PART G

SUPPORTED EMPLOYMENT ENTERPRISES

DEPARTMENT OF EMPLOYMENT AND LABOUR

PART G: SUPPORTED EMPLOYMENT ENTERPRISES

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

OVERVIEW OF THE OPERATIONS OF THE SEE

The Supported Employment Enterprises (SEE) 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 driven by customer acquisition and retention to push for much needed sales revenue paid off as SEE achieved 13% increase in sales revenue relative to the previous financial year. The entity's resilience despite challenging market conditions, tight regulatory constraints and underfunded mandate demonstrate that with necessary support and space for agility or speed of decision-making process, SEE can be counted with entities that can substantially contribute to the country's developmental agenda.

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 R36 Million, The Northern Cape Provincial Department of Education ordered approximately R15 Million worth of school furniture from SEE. In these current changing market dynamics, SEE has adopted a strategy to expand its product portfolio to avoid current products from the risk of being obsolete. SEE has also embarked upon customer acquisition efforts to the private sector, as its client base is predominantly in 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 160 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. It is much more efficient to create employment opportunities as it drives capacity utilization and economic activity as opposed to simply paying grants without generating economic activity.

The pre-determined target on new agreements was also achieved, which means that SEE achieved 100% of all its APP targets for 2023/24 financial year. Such phenomenal achievement and resilience around consistent and sustainable growth depict that SEE is essentially a vehicle for sustainable creation of employment opportunities. It is also well documented that most jobs for most of South Africans seeking employment especially persons with disabilities, that such jobs will be created in the manufacturing sector where SEE operates.

The entity's biggest challenge is the underfunded mandate where almost 90% of the treasury grant 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 still under refurbishment. The 24 administrative vacancies are affected by the DPSA moratorium and they are impacting on service delivery as these are critical posts in Operations, Business development and Finance. The Admin staff members are part of the Department of Employment and Labour and have been accounted for under the Department, Branch Public Employment Services. The second category of staff consisted of 1 047 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 01/04/2023	ADDITIONAL EMPLOYMENT AS AT 31/03/2024	TERMINA-TIONS AS AT 31/03/2024	TOTAL AS AT 31/03/2024
All factories	948	163	64	1047

SEE EE PROFILE

Province	Factory	RACE				GENDER		Total
		AFRICAN	COLOURED	INDIAN	WHITE	FEMALE	MALE	
Free State	Bloemfontein	33	0	0	24	25	32	57
KZN	Durban	37	4	6	28	21	56	0
	Pietermaritzburg	54	2	4	20	46	34	80
Eastern Cape	East London	62	8	1	17	33	55	88
	Port Elizabeth	42	16	1	19	41	37	78
Northern Cape	Kimberley	31	33	1	7	27	45	72
Western Cape	Ndabeni	60	56	0	46	59	103	162
	Epping	60	53	1	5	45	74	119
North West	Potchefstroom	38	8	0	4	24	26	50
Limpopo	Seshego	49	0	0	0	24	25	49
Gauteng	Pretoria	71	2	0	31	40	64	104
	Rand	64	13	0	33	66	44	110
	Springfield	52	13	0	13	26	52	78
TOTAL		**536**	**184**	**8**	**215**	**402**	**541**	**1047**

SEE POST LEVEL STRUCTURE-

POST LEVEL	2018/2019 WAGES	INCREASE 5.3%	2019/2020 WAGES	INCREASE 1.5%	2021/2022 WAGES	INCREASE 6.5%	2023/2024
6	R6 410.79	R339.77	R6 750.56	R101.26	R6851.82	R445.37	R7,297.19
5	R5 882.24	R311.76	R6 194.00	R92.91	R6286.91	R408.65	R6,695.56
5	R5 763.81	R305.48	R6 069.29	R91.04	R6160.33	R400.42	R6,560.75
4	R5 645.38	R299.20	R5 944.58	R89.17	R6033.75	R392.19	R6,425.94
4	R5 526.95	R292.93	R5 819.88	R87.30	R5907.18	R383.97	R6,291.15
3	R5 408.52	R286.65	R5 695.17	R85.43	R5780.60	R375.74	R6,156.34
2	R5 290.08	R280.37	R5 570.45	R83.56	R5654.01	R367.51	R6,021.52
1	R5 171.66	R274.10	R5 445.76	R81.69	R5527.45	R359.28	R5,886.73
1	R5 053.27	R267.82	R5 321.09	R79.82	R5400.91	R351.06	R5,751.97
1	R4 934.77	R261.54	R5 196.31	R77.95	R5274.26	R342.83	R5,617.09

The salaries of factory employees were increased by 6.5% in 2023/2024. This was after the no increase in 2020/2021, 1.5% in 2021/2022 and no increase in 2022/2023. The provident fund employer contribution was increased by 1%, to make it 10 %, while the employee contribution was also increased by 1% to bring it to 8%. SEE Youth employment is 49% (516 of 1047)

OVERVIEW OF THE FINANCIAL RESULTS OF THE SEE

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

The grant allocation for 2023/2024 amounted to R207 915 000 which amounts to 68% of SEE revenue. Remaining 32% was generated through other income and conversion of the current MOUs for sale of goods.

The entity is still pursuing other government spectrums for 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.

SUPPORTED EMPLOYMENT ENTERPRISES REVENUE

Departmental Receipts	2022/2023			2023/2024		
	Estimate	Actual Amount Collected	(over)/Under Collection	Estimate	Actual Amount Collected	(Over)/Under Collection
Sale of goods and services other than capital assets	R59 679 999	R53 807 703	R5 872 296	R61 000 000	R60 915 442	R84 558
Transfer Grant	R166 486 000	R166 486 000	R0	R187 160 000	207 915 000	R20 755 000
Interest, dividends and rent on land	R1 190 000	R2 602 882	-R1 412 882	R2 509 743	R7 701 601	-R5 191 858
Services in Kind	R0	R28 766 052	-R28 766 052	R27 806 186	R27 098 142	R708 044
Other Income	R247 354	R263 785	16 431	R264 946	R228 976	R35 970
Sale of capital assets	R0	R96 314	-R96 314	R0	R92 548	-R92 548
TOTAL	**R227 355 999**	**R251 758 951**	**-R24 402 952**	**R278 740 875**	**R303 951 709**	**-R25 210 834**

*Other income comprises of commission and discount received from 3rd party related payments

REASONS FOR OVER/UNDER COLLECTION OF REVENUE

Total Revenue Received	2022/2023	2023/2024	Variance	Variance %	Reasons for Variances
Sale of goods and services other than capital assets	R53 807 703	R60 915 442	R7 107 739	13%	More sales orders received for 2023/2024.
Transfer Grant	R166 486 000	R207 915 000	R41 429 000	25%	Difference is due to increase on the grant allocation of R20m per attached ENE, approval on the virement of R20,7m for bail out toward payment of admin claims from DEL and incremental on base allocation.
Interest, dividends and rent on land	R2 602 882	R7 701 601	R5 098 719	196%	Increase due to higher interest earn on cash excess as well as interest charged on trade debtors
Services in Kind	R28 766 052	R27 098 142	-R1 667 910	-6%	Service in kind was budgeted based on the prior year incorrect actual amount correction of which was effected in the current year.
Other Income	R263 785	R228 976	R34 809	-13	
Sale of capital assets	R96 314	R92 548	-R3 766	-4%	

INFORMATION ON IRREGULAR EXPENDITURE

Reconciliation of irregular expenditure		
Description	**2023/2024**	**2022/2023**
	R	**R**
Opening balance	16 033 186,00	14 026 553,00
Prior Period Errors		1 777 679,00
As Restated	16 033 186,00	15 804 232,00
Add: Irregular expenditure confirmed	3 615 646,00	228 954,00
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	**19 648 832,00**	**16 033 186,00**

**Prior year error relates to irregular expenditure incurred in 2022/2023 and was under assessment/determination and process was concluded in 2023/2024 financial year.*

a) Reconciling notes to the annual financial statement disclosure		
Description	**2023/2024**	**2022/2023**
	R	**R**
Irregular expenditure that was under assessment in 2022/2023		-
Irregular expenditure that relates to 2022/2023 and identified in 2023/24**		1 777 679,00
Irregular expenditure for the current year	3 615 646,00	228 954,00
Total	3 615 646,00	2 006 633,00

