PART G
SUPPORTED EMPLOYMENT ENTERPRISES

DEPARTMENT OF EMPLOYMENT AND LABOUR

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) was 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 opportunities for persons with mental and physical disabilities that prevent them from participating in the open labour market due to the nature of their afflictions. Employment of Persons with Disabilities remains the biggest challenge of Employment Equity in South Africa and as such, SEE through priority No 2 of the current Medium Term Strategic Framework has to create 400 additional employment opportunities for Persons with Disabilities.

There are currently 13 factories across the country, located in eight of the nine provinces with Mpumalanga being the only province without a factory. Plans to establish a factory in Mpumalanga were halted due to economic constraints that were further exacerbated by Covid-19 pandemic, once there is full economic recovery and the funding is made available to the entity, it is then that Mpumalanga expansion will be revisited. SEE has three categories in its product portfolio, which comprises of textile, wood and steel. Factories produce textile products such as hospital linen (theatre gowns, protective clothing, bed linen etc.), furniture products (school desks & office furniture) as well as steel products (safes and braai stands). These products are sold to the public and private sector clients as well as to the general members of the public.

OVERVIEW OF THE RESULTS AND CHALLENGES FOR THE YEAR

Supported Employment enterprises' aggressive market penetration strategies to drive organic growth started to pay off as the entity turned around two years of successive sales decline and posted 88% annual increase in sales revenue relative to the previous financial year. The entity's market facing efforts by the Business Development Unit at SEE earned the entity a number of huge sales orders, such as the Western Cape Provincial Health Department's order of hospital linen worth about R34 Million, The North West Provincial Department of Education and Northern Cape Provincial Education Department who collectively ordered over R20 Million worth of school furniture from SEE. In these current changing market dynamics, SEE has adopted a strategy to expand its customer acquisition efforts to the private sector, as its client base is predominantly the public sector.

SEE also delivered on its legislative mandate of creating employment opportunities for Persons with Disabilities as the entity achieved its pre-determined objective of absorbing additional 50 Persons with Disabilities. Even though this drives up SEE salary costs, it is the cost of unemployment that pre-occupies the management of SEE as unemployment means lack of disposable incomes, which translate to lack of economic activity and this retards economic growth.

The pre-determined target on new agreements concluded is the only target that the entity fell short on achieving as the total signed MOUs were four against the target of seven. The challenge was the delay in obtaining all required documents from two prospective clients and the withdrawal by one client from the agreement. The plan is to sign MOUs with private sector clients to optimize sales revenue output for SEE as well as to ensure consistent financial liquidity for the entity.

The entity's biggest challenge is the underfunded mandate where 94.8% of the transfer payment to SEE goes to salaries of both administrative and factory employees. The minimal balance thereof is expected to cover the cost of raw materials used in production, the cost of maintaining machinery in all 13 factories across the country as well as other operational costs. SEE's further challenge is that it operates in a highly competitive market landscape that demands business fundamentals. These are agility, flexibility, sound judgment and effectiveness. However, the reality that the entity sits within a government space means that by default the entity is subjected to stringent government procurement prescripts, which were designed for government departments as end users and not necessarily for an entity such as SEE, which converts stock into finished products in order to sell them to generate sales revenue.

The ultimate objective for the entity is to obtain its legal status which is being dealt with through the Employment Services Bill that is currently before parliament and upon the completion of ratifying the Bill, the entity will then be able to build a framework that will define and guide its governance, trading identity and how it responds to market dynamics.

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 135 are suitably filled to support the 12 factories as the Durban factory is closed for refurbishment. 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 948 Persons with Disabilities employed under the Basic Condition of Employment Services Act and are spread across the 12 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 01/04/2022	ADDITIONAL EMPLOYMENT AS AT 31/03/2023	TERMINATIONS AS AT 31/03/2023	TOTAL AS AT 31/03/2023
All factories	1 014	50	116	948

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	-	-	-	-	-	-	Closed for refurbishment
	Pietermaritzburg	54	2	4	21	46	35	81
Eastern Cape	East London	45	7	1	17	25	45	70
	Port Elizabeth	35	13	1	20	36	33	69
Northern Cape	Kimberley	35	30	1	7	26	47	73
Western Cape	Ndabeni	48	43	1	42	52	82	134
	Epping	48	53	1	5	31	76	107
North West	Potchefstroom	30	5	0	7	20	22	42
Limpopo	Seshego	43	0	0	0	22	21	43
Gauteng	Pretoria	63	2	0	34	37	62	99
	Rand	56	14	0	32	62	40	102
	Springfield	40	15	0	15	21	49	70
TOTAL		**529**	**184**	**9**	**226**	**401**	**547**	**948**

SEE FACTORY EMPLOYEES WAGES PER SALARY LEVEL

POST LEVEL	2018/2019 WAGES R	INCREASE 5.3% R	2019/2020 WAGES R	2020/2021 0% R	INCREASE 1.5% R	2021/2022 WAGES R	2022/2023 WAGES R
6	6 410.79	3 39.77	6 750.56	6 750.56	1 01.26	6 851.82	6 851.82
5	5 882.24	3 11.76	6 194.00	6 194.00	92.91	6 286.91	6 286.91
5	5 763.81	3 05.48	6 069.29	6 069.29	91.04	6 160.33	6 160.33
4	5 645.38	2 99.21	5 944.58	5 944.58	89.17	6 033.75	6 033.75
4	5 526.95	2 92.93	5 819.88	5 819.88	87.30	5 907.18	5 907.18
3	5 408.52	2 86.65	5 695.17	5 695.17	85.43	5 780.60	5 780.60
2	5 290.08	2 80.37	5 570.45	5 570.45	83.56	5 654.01	5 654.01
1	5 171.66	2 74.10	5 445.76	5 445.76	81.69	5 527.45	5 527.45
1	5 053.27	2 67.82	5 321.09	5 321.09	79.82	5 400.91	5 400.91

Please note that there was no increase in real terms due to SEE's deficit budget, the only adjustment was to convert the gratuity of 7.5% that pre-existed in the last financial year to a 6.5% permanent feature on the salaries of factory employees and a further 1% employer contribution to their provident fund as a current collective bargaining arrangement with the trade union.

OVERVIEW OF THE FINANCIAL RESULTS OF THE SEE

The SEE budget comprises of a transfer from the Department 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 2022/2023 amounted to R166 486 000 which amounts to 66.1% of SEE revenue. Remaining 25% was generated through conversion of the current MOU to revenue largely with the 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 with the 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 result of direct material, direct labour and variable/fixed costs. The entity aims to embark on cost conversion analysis in 2023/2024 financial year to ensure costs allocation is addressed adequately through SYSPRO enhancement project. Procurement of raw material remains a challenge in cutting down expenses.

SUPPORTED EMPLOYMENT ENTERPRISES REVENUE

RECEIPTS	2022/23			2021/22		
	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	60 927 353	53 711 389	7 215 964	41 884 301	28 647 993	13 236 308
Transfer Grant	166 486 000	166 486 000	-	162 271 000	162 266 000	5 000
Interest, dividends and rent on land	1 190 000	2 602 882	-1 412 882	1 563 957	1 536 862	27 095
Services in Kind	-	28 766 052	-28 766 052	-	32 542 015	-32 542 015
Conditional Grant Income	17 225 314	-	17 225 314	20 479 911	184 511	20 295 400
Sale of capital assets	-	96 314	-96 314	-	-	-
TOTAL	**245 828 667**	**251 662 637**	**-5 833 970**	**226 199 169**	**225 177 381**	**1 021 788**

* Sale of capital assets was not anticipated/budgeted for the 2022/23 financial year

REASONS FOR VARIANCES ON CURRENT YEAR VERSUS PRIOR YEAR ACTUALS

TOTAL REVENUE RECEIVED	2022/23	2021/22	VARIANCE	VARIANCE	REASONS FOR VARIANCES
	R	R	R	%	
Sale of goods and services other than capital assets	53 807 703	28 647 993	25 159 710	88%	More sales orders received for 2022/2023.
Transfer Grant	166 486 000	162 266 000	4 220 000	3%	Transfer baseline increase
Interest, dividends and rent on land	2 602 882	1 536 862	1 066 020	69%	Increase due to higher interest earn on cash excess as well as interest charged on trade debtors
Services in Kind	28 766 052	32 542 015	-3 775 963	-12%	Decreased based on service in kind relating to administrative officials not paid under DEL
Conditional Grant Income	-	184 511	-184 511	-100%	No conditional grant received in 2022/2023
Sale of capital assets	96 314	-	96 314	0%	Sale on disposal of assets relating to Durban Factory closure.

