterprises has two categories of employees. Administrative officials employed in terms of the Public Services Act operating on a structure of 159 administrative posts of which 124 are suitably filled to support the 13 Factories. These staff members are part of the Department of Employment and Labour and have been accounted for under the Department, Branch Public Employment Services.

The second category of staff consisted of 1 014 Persons with Disabilities employed under the Basic Condition of Employment Services Act and are spread across the 13 Factories.

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

SEE FACTORY STAFF ESTABLISHMENT

FACTORY	PWDS AS AT 01/04/2021	ADDITIONAL EMPLOYMENT AS AT 31/03/2022	TERMINATIONS AS AT 31/03/2022	TOTAL AS AT 31/03/2022
All factories	1036	35	57	1014

SEE EE PROFILE

PROVINCE	FACTORY	RACE				GENDER		TOTAL
		AFRICAN	COLOURED	INDIAN	WHITE	FEMALE	MALE	
Free State	Bloemfontein	32	0	0	26	23	35	58
KZN	Durban	37	4	6	29	21	56	76
	Pietermaritzburg	39	2	4	18	26	37	63
Eastern Cape	East London	43	8	1	17	24	45	69
	Port Elizabeth	33	16	1	23	31	40	73
Northern cape	Kimberley	30	28	1	9	24	44	68
Western cape	Ndabeni	43	41	0	52	53	83	136
	Epping	46	58	1	4	31	78	109
North West	Potchefstroom	29	5	0	10	20	24	44
Limpopo	Seshego	39	0	0	0	21	18	39
Gauteng	Pretoria	64	2	0	33	38	61	99
	Rand	60	14	0	33	66	41	107
	Springfield	39	15	0	19	20	53	73
TOTAL								**1014**

SEE POST LEVEL STRUCTURE

SUPPORTED EMPLOYMENT ENTERPRISES POST LEVEL STRUCTURE

POST LEVEL	2018/2019 WAGES	INCREASE 5.3%	2019/2020 WAGES	2020/2021 0%	INCREASE 1.5%	2021/2022 WAGES
6	R6 410.79	R3 39.77	R6 750.56	R6 750.56	R1 01.26	R6 851.82
5	R5 882.24	R3 11.76	R6 194.00	R6 194.00	R92.91	R6 286.91
5	R5 763.81	R3 05.48	R6 069.29	R6 069.29	R91.04	R6 160.33
4	R5 645.38	R2 99.20	R5 944.58	R5 944.58	R89.17	R6 033.75
4	R5 526.95	R2 92.93	R5 819.88	R5 819.88	R87.30	R5 907.18
3	R5 408.52	R2 86.65	R5 695.17	R5 695.17	R85.43	R5 780.60
2	R5 290.08	R2 80.37	R5 570.45	R5 570.45	R83.56	R5 654.01
1	R5 171.66	R2 74.10	R5 445.76	R5 445.76	R81.69	R5 527.45
1	R5 053.27	R2 67.82	R5 321.09	R5 321.09	R79.82	R5 400.91

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 as well as additional income generated from sale of goods that are manufactured across all factories.

The grant allocation for 2021/2022 amounted to R162 266 000 which amounts to 72% of SEE revenue. Remaining 28% was generated through conversion of the current MOU largely with Western Cape Provincial Health Department for provision of hospital textile section.

The entity is still pursuing provincial departments of both Health and Education to participate in the existing MOUs with both National Departments of Health and Education ending in 2025, to augment current budget sales revenue. The current MOU Western Cape Provincial Health Department is in its third year of the contract ending in 2023.

The entity is continuing to experience gross loss on sale of goods due to high fixed and variable manufacturing costs incurred in conversion of stock. The main costs drivers in conversion of stock is as a results of direct material, direct labour and variable/fixed costs. The entity aims to embark on cost conversion analysis in 2022/2023 financial year to ensure costs allocation is addressed adequately through SYSPRO enhancement project. Procurement of raw material still remains a challenge in cutting down expenses. The salary bill for both factory workers as well as administrative officials still remains the highest operational expenditure for SEE amounting to R156 891 070 which accounts for over 97% grant allocation with little funds left for administrative expenses.

SUPPORTED EMPLOYMENT ENTERPRISES REVENUE

REVENUE	2021/2022			2020/2021		
	ESTIMATE	ACTUAL AMOUNT COLLECTED	(OVER)/UNDER COLLECTION	ESTIMATE	ACTUAL AMOUNT COLLECTED	(OVER)/UNDER COLLECTION
	R	R	R	R	R	R
Sale of goods and services other than capital assets	41 884 301	28 647 993	13 236 308	207 793 039	41 891 762	165 901 277
Transfers received	162 271 000	162 266 000	5 000	153 049 000	153 049 000	-
Services in kind	-	32 542 015	-32 542 015	-	34 960 761	- 34 960 761
Grant income	20 479 911	184 511	20 295 400	111 828	42 843 559	- 42 731 731
Interest, dividends and rent on land	1 563 957	1 536 862	27 095	15 742 304	1 010 269	14 732 035
Total	**226 199 169**	**225 177 381**	**1 021 788**	**376 696 171**	**273 755 351**	**102 940 820**

REASONS FOR OVER/UNDER COLLECTION OF REVENUE

TOTAL REVENUE RECEIVED	2021/22	2020/21	VARIANCE	VARIANCE %	REASONS FOR VARIANCES
	R	R	R		
Sale of goods and services other than capital assets	28 647 993	41 891 762	-13 243 769	-33%	Less sales orders in 2021/2022 financial year than anticipated minimal orders received
Transfer Received	162 266 000	153 049 000	9 217 000	6%	An increase in transfer received in 2021/2022 to increase the baseline.
Services In Kind	32 542 015	34 960 761	-2 418 746	-7%	Difference is due to two additional officials accounted for as services in kind as well as minimal expected increase
Grant Income	184 511	42 843 559	-42 659 048	-99%	Conditional Grant received in 2020/2021 as bail out to the entity as well as MERSETA
Interest, dividends and rent on land	1 536 862	1 010 269	526 593	52%	Minimal interest received due to less cash reserves in the bank

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 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 received in the 2020/21 financial year 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 overheads 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.

SUPPORTED EMPLOYMENT ENTERPRISES EXPENDITURE

EXPENDITURE	2021/2022			2020/2021		
	FINAL BUDGET R	ACTUAL EXPENDITURE R	(OVER)/UNDER EXPENDITURE R	FINAL BUDGET R	ACTUAL EXPENDITURE R	(OVER)/UNDER EXPENDITURE R
Factory Salaries	114 459 773	30 664 171	83 795 602	130 887 012	21 474 944	109 412 068
Admin Salaries	61 166 939	126 226 899	-65 059 960	45 458 076	128 353 591	-82 895 515
Manufacturing Cost	47 372 311	69 782 137	-22 409 826	170 975 893	67 823 106	103 152 787
Operational Cost	21 772 393	90 497 330	2 275 063	29 375 190	27 054 101	2 321 089
Total	**244 771 416**	**246 170 537**	**-1 399 121**	**376 696 171**	***244 705 742**	**131 990 429**

*The individual and the total expenditure of the prior year was resated based on the current years financial statement

Factory salaries were under spent due to reclassification of idle time salaries accounted for under admin salaries in terms of GRAP. Admin salaries reflects over spent due to latter to adhere to GRAP requirements. The overall salary budget was not overspent. Manufacturing costs were over spent due to the change in the allocation of fixed and variable manufacturing overheads. Also, services in kind expenditure in respect of the rental leases recognised was not budgeted for. Operational cost reflects an under spending mainly due to the decrease in depreciation due to the reassessment of the useful lives of assets as well as the derecognition of the depreciation on assests that were not installed.

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 2021/2022.

- **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 in 2021/2022 financial year.
- **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.

  The entity does have SCM processes and systems in place to detect irregular, fruitless and wasteful expenditure. There is a need to improve on preventative controls as entity continues to experience instances of irregular, fruitless and wasteful expenditure. All procurements completed are aligned to an approved demand plan as well as procurement plan. SCM policy needs to be reviewed to be aligned with the latest changes in laws and regulations.

  SCM is still experiencing under capacitation in human resource as well as budget constraints to implement training for SCM that officials are required by National Treasury prescripts. The Deputy Director SCM position became vacant , after the newly appointed official resigned. An Acting and Acting Deputy Director was appointed to address the gap.
- **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 2021/2022 financial year under review.

- **Exemptions and deviations received from the National Treasury**
  There were no exemption and/or deviations granted by National Treasury in 2021/2022 financial year.
- **Events after the reporting date**
  SEE closed Durban factory in 2022/2023 financial year due to factory not being Operational since the natural disaster in 2017. The closure came subsequent to discussion and agreement with the Union to allow for and implementation of salary increase in 2021/2022 financial year. The event of the closure happened subsequent to reporting date and considered non-adjusting event.
- **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 2022.
- **Approval and sign off**
  The Annual Financial Statements for the 2021/2022 financial year are hereby approved by the Accounting Officer.

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T LAMATI
DIRECTOR-GENERAL: EMPLOYMENT AND LABOUR

Date: 22/08/2022

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 F2) 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 department for the financial year ended 31 March 2022.