***During the year ended March 2024, an amount of R1 777 696 was identified as irregular expenditure incurred in 2022/2023 subsequent to finalisation of determination/assessment processes in the 2022/23 financial year.*

b) Details of current and previous year irregular expenditure (under assessment, determination, and investigation)		
Description	**2023/2024**	**2022/2023**
	R	**R**
Irregular expenditure under assessment	-	-
Irregular expenditure under determination*	-	-
Irregular expenditure under investigation**	-	-
Total	-	-

****The irregular expenditure reported under determination in the 2022/2023 amounting to R6 420 000,00 relates to a contract that is still active. The actual expenditure incurred on the contract value has since been disclosed accordingly in a) above.*

***In prior year, an amount of R5 646,00 was erroneously included as irregular expenditure under investigation for 2022/2023 financial year.*

c) Details of current and previous year irregular expenditure condoned		
Description	**2023/24**	**2022/23**
	R	**R**
Irregular expenditure condoned	-	-
Total	-	-
d) Details of current and previous year irregular expenditure removed - (not condoned)		
Description	**2023/24**	**2022/23**
	R	**R**
Irregular expenditure NOT condoned and removed	-	-
Total	-	-
e) Details of current and previous year irregular expenditure recoverable		
Description	**2023/24**	**2022/23**
	R	**R**
Irregular expenditure recovered	-	-
Total	-	-
f) Details of current and previous year irregular expenditure not recoverable and written off (irrecoverable)		
Description	**2023/24**	**2022/23**
	R	**R**
Irregular expenditure written off	-	-
Total		
Additional disclosure relating to Inter-Institutional Arrangements		
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		
None		
h) Details of non-compliance cases where an institution is involved in an inter-institutional arrangement (where such institution is responsible for the non-compliance)		

Description	2023/24	2022/23
	R	R
None	-	-
TOTAL	-	-

i) Details of current and previous year disciplinary or criminal steps taken as a result of irregular expenditure		
Disciplinary steps taken	**2023/24**	**2022/23**
	R'000	**R'000**
None		
TOTAL		

INFORMATION ON FRUITLESS AND WASTEFUL EXPENDITURE

Reconciliation of fruitless and wasteful expenditure		
Description	**2023/2024**	**2022/2023**
	R	**R**
Opening balance	2 953 021,00	1 756 198,00
Prior Period Errors	-	-
As Restated	2 953 021,00	1 756 198,00
Add: Fruitless and wasteful expenditure confirmed	1 609 193,00	1 196 823,00
Less: Fruitless and wasteful expenditure Written off	-	-
Less: Fruitless and wasteful expenditure recoverable	-	-
Closing balance	4 562 214,00	2 953 021,00

a) Reconciling notes to the annual financial statement disclosure		
Description	**2023/2024**	**2022/2023**
	R	**R**
Fruitless and wasteful expenditure that was under assessment in 2022/2023	-	-
Fruitless and wasteful expenditure that relates to 2022/2023 and identified in 2023/24	-	-
Fruitless and wasteful expenditure for the current year	1 609 193,00	1 196 823,00
TOTAL	1 609 193,00	1 196 823,00

b) Details of current and previous year Fruitless and wasteful expenditure (under assessment, determination, and investigation)		
Description	**2023/2024**	**2022/2023**
	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

Reconciliation of fruitless and wasteful expenditure		
Description	2023/2024	2022/2023
	R	R

c) Details of current and previous year Fruitless and wasteful expenditure Written off		
	2023/24	2022/23
	R	R
Fruitless and wasteful expenditure written off	-	-
TOTAL	-	-

d) Details of current and previous year Fruitless and wasteful expenditure recoverable		
Description	2023/2024	2022/2023
	R	R
Fruitless and wasteful expenditure recoverable	-	-
TOTAL	-	-

e) Details of current and previous year disciplinary or criminal steps taken as a result of fruitless and wasteful expenditure.		
Disciplinary steps taken	2023/2024	2022/2023
	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
Blanket wool type 13	Ahlesa Blankets PTY LTD	Limited bidding	I05120	R4 760 000,00
Fabric Cotton P48	Da Gama Textiles	Limited bidding	M07364	R453 060,00
Cotton Sheeting P48	Da Gama Textiles	Limited bidding	N03558	R201 005,00
Cotton Sheeting P48	Da Gama Textiles	Limited bidding	B10378	R287 150,00
Cotton Sheeting P48	Da Gama Textiles	Limited bidding	K02254	R861 450,00
P48 & ST9 fabrics	Da Gama Textiles	Limited bidding	E01218	R2 154 570,00
Fabric	Da Gama Textiles	Limited bidding	O00083	R1 308 840,00
Fabric Sheeting	Da Gama Textiles	Limited bidding	F03168	R1 160 179,80
Fabric J54 screen curtains	Da Gama Textiles	Limited bidding	N03575	R325 080,00
Fabric	Da Gama Textiles	Limited bidding	F03178	R350 250,00
Fabric	Da Gama Textiles	Limited bidding	I05162	R7 585 200,00
Fabric	Da Gama Textiles	Limited bidding	M07427	R10 293 787,50
Cellular Blanket Fabric	Hextex Industries (pty) Ltd	Limited bidding	I05121	R4 003 993,00
Toweling type 43	Colibri Toweling WC (pty)Ltd	Limited bidding	J01870	R1 520 000,00
Towels	Colibri Toweling WC (pty)Ltd	Limited bidding	J01889	R570 285,00
Bath towel	Colibri Toweling WC (pty)Ltd	Limited bidding	J01894	R760 000,00
Blanket wool	Aranda Textile Mills	Limited bidding	I05132	R478 820,00
Wool Type 13	Aranda Textile Mills	Limited bidding	I05167	R2 426 250,00
TOTAL				R39 499 920,30

Events after reporting date

SEE has operations in various factories across the country in eight provinces that manufacture wood, linen and steel products for purpose of trading at an arm's length and currently operating 12 factories. In 2021/2022 financial year Durban Factory was discontinued and handed over to Department of Public Works and Infrastructure (DPWI) for revamp subsequent to factory being destroyed by natural disaster in 2017.

As at the reporting date, the factory revamp project made significant progress and DPWI envisaged to hand back the factory to SEE in 2024/2025 financial year. It is therefore assessed that the conditions to hand back Durban Factory to SEE existed as at reporting date to indicate significant operations re-establishment.

Acknowledgement/s or Appreciation

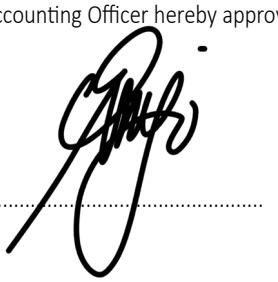
The Supported Employment Enterprises acknowledges the contributions of our staff and Executive Management in the attainment of the goals contained in this Annual Report, this despite the challenges we experienced in the entity.

CONCLUSION

In conclusion, I hereby submit the Supported Employment Enterprises Annual Report for the period ended 31 March 2024.

APPROVAL AND SIGN OFF

The Accounting Officer hereby approves the Annual Financial statements for the 2023/2024 financial year.