SUPPORTED EMPLOYMENT ENTERPRISES EXPENDITURE

PROGRAMME NAMES	2022/23			2021/22		
	BUDGET	ACTUAL EXPENDITURE	(OVER)/UNDER EXPENDITURE	BUDGET	ACTUAL EXPENDITURE	(OVER)/UNDER EXPENDITURE
	R	R	R	R	R	R
Factory Salaries	109 811 245	95 347 777	14 463 468	114 459 773	124 033 642	-9 573 869
Administrative Salaries	68 261 674	62 498 111	5 763 563	61 166 393	32 857 428	28 308 965
Manufacturing Costs	-	71 153 451	-71 153 451	-	39 393 510	-39 393 510
Operational Cost	53 018 956	39 181 227	13 837 729	69 145 250	49 370 745	19 837 505
TOTAL	**231 091 875**	**268 180 566**	**-37 088 691**	**244 771 416**	**245 592 325**	**-820 909**

INFORMATION ON IRREGULAR EXPENDITURE

RECONCILIATION OF IRREGULAR EXPENDITURE

DESCRIPTION	2022/2023	2021/2022
	R	R
Opening balance	14 026 553.00	13 669 192.00
Add: Irregular expenditure confirmed	228 954.00	357 361.00
Less: Irregular expenditure condoned	-	-
Less: Irregular expenditure not condoned and removed	-	-
Less: Irregular expenditure recoverable	-	-
Less: Irregular expenditure not recovered and written off	-	-
Closing balance	**14 255 507.00**	**14 026 553.00**

RECONCILING NOTES TO THE ANNUAL FINANCIAL STATEMENT DISCLOSURE

DESCRIPTION	2022/2023	2021/2022
	R	R
Irregular expenditure that was under assessment in 2021/2022		-
Irregular expenditure that relates to 2021/22 and identified in 2022/23		-
Irregular expenditure for the current year	228 954.00	357 361.00
TOTAL	**228 954.00**	**357 361.00**

B) DETAILS OF CURRENT AND PREVIOUS YEAR IRREGULAR EXPENDITURE (UNDER ASSESSMENT, DETERMINATION, AND INVESTIGATION)

DESCRIPTION	2022/2023	2021/2022
	R	R
Irregular expenditure under assessment	-	-
Irregular expenditure under determination	6 420 000.00	-
Irregular expenditure under investigation	5 646.00	-
TOTAL	**6 425 646.00**	**-**

C) DETAILS OF CURRENT AND PREVIOUS YEAR IRREGULAR EXPENDITURE CONDONED

DESCRIPTION	2022/2023	2021/2022
	R	R
Irregular expenditure condoned	-	-
TOTAL	**-**	**-**

D) DETAILS OF CURRENT AND PREVIOUS YEAR IRREGULAR EXPENDITURE REMOVED - (NOT CONDONED)

DESCRIPTION	2022/2023	2021/2022
	R	R
Irregular expenditure NOT condoned and removed	-	-
TOTAL	**-**	**-**

E) DETAILS OF CURRENT AND PREVIOUS YEAR IRREGULAR EXPENDITURE RECOVERABLE

DESCRIPTION	2022/2023	2021/2022
	R	R
Irregular expenditure recovered	-	-
TOTAL	**-**	**-**

F) DETAILS OF CURRENT AND PREVIOUS YEAR IRREGULAR EXPENDITURE NOT RECOVERABLE AND WRITTEN OFF (IRRECOVERABLE)

DESCRIPTION	2022/2023	2021/2022
	R	R
Irregular expenditure written off	-	-
TOTAL	**-**	**-**

ADDITIONAL DISCLOSURE RELATING TO INTER-INSTITUTIONAL ARRANGEMENTS

DESCRIPTION
None
TOTAL

G) DETAILS OF NON-COMPLIANCE CASES WHERE AN INSTITUTION IS INVOLVED IN AN INTER-INSTITUTIONAL ARRANGEMENT (WHERE SUCH INSTITUTION IS NOT RESPONSIBLE FOR THE NON-COMPLIANCE)

DESCRIPTION	2022/2023	2021/2022
	R	R
None	-	-
TOTAL	**-**	**-**

I) DETAILS OF CURRENT AND PREVIOUS YEAR DISCIPLINARY OR CRIMINAL STEPS TAKEN AS A RESULT OF IRREGULAR EXPENDITURE

DESCRIPTION	2022/2023	2021/2022
	R	R
None	-	-
TOTAL	**-**	**-**

INFORMATION ON FRUITLESS AND WASTEFUL EXPENDITURE

RECONCILIATION OF FRUITLESS AND WASTEFUL EXPENDITURE

DESCRIPTION	2022/2023	2021/2022
	R	R
Opening balance	1 756 198.00	1 086 198.00
Add: Fruitless and wasteful expenditure confirmed	1 196 823.00	670 000.00
Less: Fruitless and wasteful expenditure Written off	-	-
Less: Fruitless and wasteful expenditure recoverable	-	-
Closing balance	**2 953 021.00**	**1 756 198.00**

RECONCILIATION OF FRUITLESS AND WASTEFUL EXPENDITURE

DESCRIPTION	2022/2023	2021/2022
	R	R
Fruitless and wasteful expenditure that was under assessment in 2021/2022		-
Fruitless and wasteful expenditure that relates to 2021/22 and identified in 2022/23		-
Fruitless and wasteful expenditure for the current year	1 196 823.00	670 000.00
TOTAL	**1 196 823.00**	**670 000.00**

B) DETAILS OF CURRENT AND PREVIOUS YEAR FRUITLESS AND WASTEFUL EXPENDITURE (UNDER ASSESSMENT, DETERMINATION, AND INVESTIGATION)

DESCRIPTION	2022/2023	2021/2022
	R	R
Fruitless and wasteful expenditure under assessment	-	-
Fruitless and wasteful expenditure under determination	-	-
Fruitless and wasteful expenditure under investigation	1 092 000.00	-
TOTAL	**1 092 000.00**	**-**

C) DETAILS OF CURRENT AND PREVIOUS YEAR FRUITLESS AND WASTEFUL EXPENDITURE RECOVERED

DESCRIPTION	2022/2023	2021/2022
	R	R
Fruitless and wasteful expenditure written off	-	-
TOTAL	**-**	**-**

D) DETAILS OF CURRENT AND PREVIOUS YEAR FRUITLESS AND WASTEFUL EXPENDITURE NOT RECOVERED AND WRITTEN

DESCRIPTION	2022/2023	2021/2022
	R	R
Fruitless and wasteful expenditure recovered	-	-
TOTAL	**-**	**-**

E) DETAILS OF CURRENT AND PREVIOUS YEAR DISCIPLINARY OR CRIMINAL STEPS TAKEN AS A RESULT OF FRUITLESS AND WASTEFUL EXPENDITURE

DISCIPLINARY STEPS TAKEN	2022/2023	2021/2022
	R	R
None	-	-
TOTAL	**-**	**-**

INFORMATION ON SUPPLY CHAIN MANAGEMENT

PROCUREMENT BY OTHER MEANS

PROJECT DESCRIPTION	NAME OF SUPPLIER	TYPE OF PROCUREMENT BY OTHER MEANS	CONTRACT NUMBER	VALUE OF CONTRACT R
Blanket Wool Type	Ahlesa Blankets PTY LTD	Limited bidding	N03511	1 595 000,00
Fabric Cotton Sheeting P48	Da Gama Textiles	Limited bidding	N03526	108 215,00
Fabric Cotton Type F56	Da Gama Textiles	Limited bidding	F03141	195 725,40
Fabric Towelling	Colibri Towelling Western Cape (PTY) LTD	Limited bidding	J01850	997 640,00
Fabric Cotton Sheeting	Da Gama Textile	Limited bidding	M07296	1 740 306,50
Fabric Drill J54 Royal Blue Without Logo 150 cm Wide	Da Gama Textiles	Limited bidding	N03540	430 440.00
Fabric TCC	Da Gama Textiles	Limited bidding	N03543	87 900,00
Cotton Sheeting P48	Da Gama Textiles	Limited bidding	I05104	117 625,00
Cotton Sheeting P48	Da Gama Textiles	Limited bidding	M07241	397 093,60
Fabric Toweling	Colibri Toweling Western Cape (PTY) LTD	Limited bidding	J01825	624 834,00
Fabric Toweling	Colibri Toweling Western Cape (PTY) LTD	Limited bidding	J01834	63 000,00
Fabric poly cotton type 60	Da Gama Textiles	Limited bidding	B01346	1 408 400,00
Fabric poly cotton type 60	Da Gama Textiles	Limited bidding	K02218	1 408 400,00
TOTAL				**8 744 139,50**

EVENTS AFTER REPORTING DATE

There are no events after the reporting date.

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 entity.

CONCLUSION

In conclusion, I hereby submit the Supported Employment Enterprises Annual Report for the period ended 31 March 2023.

APPROVAL AND SIGN OFF

The Accounting Officer hereby approves the Annual Financial statements for the 2022/2023 financial year.

T LAMATI

DIRECTOR-GENERAL: EMPLOYMENT AND LABOUR

Date: 30/08/2023

SEE PERFORMANCE INFORMATION OVERVIEW

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.

BUSINESS UNITS

- **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

ACHIEVEMENT OF INSTITUTIONAL IMPACTS AND OUTCOMES

STRATEGIC OUTCOME ORIENTED GOALS

PROGRESS TOWARDS ACHIEVEMENT OF INSTITUTIONAL IMPACTS AND OUTCOMES

IMPACT STATEMENT	A labour market which is conducive to decent employment

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

PRIORITY 2: ECONOMIC TRANSFORMATION AND JOB CREATION

MTSF OUTCOME	DEPARTMENTAL OUTCOME	OUTCOME INDICATOR	FIVE YEAR TARGET	SEE'S FIVE YEAR TARGET	ACTUAL ACHIEVEMENTS YEAR 1-3	REASONS FOR DEVIATION FOR YEAR UNDER REVIEW	IMPLEMENTING PROGRAMME
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	2020/21 Achieved - 25 additional persons with disabilities employed in the SEE factories by the end of March 2021 2021/22 Achieved 26 additional persons with disabilities employed in the SEE factories by the end of March 2022 2022/23 Achieved 50 additional persons with disabilities employed in the SEE factories by the end of March 2023	N/A	SEE
				To increase revenue to 40% by 2025	2020/21 Not achieved -67% Actual sales R41 865 234 against last year's sales of R128 122 846	Insufficient orders received from government Departments due to reprioritisation of expenditure areas by government Departments as a result of Covid-19	SEE
					2021/22 Not achieved -33% decline in sales	Negative variance, Order of 52 million in total from N/West Provincial Education Dept. was amended causing delays for delivery in Q4	
					2022/23 Achieved 88% annual increase in revenue from sales of goods and services were achieved by the end of March 2023	Better, than expected sales revenue achieved due to contracts from NC DoE and NWDE for school furniture	