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T LAMATI
DIRECTOR-GENERAL: EMPLOYMENT AND LABOUR

Date: 22/08/2022

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 Report on the audit of the annual performance report section of the auditor's report.

Refer to page 195 - 196 of the Report of the Auditor General, published as Part SEE: 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).

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 Persons 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 DEL 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 DEL 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 DEL 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.

PRIOR MODIFICATIONS TO AUDIT REPORTS

The Supported Employment Enterprises has received qualified audit opinion eminating from below qualification pharagraphs relating to prior year audit opinion modifications.

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 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. 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.	2018/19)	The entity is in the process of implementing SYSPRO system enhancement services to address the internal control dificiencies within the system. The stock movement report and labour recoveries are system generated and thus will be corrected with syspro enhancement process
Inventories: The Auditor-General was 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.	2018/19	The review of run times capture on the 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.
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. I was unable to determine the impact on the net carrying amount of assets as it was impracticable to do so. Consequently, I 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	Resolved
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. I was unable to determine the full extent of the misstatement as it was impracticable to do so.	2018/19	Resolved

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.

Objective: 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 DEL: 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 2022	N/A
				To increase revenue to 40% by 2025	Not achieved -33% Actual sales of R28 487 358 against last year's sales of R41 744 234	Negative variance, Order of R52 million in total from N/West Provincial Education Dept. was amended causing delays for delivery in Q4
				Increase SEE's market share	Achieved 6 customer agreements entered into by the end of March 2022	Improved marketing resulted in one additional agreement entered into

4. SEE PERFORMANCE INFORMATION

Purpose: The SEE is established in terms of the Employment Services Act to provide employment for persons 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.

Division

- **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 Persons with Disabilities
- Increase sales revenue
- Increase SEE's market share

PERFORMANCE INDICATORS

OBJECTIVE ECONOMIC TRANSFORMATION AND JOB CREATION								
DEL OUTCOME: CONTRIBUTE TO DECENT EMPLOYMENT CREATION								
OUTCOME	OUTPUT	OUTPUT INDICATOR	AUDITED ACTUAL PERFORMANCE 2019/2020	AUDITED ACTUAL PERFORMANCE 2020/2021	PLANNED ANNUAL TARGET 2021/2022	ACTUAL ACHIEVEMENT 2021/2022	DEVIATION FROM PLANNED TARGET TO ACTUAL ACHIEVEMENT 2021/2022	REASONS FOR DEVIATIONS
Provide additional job opportunities for Persons 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	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	25 additional persons with disabilities employed in the SEE factories by the end of March 2022	Achieved 25 additional persons with disabilities employed in the SEE factories by the end of March 2022	N/A	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 67%	Not achieved -67% Actual sales R41 865 234 against last year's sales of R128 122 846	5% annual increase of sales revenue from goods and services by the end of March 2022	Not achieved -33% Actual sales of R28 487 358 against last year's sales of R41 744 234	Achieved Actual sales are R28 487 358 against last years sale of R41 44 234	Negative variance, Order of 52 million in total from N/West Provincial Education Dept. was amended causing delays for delivery in Q4
Increase SEE's market share	SEE's market share increased and sustained	Number of customer agreements entered into annually	None	Achieved 3 customer agreements entered into by the end of March 2021	5 customer agreements entered into by the end of March 2022	Achieved 6 customer agreements entered into by the end of March 2022	1	Improved marketing resulted in one additional agreement entered into

PART F 2
FINANCIAL INFORMATION

DEPARTMENT OF EMPLOYMENT AND LABOUR

ACCOUNTING OFFICER'S RESPONSIBILITIES AND APPROVAL

The accounting officer 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 accounting officer 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 external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

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 upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

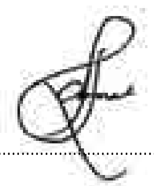
The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the entity and place considerable importance on maintaining a strong control environment. To enable the member to meet these responsibilities, the accounting authority sets standards for internal control aimed at reducing the risk of error or deficit 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 accounting officer 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 accounting officer has reviewed the entity's cash flow forecast for the year to 31 March 2023 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 wholly 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 entity 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 199-248, which have been prepared on the going concern basis, were approved by the accounting authority on 31 May 2022 and were signed on its behalf by:



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Mr T Lamati

Accounting Officer

Date: 22/08/2022

PART F2: FINANCIAL INFORMATION

GENERAL INFORMATION	
Country of incorporation and domicile	South Africa
Legal form of entity	Entity under the Department of Employment and Labour in terms of Employment Service Act (Act No. 4 of 2014)
Nature of business and principal activities	Manufacturing of textiles, wood, metal products and office furniture. Supply of linen and protective clothing. Repairs and maintenance services on various products produced.
Business address	221 Moreleta Street Silverton Pretoria 0127
Postal address	Private Bag X713 Silverton Pretoria 0127
Bankers	Standard Bank
Auditors	Auditor-General of South Africa
Chief Executive Officer	Phakathi S
Chief Financial Officer	Sebaka M

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED ON 31 MARCH 2022

The reports and statements set out below comprise the annual financial statements presented:

ABBREVIATIONS USED:	
GRAP	Generally Recognised Accounting Practice
SARS	South African Revenue Services
NRV	Net Realiasable Value
PFMA	Public Finance Management Act
SEE	Supported Employment Enterprises

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 199 to 248, which comprise the statement of financial position as at 31 March 2022, statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget and actual amounts 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 and possible effects of the matters described in the basis for 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 2022, 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 and cost of sales

3. I was unable to obtain sufficient appropriate evidence that inventories and cost of sales for the current and previous year had been properly accounted for, due to the status of the accounting records, as evidence of the previous year's production times could not be provided. I could not confirm production times by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to:

   - inventories, stated at R63,5 million (2021: R67,5 million) in the statement of financial position and note 2 to the financial statements and
   - cost of sales, stated at R99,9 million (2021: R84 million) in the statement of financial performance and note 13 to the financial statements.

4. Additionally, incorrect production times were used in the allocation of costs, resulting in the misstatement of:
   - finished goods, stated at R10,9 million (2021: R14,1 million) in note 2 to the financial statements
   - direct labour stated at R2,4 million (2021: R2,3 million) in note 13 to the financial statements,
   - variable manufacturing overheads stated at R10.4 million (2021: R8,4 million), in note 13 to the financial statements and
   - fixed manufacturing overheads stated at R61,2 million (2021: R47,4 million) in note 13 to the financial statements

5. The misstatements indicated above also impacted the inventory write down to net realisable value stated at R6,5 million (2021: R5,9 million) in note 2 to the financial statements, and there was also a resultant impact on the deficit for the year and on the accumulated surplus.

Receivables from exchange transactions

6. The trading entity did not correctly account for receivables from exchange transactions in accordance with GRAP 9, Revenue from exchange transactions. The entity did not adequately reconcile the individual receivable balances, resulting in misstatement of debtors' balances. I was unable to determine the full extent of the misstatement of receivables from exchange transactions stated at R8,5 million in the statement of financial position as it was impractical to do so.

Payables from exchange transactions

7. The trading entity did not correctly account for payables from exchange transactions stated at R17,9 million in the financial statements, as deposits received were not allocated to debtors' accounts after deliveries were made. Consequently, receivables from exchange transactions and payables from exchange transactions are overstated by R4,1 million.

Operating expenses

8. I was unable to obtain sufficient appropriate evidence that the corresponding amount for operating expenses had been properly accounted for, due to the status of the accounting records, as the amount stated in the statement of financial performance was adjusted by R5,7 million for which no underlying supporting schedules and supporting documentation were provided. I could not confirm other operating expenses by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to the operating expenses stated at R155,4 million.

Non-current assets

9. In addition to the individually material uncorrected misstatements, non-current assets are materially misstated by R2,4 million due to the cumulative effect of individually immaterial uncorrected misstatements in property plant and equipment and receivables from non-exchange transactions.

- Property, plant and equipment stated at R86,3 million was overstated by R1,3 million.
- Non-current receivables from exchange transactions stated at R1,1 million was overstated by R1,1 million.

Context for the opinion

10. 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.

11. 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.

12. 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

13. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with the Standards of 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.

14. 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

15. 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.

16. 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

17. 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 objectives presented in the annual performance report. I performed procedures to identify material findings but not to gather evidence to express assurance.

18. 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.

19. 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 objective presented in the trading entity's annual performance report for the year ended 31 March 2022:

Objective	Pages in the annual performance report
Objective: Economic transformation and job creation	188 - 189

20. 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.

21. The material findings on the usefulness and reliability of the performance information of the selected objective are as follows:

Indicator - Number of additional persons with disabilities employed in the SEE factories by the end of March

22. The achievement of 25 was reported against a target of 25 in the annual performance report. However, the supporting evidence provided materially differed from the reported achievement.

Other matter

23. I draw attention to the matter below.

Achievement of planned targets

24. Refer to the annual performance report on pages 188 to 189 for information on the achievement of planned targets for the year and management explanations provided for the under achievement of targets. This information should be considered in the context of the material finding on the usefulness and reliability of the reported performance information in paragraph 22 of this report.

Report on the audit of compliance with legislation

Introduction and scope

25. 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.

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

Annual financial statements

27. 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.

28. Material misstatements of contingencies disclosure note, statement of comparison of budget and actual amounts, risk management disclosure note and cash flow statement, 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.