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ACTING DIRECTOR-GENERAL: EMPLOYMENT AND LABOUR

Date: 30 August 2024

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	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 2023/24 Over – achieved 163 additional persons with disabilities employed in the SEE factories by the end of March 2024	N/A New MOU's signed that would need more capacity in factories to manufacture and deliver as per clients' time lines	SEE

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 increase revenue to 40% by 2025	2021/22 Not achieved -33% decline in sales 2022/23 Achieved 88% annual increase in revenue from sales of goods and services were achieved by the end of March 2023 2023/24 Over- achieved 13.93% annual increase of sales revenue from goods and services by the end of March 2024	Better, than expected sales revenue achieved due to contracts from NC DoE and NWDE for school furniture. Secured contracts with DPWI and completion of prior year sales with North West Education and Northern Cape Education.	SEE
				Increase SEE's market share	2021/22 Achieved 6 customer agreements entered into by the end of March 2022 2022/23 Not achieved 4 customer agreements entered into by the end of March 2023 2023/24 Over-achieved 12 customer agreements entered into by the end of March 2024	Delayed submission of required documents from prospective clients as well as the lengthy internal legal vetting process. Targeted TVET Colleges and private companies for CMT sales contracts.	SEE

PERFORMANCE INDICATORS

Outcome	Output	Output Indicator	Audited Actual Performance 2021/2022	Audited Annual Performance 2022/23	Planned Annual Target 2023/24	Actual Achievement 2023/24	Deviation from planned target to Actual Achievement 2023/24	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 26 additional persons with disabilities employed in the SEE factories by the end of March 2022	50 additional persons with disabilities employed in the SEE factories by the end of March 2023	150 additional persons with disabilities employed in the SEE factories by the end of March 2024	163 additional persons with disabilities employed in the SEE factories by the end of March 2024	13 overachievement	New MOU's signed that would need more capacity in factories to manufacture and deliver as per clients' time lines
Increase sales revenue	Financial viability increased and sustained	% annual increase of sales revenue from goods and services by the end of March	Not achieved -33% decline in sales	10% annual increase of sales revenue from goods and services by the end of March 2023	10% annual increase of sales revenue from goods and services by the end of March 2024	13.93% annual increase of sales revenue from goods and services by the end of March 2024	3.93% overachievement	Secured contracts with DPWI and completion of prior year sales with North West Education and Northern Cape Education.
Increase SEE's market share	SEE's market share increased and sustained	Number of customer agreements entered into annually	Achieved 6 customer agreements entered into by the end of March 2022	7 customer agreements entered into by the end of March 2023	10 customer agreements entered into by the end of March 2024	12 customer agreements entered into by the end of March 2024	2 overachievement	Targeted TVET Colleges and private companies for CMT sales contracts.

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 225 to 268, which comprise the statement of financial position as at 31 March 2024, statement of financial performance, statement of changes in net assets and 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 2024 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

3. I was unable to obtain sufficient appropriate audit evidence that inventories were properly accounted for, as there were differences between the amount of inventories per the financial statements and the underlying records. I could not confirm the amount for inventories by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to the inventory balance stated at R56 913 964 in note 6 to the financial statements.

4. In addition, I was unable to obtain sufficient appropriate audit evidence that inventories for the prior year had been properly accounted for, as the entity did not maintain complete and accurate records for production times and the standard rates used in the valuation of inventories were not substantiated by supporting audit evidence. Furthermore, included in the corresponding figure are restatements made to rectify prior year misstatements, but the restatement was not substantiated by supporting audit evidence. I could not confirm inventories by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to the corresponding figure of the inventory balance stated at R70 936 724 in note 6 to the financial statements.

Cost of sales and operating expenses

5. Cost of sales and operating expenses were not accounted for in accordance with GRAP 12, Inventories and GRAP 1 Presentation of financial statements respectively, as the entity incorrectly calculated the rate used in the calculation of cost of sales and operating expenses. I was unable to determine the full extent of the misstatement for the following items included in cost of sales and operating expenses as it was impractical to do so:

   - Fixed manufacturing overheads stated at R3 771 531 in note 14 to the financial statements.
   - Variable manufacturing overheads stated at R2 228 942 in note 14 to the financial statements.
   - Direct labour stated at R6 195 312 in note 14 to the financial statements.
   - Under or over recovery fixed overheads stated at R33 039 005 in operating expenses in the financial statements.
   - Abnormal labour idle time stated at R88 201 856 in operating expenses in the financial statements.
   - Under/over recovery variable overheads stated at R17 622 646 in operating expenses on the financial statements.

Additionally, there was an impact on the surplus and deficit for the current period and accumulated surplus.

6. In addition, I was unable to obtain sufficient appropriate audit evidence that cost of sales and operating expenses for the previous year had been properly accounted for, as the entity did not maintain complete and accurate records for production times and the standard rates used in the valuation of inventories could not be substantiated by supporting audit evidence. Furthermore, included in the corresponding figure are restatements made to rectify prior year misstatements, but the restatement was not substantiated by supporting audit evidence. I could not confirm cost of sales and operating expenses by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to the corresponding figure for the following:

   - Direct material stated at R38 405 268 in note 14 to the financial statements.
   - Direct labour stated at R7 386 920 in note 14 to the financial statements.
   - Variable manufacturing overheads stated at R8 890 227 in note 14 to the financial statements.
   - Fixed manufacturing overheads stated at R1 814 438 in note 14 to the financial statements.
   - Under or over recovery fixed overheads stated at R32 499 972 in operating expenses in the financial statements.
   - Abnormal labour idle time stated at R86 748 462 in operating expenses in the financial statements.

- Under/over recovery variable overheads stated at R2 205 365 in operating expenses on the financial statements.

Receivables from exchange transactions

7. Trade debtors were not correctly accounted for in accordance with GRAP 104 Financial instrument as the entity did not adequately reconcile the individual receivables balances, resulting in misstatement of debtors' balances. I was unable to determine the full extent of the misstatements to trade debtors stated at R3 647 829 (2023: R8 151 414) in note 7 to the financial statements as it was impracticable to do so.

Payables from exchange transactions

8. I was unable to obtain sufficient appropriate audit evidence that payments received in advance were properly accounted for, as the entity could not provide evidence to support the amount for payments received in advance. I could not confirm the amount for payments received in advance by alternative means. Consequently, I was unable to determine whether any adjustments relating to payments received in advance stated at R6 433 984 in note 5 to the financial statements were necessary.

Cash flow statement

9. Net cash flows from operating activities were not correctly prepared and disclosed as required Standards of GRAP 2, Cash flow statements. This was due to multiple errors in determining cash flow from operating activities. I was not able to determine the full extent of the errors in the net cash flows from operating activities, as it was impractical to do so. Consequently, I was unable to determine whether any adjustments to cash flows from operating activities as stated at R9 641 019 in the financial statements were necessary.

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.

Responsibilities of the accounting officer for the financial statements

13. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with the GRAP and the requirements of the PFMA and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

14. In preparing the financial statements, the accounting officer is responsible for assessing the trading entity's ability to continue as a going concern; disclosing, as applicable, matters relating to going concern; and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the trading entity or to cease operations or has no realistic alternative but to do so.

Responsibilities of the auditor-general for the audit of the financial statements

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

16. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report. This description, which is located at page 223, forms part of our auditor's report.

Report on the annual performance report

17. 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 the selected material performance indicators presented in the annual performance report. The accounting officer is responsible for the preparation of the annual performance report.

18. I selected the following material performance indicator related to economic transformation and job creation programme presented in the annual performance report for the year ended 31 March 2024. I selected an indicator that measures the trading entity's performance on its primary mandated functions and that is of significant national, community or public interest.

- Number of additional persons with disabilities employed in the SEE factories by end of 31 March 2024.

19. I evaluated the reported performance information for the selected material performance indicators 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.

20. 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 to ensure that they are easy to understand and can be applied consistently, as well as verifiable so 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 those 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 and is comparable and understandable.
    - there is adequate supporting evidence for the achievements reported and for the reasons provided for any over-achievement of targets.
21. I performed the procedures to report material findings only, and not to express an assurance opinion or conclusion.
22. I did not identify any material findings on the reported performance information for the selected indicator economic transformation and job creation.

Report on compliance with legislation

23. 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.
24. 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.
25. 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.
26. The material findings on compliance with the selected legislative requirements, presented per compliance theme, are as follows:

Annual financial statements and annual report

36. The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework and supported by full and proper records as required by section 40(1)(a) and (b) of the PFMA.
37. Material misstatements of non-current assets, current assets, current liabilities, revenue, expenditure and disclosure items identified by the auditors in the submitted financial statements were corrected and the supporting records were provided, but the uncorrected material misstatements and supporting records that could not be provided resulted in the financial statements receiving an adverse opinion.

Revenue management

37. 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

38. Effective steps were not taken to prevent fruitless and wasteful expenditure amounting to R1 609 193, as disclosed in note 33 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 theft of assets.