MTSF OUTCOME	DEPARTMENTAL OUTCOME	OUTCOME INDICATOR	FIVE YEAR TARGET	SEE'S FIVE YEAR TARGET	ACTUAL ACHIEVEMENTS YEAR 1-3	REASONS FOR DEVIATION FOR YEAR UNDER REVIEW	IMPLEMENTING PROGRAMME
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)	Increase SEE's market share	2020/21 Achieved 3 customer agreements entered into by the end of March 2021 2021/22 Achieved 6 customer agreements entered into by the end of March 2021 2022/23 Not achieved 4 customer agreements entered into by the end of March 2023	Withdrawal from the agreement by 1 customer and 1 costumer also delayed to sign contract, while two contracts could not be concluded due to delays in negotiations. Delayed submission of required documents from prospective clients as well as the lengthy internal legal vetting process	SEE

PERFORMANCE INDICATORS

OUTCOME	OUTPUT	OUTPUT INDICATOR	AUDITED ACTUAL PERFORMANCE 2020/2021	AUDITED ACTUAL PERFORMANCE 2021/2022	PLANNED ANNUAL TARGET 2022/2023	ACTUAL ACHIEVEMENT 2022/2023	DEVIATION FROM PLANNED TARGET TO ACTUAL ACHIEVEMENT 2022/2023	REASONS FOR DEVIATIONS
Number of additional persons with disabilities employed in the SEE factories by the end of March	Employment Services Act and recruitment and selection strategy for PWDs implemented	Number of additional persons with disabilities employed in the SEE factories by the end of March	Achieved 25 additional persons with disabilities employed in the SEE factories by the end of March 2021	Achieved 26 additional persons with disabilities employed in the SEE factories by the end of March 2021	50 additional persons with disabilities employed in the SEE factories by the end of March 2023	50 additional persons with disabilities employed in the SEE factories by the end of March 2023	None	N/A
Increase sales revenue	Financial viability increased and sustained	% annual increase of sales revenue from goods and services by the end of March	Not achieved -67% Actual sales R41 865 234 against last year's sales of R128 122 846	Not achieved -33% decline in sales	10% annual increase of sales revenue from goods and services by the end of March 2023	88% annual increase in revenue from sales of goods and services were achieved by the end of March 2023	78% over achievement from targeted sales	Better than expected sales revenue achieved due to contracts from NC Doe and NWDE for school furniture.
Increase SEE's market share	SEE's market share increased and sustained	Number of customer agreements entered into annually	Not achieved 2 customer agreements entered into by the end of March 2021	Achieved 6 customer agreements entered into by the end of March 2021	7 customer agreements entered into by the end of March 2023	4 customer agreements entered into by the end of March 2023	3 under achievement from targeted MOUs	Withdrawal from the agreement by 1 customer and 1 costumer also delayed to sign contract, while two contracts could not be concluded due to delays in negotiations

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

ADVERSE OPINION

1. I have audited the financial statements of the Supported Employment Enterprises set out on pages 220 to 257, which comprise the statement of financial position as at 31 March 2023, 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, because of the significance of the matters described in the basis for adverse opinion section of this auditor's report, the financial statements do not present fairly, in all material respects, the financial position of the Supported Employment Enterprises as at 31 March 2023, and 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 ADVERSE OPINION

INVENTORIES AND COST OF SALES

3. I was unable to obtain sufficient appropriate audit evidence that the 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 the entity did not maintain complete and accurate records for production times. Furthermore, the standard rates used in the valuation of inventories could not be substantiated by supporting audit evidence. I could not confirm the production times by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to:
   - » Inventories stated at R71 183 496 (2022: R68 323 167) in note 2 to the financial statements
   - » Cost of sales stated at R71 153 452 (2022: R39 393 510) in note 13 to the financial statements.
   - » Abnormal labour idle time stated at R87 783 462 (2022: R120 005 068) in note 37 to the financial statements.
   - » Under or over recovery fixed overheads stated at R33 368 244 (2022: R36 477 229) in note 37 to the financial statements
   - » Under/over recovery variable overheads stated at R7 848 759 (2022: R158 712) in note 37 to the financial statements.

4. Additionally, cost of sales was not accounted for in accordance with the requirements of GRAP 12, *Inventories*, as transport costs for the distribution of finished goods to customers was incorrectly included in cost of sales. Consequently, cost of sales was overstated and operating expenses were understated by R5 377 897 (2022: R499 955) in the financial statements. There was an impact on the surplus for the period and on the accumulated surplus.

OPERATING EXPENSES

5. Operating expenses were not accounted for in accordance with GRAP 1, *Presentation of Financial Statement,* as some of the expenditure incurred in the current year was not recorded in the accounting records. Consequently, operating expenses were understated by R3 674 703 in the financial statements.

RECEIVABLES FROM EXCHANGE TRANSACTIONS

6. During 2021-22, receivables from exchange transactions was not accounted for 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 485 418 in note 3 of the financial statements as it was impractical to do so. My opinion on the financial statements for the period ended 2021-22 was modified accordingly. My opinion on the current year financial statements is also modified because of the possible effect of this matter on the comparability of the receivables from exchange transactions for the current period.

PAYABLES FROM EXCHANGE TRANSACTIONS

7. During 2021-22, payables from exchange transactions were not accounted for in accordance with GRAP 1, *Presentation of financial statement.* The deposits received were not allocated to debtors' accounts after deliveries were made. Consequently, receivables from exchange transactions and payables from exchange transactions were overstated by R4 129 333. My opinion on the financial statements for the period ended 2021-22 was modified accordingly. My opinion on the current year financial statements is also modified because of the possible effect of this matter on the comparability of the payable from exchange transactions for the current period.

CONTINGENCIES

8. Contingent liabilities were not properly accounted for in accordance with GRAP 19, *Provisions, contingent liabilities and contingent assets*, due to long service awards that were disclosed as contingencies. Consequently, the contingent disclosed in note 27 was overstated and employee related costs as well as provisions was understated by R42 127 547 (2022: R44 070 809).

PROPERTY, PLANT AND EQUIPMENT

9. Property, plant and equipment were not properly accounted for in accordance with GRAP 17, *Property, Plant and Equipment;* as not all assets were recorded in the fixed assets register. I was unable to determine the full extent of the misstatement of property, plant and equipment stated at R84 005 783 in the statement of financial position as it was impractical to do so.

CONTEXT FOR 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 responsibilities of the auditor-general 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 adverse opinion.

OTHER MATTER

13. I draw attention to the matter below. My opinion is not modified in respect of this matter.

NATIONAL TREASURY INSTRUCTION NOTE NO. 4: PFMA COMPLIANCE AND REPORTING FRAMEWORK OF 2022-23

14. On 23 December 2022 National Treasury issued Instruction Note No. 4: PFMA Compliance and Reporting Framework of 2022-23 in terms of section 76(1)(b), (e) and (f), 2(e) and (4)(a) and (c) of the PFMA which came into effect on 3 January 2023. The PFMA Compliance and Reporting Framework also addresses the disclosure of unauthorised expenditure, irregular expenditure and fruitless and wasteful expenditure (UIFW expenditure). Among the effects of this framework is that irregular and fruitless and wasteful expenditure incurred in previous financial years and not addressed is no longer disclosed in the disclosure notes of the annual financial statements, only the current year and prior year figures are disclosed in note 34 to the financial statements. The movements in respect of irregular expenditure and fruitless and wasteful expenditure are no longer disclosed in the notes to the annual financial statements of the Supported Employment Enterprises. The disclosure of these movements (e.g. condoned, recoverable, removed, written off, under assessment, under determination and under investigation) are now included as part of other information in the annual report of the Supported Employment Enterprises. I do not express an opinion on the disclosure of irregular expenditure and fruitless and wasteful expenditure in the annual report.

RESPONSIBILITIES OF THE ACCOUNTING OFFICER FOR THE FINANCIAL STATEMENTS

15. 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.

16. 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.

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

17. 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.

18. 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

19. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, I must audit and report on the usefulness and reliability of the reported performance against predetermined objectives for selected objective presented in the annual performance report**.** The accounting officer is responsible for the preparation of the annual performance report.

20. I selected the following priority presented in the annual performance report for the year ended 31 March 2023 for auditing. I selected a priority that measures the trading entity's performance on its primary mandated functions and that is of significant national, community or public interest.

OBJECTIVE	PAGE NUMBERS	PURPOSE
Economic transformation and job creation	210 - 212	Provide work opportunities for people with disabilities

21. I evaluated the reported performance information for the selected objective against the criteria developed from the performance management and reporting framework, as defined in the general notice. When an annual performance report is prepared using these criteria, it provides useful and reliable information and insights to users on the trading entity's planning and delivery on its mandate and objectives.

22. I performed procedures to test whether:

- the indicators used for planning and reporting on performance can be linked directly to the trading entity's mandate and the achievement of its planned objectives
- the indicators are well defined and verifiable to ensure that they are easy to understand and apply consistently and that I can confirm the methods and processes to be used for measuring achievements

- the targets can be linked directly to the achievement of the indicators and are specific, time bound and measurable to ensure that it is easy to understand what should be delivered and by when, the required level of performance as well as how performance will be evaluated
- the indicators and targets reported on in the annual performance report are the same as what was committed to in the approved initial or revised planning documents
- the reported performance information is presented in the annual performance report in the prescribed manner
- there are adequate supporting evidence for the achievements reported and for the reasons provided for any over- or underachievement of targets.

23. I performed the procedures for the purpose of reporting material findings only; and not to express an assurance opinion.

24. I did not identify any material findings on the reported performance information of Economic transformation and job creation.

OTHER MATTER

25. I draw attention to the matter below.

ACHIEVEMENT OF PLANNED TARGETS

26. The annual performance report includes information on reported achievements against planned targets and provides explanations for over- and under achievements.

REPORT ON COMPLIANCE WITH LEGISLATION

27. In accordance with the PAA and the general notice issued in terms thereof, I must audit and report on compliance with applicable legislation relating to financial matters, financial management and other related matters. The accounting officer is responsible for the trading entity's compliance with legislation.