Expenditure management

29. Effective steps were not taken to prevent fruitless and wasteful expenditure amounting to R0,7million, as disclosed in note 34 to the annual financial statements, as required by section 38(1)(c)(ii) of the PFMA and treasury regulation 9.1.1. The majority of the fruitless and wasteful expenditure was caused by the write off of inventories.

Revenue management

30. Effective and appropriate steps were not taken to collect all money due, as required by section 38(1)(c)(i) of the PFMA.

Consequence management

31. I was unable to obtain sufficient appropriate audit evidence that disciplinary steps were taken against officials who had incurred fruitless and wasteful expenditure as required by section 38(1)(h)(iii) of the PFMA. This was because investigations into fruitless and wasteful expenditure were not performed.

Procurement and contract management

32. 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). Similar non-compliance was also reported in the prior year.

Other information

33. 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 presented in the annual performance report that have been specifically reported in this auditor's report.

34. 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.

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

36. If, based on the work I have performed, I conclude that there is a material misstatement in this other information, I am required to report that fact.

37. 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

38. 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, the findings on the performance report and the findings on compliance with legislation included in this report.

39. The accounting officer did not ensure that consequence management is implemented on those who fail to implement the designed internal controls of the entity.

40. Management did not adequately review the financial statements and annual performance report to ensure reliable reporting.

41. Preventative controls were not implemented to ensure compliance with applicable laws and regulations, as instances of non-compliance were identified during the audit process.

Auditor-General

Pretoria

31 July 2022

AUDITOR-GENERAL
SOUTH AFRICA
Auditing to build public confidence

ANNEXURE – AUDITOR-GENERAL'S RESPONSIBILITY FOR THE AUDIT

1. As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements and the procedures performed on reported performance information for selected objective 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.

SUPPORTED EMPLOYMENT ENTERPRISES
TRADING AS SERVICE PRODUCTS

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 MARCH 2022

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2022			
	NOTE(S)	2022 R	2021 RESTATED* R
Assets			
Current Assets			
Inventories	2	63 460 752	67 535 342
Receivables from exchange transactions	3	8 485 418	10 005 741
Cash and cash equivalents	5	21 610 664	29 197 312
		93 556 834	**106 738 395**
Non-Current Assets			
Property, plant and equipment	6	86 327 345	90 353 261
Intangible assets	7	6 394	22 633
Receivables from non-exchange transactions	4	1 092 000	1 092 000
		87 425 739	**91 467 894**
Total Assets		**180 982 573**	**198 206 289**
Liabilities			
Current Liabilities			
Finance lease obligation	8	223 988	124 810
Payables from exchange transactions	9	17 867 008	13 564 426
VAT payable	10	107 963	60 649
Provisions for bonuses	11	-	651 590
		18 198 959	**14 401 475**
Non-Current Liabilities			
Finance lease obligation	8	-	28 048
Total Liabilities		**18 198 959**	**14 429 523**
Net Assets		**162 783 614**	**183 776 766**
Accumulated surplus		162 783 607	183 776 765
Total Net Assets		**162 783 607**	**183 776 765**

SUPPORTED EMPLOYMENT ENTERPRISES
TRADING AS SERVICE PRODUCTS

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 MARCH 2022

STATEMENT OF FINANCIAL PERFORMANCE			
	NOTE(S)	2022 R	2021 RESTATED* R
Revenue from exchange transactions	**12**	**28 487 358**	**41 744 234**
Cost of sales	**13**	**(99 853 610)**	**(84 001 185)**
Gross deficit		**(71 366 254)**	**(42 256 951)**
Revenue from Non - exchange transactions Service in kind- revenue	22	32 542 015	34 960 761
Other Income		160 635	147 528
Grant income		184 511	42 843 559
Interest income	14	1 536 862	1 010 269
Transfers		162 266 000	153 049 000
Total revenue from non-exchange transactions		**196 690 023**	**232 011 117**
Operating expenses	39	**(145 724 229)**	**(155 407 692)**
Operating (deficit)/surplus	15	**(20 400 460)**	**34 346 474**
Finance costs	17	(14 486)	(50 373)
Movement of NRV	2	(578 212)	(5 246 492)
		(592 698)	**(5 296 865)**
(Deficit) surplus for the year		**(20 993 158)**	**29 049 609**

SUPPORTED EMPLOYMENT ENTERPRISES
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ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 MARCH 2022

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 31 MARCH 2022	ACCUMULATED SURPLUS / DEFICIT	TOTAL NET ASSETS
	R	R
Opening balance as previously reported	145 334 843	145 334 843
Adjustments		
Prior year adjustments - Refer to note 30	9 392 313	9 392 313
Balance at 01 April 2020 as restated*	**154 727 156**	**154 727 156**
Surplus for the year	29 049 609	29 049 609
Total changes	**29 049 609**	**29 049 609**
Restated* Balance at 01 April 2021	**183 776 765**	**183 776 765**
Deficit for the year	(20 993 158)	(20 993 158)
Total changes	(20 993 158)	(20 993 158)
Balance at 31 March 2022	**162 783 607**	**162 783 607**

CASH FLOW STATEMENT	NOTE(S)	2022 R	2021 RESTATED* R
Cash flows from operating activities			
Receipts			
Sale of goods and services		30 007 681	67 538 870
Grants		162 450 511	195 892 559
Interest income		1 070 799	1 010 269
Other receipts		160 635	62 541
		193 689 626	**264 504 239**
Payments			
Employee costs		(117 799 532)	(130 163 070)
Suppliers		(83 235 202)	(82 874 447)
Finance costs		(14 486)	(50 374)
		(201 049 220)	**(213 087 891)**
Net cash flows from operating activities	25	**(7 359 594)**	**51 416 348**
Cash flows from investing activities			
Purchase of property, plant and equipment	6	(298 184)	(25 532 368)
Cash flows from financing activities			
Finance lease payments		71 130	43 020
Net increase/(decrease) in cash and cash equivalents		**(7 586 648)**	**25 927 000**
Cash and cash equivalents at the beginning of the year		29 197 312	3 270 312
Cash and cash equivalents at the end of the year	**5**	**21 610 664**	**29 197 312**

SUPPORTED EMPLOYMENT ENTERPRISES
TRADING AS SERVICE PRODUCTS

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 MARCH 2022

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS						
BUDGET ON ACCRUAL BASIS						
	APPROVED BUDGET	ADJUSTMENTS	FINAL BUDGET	ACTUAL AMOUNTS ON COMPARABLE BASIS	DIFFERENCE BETWEEN FINAL BUDGET AND ACTUAL	REFERENCE
	R	R	R	R	R	NOTE 36
Statement of Financial Performance: Revenue						
Sale of goods	41 754 095	-	**41 754 095**	28 474 192	**(13 279 903)**	
Rendering of services	-	-	**-**	13 166	**13 166**	
Service in kind	-	-	**-**	32 542 015	**32 542 015**	
Commissions received	50 000	(4 160)	**45 840**	-	**(45 840)**	
Canteen revenue	25 000	-	**25 000**	160 635	**135 635**	
Grant income	17 500 000	2 979 911	**20 479 911**	184 511	**(20 295 400)**	
Other income	4 000 000	(3 940 634)	**59 366**	-	**(59 366)**	
Transfers and sponsorships	149 067 000	13 204 000	**162 271 000**	162 266 000	**(5 000)**	
Interest received	8 350 000	(6 786 043)	**1 563 957**	1 536 862	**(27 095)**	
Total revenue from exchange transactions	**220 746 095**	**5 453 074**	**226 199 169**	**225 177 381**	**(1 021 788)**	
Expenditure						
Employee cost	(167 519 499)	(8 107 213)	**(175 626 712)**	(156 891 070)	**(18 735 642)**	
Depreciation and amortisation	(9 770 000)	-	**(9 770 000)**	(3 157 534)	**(6 612 466)**	
Impairment loss/ Reversal of impairments	-	-	-	(1 162 585)	**(1 162 585)**	
Finance costs	(25 000)	-	**(25 000)**	(14 486)	**(10 514)**	
Lease rentals on operating lease	(150 000)	(427 311)	**(577 311)**	(528 788)	**(48 523)**	
Allowance for debt impairment	-	-	-	(1 142 231)	**(1 142 231)**	
Cost of sales adjustments	-	-	-	(2 320 343)	**(2 320 343)**	
General expenses	(43 276 597)	(15 495 796)	**(58 772 393)**	(80 375 288)	**(21 602 895)**	
Total expenditure	**(220 741 096)**	**(24 030 320)**	**(244 771 416)**	**(245 592 325)**	**(820 909)**	
Operating deficit	**4 999**	**(18 577 246)**	**(18 572 247)**	**(20 414 944)**	**(1 842 697)**	
Loss on disposal of assets and liabilities	-	-	-	(2)	**(2)**	
Inventories losses/write-downs	-	-	-	(578 212)	**(578 212)**	
	-	**-**	**-**	**(578 214)**	**(578 214)**	
Deficit before taxation	**-**	**(18 577 246)**	**(18 577 246)**	**(20 993 158)**	**(2 415 912)**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**-**	**(18 577 246)**	**(18 577 246)**	**(20 993 158)**	**(2 415 912)**	

SUPPORTED EMPLOYMENT ENTERPRISES
TRADING AS SERVICE PRODUCTS

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 MARCH 2022

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS 31 MARCH 2022

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. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

These accounting policies are consistent with the previous period.