Assets management

39. Preventative mechanisms were not in place to eliminate theft of assets, as required by treasury regulation 10.1.1(a).
40. Processes and procedures were not in place at the trading entity for the economical use of the institution's assets, as required by treasury regulation 10.1.2.

Consequence management

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

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

Other information in the annual report

43. 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 material indicators in the scoped-in programme presented in the annual performance report that have been specifically reported on in this auditor's report.

44. 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.

45. 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 material indicators in the scoped-in priority presented in the annual performance report or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

46. 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 corrected this will not be necessary.

Internal control deficiencies

47. 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.

48. 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.

49. Actions planned to address the prior year issues identified on the inventories, cost of sales, receivables and payables were not implemented timeously, which resulted in qualification areas for the prior year not being adequately addressed. Some of these issues were also communicated during the interim phase of the current year's audit.

50. Significant control deficiencies were noted in relation to monthly controls over financial reporting, which resulted in material misstatements in the financial statements.

51. The entity did not implement proper record keeping ensuring that complete, relevant and accurate information was accessible and available in a timely manner to support financial and performance reporting. This resulted in unnecessary delays in completing the audit.

52. The entity did not ensure that the financial statements and annual performance report were adequately reviewed and supported by complete and accurate supporting documents, resulting in material misstatements being identified during the audit. In addition, preventative controls were not implemented to ensure reliable financial reporting as well as compliance with applicable laws and regulations.

53. Management did not implement adequate controls relating to daily and monthly processing and reconciliation of transactions. The controls that management put in place to ensure regular, accurate and complete financial reports did not always prevent and/or detect material misstatements in the financial statements and annual performance report.

54. Management did not adequately review and monitor compliance with applicable laws and regulations, which resulted in non-compliance with legislation being identified during the audit.

55. The accounting officer did not ensure that consequence management is implemented on those who failed to implement the designated internal controls of the entity.

AUDITOR GENERAL

Pretoria

19 August 2024

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

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 material performance indicators 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 identified 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
Public Finance Management Act 1 of 1999	Section 38(1)(b); 38(1)(c)(I); 38(1)(c)(ii); 38(1)(d); Section 38(1)(h)(iii); 38(1)(j); 39(1)(a); 39(2)(a); Section 40(1)(a); 40(1)(b); 40(1)(c)(I); 43(4); Section 44(1); 44(2); 45(b)
Treasury Regulations, 2005	Regulation 4.1.1; 4.1.3; 5.1.1; 5.2.1; 5.2.3(a); Regulation 5.2.3(d); 5.3.1; 7.2.1; 8.1.1; 8.2.1; Regulation 8.2.2; 8.2.3; 9.1.1; 9.1.4; 10.1.1(a); Regulation 10.1.2; 11.4.1; 11.4.2; 11.5.1; 12.5.1; Regulation 15.10.1.2(c); 16A3.2; 16A3.2(a); Regulation 16A6.1; 16A6.2(a); 16A6.2(b); Regulation 16A6.3(a); 16A6.3(b); 16A 6.3(c); Regulation 16A 6.3(e); 16A6.4; 16A6.5; 16A6.6; Regulation 16A7.1; 16A7.3; 167.6; 16A7.716A8.3; Regulation 16A8.4; 16A9.1(b)(ii); 16A9.1(d); Regulation 16A9.1(e); 16A9.1(f); 16A9.2; Regulation 16A9.2(a)(ii); 17.1.1; 18.2; 19.6.1; Regulation 19.8.4
Construction Industry Development Board Act 38 of 2000	Section 18(1)
Construction Industry Development Board Regulations, 2004	Regulation 17; 25(7A)
Second amendment National Treasury Instruction No. 5 of 202/21	Paragraph 1
Erratum National Treasury Instruction No. 5 of 202/21	Paragraph 2
National Treasury instruction No.5 of 2020/21	Paragraph 1; 2; 4.8; 4.9, 5.3
National Treasury Instruction No.1 of 2021/22	Paragraph 4.1
National Treasury Instruction No.4 of 2015/16	Paragraph 3.4
National Treasury SCM Instruction No. 4A of 2016/17	Paragraph 6
National Treasury SCM Instruction No. 03 2021/22	Paragraph 4.1; 4.2(b); 4.3; 4.4(a); 4.17; 7.2; 7.6
National Treasury SCM Instruction No. 11 2020/21	Paragraph 3.4(a); 3.4(b); 3.9
National Treasury SCM Instruction No. 2 of 2021/22	Paragraph 3.2.1; 3.2.4; 3.2.4(a); 3.3.1
Practice Note 11 of 2008/9	Paragraph 2.1; 3.1(b)
Practice Note 5 of 2009/10	Paragraph 3.3
Practice Note 7 of 2009/10	Paragraph 4.1.2
Preferential Procurement Policy Framework Act 5 of 2000	Section 1; 2.1(a); 2.1(f)
Preferential Procurement Regulations, 2022	Regulation 4.1; 4.2; 4.3; 4.4; 5.1; 5.2; 5.3; 5.4
Preferential Procurement Regulations, 2017	Regulation 4.1; 4.2; 5.1; 5.3; 5.6; 5.7; 6.1; 6.2; Regulation 6.3; 6.5; 6.6; 6.8; 7.1; 7.2; 7.3; 7.5; Regulation 7.6; 7.8; 8.2; 8.5; 9.1; 10.1; 10.2; Regulation 11.1; 11.2
Prevention and Combating of Corrupt Activities Act 12 of 2004	Section 34(1)

SUPPORTED EMPLOYMENT ENTERPRISE

Annual Financial Statements

for the year ended 31 March 2024

GENERAL INFORMATION

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

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

Accounting Officer's Responsibilities and Approval	228
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Cash Flow Statement	232
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Abbreviations used:

NRV	Net Realisable Value
PFMA	Public Finance Management Act 1 of 1999
GRAP	Generally Recognised Accounting Practice
VAT	Value Added Tax
DEL	Department of Employment and Labour
MOU	Memorandum of Understanding

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.

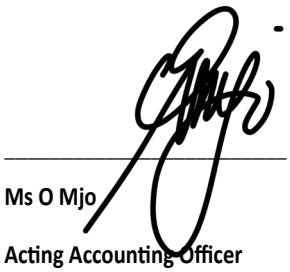
The member acknowledges that he is ultimately responsible for the system of internal financial control established by the entity and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting authority sets 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 2025 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 entity 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 page 229 to 268, which have been prepared on the going concern basis, were approved by the accounting officer on 31 March 2024 and were signed on its behalf by



Ms O Mjo

Acting Accounting Officer

Statement of Financial Position as at 31 March 2024			
Figures in Rand	**Note(s)**	**2024**	**2023 Restated***
Assets			
Current Assets			
Inventories	6	56 913 964	70 936 724
Operating lease asset	4	15 240	-
Receivables from exchange transactions	7	4 309 247	8 635 218
Receivables from non-exchange transactions	8	21 328 624	-
VAT receivable	9	2 914 213	2 148 311
Cash and cash equivalents	10	29 122 382	23 077 625
		114 603 670	**104 797 878**
Non-Current Assets			
Property, plant and equipment	2	87 322 179	88 722 935
Total Assets		**201 925 849**	**193 520 813**
Liabilities			
Current Liabilities			
Finance lease obligation	11	294 752	269 362
Operating lease liability	4	-	92 544
Payables from exchange transactions	5	39 596 362	36 766 746
		39 891 114	**37 128 652**
Non-Current Liabilities			
Finance lease obligation	11	106 971	401 723
Provisions	12	11 774 905	11 005 483
		11 881 876	**11 407 206**
Total Liabilities		**51 772 990**	**48 535 858**
Net Assets		**150 152 859**	**144 984 955**
Accumulated surplus		150 152 861	144 984 955
Total Net Assets		**150 152 861**	**144 984 955**