28. I performed procedures to test compliance with selected requirements in key legislation in accordance with the findings engagement methodology of the Auditor-General of South Africa (AGSA). This engagement is not an assurance engagement. Accordingly, I do not express an assurance opinion or conclusion.

29. Through an established AGSA process, I selected requirements in key legislation for compliance testing that are relevant to the financial and performance management of the trading entity, clear to allow consistent measurement and evaluation, while also sufficiently detailed and readily available to report in an understandable manner. The selected legislative requirements are included in the annexure to this auditor's report.

30. The material findings on compliance with the selected legislative requirements, presented per compliance theme, are as follows:

ANNUAL FINANCIAL STATEMENT, PERFORMANCE REPORTS AND ANNUAL REPORT

31. Financial statements were not submitted for auditing within two months after the end of financial year, as required by section 40(1) (c) of the PFMA.

32. The annual financial statements submitted for audit 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 Public Finance Management Act (PFMA).

33. Material misstatements of non-current assets, current assets, expenditure, statement of changes in net assets and disclosure items identified by the auditors in the submitted financial statements were corrected and the supporting records were provided subsequently, but the uncorrected material misstatements and supporting records that could not be provided resulted in the financial statements receiving an adverse opinion.

REVENUE MANAGEMENT

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

EXPENDITURE MANAGEMENT

35. Effective steps were not taken to prevent fruitless and wasteful expenditure amounting to R1 196 823, 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 inventory theft and losses.

36. Resources of the entity were not utilised economically, as required by section 38(1)(b) of the PFMA.

CONSEQUENCE MANAGEMENT

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

38. We were 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 due to proper and complete records that were not maintained as evidence to support the investigations into fruitless and wasteful expenditure.

ASSET MANAGEMENT

39. Preventative mechanisms were not in place to eliminate theft of assets, as required by treasury regulation 10.1.1(a)

OTHER INFORMATION IN THE ANNUAL REPORT

40. The accounting officer is responsible for the other information included in the annual report. The other information referred to does not include the financial statements, the auditor's report and those selected objective presented in the annual performance report that have been specifically reported on in this auditor's report.

41. My opinion on the financial statements, the report on the audit of the annual performance report and the report on compliance with legislation, do not cover the other information included in the annual report and I do not express an audit opinion or any form of assurance conclusion on it.

42. My responsibility is to read this other information and, in doing so, consider whether it is materially inconsistent with the financial statements and the selected objectives presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

43. 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

44. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with applicable legislation; however, my objective was not to express any form of assurance on it.

45. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for the adverse opinion and the material findings on compliance with legislation included in this report.

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

47. Preventative controls were not implemented to ensure reliable financial reporting as well as compliance with applicable laws and regulations.

Auditor - General

Pretoria

31 July 2023

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

SUPPORTED EMPLOYMENT ENTERPRISES
TRADING AS SERVICE PRODUCTS

ANNEXURE TO THE AUDITOR'S REPORT

The annexure includes the following:

- the auditor-general's responsibility for the audit
- the selected legislative requirements for compliance testing.

AUDITOR-GENERAL'S RESPONSIBILITY FOR THE AUDIT

PROFESSIONAL JUDGEMENT AND PROFESSIONAL SCEPTICISM

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 objectives and on the trading entity's compliance with selected requirements in key legislation.

FINANCIAL STATEMENTS

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
- conclude on the appropriateness of the 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 trading entity 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

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.

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.

COMPLIANCE WITH LEGISLATION – SELECTED LEGISLATIVE REQUIREMENTS

The selected legislative requirements are as follows:

LEGISLATION	SECTIONS OR REGULATIONS
Construction Industry Development Board Act 38 of 2000 (CIBD Act)	Section 18(1)
Construction Industry Development Board Act: Regulations (CIBD regulations)	Reg. 17, 25(7A)
Framework for the managing of programme performance information (FMPPI)	Chapter 3.2, 3.3,3, 5
National Treasury Instruction 04 of 2015/16	Par. 3.4, 4.1, SBD 6.2
National Treasury Instruction 4A of 2016/17	Par 6
National Treasury Instruction 07 of 2017/18	Par. 4.3
National Treasury SCM Instruction Note 05 2020/21	Par. 1; 2; 4.8; 4.9 & 5.3
Erratum NT Instruction note No 5 of 2020/21	Par. 2
Second amendment NT Instruction No 5 of 2020/21	Par. 1
National Treasury Instruction 11 of 2020/21	Par. 3.1; 3.4 (b) and 3.9
National Treasury Instruction 01 of 2021/2022	Par. 4.1
National Treasury Instruction 03 of 2021/2022	Par.4.3; 4.4 (C), 4.4(d)
National Treasury regulations	Treasury Regulations 4.1.1; 4.1.3; 5.1.1; 5.2.1; 5.2.3(a) & (d); 5.3.1; 6.3.1(a),(b),(c) & (d); 6.4.1(b) 8.1.1; 8.2.1; 8.2.2; 8.2.3; 8.4.1; 9.1.1; 9.1.4; 10.1.1(a); 10.1.2; 12.5.1; 15.10.1.2(c); 16A6.1; 16A6.2(b), 16A3.2 (fairness); 16A3.2(a) and (b); R16A6.3 (a), (b) (c) & (e); 16A6.4; 16A6.5; 16A6.6; 16A.7.1; 16A.7.3; 16A.7.6; 16A.7.7; 16A8.3; 16A8.4; 16A9.1(b)(ii), (d), (e) & (f); 16A9.2(a)(ii); 17.1; 18.2; 19.6.1; 19.8.4; 29.1.1(a) & (c); 29.3.1; 30.1.1; 30.1.3 (a),(d) & (d); 30.2.1; 31.1.2(c); 31.2.1; 31.3.3; 33.1.1; and 33.1.3
Practice Note 5 of 2009/10	Par.3.3
Practice Note 7 of 2009/10	Par 4.1.2
Preferential procurement Policy Framework Act 5 of 2000	Section 1; 2(1)(a),(b) & (f)
Preferential procurement regulation of 2017 (PPR)	Regulation 4(1); 4(2); 5(1); 5(3); 5(6); 5(7); 6(8); 7(8); 8(2); 8(5); 9(1); 10(1); 10(2); 11(1); 11(2)
Preferential procurement regulation of 2011 (PPR)	Regulation 9(1) , 9(5)
Preferential procurement regulation of 2022 (PPR)	Regulation 4(4) and 5(4)
Prevention and Combating of Corrupt Activities Act 12 of 2004	PRECCA 34(1)
Public Service Act 103 of 1994 (PSA) and regulations issued in terms of the act	Regulation 13 (C)
Public Service regulations 2001	PSR 25(1)(e)(i) and (iii)
Revised framework for strategic plans and annual performance plans (FSAPP)	Paragraph 4.4.3 & 4.4.4
State Information Technology Agency Act 88 of 1998 and regulations issued in terms of the act	Section 7(3)
Supply Chain Management instruction 3 of 2016	Note 3, 6
Supply Chain Management instruction 02 of 2021-22	Par 3.2.1, 3.2.4; 3.3.1 and 4.1
Supply Chain Management instruction 03 of 2021/22	Definition; par 4.1; 4.2 (b)

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

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 accounting officer 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 2024 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 240-293, which have been prepared on the going concern basis, were approved by the accounting authority on 31 May 2023 and were signed on its behalf by:

....

Mr T Lamati

Accounting Officer

Date: 30/08/2023

SUPPORTED EMPLOYMENT ENTERPRISES
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ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 MARCH 2023

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2023	NOTE(S)	2023 R	2022 RESTATED* R
Assets			
Current Assets			
Inventories	2	71 183 496	68 323 167
Receivables from exchange transactions	3	8 635 218	8 485 418
Receivables from non-exchange transactions	4	-	-
VAT receivable	11	2 145 731	-
Cash and cash equivalents	5	23 077 625	21 610 664
		105 042 070	**98 419 249**
Non-Current Assets			
Property, plant and equipment	6	84 005 783	88 531 878
Intangible assets	7	-	6 394
		84 005 783	**88 538 272**
Total Assets		**189 047 853**	**186 957 521**
Liabilities			
Current Liabilities			
Finance lease obligation	8	269 362	223 988
Operating lease liability	36	92 544	-
Payables from exchange transactions	9	36 043 591	17 867 008
VAT payable	10	-	107 963
		36 405 497	**18 198 959**
Non-Current Liabilities			
Finance lease obligation	8	401 723	-
Total Liabilities		**36 807 220**	**18 198 959**
Net Assets		**152 240 633**	**168 758 562**
Accumulated surplus		152 240 632	168 758 557
Total Net Assets		**152 240 632**	**168 758 557**

SUPPORTED EMPLOYMENT ENTERPRISES
TRADING AS SERVICE PRODUCTS

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 MARCH 2023

STATEMENT OF FINANCIAL PERFORMANCE	NOTE(S)	2023 R	2022 RESTATED* R
Revenue from exchange transactions	12	**53 807 703**	**28 647 993**
Cost of sales	13	**(71 153 451)**	**(39 393 510)**
Gross deficit		**(17 345 748)**	**(10 745 517)**
Revenue from Non - exchange transactions			
Service in kind- revenue	21	28 766 052	32 542 015
Grant income		-	184 511
Interest income	14	2 602 882	1 536 862
Transfers		166 486 000	162 266 000
		197 854 934	**196 529 388**
Total revenue from non-exchange transactions	37	**(196 872 918)**	**(207 451 355)**
Operating expenses	15	**(16 363 732)**	**(21 667 484)**
Operating (deficit)/surplus	17	(154 197)	(14 486)
Finance costs	2	-	1 181 642
Movement of NRV		**(154 197)**	**1 167 156**
(Deficit) surplus for the year		**(16 517 929)**	**(20 500 328)**