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 is 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:

Other significant judgements, sources of estimation uncertainty and/or relating information, have been disclosed in the relating notes.

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 receivables, 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

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-inuse 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.

SUPPORTED EMPLOYMENT ENTERPRISES
TRADING AS SERVICE PRODUCTS

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 MARCH 2022

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS 31 MARCH 2022 (CONTINUED)

Provisions

Definition

A provision is a liability of uncertain timing or amount. Liabilities are present obligations, arising from past events, the settlement of which is expected to result in an outflow of economic benefits or service potential.

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 11- Provisions.

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

1.3 Property, plant and equipment

Property, plant and equipment are tangible non-current assets 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 of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

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.

SUPPORTED EMPLOYMENT ENTERPRISES
TRADING AS SERVICE PRODUCTS

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 MARCH 2022

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS 31 MARCH 2022 (CONTINUED)

1.3 Property, plant and equipment (continued)

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 on the straight-line basis over their expected useful lives to their estimated residual value.

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 - 40 years
Buildings	Straight-line	10 - 40 years
Computer equipment	Straight-line	3 - 25 years
Furniture and fittings	Straight-line	12 - 75 years
Leased assets	Straight-line	3 years
Office equipment	Straight-line	8 -75 years
Plant and machinery	Straight-line	10 - 75 years
Motor vehicles	Straight-line	5 - 15 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).

SUPPORTED EMPLOYMENT ENTERPRISES
TRADING AS SERVICE PRODUCTS

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 MARCH 2022

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS 31 MARCH 2022 (CONTINUED)

1.4 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 an 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.

The entity assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

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 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

Amortisation is provided to write down the intangible assets, on a straight-line basis, to their residual values 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 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 ordeficit when the compensation becomes receivable.

1.5 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.

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1.5 Financial instruments (continued)

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 guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modifiedterms of a debt instrument.

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 changesin 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 counter party 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 offinancial position or in the notes thereto:

CLASS	CATEGORY
Cash and cash equivalent	Financial asset measured at amortised cost
Receivables from exchange transactions	Financial asset measured at amortised cost
Receivable from non-exchange transactions	Financial asset measured at amortised cost

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1.5 Financial instruments (continued)

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement offinancial 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.

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1.5 Financial instruments (continued)

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.

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1.6 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.

1.6 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.

1.7 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.

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ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS 31 MARCH 2022 (CONTINUED)

1.7 Inventories (continued)

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, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.8 Discontinued Operations

Discontinued operation is a component of an entity that has been disposed of and:

- represents a distinguishable activity, group of activities or geographical area of operations;
- is part of a single co-ordinated plan to dispose of a distinguishable activity, group of activities or geographical area of operations; or
- is a controlled entity acquired exclusively with a view to resale.

A component of an entity is the operations and cash flows that can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the entity.

1.9 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 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 an entity's objective of using the asset.

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1.9 Impairment of cash-generating assets (continued)

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 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.

Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

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.

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1.9 Impairment of cash-generating assets (continued)

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.

1.10 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 an 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 Non-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.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

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 service amount of that asset.

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1.10 Impairment of non-cash-generating assets (continued)

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.

1.11 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees. Termination benefits are employee benefits payable as a result of either:

- an 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 twelve 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 cellphones) 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 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.

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1.11 Employee benefits (continued)

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 and state plans as a defined contribution 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.

1.12 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 28 - Contingencies

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised. Provisions are not recognised for future operating surplus (deficit).

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of an activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

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1.13 Commitments

Items are classified as commitments when an 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 27 - Commitment

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.

1.14 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

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ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS 31 MARCH 2022 (CONTINUED)

1.14 Revenue from exchange transactions (continued)

Interest

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.

Revenue arising from the use by others of entity assets yielding interest, royalties 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.

1.15 Revenue from non-exchange transactions

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an entity either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity 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 taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Services in-kind

Except for financial guarantee contracts, the entity recognise 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 disclose the nature and type of services in-kind received during the reporting period in Note 22.

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ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 MARCH 2022

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS 31 MARCH 2022 (CONTINUED)

1.16 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.

1.17 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 and all surplus (deficit) 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, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.18 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.

1.19 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds. Borrowing costs are recognised as an expense in the period in which they are incurred.

1.20 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.

1.21 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 30 prior year reclassified and/or adjusted figures.Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.22 Fruitless and wasteful expenditure

Fruitless 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 34** - Fruitless and wasteful expenditure

SUPPORTED EMPLOYMENT ENTERPRISES
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ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 MARCH 2022

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS 31 MARCH 2022 (CONTINUED)

1.23 Irregular expenditure

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

(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.

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 35 - Irregular expenditure

1.24 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 01/04/2021 to 31/03/2022.

1.25 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).

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.

SUPPORTED EMPLOYMENT ENTERPRISES
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ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 MARCH 2022

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS 31 MARCH 2022 (CONTINUED)

1.25 Related parties (continued)

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, the entity 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.

1.26 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 will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The entity will disclose 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.

1.27 Change in accounting policies and errors

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 and errors retrospectively.

1.27 Change in estimates

The effect of a change in an accounting estimate, other than a change to which paragraph .39 applies, shall be recognised prospectively by including it in surplus or deficit in:

(a) the period of the change, if the change affects that period only; or
(b) the period of the change and future periods, if the change affects both.

.39 To the extent that a change in an accounting estimate gives rise to changes in assets and liabilities, or relates to an item of net assets, it shall be recognised by adjusting the carrying amount of the related asset, liability or item of net assets in the period of the change.

The entity accounts for the change in accounting estimates prospectively.

SUPPORTED EMPLOYMENT ENTERPRISES
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ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 MARCH 2022

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

2. Inventories

NOTE(S)	2021/22 R	2020/21 R
Raw materials and components	58 999 788	59 294 843
Finished goods	10 906 558	14 107 881
Inventory clearing account	10 171	10 171
	69 916 517	73 412 895
Inventory write down to net realisable value	(6 455 765)	(5 877 553)
	63 460 752	**67 535 342**

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.

Included in inventory balance is goods dispatched not yet invoiced amounting to R1 728 101.

Inventory pledged as security

No inventory was pledged as security.

3. Receivables from exchange transactions

	2021/22 R	2020/21 R
Trade receivables	22 720 408	23 141 183
Sundry receivables	36 560	4 051
Prepayments	438 870	431 970
Impairment of debtors	(14 713 694)	(13 571 463)
Housing debtors	3 274	-
	8 485 418	**10 005 741**
Trade debtors past due but not impared is as follows:		
0 - 30 Days	7 953 827	10 152 011
31 - 60 Days	22 535	472 485
61 - 90 Days	30 582	(13 640)
91 - 120 days	-	-
Greater than 120 days Terms and conditions	-	-
	8 006 944	**10 610 856**

Trade and other receivables impaired

As of 31 March 2022, trade and other receivables of R14 713 694 (2021: R 13 571 463) were impaired and provided for.

SUPPORTED EMPLOYMENT ENTERPRISES
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ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 MARCH 2022

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

3. Receivables from exchange transactions (continued)

THE AGEING OF THESE RECEIVABLES IS AS FOLLOWS:	2021/22 R	2020/21 R
Current (0-30 Days)	29 808	-
31 - 60 Days	137 411	-
61 - 90 Days	3 146	213 451
91-120 Days	157 153	2 208 871
Greater than 120 Days	14 386 170	11 149 141
	14 713 688	**13 571 463**

RECONCILIATION OF ALLOWANCE FOR IMPAIRMENT OF TRADE DEBTORS FROM EXCHANGE TRANSACTIONS	2021/22 R	2020/21 R
Opening balance	13 571 463	10 624 988
Increase/ (decrease) in allowance for impairment	1 142 231	2 946 475
	14 713 694	**13 571 463**

4. Receivables from non-exchange transactions

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

The entity recognised a debtor in 2021/2022 financial year due to overpayment to a supplier. Entity is in the process of recovering the overpayment

5. Cash and cash equivalents

CASH AND CASH EQUIVALENTS CONSIST OF:		
Cash on hand	24 589	25 922
Bank balances	21 586 075	29 171 390
	21 610 664	**29 197 312**

The entity holds the amount in its account which relates to grants from Department of Employment and Labour for which the conditions of recognition have not yet been met.