Statement of Financial Performance Figures in Rand	Note(s)	2024	2023 Restated*
Revenue	13	**295 858 234**	**248 699 656**
Cost of sales	14	**(52 025 239)**	**(56 269 141)**
Gross surplus		**243 832 995**	**192 430 515**
Other income	13		
Commissions received		48 141	49 345
Discount received		180 835	214 440
Interest received	16	7 701 601	2 602 882
		7 930 577	**2 866 667**
Expenses (Refer to page 6)		**(245 441 647)**	**(206 617 926)**
Operating surplus (deficit)	23	**6 321 925**	**(11 320 744)**
Finance costs	19	(1 154 013)	(1 167 048)
Surplus (deficit) for the year		**5 167 912**	**(12 487 792)**

Figures in Rand	Note(s)	2024	2023 Restated*
Operating expenses			
Advertising		(514 069)	(251 616)
Auditors remuneration	20	(2 435 434)	(2 541 840)
Debt Impairment		(13 234 613)	(1 392 518)
Bank charges		(199 092)	(237 461)
Cleaning		(2 149 295)	(267 579)
Losses - Theft & Losses		(52 029)	(1 088 718)
Consulting and professional fees		(836 372)	(1 929 492)
Consumables		(41 669)	(13 714)
Delivery expenses		(4 560 470)	(5 377 897)
Depreciation, amortisation and impairments		(1 573 274)	(280 324)
Employee costs		(64 668 783)	(59 056 438)
Refreshments		(24 550)	(563 681)
Abnormal labour idle time		(88 201 856)	(86 748 462)
Under/Over recovery variable overheads		(17 622 646)	(2 205 365)
Canteen expenses		(628 777)	(176 819)
Occupational health and safety expense		(194 932)	(42 539)
Loss on lease termination		-	(3 461)
Service in-kind expenditure		(2 040 336)	(959 865)
Under or over recovery fixed overheards		(33 039 005)	(32 499 972)
IT expenses		(3 019 948)	(1 674 199)
Insurance		(337 402)	-
Lease rentals on operating lease		(124 836)	(114 942)
Loss on disposal of assets		(92 548)	(1 698 642)
Motor vehicle expenses		(56 599)	(11 604)
Loss on de-recognition of assets		(1 554 216)	-
Printing and stationery		(43 009)	(134 276)
Repairs and maintenance		(616 438)	(382 130)
Software expenses		(702 072)	(227 064)
Staff welfare		(630 457)	(298 889)
Subscriptions		(38 453)	-
Telephone and fax		(1 851 889)	(1 910 539)
Training		(298 269)	(286 211)
Travel - local		(2 442 431)	(2 743 787)
Water and electricity		(1 615 878)	(1 497 882)
		(245 441 647)	**(206 617 926)**

Statement of Changes in Net Assets		
Figures in Rand	**Accumulated surplus / deficit**	**Total net assets**
Opening balance as previously reported	168 759 767	168 759 767
Adjustments Prior year adjustments 29	(11 287 020)	(11 287 020)
Balance at 01 April 2022 as restated*	**157 472 747**	**157 472 747**
Changes in net assets Surplus for the year	(12 487 792)	(12 487 792)
Total changes	(12 487 792)	(12 487 792)
Opening balance as previously reported	152 240 628	152 240 628
Adjustments Prior year adjustments 29	(7 255 679)	(7 255 679)
Restated* Balance at 01 April 2023 as restated*	**144 984 949**	**144 984 949**
Changes in net assets Surplus for the year	5 167 912	5 167 912
Total changes	5 167 912	5 167 912
Balance at 31 March 2024	**150 152 861**	**150 152 861**
Note(s)		

Cash Flow Statement			
Figures in Rand	**Note(s)**	**2024**	**2023 Restated***
Cash flows from operating activities			
Receipts			
Sale of goods and services		55 396 657	56 284 267
Grants		187 160 000	166 486 000
Interest income		7 701 601	2 602 882
Other cash item		48 141	654 042
		250 306 399	226 027 191
Payments			
Employee costs		(158 578 105)	(157 813 191)
Suppliers		(81 728 443)	(64 123 864)
Finance costs		(1 104 248)	(1 120 955)
Other payments		745 416	(23 258)
		(240 665 380)	(223 081 268)
Net cash flows from operating activities	**22**	**9 641 019**	**2 945 923**
Cash flows from investing activities			
Purchase of property, plant and equipment	2	(4 657 627)	(2 193 705)
Proceeds from sale of property, plant and equipment	2	1 380 492	313 739
Net cash flows from investing activities		**(3 277 135)**	**(1 879 966)**

Cash Flow Statement			
Figures in Rand	**Note(s)**	**2024**	**2023 Restated***
Cash flows from financing activities			
Finance lease payments		(319 127)	401 004
Net increase/(decrease) in cash and cash equivalents		**6 044 757**	**1 466 961**
Cash and cash equivalents at the beginning of the year		23 077 625	21 610 664
Cash and cash equivalents at the end of the year	**10**	**29 122 382**	**23 077 625**

The accounting policies on pages 236 to 251 and the notes on pages 252 to 264 form an integral part of the annual financial statements.

Supported Employment Enterprises
Annual Financial Statements for the year ended 31 March 2024
Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis						
Figures in Rand	**Approved budget**	**Adjustments Final Budget Actual amounts**	**Final Budget**	**Actual amounts**	**Difference between final budget and actual**	**Reference (Refer to next page for comments)**
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions **Sale of goods**	61 000 000	(5)	**60 999 995**	60 919 038	**(80 957)**	
Commissions received	44 028	-	**44 028**	48 141	**4 113**	
Discount received	220 919	(1)	**220 918**	180 835	**(40 083)**	
Interest received - investment	2 509 743	-	**2 509 743**	7 701 601	**5 191 858**	
Total revenue from exchange transactions	**63 774 690**	**(6)**	**63 774 684**	**68 849 615**	**5 074 931**	
Revenue from non-exchange transactions Transfer revenue	187 160 000	-	**187 160 000**	207 915 000	**20 755 000**	
Services in kind	27 806 187	(1)	**27 806 186**	27 024 196	**(781 990)**	
Total revenue from non-exchange transactions	**214 966 187**	**(1)**	**214 966 186**	**234 939 196**	**19 973 010**	
Total revenue	**278 740 877**	**(7)**	**278 740 870**	**303 788 811**	**25 047 941**	
Expenditure Employee cost	(202 191 131)	5	**(202 191 126)**	(159 065 951)	**43 125 175**	
Depreciation and amortisation	(8 216 065)	37	**(8 216 028)**	(4 585 343)	**3 630 685**	
Finance costs	(446)	-	**(446)**	(1 154 013)	**(1 153 567)**	
Lease rentals on operating lease	(10 000)	-	**(10 000)**	(124 836)	**(114 836)**	
Debt Impairment	-	-	**-**	(13 234 613)	**(13 234 613)**	
Losses - Theft & Losses	-	-	**-**	(52 029)	**(52 029)**	
Sale of goods/Inventory	(49 435 635)	-	**(49 435 635)**	(52 025 239)	**(2 589 604)**	
General Expenses	(81 377 095)	-	**(81 377 095)**	(68 286 327)	**13 090 768**	
Total expenditure	**(341 230 372)**	**42**	**(341 230 330)**	(298 528 351)	**42 701 979**	
Operating surplus	**(62 489 495)**	**35**	**(62 489 460)**	5 260 460	**67 749 920**	
Loss on disposal of assets and liabilities	-	-	**-**	(92 548)	**(92 548)**	
Surplus before taxation	**(62 489 495)**	**35**	**(62 489 460)**	**5 167 912**	**67 657 372**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**(62 489 495)**	**35**	**(62 489 460)**	**5 167 912**	**67 657 372**	

Material differences between budget and actual amounts Sale of goods Sales
The decrease occurred due to halting deliveries on major projects such as Northwest Education while reconciling prepayments received with deliveries made to date. This measure was taken to prevent over deliveries on the contract

Commissions received
The increase stemmed from a greater number of third-party agencies that employees joined, leading SEE to make deductions on behalf of these third parties in exchange for commissions.

Discount received
The slight decrease was due to some invoices not being paid on time, which prevented taking advantage of available discounts.

Interest received
Interest increased due to a favourable bank balance and outstanding debtors' balance, resulting in accumulated interest charges due to late payments

Services in kind
Service in kind was budgeted based on the prior year incorrect actual amount correction of which was effected in the current year.