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 31 MARCH 2022	ACCUMULATED SURPLUS / DEFICIT R	TOTAL NET ASSETS R
Opening balance as previously reported	183 776 765	183 776 765
Adjustments		
Prior year adjustments - Refer to note 29	5 482 120	5 482 120
Balance at 01 April 2021 as restated*	**189 258 885**	**189 258 885**
Changes in net as-sets		
Surplus for the year	(20 500 328)	(20 500 328)
Total changes	**(20 500 328)**	**(20 500 328)**
Restated* Balance at 01 April 2022	**168 758 561**	**168 758 561**
Changes in net assets		
Surplus for the year	(16 517 929)	(16 517 929)
Total changes	(16 517 929)	(16 517 929)
Balance at 31 March 2023	**152 240 632**	**152 240 632**

SUPPORTED EMPLOYMENT ENTERPRISES
TRADING AS SERVICE PRODUCTS

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 MARCH 2023

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2023

CASH FLOW STATEMENT	NOTE(S)	2023 R	2022 RESTATED* R
Cash flows from operating activities			
Receipts			
Sale of goods and services		56 284 267	30 007 681
Grants		166 486 000	162 450 511
Interest income		2 602 882	1 070 799
Other receipts		-	160 635
		225 373 149	**193 689 626**
Payments			
Employee costs		(61 754 008)	(117 799 532)
Suppliers		(160 183 047)	(83 235 202)
Finance costs		(154 197)	(14 486)
		(222 091 252)	(201 049 220)
Net cash flows from operating activities	24	**3 281 897**	**(7 359 594)**
Cash flows from investing activities			
Purchase of property, plant and equipment	6	(2 216 964)	(298 184)
Cash flows from financing activities			
Finance lease payments		402 028	71 130
Net increase/(decrease) in cash and cash equivalents		**1 466 961**	**(7 586 648)**
Cash and cash equivalents at the beginning of the year		21 610 664	29 197 312
Cash and cash equivalents at the end of the year	5	**23 077 625**	**21 610 664**

SUPPORTED EMPLOYMENT ENTERPRISES
TRADING AS SERVICE PRODUCTS

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 MARCH 2023

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 31 MARCH 2023						
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 35
Statement of Financial Performance:						
Revenue						
Sale of goods	103 699 999	(44 020 000)	**59 679 999**	53 535 774	**(6 144 225)**	
Rendering of services	12 520 000	(11 520 000)	**1 000 000**	8 144	**(991 856)**	
Conditional grant	17 225 314	-	**17 225 314**	-	**(17 225 314)**	
Other income	127 354	120 000	**247 354**	263 785	**16 431**	
Services in kind	-	-	**-**	28 766 052	**28 766 052**	
Transfers and sponsorships	166 486 000	-	**166 486 000**	166 486 000	**-**	
Interest received	1 190 000	-	**1 190 000**	2 602 882	**1 412 882**	
Total revenue from exchange transactions	**301 248 667**	**(55 420 000)**	**245 828 667**	**251 662 637**	**5 833 970**	
Expenditure						
Employee cost	(164 872 918)	(13 200 000)	**(178 072 918)**	(157 845 888)	**20 227 030**	
Depreciation and amortisation	(8 873 129)		**(8 873 129)**	(4 495 198)	**4 377 931**	
Finance costs	(1 124)	-	**(1 124)**	(154 196)	**(153 072)**	
Lease rentals on operating lease	(9 276 838)	-	**(9 276 838)**	(114 942)	**9 161 896**	
Allowance for debt impairment	-	-	**-**	(3 217 478)	**(3 217 478)**	
Cost of sales adjustments	-	-	**-**	(1 342)	**(1 342)**	
General expenses	(84 809 922)	49 942 056	**(34 867 866)**	(102 351 522)	**(67 483 656)**	
Total expenditure	**(267 833 931)**	**36 742 056**	**(231 091 875)**	**(268 180 566)**	**(37 088 691)**	
Deficit before taxation	**33 414 736**	**(18 577 246)**	**14 736 792**	**(16 517 929)**	**(31 254 721)**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**33 414 736**	**(18 577 246)**	**14 736 792**	**(16 517 929)**	**(31 254 721)**	

Income

Sales increased due to additional orders from North West and Northern Cape on school furniture

Rendering of services om transportation not charged as anticipated due to deliveries not completed as at year end

Services in kind was not budgeted for as item is in both income and expenditure with no financial impact

Conditional grant was incorrectly budget for as funding was received in prior year for ICT enhancement project

Difference is attributed to discount received on early payments and commission received on administration fee for third party payments relation to employees' deductions

Higher interest were received on excess funds in the bank relating unutilised ICT funding

Expenditure

Difference was as a result of adjustment on employee cost to estimate/make provision for vacancies as well as salary increases.

Difference in decrease is attributed to derecognition of assets due to closure of Durban factory as well as revised useful lives impacting on estimated depreciation

Difference is as a result of interest and penalties on late payments of invoices

Budget inclusive of lease budget for new contracts on printing machines for entire term contract

Debt impairment was not budgeted

Cost of sales adjustments not budgeted as is driven by cost valuation as part of inventory valuation process

Difference is attributed to expenses incurred on administration and operational expenses, which were under budgeted due to insufficient funds

SUPPORTED EMPLOYMENT ENTERPRISES
TRADING AS SERVICE PRODUCTS

ACCOUNTING POLICIES FOR THE YEAR ENDED 31 MARCH 2023

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.

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

TThe 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 provincial 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-in use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value tangible assets.

Value in use of cash-generating assets

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

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

Value in use of non-cash-generating assets

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

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

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.

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

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

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

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

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

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

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

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

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

Property, plant and equipment are depreciated 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	8 - 75 years
Buildings	Straight-line	50 years
Computer equipment	Straight-line	10 - 54 years
Furniture and fittings	Straight-line	5 - 75 years
Leased assets	Straight-line	3 years
Office equipment	Straight-line	5 -75 years
Plant and machinery	Straight-line	25 - 75 years
Motor vehicles	Straight-line	10 years

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

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).**

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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 is 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 asset that was impaired lost or given up is recognised in surplus or deficit 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 un-collectability.

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

A financial asset is:

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

A financial 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 modified terms 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 changesin 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.

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1.5 Financial instruments (continued)

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

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

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

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

- the entity designates at fair value at initial recognition; or
- are held for trading.

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

Classification

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

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

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

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 (Taxesand 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.

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Reclassification (continued)

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

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

Gains and losses

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

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

Impairment and un-collectability of financial assets

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

Financial assets

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

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

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

Financial liabilities

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

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

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

Presentation

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

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

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

1.6 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.

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.

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1.6 Leases (continued)

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. 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.

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1.9 Impairment of cash-generating assets (continued)

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.

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.

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.

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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.

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.

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ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS 31 MARCH 2023 (CONTINUED)

1.11 Employee benefits (continued)

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.

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/or state plans and/or composite social security programmes as a defined contribution plan or a defined benefit plan under the terms of the plan (including any constructive obligation that goes beyond the formal terms).

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

1.12 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 27 - 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.

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ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 MARCH 2023

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS 31 MARCH 2023 (CONTINUED)

1.12 Provisions and contingencies (continued)

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.

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 29 - 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.

SUPPORTED EMPLOYMENT ENTERPRISES
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ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 MARCH 2023

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS 31 MARCH 2023 (CONTINUED)

1.14 Revenue from exchange transactions (continued)

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

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

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 23.**

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.

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ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 MARCH 2023

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS 31 MARCH 2023 (CONTINUED)

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 **31 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

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 34** - 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 2022/04/01 to 2023/03/31.

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.

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ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 MARCH 2023

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

1.25 Related parties (continued)

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

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

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

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

Where the entity is exempt from the disclosures in accordance with the above, 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.

1.28 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.

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

2. Inventories

NOTE(S)	2022/23 R	2021/22 R
Raw materials and components	55 120 264	58 999 788
Work in progress	7 254 144	4 196 066
Finished goods	13 504 999	9 813 053
Inventory clearing account	-	10 171
	75 879 407	73 019 078
Inventory write down to net realisable value	(4 695 911)	(4 695 911)
	71 183 496	**68 323 167**

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 of R13 504 999 (2022:R9 813 053) for finished goods is goods dispatched not yet invoiced amounting to R5 280 573.31 (2022:R1 728 101). The inventory balance for finished goods before including goods dispatched not yet invoices is R8 224 426 (2022:R8 084 952)

Inventory pledged as security

No inventory was pledged as security.

3. Receivables from exchange transactions

	2022/23 R	2021/22 R
Trade receivables	24 257 626	22 720 408
Sundry receivables	6 511	36 560
Prepayments	474 019	438 870
Impairment of debtors	(16 106 212)	(14 713 694)
Housing debtors	3 274	3 274
	8 635 218	**8 485 418**
Trade debtors past due but not impaired is as follows:		
0 - 30 Days	7 903 581	7 953 827
31 - 60 Days	83 273	22 535
61 - 90 Days	164 561	30 582
91 - 120 days	-	-
Greater than 120 daysTerms and conditions	-	-
	8 151 415	**8 006 944**
	-	-
Total receivables from exchange transactions	**8 635 218**	**8 485 418**

Trade and other receivables impaired

As of 31 March 2023, trade and other receivables of R 16 106 212(2022: R 14 713 694) were impaired and provided for.

The amount of the allowance was R 16 106 212 as of 31 March 2023 (2022: R 14 713 694). The ageing of these receivables is as follows:

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ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 MARCH 2023

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

3. Receivables from exchange transactions (continued)

THE AGEING OF THESE RECEIVABLES IS AS FOLLOWS:	2022/23 R	2021/22 R
Current (0-30 Days)	147 032	29 808
31 - 60 Days	1 540	137 411
61 - 90 Days	37 282	3 146
91 - 120 Days	409 217	157 153
Greater than 120 Days	15 511 141	14 386 170
	16 106 212	**14 713 688**

RECONCILIATION OF ALLOWANCE FOR IMPAIRMENT OF TRADE DEBTORS FROM EXCHANGE TRANSACTIONS	2022/23 R	2021/22 R
Opening balance	14 713 694	13 571 463
Increase/ (decrease) in allowance for impairment	1 392 518	1 142 231
	16 106 212	**14 713 694**

4. Receivables from non-exchange transactions

Other receivables from non-exchange	1 092 000	1 092 000
Impairment of debtors	(1 092 000)	(1 092 000)
	-	-

Receivables general information

The entity recognised a debtor in 2020/2021 financial year due to overpayment to a supplier. Entity is in the process of recovering the overpayment

Receivables from non-exchange transactions past due but not impaired

Other receivables from non-exchange transactions, which are less than 3 months past due are not considered to be impaired. At 31 March 2023, R - (2022: R -) were past due but not impaired.