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

SUPPORTED EMPLOYMENT ENTERPRISES
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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

6. Property, plant and equipment

	2022			2021		
	COST / VALUATION R	ACCUMULATED DEPRECIATION-AND ACCUMULAT-ED IMPAIRMENT R	CARRYING VALUE R	COST / VALUATION R	ACCUMULATED DEPRECIATIONAND ACCUMULATED IMPAIRMENT R	CARRYING VALUE R
Buildings	2 273 867	(182 033)	2 091 834	2 273 867	(136 556)	2 137 311
Plant and machinery	50 251 054	(9 739 833)	40 511 221	50 241 954	(6 985 719)	43 256 235
Furniture and fittings	2 776 948	(610 807)	2 166 141	2 726 929	(548 190)	2 178 739
Motor vehicles	10 384 485	(2 433 772)	7 950 713	10 384 485	(1 499 167)	8 885 318
Office equipment	876 826	(138 934)	737 892	947 027	(123 769)	823 258
Computer equipment	4 130 194	(1 261 797)	2 868 397	3 911 519	(993 639)	2 917 880
Appliances	2 050 313	(201 548)	1 848 765	2 033 420	(145 756)	1 887 664
Leased assets	1 236 195	(1 167 807)	68 388	1 255 316	(1 072 454)	182 862
Work in Progress	28 083 994	-	28 083 994	28 083 994	-	28 083 994
Total	**102 063 876**	**(15 736 531)**	**86 327 345**	**101 858 511**	**(11 505 250)**	**90 353 261**

Reconciliation of property, plant and equipment - 2022

	OPENING BALANCE R	ADDITIONS R	OTHER CHANGES, MOVEMENTS R	DEPRECIATION R	IMPAIRMENT LOSS R	TOTAL R
Buildings	2 137 311	-	-	(45 477)	-	2 091 834
Plant and machinery	43 256 235	9 100	(1 000)	(1 690 462)	(1 062 652)	40 511 221
Furniture and fittings	2 178 739	50 227	-	(57 455)	(5 370)	2 166 141
Motor vehicles	8 885 318	-	-	(934 605)	-	7 950 713
Office equipment	823 258	-	(17 361)	(15 065)	(52 940)	737 892
Computer equipment	2 917 880	238 857	-	(268 158)	(20 182)	2 868 397
Appliances	1 887 664	-	17 261	(50 959)	(5 201)	1 848 765
Leased assets	182 862	-	(19 121)	(95 353)	-	68 388
Work in progress	28 083 994	-	-	-	-	28 083 994
	90 353 261	**298 184**	**(20 221)**	**(3 157 534)**	**(1 146 345)**	**86 327 345**

SUPPORTED EMPLOYMENT ENTERPRISES
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ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 MARCH 2022

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

6. Property, plant and equipment (continued)

RECONCILIATION OF PROPERTY, PLANT AND EQUIPMENT - 2021	OPENING BALANCE R	ADDITIONS R	ASSET DERECOGNITION R	OTHER CHANGES, MOVEMENTS R	DEPRECIATION R	TOTAL R
Buildings	2 182 788	-	-	-	(45 477)	2 137 311
Plant and machinery	38 809 221	6 496 025	(401 427)	42 535	(1 690 119)	43 256 235
Furniture and fittings	2 403 361	8 980	(136 953)	(40 003)	(56 646)	2 178 739
Motor vehicles	9 819 923	-	-	-	(934 605)	8 885 318
Office equipment	824 562	5 502	(9 168)	18 755	(16 393)	823 258
Computer equipment	2 930 689	255 541	(19 821)	(2 944)	(245 585)	2 917 880
Appliances	1 978 711	-	(40 088)	-	(50 959)	1 887 664
Leased assets	128 976	229 526	-	7 341	(182 981)	182 862
Work in progress	9 547 200	18 536 794	-	-	-	28 083 994
Total	**68 625 431**	**25 532 368**	**(607 457)**	**25 684**	**(3 222 765)**	**90 353 261**

Pledged as security

No items of property plant and equipment were pledged as security

Building

The Human Resource office was constructed by on land that belong to the department of Public Works.

Impairment losses

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

REPAIRS AND MAINTENANCE EXPENDITURE	2021/22 R	2020/21 R
Plant and machinery	512 357	432 811

ASSETS SUBJECT TO FINANCE LEASE (NET CARRYING AMOUNT)	2021/22 R	2020/21 R
Leased assets - Office equipment	68 388	182 862

RECONCILIATION OF WORK-IN-PROGRESS 2022	PLANT AND MACHINERY R	APPLIANCES R	TOTAL R
Opening balance	28 074 475	9 519	28 083 994

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

6. Property, plant and equipment (continued)

RECONCILIATION OF WORK-IN-PROGRESS 2021	PLANT AND MACHINERY R	APPLIANCES R	TOTAL R
Opening balance	9 547 200	-	9 547 200
Additions/capital expenditure	18 527 275	9 519	18 536 794
	28 074 475	**9 519**	**28 083 994**

Expenditure incurred to repair and maintain property, plant and equipment	2021/22 R	2020/21 R
Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance	512 357	432 811
General expenses	**512 357**	**432 811**

7. Intangible assets

	2021/22			2020/21		
	COST / VALUATION R	ACCUMULATED AMORTISATION AND ACCUMULATED IMPAIRMENT R	CARRYING VALUE R	COST / VALUATION R	ACCUMULATED AMORTISATION AND ACCUMULATED IMPAIRMENT R	CARRYING VALUE R
Computer software	**48 719**	**(42 325)**	**6 394**	**48 719**	**(26 086)**	**22 633**

Reconciliation of intangible assets - 2022

	OPENING BALANCE R	AMORTISATION R	TOTAL R
Computer software	**22 633**	**(16 239)**	**6 394**

Reconciliation of intangible assets - 2021

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

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ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 MARCH 2022

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

8. Finance lease obligation

MINIMUM LEASE PAYMENTS DUE	2021/22 R	2020/21 R
-within one year	**25 326**	136 590
-in second to fifth year inclusive	**-**	28 048
	25 326	164 638
less: future finance charges	-	(10 204)
Present value of minimum lease payments	**25 326**	**154 434**
Present value of minimum lease payments due		
-within one year	25 326	126 386
-in second to fifth year inclusive	-	28 048
	25 326	**154 434**
Non-current liabilities	-	28 048
Current liabilities	223 988	124 810
Total	**223 988**	**152 858**

It is entity's policy to lease certain property, motor vehicles and equipment under finance leases.

The average lease term was 3-5 years and the average effective borrowing rate was 10% (2021: 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

	2021/22 R	2020/21 R
Trade payables	1 490 294	1 138 533
Income received in advance	300 651	1 541 682
Stabilisation fund	106 541	106 541
Medical account	204 845	204 845
Accrued leave pay	4 505 272	4 454 016
Accruals	6 515 607	6 118 809
Deposits received	4 743 798	-
	17 867 008	**13 564 426**

SUPPORTED EMPLOYMENT ENTERPRISES
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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

9. Payables from exchange transactions (continued)

Medical Account

Prior to entity contracting with Makoti Medical Aid, some factory workers were making individual medical cost contributions on a monthly basis for medical expenses. This was ceased in 2019 when Makoti Medical Aid was introduced for all factory workers. The remaining contributions were never fully claimed by the workers who contributed and remains a liability to the entity.

Stabilasation funds

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.

10. VAT payable

	2021/22 R	2020/21 R
VAT	107 963	60 649

11. Provisions for bonuses

Provisions	-	651 590

RECONCILIATION OF PROVISIONS FOR BONUSES - 2022	OPENING BALANCE R	UTILISED DURING THE YEAR R	TOTAL R
Provision	651 590	(651 590)	-

RECONCILIATION OF PROVISIONS FOR BONUSES - 2021	OPENING BALANCE R	ADDITIONS R	TOTAL R
Provision	424 299	227 291	651 590

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12. Revenue from exchange transaction

	2021/22 R	2020/21 R
Sale of goods	28 474 192	41 190 485
Rendering of services	13 166	553 749
	28 487 358	**41 744 234**

The amount included in revenue arising from exchanges of goods or services are as follows:		
Sale of goods	28 474 192	41 190 485
Rendering of services	13 166	553 749
	28 487 358	**41 744 234**

13. Cost of sales

	2021/22 R	2020/21 R
Opening inventory	13 977 413	12 815 923
Direct Material	23 537 139	26 698 656
Direct Labour	2 419 514	2 337 224
Variable Manufacturing overheads	10 413 913	8 368 185
Fixed Manaufucturing overheads	61 243 316	47 394 025
Stock Ajustment	(775 158)	364 585
Closing inventory	(10 962 527)	(13 977 413)
	(99 853 610)	**(84 001 185)**

14. Interest income

	2021/22 R	2020/21 R
Interest revenue		
Bank	1 070 799	416 834
Trade and other receivables	466 063	593 435
	1 536 862	**1 010 269**

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

15. Operating (deficit) surplus

Operating (deficit) surplus for the year is stated after accounting for the following:

Operating lease charges

Equipment

	2021/22 R	2020/21 R
Contractual amounts	1 106 098	593 435
Impairment on property, plant and equipment	1 146 345	-
Reversal of impairment on intangible assets	(16 240)	(12 240)
Depreciation on property, plant and equipment	3 157 534	3 222 765
Employee costs	156 891 070	149 828 535

16. Lease rentals on operating lease

	2021/22 R	2020/21 R
Equipment		
Contractual amounts	1 106 098	771 750

17. Finance costs

	2021/22 R	2020/21 R
Finance leases	8 766	29 274
Interest and penalties on late payments	5 720	21 099
	14 486	**50 373**

18. Auditors' remuneration

	2021/22 R	2020/21 R
Fees	2 357 312	2 106 483

SUPPORTED EMPLOYMENT ENTERPRISES
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ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 MARCH 2022

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

19. Other income

	2021/22 R	2020/21 R
Service in kind- revenue	32 542 015	34 960 761
Other income -revenue from exchange transactions	160 635	147 528
Grant income	184 511	42 843 559
Transfers (Department of Employment and Labour)	162 266 000	153 049 000
	195 153 161	**231 000 848**