Employee cost
The difference arose from vacancies that were budgeted for but remained unfilled. Specifically, the factory workers' target appointments were made toward the year-end, whereas the budget assumed appointments would occur on a quarterly basis.

Finance cost
Less finance cost was budgeted due to the anticipation of settling all invoices on time. However, the difference arose from interest and penalties incurred on late payments of invoices, particularly from SARS statements. Additionally, there was an increase in finance costs due to interest on the discounting of long service awards, which was not accounted for in the budget.

Lease rentals on operating lease
The operating leases were under budgeted because the new G-fleet contract, which became effective in the current financial year, was inadvertently omitted from the budget.

Sale of goods/Inventory (Cost of sales)
The increase occurred because more products were sold in the current year, which were manufactured in the prior year at a higher standard rate

Debt Impairment
The rise is attributed to debt impairment allowance, which was not accounted for in the budget.

Depreciation and amortisation
The significant variance arises from integrating factory depreciation and amortization into production as fixed overheads. This variance represents the difference between the absorbed costs and the actual depreciation written off, which are expensed as period costs. This process can lead to over or under-recovery scenarios.

General expenses
The substantial variance occurs because factory expenses are integrated into production as overheads. This variance reflects the contrast between the absorbed costs and the actual amount paid, which are written off as period costs, potentially resulting in over or under-recovery situations.

Loss on disposal of assets and liabilities
The rise is attributed to loss on disposal of asset, which was not accounted for in the budget.

1 SIGNIFICANT ACCOUNTING POLICES

The significant accounting policies applied in the preparation of these annual financial statements are set out below.

1.1 Basis of preparation

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) 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.

These accounting policies are consistent with the previous period.

1.2 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. Refer to note 31

1.3 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:
Other significant judgements, sources of estimation uncertainty and/or relating information, have been disclosed in the relating notes.

Receivables

The entity assesses its receivables, for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the 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. Impairments are calculated based on repayment expectations and discounted present value. Receivables are categorised by risk, with individual assessments for impairments and required approval for write-offs.
On receivables an impairment loss is recognised in surplus and deficit when there is objective evidance that it is impaired. The impairement is measured as the difference between the receivables carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Allowance for slow moving, damaged and obsolete inventory
An allowance for stock to write stock down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the operation surplus note.

1.3 Significant judgements and sources of estimation uncertainty (continued)

Impairment testing of non-financial assets
The recoverable amounts of 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 of 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

1.4 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.
The cost of an item of property, plant and equipment is recognised as an asset when:

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

Property, plant and equipment is initially measured at cost. 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). If the acquired item's fair value was not determinable, it's 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.

1.4 Property, plant and equipment (continued)

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 is carried at cost less accumulated depreciation and any impairment losses.

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 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 Standards of GRAP on Accounting policies changes in estimates and errors.

Items of 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 2).

1.5 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.

1.5 Intangible assets (continued)

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

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

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

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

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

Amortisation is provided to write down the intangible assets, on a straight-line basis, to their residual values as follows:

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

Intangible assets are derecognised:

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

The gain or loss arising from the derecognition of intangible assets is included in surplus or deficit when the asset is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

The gain or loss arising from the derecognition of an intangible asset is determined as the difference between the net disposal proceeds if any and the carrying amount of the asset.

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

1.6 Financial instruments

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

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

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

A financial asset is:

- cash;
- a residual interest of another entity; or
- Financial instruments (continued)
- 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 changes in market interest rates.

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

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

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

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

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

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

Classification

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

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

Initial recognition

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

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

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

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

Subsequent measurement of financial assets and financial liabilities

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

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

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

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

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

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

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

Gains and losses
A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.
For financial assets and financial liabilities measured at amortised cost or cost a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired or through the amortisation process.

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

1.6 Financial instruments (continued) De-recognition

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

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or

the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity:

- derecognises the asset; and
- recognises separately any rights and obligations created or retained in the transfer.

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

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

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

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

Presentation
Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit. Losses and gains relating to a financial instrument or a component that is a financial liability are recognised as revenue or expense in surplus or deficit.
A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

1.7 Leases

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

1.7 Leases (continued) Finance leases - lessee

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

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

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

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

Operating leases - lessee
Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability. The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis over the lease term.

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

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.

1.9 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.

1.10 Impairment of cash-generating assets

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

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

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

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

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

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

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

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

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

Designation

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

1.10 Impairment of cash-generating assets (continued)

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. Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.
After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.
A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.
In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

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

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

1.11 Impairment of non-cash-generating assets

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

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

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. 12 Employee benefits

Identification

Employee benefits

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

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

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

Short-term employee benefits

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

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

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

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

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measures the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.
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 Employee benefits (continued)

Short-term employee benefits

Recognition and measurement

1.13 Provisions and contingencies

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 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.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. 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.
Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised

as an interest expense.

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

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

A constructive obligation to restructure arises only when an entity:

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 27.

1.14 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 26 - Commitment

1.14 Commitments (continued)

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.

1.15 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.
An exchange transaction is one in which the entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.
Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

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

Sale of goods

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

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

Rendering of services

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

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

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight-line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.
When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.
Revenue from exchange transactions (continued)

1.15 Revenue from exchange transactions (continued)

Interest

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.

1.16 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 .

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 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.

1.19 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 29 prior year reclassified and/or adjusted figures.Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.20 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 33 - Fruitless and wasteful expenditure

1.21 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 33 - Irregular expenditure

1.22 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 2023/04/01 to 2024/03/31.

1.23 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.
Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

1.23 Related parties (continued)

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 ventures).

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

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.
Management are those persons responsible for planning, directing and controlling the activities of the entity, including those charged with the governance of the entity in accordance with legislation, in instances where they are required to perform such functions.
Close members of the family of a person are those family members who may be expected to influence, or be influenced by that person in their dealings with the entity.

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

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

1.24 Events after reporting date

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

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

The entity 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.

1.25 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.

1.26 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.

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.

Notes to the Annual Financial Statements

Figures in Rand						
2. Property, plant and equipment						
	2024			**2023**		
	Cost / Valuation	**Accumulate depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Buildings	2 273 867	(272 989)	2 000 878	2 273 867	(227 511)	2 046 356
Plant and machinery	57 589 383	(15 174 273)	42 415 110	57 114 888	(13 555 017)	43 559 871
Furniture and fixtures	4 926 302	(2 306 689)	2 619 613	4 991 933	(2 064 125)	2 927 808
Motor vehicles	10 384 485	(4 302 976)	6 081 509	10 384 485	(3 368 373)	7 016 112
Office equipment	1 898 345	(794 897)	1 103 448	1 920 319	(719 929)	1 200 390
IT equipment	6 072 038	(2 197 542)	3 874 496	4 386 468	(1 648 312)	2 738 156
Appliances	3 148 202	(820 957)	2 327 245	2 704 498	(648 671)	2 055 827
Work-in-progress assets	26 552 827	-	26 552 827	26 552 827	-	26 552 827
Other leased Assets	835 604	(488 551)	347 053	835 604	(210 016)	625 588
TOTAL	**113 681 053**	**(26 358 874)**	**87 322 179**	**111 164 889**	**(22 441 954)**	**88 722 935**

Property, plant and equipment					
Reconciliation of property, plant and equipment - 2024	**Opening balance**	**Additions through transfer of functions / mergers**	**Disposals Impairment**	**Depreciation & Impairment**	**Total**
Buildings	2 046 356	-	-	(45 478)	2 000 878
Plant and machinery	43 559 871	1 807 523	(927 379)	(2 024 905)	42 415 110
Furniture and fixtures	2 927 808	119 271	(131 094)	(296 372)	2 619 613
Motor vehicles	7 016 112	-	-	(934 603)	6 081 509
Office equipment	1 200 390	6 968	(25 600)	(78 310)	1 103 448
IT equipment	2 738 156	2 172 248	(296 517)	(739 391)	3 874 496
Appliances	2 055 827	551 617	(92 450)	(187 749)	2 327 245
Work-in-progress assets	26 552 827	-	-	-	26 552 827
Other leased Assets	625 588	-	-	(278 535)	347 053
	88 722 935	**4 657 627**	**(1 473 040)**	**(4 585 343)**	**87 322 179**