Receivables from non-exchange transactions impaired

As of 31 March 2023, other receivables from non-exchange transactions of R 1 092 000 (2022: R 1 092 000) were impaired and provided for.

The amount of the provision was R 1 092 000 as of 31 March 2023 (2022: R 1 092 000). The ageing of these receivables is as follows:

Over 6 months	1 092 000	1 092 000

5. Cash and cash equivalents

CASH AND CASH EQUIVALENTS CONSIST OF:		
Cash on hand	53 529	24 589
Bank balances	23 024 096	21 586 075
	23 077 625	**21 610 664**

There is no cash and cash equivalents that is held as security for liabilities.

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6. Property, plant and equipment

	2023			2022		
	COST / VALUATION R	ACCUMULATED DEPRECIATIONAND ACCUMULATED IMPAIRMENT R	CARRYING VALUE R	COST / VALUATION R	ACCUMULATED DEPRECIATIONAND ACCUMULATED IMPAIRMENT R	CARRYING VALUE R
Buildings	2 273 867	(227 511)	2 046 356	2 273 867	(182 033)	2 091 834
Plant and machinery	50 076 558	(12 580 887)	37 495 671	53 227 022	(11 492 306)	41 734 716
Furniture and fittings	3 440 791	(1 001 914)	2 438 877	3 629 683	(1 051 660)	2 578 023
Motor vehicles	10 384 485	(3 368 373)	7 016 112	10 384 485	(2 433 772)	7 950 713
Office equipment	1 869 666	(703 832)	1 165 834	1 869 991	(643 792)	1 226 199
Computer equipment	4 402 238	(1 429 813)	2 972 425	4 308 070	(1 358 824)	2 949 246
Appliances	2 424 284	(253 839)	2 170 445	2 050 313	(201 548)	1 848 765
Leased assets	835 604	(210 016)	625 588	1 236 195	(1 167 807)	68 388
Work in Progress	28 074 475	-	28 074 475	28 083 994	-	28 083 994
Total	**103 781 968**	**(19 776 185)**	**84 005 783**	**107 063 620**	**(18 531 742)**	**88 531 878**

Reconciliation of property, plant and equipment - 2023

	OPENING BALANCE R	ADDITIONS R	DISPOSALS R	OTHER MOVEMENTS R	TRANSFERS R	DEPRECIATION R	TOTAL R
Buildings	2 091 834	-	-	(1)	-	(45 477)	2 046 356
Plant and machinery	41 734 716	28 000	(1 412 710)	(1 113 185)	-	(1 741 150)	37 495 671
Furniture and fittings	2 578 023	97 472	(190 738)	105 255	-	(151 135)	2 438 877
Motor vehicles	7 950 713	-	-	3	-	(934 604)	7 016 112
Office equipment	1 226 199	33 800	(26 903)	11 257	-	(78 519)	1 165 834
Computer equipment	2 949 246	674 975	(342 553)	5 674	-	(314 917)	2 972 425
Appliances	1 848 765	425 539	(39 478)	(11 787)	-	(52 594)	2 170 445
Leased assets	68 388	957 178	-	(149 048)	-	(250 930)	625 588
Work in progress	28 083 994	-	-	-	(9 519)	-	28 074 475
	88 531 878	**2 216 964**	**(2 012 382)**	**(1 151 832)**	**(9 519)**	**(3 569 326)**	**84 005 783**

SUPPORTED EMPLOYMENT ENTERPRISES
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ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 MARCH 2023

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

6. Property, plant and equipment (continued)

RECONCILIATION OF PROPERTY, PLANT AND EQUIPMENT - 2022	OPENING BALANCE R	ADDITIONS R	OTHER MOVEMENTS R	TRANSFERS R	DEPRECIATION R	TOTAL R
Buildings	2 137 311	-	-	(45 477)	-	2 091 834
Plant and machinery	44 341 692	9 100	137 038	(1 690 462)	(1 062 652)	41 734 716
Furniture and fittings	2 602 118	50 227	(11 497)	(57 455)	(5 370)	2 578 023
Motor vehicles	8 885 318	-	-	(934 605)	-	7 950 713
Office equipment	1 293 061	-	1 143	(15 065)	(52 940)	1 226 199
Computer equipment	3 014 483	238 857	(15 755)	(268 158)	(20 181)	2 949 246
Appliances	1 910 587	-	(2 901)	(53 720)	(5 201)	1 848 765
Leased assets	147 262	-	26 256	(105 130)	-	68 388
Work in progress	28 083 994	-	-	-	-	28 083 994
	92 415 826	**298 184**	**134 284**	**(3 170 072)**	**(1 146 344)**	**88 531 878**

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	2022/23 R	2021/22 R
Plant and machinery	1 309 712	461 240
Other property, plant and equipment	81 792	51 582
	1 391 504	**512 822**

ASSETS SUBJECT TO FINANCE LEASE (NET CARRYING AMOUNT)	2022/23 R	2021/22 R
Leased assets - Office equipment	625 588	68 388

RECONCILIATION OF WORK-IN-PROGRESS 2023	INCLUDED WITHIN	TOTAL
Infrastructure		
Opening balance	28 083 994	28 083 994

	2021/22 R	2020/21 R
Expenditure incurred to repair and maintain property, plant and equipment	1 391 505	512 823
Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance		
General expenses	**1 391 505**	**512 823**

SUPPORTED EMPLOYMENT ENTERPRISES
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7. Intangible assets

	2022/23			2021/22		
	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	(48 719)	-	48 719	(42 325)	6 394

Reconciliation of intangible assets - 2023

	OPENING BALANCE R	AMORTISATION R	TOTAL R
Computer software	6 394	(6 394)	-

Reconciliation of intangible assets - 2022

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

8. Finance lease obligation

MINIMUM LEASE PAYMENTS DUE	2021/22 R	2020/21 R
-within one year	319 058	25 326
- in second to fifth year inclusive	428 101	-
	747 159	25 326
less: future finance charges	(76 075)	-
Present value of minimum lease payments	**671 084**	**25 326**
Present value of minimum lease payments due		
- within one year	269 362	25 326
- in second to fifth year inclusive	401 722	-
	671 084	**25 326**
Non-current liabilities	401 723	-
Current liabilities	269 362	223 988
TOTAL	**671 085**	**223 988**

It is entity 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 9% (2022: 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.

SUPPORTED EMPLOYMENT ENTERPRISES
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9. Payables from exchange transactions

	2022/23 R	2021/22 R
Trade payables	120 182	1 490 294
Income received in advance	810 729	300 651
Stabilisation fund	106 541	106 541
Medical account	204 845	204 845
Accrued leave pay	5 249 375	4 505 272
Accruals	6 152 344	6 515 607
Deposits received	86 889	4 743 798
Department of Employment and Labour Claims	**23 312 686**	**-**
	36 043 591	**17 867 008**

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

Other Creditors

Other creditors comprise of the amount claimed by the Department of employment and labour for expenditure paid on behalf of SEE on a monthly basis. The Department of employment and labour paid for services such as rent; employee cost; municipal rates and taxes and other operating expenses on behalf of the entity and subsequently claim the amount paid from SEE. The current balance of R23 312 686 represent the amount claimed by the Department of employment and labour and not yet paid by the Supported Employment Enterprise.

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	2022/23 R	2021/22 R
10. VAT payable		
VAT	-	107 963
11. VAT receivable		
VAT	2 145 731	-
12. Revenue from exchange transaction		
Sale of goods	53 535 774	28 474 192
Rendering of services	8 144	13 166
Other Income	263 785	160 635
	53 807 703	**28 647 993**
The amount included in revenue arising from exchanges of goods or services are as follows:		
Sale of goods	53 535 774	28 474 192
Rendering of services	8 144	13 166
Other Income	263 785	160 635
	53 807 703	**28 647 993**
13. Cost of sales		
Sale of goods		
Opening Inventory	8 084 952	7 735 880
Direct Material	38 405 268	24 297 325
Direct Labour	7 386 920	4 009 776
Variable Manufacturing Overheads	18 223 776	9 892 251
Fixed Manufacturing Overheads	1 899 065	1 103 012
Stock Adjustment	-	(59 737)
Closing Inventory	(8 224 426)	(8 084 952)
	65 775 555	**38 893 555**
Rendering of services		
Transport Cost to Customers	5 377 897	499 955
	71 153 452	**39 393 510**

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	2022/23 R	2021/22 R
14. Interest income		
Interest revenue		
Bank	1 545 032	1 070 799
Trade and other receivables	1 057 850	466 063
	2 602 882	**1 536 862**
15. Operating deficit		
Operating deficit for the year is stated after accounting for the following:		
Operating lease charges		
Equipment		
• Contractual amounts	114 942	528 788
Gain/(loss) on sale of property, plant and equipment	(2 060 489)	(2)
Impairment on property, plant and equipment	-	1 146 345
Reversal of impairment on intangible assets	(6 393)	(16 240)
Depreciation on property, plant and equipment	252 810	3 157 534
Employee costs	62 498 111	31 166 966
16. Lease rentals on operating lease		
Equipment		
Contractual amounts	114 942	528 788
17. Finance costs		
Finance leases	46 093	8 766
Interest and penalties on late payments	108 104	5 720
	154 197	**14 486**
18. Auditors' remuneration		
Fees	2 541 840	2 357 312