Revenue from exchanges transactions follows:

Canteen Services	243	19 395
Commission received	51 468	43 246
Discount received	108 925	84 986
	160 636	**147 627**

Revenue from non-exchanges transactions follows: Taxation revenue

Grant income	184 511	42 843 559
Transfers (Department of Employment and Labour)	162 266 000	153 049 000
Service in Kind- Revenue	32 542 015	34 960 761
	194 992 526	**230 853 320**

20. Employee related costs

	2021/22 R	2020/21 R
Salaries, allowances and bonuses	**156 891 070**	**149 828 535**

key management		
Ms M Sebaka - Chief Financial Officer Annual Remuneration	1 073 187	961 458
Ms Sebaka was acting CFO from 05 May 2020 and was appointed from 01 November 2021		
Mr V Pillay - Director: ICT		
Annual Remuneration	1 089 300	1 057 326
Ms G Manamela - Director: Operations		
Annual Remuneration	1 156 143	1 139 058
Ms KW Tselane - Director: Human Resource Management and Special Projects		
Annual Remuneration	1 208 961	1 173 483

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

20. Employee related costs (continued)

	2021/22 R	2020/21 R
Annual Remuneration	-	1 057 326
Ms Mongane's service was terminated on 3 May 2021.		
Mr S Phakathi - Chief Executive Officer		
Annual Remuneration	740 805	-
Mr Phakathi was appointed CEO from 01 September 2021		
Mr. DH Matsepe - Acting Director : Business development		
Annual Remuneration	766 749	-

Mr Matsepe was appointed Acting Director: Business Development with allowance with effect from 3 June 2021. Ms. E Ntshabele was erroneously disclosed as a Director Governance Assurance in the prior year.

Mr Morotoba - Acting Chief Executive Officer

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 to the entity until 31 August 2021.

21. Employee benefit obligations

Defined contribution plan

It is the policy of the entity to provide retirement benefits to all its employees. A number of defined contribution provident funds, all of which are subject to the Pensions Fund Act exist for this purpose.

	2022 R	2021 R
The entity is under no obligation to cover any unfunded benefits.		
The total economic entity contribution to such schemes (Provident fund)	6 643 539	4 613 367
The amount recognised as an expense for defined contribution plans is (Pension fund)	5 161 652	6 457 113

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22. Service in kind

	2022 R	2021 R
Administrative salaries - Department of Employment and Labour	3 674 373	8 340 438
Internal Audit - Department of Employment and Labour	265 439	276 959
Municipal payment - Department of Employment and Labour	580 811	705 135
Expenditure for free use of property	28 021 392	25 638 229
	32 542 015	**34 960 761**

In 2021, the expenditure and the related utilisation of the services in kind asset for the free use of properties was miscalculated resulting into understatement of revenue from non-exchange (service in kind) and expediture (service in kind) respectively by R25 638 229

In 2021, two employees from PERSAL were ommited from the service in kind, resulting in understatement of revenue from non-exchange (Service in kind) and expendutire respectively by R2 264 298,00

23. Allowance for debt impairment and impairment losses

	2022 R	2021 R
Contributions to debt impairment allowance	1 142 231	2 946 475

24. Depreciation and amortisation

	2022 R	2021 R
Property, plant and equipment	3 157 534	3 222 765

25. Cash (used in) generated from operations

	2022 R	2021 R
Surplus/(deficit)	(20 993 158)	29 049 609
Adjustments for:		
Depreciation, impairment and amortisation	4 320 118	3 206 526
Other movements	5 738	328 969
Finance costs	14 486	-
Debt impairment	1 142 231	2 946 475
Movements in provisions	(651 590)	227 291
Inventory write down	578 214	(589 306)
Changes in working capital:		
Inventories	3 496 378	12 960 113
Receivables from exchange transactions	378 092	23 722 577
Payables from exchange transactions	4 302 583	(20 230 850)
VAT	47 314	(205 056)
	(7 359 594)	**51 416 348**

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26. Financial instruments disclosure

	2022 R	2021 R

Categories of financial instruments

2022

Financial assets

	At amortised cost	Total
Cash and cash equivalent	21 610 644	21 610 644
Receivables from exchange transactions (Excluding prepayments)	13 423 575	13 423 575
Receivables from non-exchange transactions	1 092 000	1 092 000
	36 126 219	**36 126 219**

Financial liabilities

	At amortised cost	Total
Finance lease obligation	25 326	25 326
Trade and other payables from exchange transactions	17 867 009	17 867 009
	17 892 335	**17 892 335**

2021

Financial assets

	At amortised cost	Total
Cash and cash equivalent	29 197 312	29 197 312
Receivables from exchange transactions	10 005 741	10 005 741
Other receivables from non-exchange transactions	1 092 000	1 092 000
	40 295 053	**40 295 053**

Financial liabilities

	At amortised cost	Total
Finance lease obligation	152 858	152 858
Trade and other payables from exchange transactions	13 564 426	13 564 426
	13 717 284	**13 717 284**

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27. Commitments

27.1 Authorised operational expenditure

	2022 R	2021 R
Already contracted for but not provided for		
• Total operational commitments	117 841 120	116 987 118
Total operational commitments		
Already contracted for and provided for	117 841 120	116 987 118
Total commitments		
Authorised operational expenditure	117 841 120	116 987 118

27.2 Operating leases - as lessee (expense)

Minimum lease payments due		
- within one year	604 123	569 927
- in second to fifth year inclusive	604 123	1 352 238
	1 208 246	**1 922 165**

Operating lease payments represent rentals payable by the entity for 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 building is a five year lease commenced on 1 April 2019.

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

28. Contingencies

28.1 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 1 Aprill 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 500.00
- For a period of ten (10) years an award equivalent to R5 000.00
- For a period of fifteen (15) years an award equivalent to R7 500.00
- For a period of twenty (20) years an award equivalent to R10 000.00
- For a period of twenty five (25) years an award equivalent to R12 500.00
- For a period of thirty to forty (30 - 40) years an award equivalent to R15 000.00

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28. Contingencies (continued)

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.

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.

28.2 Supplier invoices on hold

The Entity has put on hold the payment of invoices for the supplier amounting to R235 309 (2021:R235 309) due to insufficient evidence that need to be obtained from the supplier to corroborate the amount owed by the entity.

	2022 R	2021 R
Long Service award- VIP	36 725 000	37 102 500
Long service award-PERSAL	7 345 809	7 658 241
28.1 Total	**44 070 809**	**44 760 741**
	44 070 809	44 760 741

Invoice on hold	235 309	235 309
28.2 Total	**235 309**	**235 309**

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29. Related parties

	2022 R	2021 R

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

All National spheres of Government of South Africa

Members of key management-Refer to note 20

Related part balances

Amounts included in Trade receivable (Trade Payable) regarding related parties		
Commission for Conciliation, Mediation and Arbitration	118 831	224 262
Compensation Fund	507 909	511 131
Unemployment Insurance Fund	47 640	47 640
Department of Employment and Labour	1 813 366	-

Provision for doubtful debts related to outstanding balances with related parties		
Commission for Conciliation, Mediation and Arbitration	116 804	218 700
Compensation Fund	507 908	511 131
Unemployment Insurance Fund	47 640	47 640
Department of Employment and Labour	1 642 691	-

Related party transactions

Sales to related parties (Including finance charges)		
Commission for Conciliation, Mediation and Arbitration	45 991	17 020
Department of Employment and Labour	2 151 690	1 414 306
Unemploymemt Insurance Fund	-	17 500
Transfer received from related parties		
Department of Employment and Labour	162 266 000	153 049 000
Grant income -Department of Employment and Labour	184 511	42 843 558

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30. Prior-year adjustments

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

30.1 Inventories

In 2021, the work in progress inventory was understated as the manufacturing overheads where not split between fixed and variable overheads and they were further not systematically allocated to work-in progress based on the appropriate allocation base as per GRAP 12. This resulted in an understatement of R2 204 817.

In 2021, invoices were posted in the incorrect period. This led to overstatement of cost of sales and understatement of inventory by R19 409.

30.2 Receivables from exchange transactions

In 2021, invoices were posted in the incorrect period. This led to overstatement of revenue and receivable from exchange transactions by R121 000.

In 2021, debtors were incorrectly charged interest. This led to overstatement of debtors and interest income by R753 416.

30.3 Property ,Plant and Equipment

Assets were not installed and they were incorrectly depreciated. This led to understatement of Property, plant and equipment by R94 446.

In 2021, assets were incorrectly classified as canteen expenses. This led to understatement and overstatement of property, plant and equipment and expenses by 22 093 respectively. Depreciation due to incorrect classification was understated by R4 833. This led to overstatement of property, plant and equipment by R4 833.

Depreciation on leased assets was incorrectly calculated. This led to overstatement of depreciation and understatement of property, plant and equipment by R7 340.

Included in the depreciation of R2 784 452, R970 196 for cost of sales and R1 814 255 for operating expenses.

In 2020 and 2021, Work in progress for Appliances, and plant and machinery amounting to R28 083 994 was not disclosed separately in the note. This does not have impact on the adjustment of property, plant and equipment. The impact is only the disclosure.