2. Property, plant and equipment Reconciliation of property, plant and equipment - 2023							
Reconciliation of property, plant and equipment - 2023	**Opening balance**	**Additions MOVEMENTS**	**Disposals**	**TRANSFERS**	**OTHER CHANGES**	**Depreciation**	**Total**
Buildings	2 091 834	-	-	-	-	(45 478)	2 046 356
Plant and machinery	46 662 984	27 591	(1 412 710)	9 519	-	(1 727 513)	43 559 871
Furniture and fixtures	3 174 676	95 004	(190 738)	-	-	(151 134)	2 927 808
Motor vehicles	7 950 713	-	-	-	-	(934 601)	7 016 112
Office equipment	1 273 822	31 989	(26 902)	-	-	(78 519)	1 200 390
IT equipment	2 737 293	658 333	(342 553)	-	-	(314 917)	2 738 156
Appliances	1 724 289	423 610	(39 478)	-	-	(52 594)	2 055 827
Work-in-progress assets	26 562 346	-	-	(9 519)	-	-	26 552 827
Other leased Assets	68 388	957 178	-	-	(149 048)	(250 930)	625 588
	92 246 345	**2 193 705**	**(2 012 381)**	**-**	**(149 048)**	**(3 555 686)**	**88 722 935**

Figures in Rand	**2024**	**2023**
Pledged as security		
No items of property plant and equipment were pledged as security		
Repairs and maintenance expenditure		
Plant and machinery	4 368 542	1 309 712
Other property, plant and equipment	200 431	81 792
	4 568 973	**1 391 504**
Assets subject to finance lease (Net carrying amount)		
Leased assets - Office equipment	347 053	625 588

Pledged as security		
2. Property, plant and equipment (continued)		
Reconciliation of Work-in-Progress 2024		
	Included within Other PPE	**Total**
Opening balance	26 552 827	26 552 827
Reconciliation of Work-in-Progress 2023		
	Included within Other PPE	**Total**
Opening balance	26 562 346	26 562 346
Transfers	(9 519)	(9 519)
	26 552 827	**26 552 827**

Included in the work in progress are machines that have not yet been installed, connected, or commissioned due to an ongoing dispute with the supplier regarding the scope of work.

3. Intangible assets						
	2024			2023		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
	48 719	(48 719)	-	48 719	(48 719)	-

4. Operating lease asset (liability	2024	2023
Current assets Current liabilities	15 240 -	- 92 544
	15 240	92 544

5. Payables from exchange transactions	2024	2023
Trade payables	376 578	930 226
Payments received in advanced	6 433 984	810 729
Stabilisation fund	106 541	106 541
Medical Account	204 845	204 845
Accrued leave pay	4 665 400	5 249 375
Accruals	1 434 966	6 152 344
DOL Claims	26 374 048	23 312 686
	39 596 362	**36 766 746**

Medical Account

Prior to entity contracting with Makoti Medical Aid, some factory workers were making individual medical cost contibutions on a montly 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.

Stabilation 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.

DEL claims

DEL claims 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 R26 374 048 represent the amount claimed by the Department of Employment and Labour and not yet paid by the Supported Employment Enterprise.

6. Inventories	2024	2023
Raw materials, components	47 869 979	55 120 264
Work in progress	4 295 013	7 254 144
Finished goods	9 444 883	13 258 227
	61 609 875	75 632 635
Inventories (write-downs)	(4 695 911)	(4 695 911)
	56 913 964	**70 936 724**

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 R9 444 883 (2023:R13 258 227) for finished goods is goods dispatched not yet invoiced amounting to R2 707 577 (2023:R5 280 573.31). The inventory balance for finished goods before including goods dispatched not yet invoices is R6 737 306 (2023:R7 977 653)

7. Receivables from exchange transactions	2024	2023
Trade debtors	3 647 829	8 151 414
Employee costs in advance	1 415	6 511
Prepayments (if immaterial)	656 729	474 019
Housing Debtors	3 274	3 274
	4 309 247	8 635 218
Fair value of trade and other receivables		
Trade and other receivables	32 965 919	24 257 627

Trade and other receivables past due but not impaired

Trade and other receivables which are less than 3 months past due are not considered to be impaired. At 31 March 2024, R 3 625 094 (2023: R 8 151 415) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:	2024	2023
0 - 30 Days	1 996 372	7 903 581
31 - 60 Days	1 213 837	83 273
61 - 90 Days	414 885	164 561
	3 625 094	**8 151 415**

Trade and other receivables impaired

	2024	2023
As of 31 March 2024, trade and other receivables of R 29 340 825,07 (2023: R 16 106 212) were impaired and provided for.		
The amount of the provision was R 13 234 613 as of 31 March 2024 (2023: R 1 392 417).		
The ageing of these receivables is as follows:		
0 - 30 Days	15 986	147 032
31 - 60 Days	1 016	1 540
61 - 90 Days	84 848	37 282
91 - 120 Days	2 523 839	409 217
Greater than 120 Days	26 715 136	15 511 141
	29 340 825	**16 106 212**

Figures in Rand	2024	2023
8. Receivables from non-exchange transactions		
Other receivables from non-exchange	1 665 624	1 092 000
Transfer Receivables	20 755 000	-
Impairment	(1 092 000)	(1 092 000)
	21 328 624	**-**

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

Fair value of receivables from non-exchange transactions		
Other receivables from non-exchange transactions	22 420 624	1 092 000

Receivables from non-exchange transactions impaired

As of 31 March 2024, other receivables from non-exchange transactions of R 1 092 000 (2023: R 1 092 000) were impaired and provided for.

The amount of the provision was R 1 092 000 as of 31 March 2024 (2023: R 1 092 000).

Over 6 months	1 092 000	1 092 000	1 092 000	1 092 000

9. VAT receivable	2024	2023
VAT	2 914 213	2 148 311

Cash and cash equivalents consist of:	2024	2023
10. Cash and cash equivalents		
Cash on hand	46 576	53 064
Bank balances	28 414 130	22 968 723
Short-term deposits	661 676	55 838
	29 122 382	**23 077 625**

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

Figures in Rand	2024	2023
11. Finance lease obligation		
Minimum lease payments due		
- within one year	319 058	319 058
- in second to fifth year inclusive	109 043	428 101
	428 101	747 159
less: future finance charges	(26 378)	(76 075)
Present value of minimum lease payments	**401 723**	**671 084**
Present value of minimum lease payments due		
- within one year	294 751	269 362
- in second to fifth year inclusive	106 970	401 722
	401 721	**671 084**
Non-current liabilities	106 971	401 723
Current liabilities	294 752	269 362
	401 723	**671 085**

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% (2023: 9%).

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.

12. Provisions						2024	2023
Reconciliation of provisions - 2024							
	Opening Balance	**Additions**	**Utilised during the year**	**Reversed during the year**	**Interest on provision**	**Reduction due to re-measurement or settlement without cost to entity**	**Total**
Provision for long service award	11 005 483	1 233 551	(1 292 892)	(437 694)	990 493	275 964	11 774 905
Reconciliation of provisions - 2023							
	Opening Balance	**Additions**	**Reversed during the year**	**Utilised during the year**	**Interest on provision**	**Reduction due to re-measurement or settlement without cost to entity**	**Total**
Provision for long service award	14 469 304	425 214	(234 732)	(1 067 697)	1 012 852	(3 599 458)	11 005 483

12. PROVISIONS (CONTINUED) PROVISION FOR LONG SERVICE AWARD

The Long service award provision represents management's best estimate of the entity's liability over a Long term period

Persal Employees

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

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

Factory Employees

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

13. Revenue	2024	2023
Sale of goods	60 919 038	53 439 460
Rendering of services	-	8 144
Commissions received	48 141	49 345
Discount received	180 835	214 440
Interest received - investment	7 701 601	2 602 882
Transfer (Department of Employment and Labour)	207 915 000	166 486 000
Service in kind - Revenue	27 024 196	28 766 052
	303 788 811	**251 566 323**
The amount included in revenue arising from exchanges of goods or services are as follows:		
Sale of goods	60 919 038	53 439 460
Rendering of services	-	8 144
Commissions received	48 141	49 345
Discount received	180 835	214 440
Interest received - investment	7 701 601	2 602 882
	68 849 615	**56 314 271**