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	2023 R	2022 R
19. Revenue from Non - exchange transactions		
Service in kind- revenue	28 766 052	32 542 015
Grant Income	-	184 511
Transfers (Department of Employment and Labour)	166 486 000	162 266 000
	195 252 052	**194 992 526**
The amount included in other revenue arising from exchanges of goods or services are as follows:		
Canteen Services	-	243
Commission Received	45 269	51 468
Discount Received	214 440	108 925
	259 709	**160 636**
The amount included in other revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Grant Income	-	184 511
Transfers (Department of Employment and Labour)	166 486 000	162 266 000
Service In Kind	27 806 187	32 542 015
	194 292 187	**194 992 526**
20. Employee related costs		
Salaries, allowances and bonuses	157 845 888	156 891 070
Key Management Personnel		
Ms. M Sebaka - Chief Financial Officer		
Basic Salary	773 768	617 964
Allowances and Contributions to UIF, Medical and Pension Funds	299 816	407 702
Service Bonus	64 481	62 603
	1 138 065	**1 088 269**
Mr. V Pillay - Director: ICT		
Basic Salary	811 641	762 510
Allowances and Contributions to UIF, Medical and Pension Funds	401 374	347 239
	1 213 015	**1 109 749**
Ms. G Manamela - Director: Operations		
Basic Salary	714 495	693 685
Allowances and Contributions to UIF, Medical and Pension Funds	440 787	425 953
Service Bonus	59 541	56 952
	1 214 823	**1 176 590**

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	2023 R	2022 R
Ms. KW Tselane - Director: Human Resource Management and Special Projects		
Basic Salary	747 138	717 450
Allowances and Contributions to UIF, Medical and Pension Funds	466 546	440 148
Service Bonus	62 261	59 567
Long Service Award	-	29 064
	1 275 945	**1 246 229**
Mr. S Phakathi - Chief Executive Officer		
Basic Salary	915 635	518 563
Allowances and Contributions to UIF, Medical and Pension Funds	362 708	205 733
Service Bonus	76 302 -	18 469 -
	1 354 645	**742 765**
Mr. DH Matsepe - Acting Director : Business development		
Basic Salary	548 320	540 601
Allowances and Contributions to UIF, Medical and Pension Funds	425 704	407 486
Service Bonus	46 760	44 727
	1 020 784	**992 814**
Mr. Matsepe was appointed as Acting Director: Business Development with allowance with effect from 3 June 2021 and subsequently appointed from 07 March 2023		
21. Service in kind		
Administrative salaries - Department of Employment and Labour	-	3 674 373
Internal Audit - Department of Employment and Labour	124 217	265 439
Municipal payment - Department of Employment and Labour	835 647	580 811
Expenditure for free use of property	27 806 188	28 021 392
	28 766 052	**32 542 015**
22. Allowance for debt impairment and impairment losses		
Contributions to debt impairment allowance	1 392 518	2 234 231
23. Depreciation and amortisation		
Property, plant and equipment	252 810	3 157 534

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	2022/23 R	2021/22 R
24. Cash generated from (used in) operations		
Surplus/(deficit)	(22 220 751)	(20 500 328)
Adjustments for:		
Depreciation, impairment and amortisation	8 315 112	4 320 118
(Gain)/loss on sale of assets and liabilities	(2 060 489)	-
Other movements	-	5 738
Finance costs	-	14 486
Debt impairment	3 217 478	1 142 231
Movements in operating lease assets and accruals	92 544	-
Movements in provisions	-	(651 590)
Inventory write down	-	578 214
Losses	1 088 718	-
Losses on lease termination	3 461	-
Changes in working capital:		
Inventories	(2 860 329)	4 068 845
Receivables from exchange transactions	2 476 564	1 470 092
Other receivables from non-exchange transactions	108 104	-
Payables from exchange transactions	17 375 179	2 145 286
VAT	(2 253 694)	47 314
	3 281 897	**(7 359 594)**

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	2023 R	2022 R
25. Financial instruments disclosure	**At amortised cost**	**Total**
Categories of financial instruments		
2023		
Financial assets		
	At amortised cost	Total
Cash and cash equivalent	23 077 625	23 077 625
Trade and other receivables from exchange transactions (Excluding prepayments)	23 466 007	23 466 007
Other receivables from non-exchange transactions	1 092 000	1 092 000
	47 635 632	**47 635 632**
Financial liabilities		
Finance lease obligation	671 085	671 085
Trade and other payables from exchange transactions	29 787 967	29 787 967
	30 459 052	30 459 052
2022		
Financial assets		
	At amortised cost	**Total**
Cash and cash equivalent	21 610 664	21 610 664
Trade and other receivables from exchange transactions (Excluding prepayments)	22 760 242	22 760 242
Other receivables from non-exchange transactions	1 092 000	1 092 000
	45 462 906	**45 462 906**
Financial liabilities		
	At amortised cost	Total
Finance lease obligation	223 988	223 988
Trade and other payables from exchange transactions	13 156 891	13 156 891
	13 380 879	13 380 879

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	2023 R	2022 R
26. Commitments		
26.1 Authorised operational expenditure		
Already contracted for but not provided for		
Total operational commitments	128 956 297	117 697 128
Total operational commitments		
Already contracted for but not provided for	128 956 297	117 841 120
Total commitments		
Total commitments		
Authorised operational expenditure	128 956 297	117 841 120
26.2 Operating leases - as lessee (expense)		
Minimum lease payments due		
- within one year	640 370	604 123
- in second to fifth year inclusive	107 745	748 115
	748 115	**1 352 238**

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 commitment of operating lease relating to factory in Seshego the prior year note has been amended.

27. Contingencies

27.1 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 01 April 2017.

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

- For a period of five (5) years an award equivalent to R2 500.00
- 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

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-years, a cash amount equivalent to service is R21 797. For a period of forty-years a cash amount equivalent to service is R 29 064.

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

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27.2 Supplier invoices on hold

The Entity has put on hold the payment of invoices for the supplier amounting to R1 287 470 (2022:R235 309) due to insufficient evidence that need to be obtained from the supplier to corroborate the amount owed by the entity.

	2023	2022
Long Service Award-VIP	34 215 000	36 725 000
Long Service Award-PERSAL	7 912 547	7 345 809
Subtotal	42 127 547	44 070 809
	42 127 547	**44 070 809**

	2023	2022
Invoice on hold	1 287 470	235 309
Subtotal	1 287 470	235 309

	2023 R	2022 R
28. Related parties		
Relationships		
Controlling entity- Department of Employment and Labour		
Entities under common control		
Commission for Conciliation, Mediation and Arbitration		
Compensation Fund		
National Economic Development and Labour Council		
Productivity South Africa		
Unemployment Insurance Fund		
All National spheres of Government of South Africa		
Members of key management-Refer to note 20		
Related party balances		
Amounts included in Trade receivable (Trade Payable) regarding related parties		
Commission for Conciliation, Mediation and Arbitration	36 474	118 831
Compensation Fund	318 423	507 909
Unemployment Insurance Fund	-	47 640
Department of Employment and Labour	663 165	1 813 366
Provision for doubtful debts related to outstanding balances with related parties		
Commission for Conciliation, Mediation and Arbitration	35 747	116 804
Compensation Fund	318 423	507 908
Unemployment Insurance Fund	-	47 640
Department of Employment and Labour	702 315	1 642 691

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RELATED PARTY TRANSACTIONS		
Sales to related parties (Including finance charges)		
Commission for Conciliation, Mediation and Arbitration	6 062	45 991
Department of Employment and Labour	1 495 041	2 151 690
Services in-kind (From/to) related parties		
Department of Employment and Labour	28 766 052	32 542 015
Transfers received from related parties		
Department of Employment and Labour	166 486 000	162 266 000
Grant income - Department of Employment and Labour	-	184 511
All related parties transactions are at arm's length unless stated otherwise.		

29. 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:

29.1 Inventories

In 2022, the conversion cost of the manufactured inventory was systematically allocated as the cost of inventory using the normal capacity that was based on runtimes that had no approved supporting documents, resulting in a misstatement. As a result the prior year runtimes, where restated with the current runtimes that have sufficient supporting documents. The inventory was revalued by applying the standard cost technique to allocate the conversion cost of raw material in to finished goods. This resulted an increase in closing inventories of finished good for 2022 by R4 862 451 to R68 323 167.

29.2 Property ,Plant and Equipment

In 2023 assets verification was conducted and assets were found to not have been recorded resulting in a misstatement of the property, plant and equipment. The cost of property, plant and equipment was restated with R2 204 533.

29.4 Cost of Sales

In 2022, cost of sales was overstated by including abnormal fixed overheads in the cost of inventory sold, as a result the cost of sales of 2022 was adjusted with R60 460 102 after the cost of inventory was revalued using standard cost technique of allocating production costs. The cost of sales was calculated based on weighted average cost method.

29.5 Receivables from non-exchange transactions

In 2022 receivables from non-exchange with an amount of R1 092 000 that was passed due was overstated as provision ofimpairment was not raised. An amount of R1 092 000 was raised as impairment of debtors.

29.6 Movement in NRV

As a result of prior year error on inventory the NRV for 2022 was overstated by R1 759 854 an adjustment of R1 759 854 was made to prior year's provision for net realisable value.

29.7 Other Operating Expenses

In 2022 the other operating expenses line item was understated by R61 727 126 and was adjusted to R207 451 355 due to the following line items:

In 2022 the abnormal labour idle time was understated by R26 635 597 due to incorrect labour rate used to allocate the cost of labour as part of inventory cost. The corresponding figure for abnormal labour idle time was restated to R120 005 068.

In 2022, cost of sales was overstated by including abnormal fixed overheads in the cost of inventory sold, as a result the cost of sales adjustment of 2022 was adjusted with R-2 320 343 after the cost of inventory was revalued using standard cost technique of allocating production costs. The cost of sales was calculated based on weighted average cost method.