30.4 Finance lease obligation

In 2021, finance cost was incorrectly calculated. This led to understatement of finance lease liability and finance cost by R6 884.

30.5 Payables from exchange transactions

In 2021, rental expenses for 2020 were not reversed in 2021. This led to overstatement of payables and expenses by R133 869.

In 2021, staff welfare and OHS expenses were overstated by R21 804. This led to overstatement of payables and expenses.

30.6 Accumulated surplus

Management did not assess useful lives and residual values in the previous years. This led to qualification of property, plant of equipment for at least three years.

This led to opening balance understatement of property, plant and equipment and accumulated surplus in 2021 by R10 051 286.

SUPPORTED EMPLOYMENT ENTERPRISES
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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

30 Prior-year adjustments (continued)

In 2020, debtors were incorrectly charged interest. This led to overstatement of debtors and accumulated surplus by R753 410.

Some of the assets were not installed and incorrecly depreciated. This led to understatement of accumulated surplus and property, plant and equipment by R94 446.

The impact of all income statements adjustments or surplus increased accumulated surplus by R25 289 288. The total adjustment or understatement was R34 681 594.

30.7 Revenue from exchange transaction

In 2021, invoices were posted in the incorrect period. This led to overstatement of revenue and receivable from exchange transactions by R121 000.

30.8 Revenue from exchange transaction- Service in kind

In 2021, The expenditure and the related utilisation of the services in kind asset for the free use of properties was miscalculated resulting into understatement of revenue from non-exchange (service in kind) and expenditure (service in kind) respectively by R25 638 229.

In 2021, two employees from persal were omitted from the service in kind, resulting in understatement of revenue from non- exchange (Service in kind) and expenditure respectively by R2 264 298,00

This led to total understatement of service in kind revenue and expenditure by R27 902 527.

30.9 Other Income

In 2021, the discount received were incorrectly classified as cost of sales and resulted into understatement of other income and cost of sales, respectively by R84 986.25

30.10 Interest income

No adjustment in 2021

30.11 Cost of Sales

Management did not assess useful lives and residual values in the previous years. This led to qualification of property, plant of equipment for at least three years. This led to overstatement of depreciation for assets in production in 2021 by R970 197.

In 2021, The expenditure and the related utilisation of the services in kind asset for the free use of properties was miscalculated resulting into understatement of revenue from non-exchange (service in kind) and expenditure (service in kind) respectively by R25 638 229

In 2021, the discount received were incorrectly classified as cost of sales and resulted into understatement of other income and cost of sales, respectively by R84 986.25

In 2021, invoices were posted in the incorrect period. This led to overstatement of cost of sales and inventory by R19 409

In 2021, employee cost for factory workers was incorrectly classified as employee cost R86 721 670. This led to understatement of cost of sales and overstatement of expenses by R86 721 670

SUPPORTED EMPLOYMENT ENTERPRISES
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ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 MARCH 2022

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

30 Prior-year adjustments (continued)

In 2021, The opening and closing balance in the calculation of Cost of sales were overstated by the inclusion of Work-in- Progress and Raw material in state of including the opening and closing balance of Finished Goods only. The manufacturing overheads were not split between fixed and variable overheads and they were further not systematically allocated based on appropriate allocation base as required by GRAP 12. The salaries and wages relating to abnormal idle time were incorrectly included in the calculation of cost of sales. This led to overstatement of by R104 057 784. The R104 057 784 includes adjustments for Work in progress (R1 644 391), Idle time (R85 473 280), labour recoveries (- R3 954 279) under or over recovery of costs (R15 818 573) and variable costs adjustments (R5 075 818)

30.12 Finance cost

In 2021, finance cost was incorrectly calculated. This led to understatement of finance lease liability and finance cost by R6 884

30.13 Operating expenses

In 2021, two employees from persal were omitted from the service in kind, resulting in understatement of revenue from non- exchange (Service in kind) and expenditure respectively by R2 264 298,00

Depreciation on leased assets was incorrectly calculated. This led to overstatement of depreciation and understatement of property, plant and equipment by

R7 340

Management did not assess useful lives and residual values in the previous years. This led to qualification of property, plant of equipment for at least three years. This led to overstatement of depreciation for assets not in production in 2021 by R1 814 255.

In 2021, assets were incorrectly classified as canteen expenses. This led to understatement and overstatement of property, plant and equipment and expenses by 22 093 respectively. Depreciation due to incorrect classification was understated by R4 833. This led to overstatement of property, plant and equipment by R4 833

In 2021, rental expenses for 2020 were not reversed in 2021. This led to overstatement of payables and expenses by R133 869

In 2021, staff welfare and OHS expenses were overstated by R21 804. This led to overstatement of payables and expenses

In 2021, employee cost of for factory workers was incorrectly classified as employee cost R86 721 670. Overstatement of expenses by R86 721 670

In 2021, The manufacturing overheads were not split between fixed and variable overheads and they were further not systematically allocated based on appropriate allocation base as required by GRAP 12. This resulted on understatement of expenses for over and under recoveries by R17 180 699

The salaries and wages relating to abnormal idle time were incorrectly included in the calculation of cost of sales. This led to understatement of expenses (idle time) by R84 672 267.

30.14 Grant income

In 2021, Management incorrectly classified received grant as a conditional grant liability when it did not meet the conditional grant liability definition, that resulted in an understatement of revenue from exchange transactions- conditional grant and an overstatement of conditional grant liability by R 20 479 911.17 respectively.

30.15 Revenue from exchange transactions - Grant income

In 2021, Management incorrectly classified received grant as a conditional grant liability when it did not meet the conditional grant liability definition, that resulted in an understatement of revenue from exchange transactions- conditional grant and an overstatement of conditional grant liability by R 20 479 911.17 respectively.

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30 Prior-year adjustments (continued)

30.16 Receivables from non-exchange transactions

The overpayment of suppliers for amount of R1 092 000 was incorrectly classified as current assets in the previous year. There are no repayment terms, therefore amount is not expected to be received within 12 months.

STATEMENT OF FINANCIAL POSITION				
2020/21	NOTE	AS PREVIOUSLY REPORTED R	CORRECTION OF ERROR R	RESTATED R
Inventories		67 981 947	(446 605)	67 535 342
Receivables from exchange transactions		10 880 157	(874 423)	10 005 734
Property Plant and Equipment (excluding estimates)		77 650 070	12 703 191	90 353 261
Finance lease obligation		(145 974)	(78 014)	(223 988)
Payables from exchange transactions		(13 720 099)	155 673	(13 564 426)
Accumulated surplus (excluding estimates)		(151 765 900)	(32 010 876)	(183 776 776)
Conditional grants		(20 479 911)	20 479 911	-
		(29 599 710)	**(71 143)**	**(29 670 853)**

STATEMENT OF FINANCIAL PERFORMANCE				
2020/21	NOTE	AS PREVIOUSLY REPORTED R	CORRECTION OF ERROR R	RESTATED R
Revenue from exchange transactions		(41 865 234)	121 000	(41 744 234)
Revenue from exchange transactions- Service in kind		(6 076 141)	(28 884 620)	(34 960 761)
Revenue from exchange transactions- Conditional Grant income		(22 363 648)	(20 479 911)	(42 843 559)
Other Income		(62 541)	(84 987)	(147 528)
Interest income		(1 010 269)	-	(1 010 269)
Cost of sales		67 452 864	16 548 221	84 001 085
Movement of NRV		589 306	4 657 186	5 246 492
Operating expenditure		149 910 123	5 497 569	155 407 692
Surplus for the year		**146 574 460**	**(22 625 542)**	**123 948 918**

CASH FLOW STATEMENT				
2020/21	NOTE	AS PREVIOUSLY REPORTED R	CORRECTION OF ERROR R	RESTATED R
Change in cash from operating activities		50 873 357	542 991	51 416 348
Change in cash flow from investing activities		(24 924 500)	(607 868)	(25 532 368)
Change in Cash flow from financing activities		(21 856)	64 876	43 020

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31. 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 risk to liquidity is 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.

AT 31 MARCH 2022	LESS THAN 1 YEARS R	2 YEARS R		TOTA R
Finance lease oblication	25 326		-	25 326
Payables form exchange transactions	17 867 009		-	17 867 009
At 31 March 2022	**Less than 1 year**			**Total**
Finance lease oblication	124 810	28 048	-	152 858
Payables form exchange transaction	13 564 426		-	13 564 426

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The entity only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

FINANCIAL ASSETS EXPOSED TO CREDIT RISK AT YEAR END WERE AS FOLLOWS:	2021/22	2020/21
Cash and cash equivalent	21 610 664	29 197 312
Receivables from exchange transactions	8 485 418	10 005 741
Receivables from non-exchange transactions	1 092 000	1 092 000

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31. Risk management (continued)

Trade receivables that have been impaired and provided amounting to R14 713 694 as 31 March 2022 (2021: R13 571 463) 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 IS AS FOLLOWS:	2021/22 R	2020/21 R
Current (0-30 days)	29 808	-
31-60 Days	137 411	-
61-90 days	3 146	213 451
91-120 days	157 153	2 208 871
Greater than 120 days	14 386 170	11 149 141
	14 713 688	**13 571 463**

DEBTORS PAST DUE, NOT IMPARED:	2021/22 R	2020/21 R
0 - 30 days	7 953 827	10 152 011
31 - 60 days	22 535	472 485
61 - 90 days	30 582	(13 640)
91 - 120 days	-	-
Greater than 120 days	-	-
	8 006 944	**10 610 856**

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 2022 is 10.25% (2021: 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:

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31. Risk management (continued)

	2021/22 R	INTEREST RATE	2020/21 R	INTEREST RATE
Cash and cash equivalent	21 610 664	3,5%	29 197 312	3.5%
Receivables from exchange transactions (Excludingpre-payments)	8 485 418		10 005 741	10.25%
Receivables from non-exchange transactions	1 092 000	0%	1 092 000	0%
Finance lease obligation	223 988	10.35%	152 858	10.35%
Payables from exchange transactions	17 867 009	Depends on a supplier contracts	13 564 426	Depends on a supplier contracts
Subtotal	**49 279 079**		**54 012 337**	

32. Going concern

We draw attention to the fact that at 31 March 2022, the entity had an accumulated surplus of R 162 783 607 and that the entity's total liabilities exceed its assets by R 162 783 607.