In 2022 receivables from non-exchange with an amount of R1 092 000 that was passed due was overstated as provision of impairment was not raised. An amount of R1 092 000 was raised as impairment of debtors.

In 2022 under/over recovery of fixed overheads was understated by including abnormal fixed overheads in the cost of inventory sold, as a result the under/over recovery of fixed overheads of 2022 was adjusted with R36 477 229 after the cost of inventory was revalued using standard cost technique of allocating production costs. The cost of sales was calculated based on weighted average cost method.

In 2022 under/over recovery of variable overheads was not recognised by including abnormal variable and fixed overheads in the cost of inventory sold, as a result the under/over recovery of variable overheads of 2022 was adjusted with R-158 712.00 after the cost of inventory was revalued using standard cost technique of allocating production costs. The cost of sales was calculated based on weighted average cost method.

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29.8 Commitments

In the financial year 2021/22 the commitments where understated by R143 992.00 due to error, the corresponding figures have been adjusted.

29.9 Accumulated fund

As a result of the above adjustment to the individual line items in 2022 financial year the opening accumulated fund was restated by R5 482 120 to R189 258 885.

STATEMENT OF FINANCIAL POSITION 2022	NOTE	AS PREVIOUSLY REPORTED	CORRECTION OF ERROR	RESTATED
Inventories		63 460 752	4 862 415	68 323 167
Property, plant and equipment		86 327 345	2 204 533	88 531 878
Receivables from non-exchange		1 092 000	(1 092 000)	-
Accumulated fund		(183 776 765)	(5 482 120)	(189 258 885)
		(32 896 668)	**492 828**	**(32 403 840)**
Statement of financial performance				
Cost of sales		99 853 610	(60 460 100)	39 393 510
Operating expenditure		145 724 225	61 727 126	207 451 351
Movement of NRV		(578 212)	(1 759 854)	(2 338 066)
Surplus for the year		**244 999 623**	**(492 828)**	**244 506 795**

Cash flow statement

30. 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.

30.1 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 2023	LESS THAN 1 YEARS R	BETWEEN 1 AND BETWEEN 2 R	BETWEEN 2 AND BETWEEN 5 R	OVER 5 YEARS R
Finance lease oblication	295 174	319 058	109 043	-
Payables form exchange transactions	44 723 362	-	-	-
At 31 March 2022	**Less than 1 year**			**Total**
Finance lease oblication	25 326	-	-	-
Payables form exchange transaction	17 867 009	-	-	-

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Risk management (continued) 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:		
	2023	2022
Cash and cash equivalent	23 079 051	21 610 664
Receivables from exchange transactions	24 257 626	22 720 408
Receivables from non-exchange transactions	1 092 000	1 092 000

Trade receivables that have been impaired and provided amounting to R16 106 211 as 31 March 2023 (2022: R14 713 694) have been disclosed. This exposes the entity to the credit risk with regards to the recoverability of these debts.

THE AGEING FOR THE IMPAIRMENT AMOUNT IT IS AS FOLLOWS:		
	2023	2022
Current (0-30 days)	147 032	29 808
31-60 days	1 539	137 411
61-90 days	37 282	3 146
91-120 days	409 217	157 153
Greater than 120 days	15 511 141	14 386 170
	16 106 211	**14 713 688**

DEBTORS PAST DUE, NOT IMPAIRED:	2023	2022
0 - 30 days	7 903 581	7 953 827
31 - 60 days	83 273	22 535
61 - 90 days	164 561	30 582
91 - 120 days	-	-
Greater than 120 days	-	-
	8 151 415	**8 006 944**

Market risk

Interest rate risk

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

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

In the case of receivables whose accounts become in arrears it is endeavoured to collect such accounts by levying penalty interest charges alternatively demand for payment and as last resort handed over for collection in terms of the entity receivables management policy. The interest rate that was charged for receivables as at 31 March 2023 is 10.25% (2022: 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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	2022/23	INTEREST RATE	2021/22	INTEREST RATE
Cash and cash equivalent	23 079 051	3.5%	21 610 664	3.5%
Receivables from exchange transactions	24 257 626	10.25%	22 720 408	10.25%
(Excluding pre-payments)				
Receivables from non-exchange transactions	1 092 000	0%	1 092 000	0%
Finance lease obligation	696 897	10.35%	223 988	10.35%
Payables from exchange transactions	35 242 187	Depends on Supplier Contract	17 867 009	Depends on Supplier Contract
Subtotal	84 367 761		63 514 069	
	84 367 761		**63 514 069**	
31. Operating lease				

Describe the lessee's significant leasing arrangements which include:

- basis on which contingent rent payable is determined
- the existence and terms of renewal or purchases options and escalation clauses; and
- restrictions imposed by lease arrangements, such as those concerning return of net surplus, return of capital contributions, dividends or similar distributions, additional debt and further leasing.

32. Going concern

We draw attention to the fact that at 31 March 2023, the entity had an accumulated surplus (deficit) of R 152 240 632 and that the entity's total liabilities exceed its assets by R 152 240 632.

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.

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GOING CONCERN ASSESSMENT

We draw attention to the fact that at 31 March 2023, the entity had an accumulated surplus of R133 995 455 and that the entity's total assets exceed its liabilities by R133 995 455.

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 operate as a Chief Directorate of the Department of Labour and has been in operation for the past 80 years
- The entity is funded through National Treasury Grant Allocation as well as revenue generated from sales of goods and services. In the financial year under review, National Treasury grant allocation amounts to 76% of the entity revenue and 24% from sales. This is an improvement in revenue growth compared to prior year of 15% income from sales
- •The annual performance plan for 2023/2024 financial year targets to increase sales revenue by 10% through secured MOUs with customers to further improve internal generated funding capacity
- Current assets of R104 509 218 exceeding current liabilities of R18 198 959.

Entity had a significant increase in sales revenue of 82% from a decline of 32% in prior year sales. Current year National Treasury allocation amounted to R166 486 000(3% increase from prior year) and the total revenue amounted to R218 195 599. The entity is still expected to receive National Treasury grant allocation in 2023/2024 of R167 160 000 and a further funding of R20 000 000 for capital works totaling to R187 160 000. 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 further increase current budget sales revenue.

CONCLUSION

It is then 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

No events after reporting date.

34. Irregular Expenditure and Fruitless and wasteful expenditure

	2023 R	2022 R
Irregular Expenditure	228 954	357 361
Fruitless and wasteful expenditure	1 196 823	670 000
Closing balance	**1 425 777**	**1 027 361**
There is no fruitless and wasteful expenditure condoned both in prior year and current year.		
Amounts of material losses through criminal conduct		
Inventory Theft and Losses	1 088 719	575 938

SUPPORTED EMPLOYMENT ENTERPRISES
TRADING AS SERVICE PRODUCTS

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 MARCH 2023

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

35. Budget differences

Material differences between budget and actual amounts

Sale of goods

Sales increased due to additional orders from North West and Northern Cape on school furniture

Rendering of services

Rendering of services on transportation not charged as anticipated due to deliveries not completed as at year-end

Conditional Grant

Conditional grant was incorrectly budget for as funding was received in prior year for ICT enhancement project

Other income

Difference is attributed to discount received on early payments and commission received on administration fee for third party payments relation to employees' deductions

Revenue from services in kind

Services in kind was not budgeted for as item is in both income and expenditure with no financial impact

Interest received

Higher interest were received on excess funds in the bank relating unutilised ICT funding

Employee cost

Difference was as a result of adjustment on employee cost to estimate/make provision for vacancies as well as salary increases.

Depreciation and amortisation

Difference in decrease is attributed to derecognition of assets due to closure of Durban factory as well as revised useful lives.

Finance costs

Difference is as a result of interest and penalties on late payments of invoices.

Lease rentals on operating lease

Budget inclusive of lease budget for new contracts on printing machines for entire term contract.

Allowance for debt impairment

Debt impairment was not budgeted.

Cost of sales adjustments

Cost of sales adjustments not budgeted as is driven by cost valuation as part of inventory valuation process.

General expenses

Difference is attributed to expenses incurred on administration and operational expenses which were under-budgeted due to insufficient funds

SUPPORTED EMPLOYMENT ENTERPRISES
TRADING AS SERVICE PRODUCTS

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 MARCH 2023

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

36. Operating lease asset (liability)

	2023 R	2022 R
Current liabilities	(92 544)	-

37. Other Operating Expenses

	2023 R	2022 R
Advertising	251 616	40 226
Auditors remuneration	2 541 840	2 357 312
Debt Impairment	1 392 518	2 234 231
Bank charges	237 461	183 586
Cleaning	267 579	3 954
Cost of Sale Adjustment	1 343	-
Consulting and professional fees	1 929 492	986 860
Consumables	13 714	(41)
Depreciation, amortisation and impairments	259 203	2 629 657
Employee costs	62 498 111	32 857 428
Entertainment	563 681	6 603
Canteen expenses	176 819	107 630
Under or over recovery fixed overheads	33 368 244	36 477 229
Occupational health and safety expense	42 539	250 851
internet services	481 123	309 780
Lease rentals on operating lease- Vehicle	114 942	528 788
Loss disposal of assets and liabilities	2 060 489	2
Motor vehicle expenses	11 604	64 623
Losses	1 088 718	664 280
Printing and stationery	134 276	51 632
Repairs and maintenance	382 130	159 589
License fees	227 064	545 548
Staff welfare	298 889	-
Telephone and faxes	1 429 415	400 671
Training	286 211	511 097
Travel - local	2 743 787	1 141 462
Utilities	1 497 882	570 023
Service in kind	959 865	4 520 623
Abnormal labour idle time	87 783 462	120 005 068
Under/Over recovery variable overheads	(7 848 759)	(158 712)
IT expenses	1 674 199	-
Loss on lease termination	3 461	-
Seminars, conferences and workshops	-	1 355
	196 872 918	**207 451 355**


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