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.

Going concern assessment

We draw attention to the fact that at 31 March 2022, the entity had an accumulated surplus of R162 783 607 and that the entity's total assets exceed its liabilities by R162 783 607.

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32. Going concern (continued)

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 79 years.
- The entity is funded through National Treasury Grant Allocation as well as revenue generated from sale of goods and services. In the financial year under review, National Treasury grant allocation amounts to 85% of the entity revenue and 15% from sales.
- Total assets of R180 982 573 exceeds total liabilities of R18 198 959. Entity does not have non-current liabilities.
- Current assets of R93 556 835 exceeding current liabilities of R18 198 959.

Although the entity had a decline in sales revenue of 32% from prior year sales, the entity continued to receive the grant allocation amounting to R162 266 million and the total revenue generated for the entity amounted to R192 635 666 for 2021/2022 financial year. The entity is still pursuing provincial departments of both Health and Education to participate in the existing MOUs with both National Departments of Health and Education ending in 2025, to augment current budget sales revenue. The current MOU Western Cape Provincial Health Department is in its third year of the contract and is anticipated to increase entity's sales for 2022/2023 financial year.

SEE is impacted by the global market trade through it use of steel and gas in its operations. The current global developments emanating from the European region have worsened the local trades for the entity subsequent to collapse of operations in wood and steel sections due to COVID-19 global pandemic. Notwithstanding these developments, the entity continued to operate and is anticipated to continue operations for the next 12 months.

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.

33. Events after the reporting date 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).

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).

Subsequent events assessment

SEE still had to comply to COVID-19 regulations in 2021/2022 financial year. As at the reporting date the country was still under lockdown and between the reporting date and submission of the annual financial statements date there were no adjusting event identified due to COVID-19 regulations. The financial impact of COVID-19 still cannot be reliably determined for SEE as the entity does not have any sales orders cancelled due to COVID-19, to be directly linked to revenue losses/decrease. Nonetheless, the reality COVID-19 pandemic as well as developments in the European region still has direct impact on the entity's operations.

As part of the 2021/2022 SACTWU and SEE salary negotiations, the entity had to implement a closure of Durban factory to allow for the affordability of the salary increments for the factory workers. The factory earmarked to be closed in 2022/2023 financial year with factory workers to be terminated by 30 April 2022 and hand over of the factory to DPWI earmarked to be completed by 31 May 2022.The discontinuing of the Durban Factory is not considered to be an adjusting event.

Conclusion

Based on the assessment above, the closure of Durban factory and the impact of COVID-19 global pandemic is still considered non-adjusting event with no financial impact in the annual financial statements for the year 2021/2022. There were no other non-adjusting and no adjusting events identified by management.

SUPPORTED EMPLOYMENT ENTERPRISES
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ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 MARCH 2022

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

34. Fruitless and wasteful expenditure

	2021/22 R	2020/21 R
Opening balance as previously reported	1 086 198	1 313 014
Add: Correction of prior period error	-	30 051
Add: Fruitless and wasteful expenditure identified - current	670 000	859 133
Less: Amount recoverable - current	-	(1 092 000)
Less: Amounts recovered	-	(24 000)
Closing balance	**1 756 198**	**1 086 198**

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

Details of fruitless and wasteful expenditure		
Interest of overdue accounts	-	8 130
SARS Penalty	-	-
SARS interest	-	12 968
Overpayment to suppliers	-	-
Losses	-	838 035
Municipal late payments	2 075	
Traffic fines	2 346	-
TV licence dispute	1 298	-
Inventory Theft and Losses	575 938	-
Penalty fees for late delivery of goods	88 343	-
	670 000	**859 133**

35. Irregular expenditure

Opening balance as previously reported	13 669 192	11 149 687
Correction of prior period error	-	790 430
Opening balance as restated	**13 669 192**	**11 940 117**
Add: Irregular Expenditure - current	357 361	1 729 075
Closing balance	**14 026 553**	**13 669 192**

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

Details of irregular expenditure:		
Hygiene services	1 182	19 259
Internet services	356 179	459 413
Waste management	-	8 236
Local content	-	1 242 167
	357 361	**1 729 075**

SUPPORTED EMPLOYMENT ENTERPRISES
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ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 MARCH 2022

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

36. Budget differences

Material differences between budget and actual amounts

Sale of goods

The entity did not receive the all the orders that were anticipated for 2021/2022 financial year hence actual sales are lower than budgeted sales

Rendering of services

These are the transport cost charged to customers that were not anticipated.

Revenue from services in kind

This is the revenue from services in kind that was not budgeted as per details disclosed as per note 23.

Commissions received

The commission income is lower than budgeted due to the reduction of employees that are contributing to third parties that are giving us the commission.

Canteen revenue

The canteens for SEE were not utilised as anticipated because of the COVID-19 restrictions and the idling of the factories.

Grant income

The budgeted revenue for grant income was not realised due ti the incorrect classifition of grant income in the prior as conditional grant income.

Transfers and sponsorship

The grants was received as per allocation.

Interest received

The interest received is lower than budgeted due to the unfavourable movement in the bank balance.

Employee cost

The actual employee cost is lower than the budget due to the vacancies under the administration establishment and also the terminations relating to factory workers.

Depreciation and amortisation

Depreciation and amortisation is lower than the budget because of the assessment of useful lives that affected the useful lives of the assets as well as assets that have not depreciated as they were not ready for use as intended by management.

Impairment loss and the reversal of impairment

Impairment loss was not budgeted for due the reassessment of the useful lives on property plant and equipment.

Finance costs

The reduction in finance cost is due to the reduction of interest to suppliers for late payments. Mostly now it is relating to the finance lease for printing machines.

Lease rentals on operating lease

The lease rental on operating leases is lower than the budget because of the straight line recognition of the lease and the reversal of the prior year accrual.

Allowance for debt impairment

Year end calculation that was not anticipated.

Discount received

Due to negotiations between SEE and service providers.

SUPPORTED EMPLOYMENT ENTERPRISES
TRADING AS SERVICE PRODUCTS

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 MARCH 2022

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

36. Budget differences (continued)

General Expenses

The increase in general expense is caused by the increase in the operating expenses and also the cost of production that were not anticipated such as the expenditure on services in kind.

Cost of sales adjustments

Consideration of over and under recovery in calculation of cost of sales and inventory.

37. Grants income

	2021/22 R	2020/21 R
Grant income	184 511	42 843 559

38. Change in estimate

Property, plant and equipment

Management did not assess useful lives and residual values in the previous years. This led to qualification of property, plant and equipment for at least three years

This led to misstatement of opening balance of property, plant and equipment in 2021 by R10 051 286 and depreciation in 2021 by R2 784 452

The total understatement of property, plant and equipment is R12 835 738. The impact on the cash flow statement is R0.00

It is impracticable to determine the impact of the future periods because most of assets were already fully depreciated

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ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 MARCH 2022

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

39. Other Operating Expenses

	2022 R	2021 R
Advertising	40 226	10 500
Auditors remuneration	2 357 312	2 106 483
Debt Impairment	1 142 231	2 946 475
Bank charges	183 586	151 933
Cleaning	3 954	40 101
Cost of Sale Adjustment	2 320 343	1 602 393
Consulting and professional fees	986 860	1 450 437
Consumables	(41)	3 659
Depreciation, amortisation and impairments	2 629 657	1 305 923
Employee costs	32 857 428	43 668 691
Entertainment	6 603	7 762
Canteen expenses	107 630	(9 539)
Occupational health and safety expense	250 851	7 040
Internet services	309 780	412 346
Lease rentals on operating lease- Vehicle	528 788	95 364
Loss disposal of assets and liabilities	(2)	(6 316)
Motor vehicle expenses	64 623	62 260
Losses	664 280	838 035
Printing and stationery	51 632	93 600
Repairs and maintenance	545 548	487 825
License fees	-	241 985
Staff welfare	400 671	53 411
Telephone and faxes	511 097	24 191
Training	1 141 462	1 044 855
Travel - local	570 023	-
Service in kind	4 520 623	8 340 439
Abnormal labour idle time	93 369 471	84 684 900
	145 724 229	**149 732 595**

employment & labour

Department:
Employment and Labour
REPUBLIC OF SOUTH AFRICA