Figures in Rand	2024	2023
The amount included in revenue arising from non-exchange transactions is as follows:		
Transfer revenue Transfer (Department of Employment and Labour)	207 915 000	166 486 000
Service in kind - Revenue	27 024 196	28 766 052
	234 939 196	**195 252 052**
Revenue and other income as presented on the face of the statement of financial performance:		
Revenue (Primary) Sale of goods	60 896 582	53 439 460
Sale of goods - Canteen	22 456	-
Transfer (Department of Employment and Labour)	207 915 000	166 486 000
Service in kind - Revenue	27 024 196	28 766 052
Rendering of services	-	8 144
	295 858 234	**248 699 656**
Other income Commissions received	48 141	49 345
Discount received	180 835	214 440
Interest received - Bank Investment	4 930 962	1 545 032
Interest charged on trade and other receivables	2 770 639	1 057 850
	7 930 577	**2 866 667**

14. Cost of sales	2024	2023
Sale of goods		
Opening Inventory	7 977 654	7 749 943
Direct Material	38 722 575	38 405 268
Direct Labour	6 195 312	7 386 920
Variable Manufacturing Overheads	2 228 942	8 890 227
Fixed Manufacturing Overheads	3 771 531	1 814 438
Inventory Adjustment	(468 478)	-
Closing Inventory	(6 402 297)	(7 977 654)
	52 025 239	**56 269 142**

15. Lease rentals on operating lease	2024	2023
Premises		
Contractual amounts	124 836	114 942

16. Investment revenue	2024	2023
Interest received Bank - Investment	4 930 962	1 545 032
Interest charged on trade and other receivables	2 770 639	1 057 850
	7 701 601	**2 602 882**

Figures in Rand	2024	2023
17. Employee related costs		
Basic	157 994 130	157 813 191
Long-service awards	1 071 821	(3 408 976)
	159 065 951	**154 404 215**

Remuneration of key management personnel
*For remuneration of key management personnel refer to related parties note No. 28

18. Depreciation and amortisation	2024	2023
Property, plant and equipment	4 585 343	3 555 686

19. Finance costs	2024	2023
Finance leases	49 765	46 093
Capitalised	990 493	1 012 851
Other interest paid	113 755	108 104
	1 154 013	**1 167 048**

20. Auditors' remuneration	2024	2023
Fees	2 435 434	2 541 840

21. Debt impairment	2024	2023
Debt impairment	13 234 613	1 392 518

22. Cash generated from operations	2024	2023
Surplus (deficit)	5 167 912	(12 487 792)
Adjustments for: Depreciation and amortisation	4 585 343	3 555 686
Gain on sale of assets and liabilities	92 548	1 698 642
Finance costs - Finance leases	49 765	46 093
Debt impairment	13 234 613	1 392 518
Movements in operating lease assets and accruals	(107 784)	92 544
Movements in provisions	769 422	(3 463 821)
Other non-cash items	(8)	(40 525)
Changes in working capital: Inventories	14 022 760	(2 948 567)
Receivables from exchange transactions	4 325 971	(4 893 599)
Consumer debtors	(13 234 613)	(1 392 518)
Other receivables from non-exchange transactions	(21 328 624)	-
Payables from exchange transactions	2 829 616	23 643 536
VAT	(765 902)	(2 256 274)
Figures in Rand	**2024**	**2023**
	9 641 019	**2 945 923**

Operating deficit for the year is stated after accounting for the following:		

Operating lease charges		
Premises		
• Contractual amounts	124 836	114 942
Loss on sale of property, plant and equipment	(92 548)	(1 698 642)
Depreciation on property, plant and equipment	4 585 343	3 555 686
Employee costs	159 065 951	154 404 215

24. Service in-kind	2024	2023
The nature and type of major classes of services in-kind received, are as follows		
Services in-kind that are significant to the entities operations and/or service delivery objectives		
Internal Audit - Department of Employment and Labour	348 490	124 217
Municipal payment - Department of Employment and Labour	-	835 647
Expenditure for free use of property	24 983 860	25 750 308
Administrative Salaries - Department of Employment and Labour	1 691 845	-
	27 024 195	**26 710 172**

25. Financial instruments disclosure	2024	2023
Categories of financial instruments		
2024		
Financial assets		
	At amortised cost	Total
At amortised cost		32 905 437
Trade and other receivables from exchange transactions	21 328 624	21 328 624
Other receivables from non-exchange transactions	29 122 382	29 122 382
	83 356 443	**83 356 443**

Financial liabilities	2024	2023
	At amortised cost	Total
Trade and other payables from exchange transactions	26 750 626	26 750 626
	401 723	401 723
	27 152 349	27 152 349

2023	At amortised cost	Total
Financial assets	24 257 627	24 257 627
	23 077 625	23 077 625
	1 092 000	1 092 000
	48 427 252	**48 427 252**

Financial liabilities		
	At amortised cost	Total
Trade and other payables from exchange transactions	24 242 912	**24 242 912**
Finance lease obligation	671 085	**671 085**
	24 913 997	**24 913 997**

26. Commitments	2024	2023
Authorised operational expenditure **Already contracted for but not provided for**		
• Total operational commitments	31 050 652	128 956 297
Total commitments		
Total commitments Authorised operational expenditure	31 050 652	128 956 297
Operating leases - as lessee (expense)		
Minimum lease payments due - within one year	107 745	640 370
- in second to fifth year inclusive	-	107 745
	107 745	748 115

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 that commenced on 1 April 2019.

27 Contingencies

Supplier invoices on hold

The Entity has put on hold the payment of invoices for the supplier amounting to R107 039.26 (2023:R1 287 470) due to insufficient evidence that need to be obtained from the supplier to corroborate the amount owed by the entity.

28. Related parties	2024	2023
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		
Related party balances		
Amounts included in Trade receivable (Trade Payable) regarding related parties Commission for Conciliation, Mediation and Arbitration	39 381	36 474
Compensation Fund	124 589	318 423
Unemployed Insurance Fund	47 640	-
Department of Emplyment and Labour	1 287 890	663 165
Amount included in receivable(Payable) from non exchange regarding related parties Department of Employment and Labour - Transfer receivable	20 755 000	-
Provision for doubtful debts related to outstanding balances with related parties Commission for Conciliation, Mediation and Arbitration	39 381	35 747
Compensation Fund	124 589	318 423
Department of Emplyment and Labour	685 593	702 315

28. Related parties	2024	2023
Related party transactions		
Sales to related parties (Including finace charges) Commission for Conciliation, Mediation and Arbitration	2 906	6 062
Department of Employment and Labour	1 421 907	1 495 041
Services in-kind (From/to) related parties* Department of Employment and Labour	27 098 142	28 766 052
Transfers received from related parties Department of Employment and Labour	207 915 000	166 486 000

*The balance and transactions for services in kind involve the free use of property, internal audit services, and administrative personnel services provided at no cost.

All related parties transactions are at arm's length except stated otherwise

Key management information
Remuneration of management
Management class: Executive management

Name	Basic salary	Bonuses and performance related payments	Other benefits received	Total
Mr V Pillay - Director: ICT	371 021	-	-	371 021
Mr S Phakathi - Chief Executive Officer	952 681	80 008	368 750	1 401 439
Ms M Sebaka - Chief Financial Officer	806 911	-	303 424	1 110 335
Ms G Manamela - Director: Operations	774 133	62 523	417 599	1 254 255
Ms KW Tselane - Director: Human Resource Management	777 856	65 333	477 636	1 320 825
Mr DH Matsepe - Acting Drector: Business Development	596 115	49 452	407 459	1 053 026
	4 278 717	**257 316**	**1 974 868**	**6 510 901**

2023				
Name	Basic salary	Bonuses and performance related payments	Other benefits received	Total
Mr S Phakathi - Chief Executive Officer	915 636	76 303	362 709	1 354 648
Ms M Sebaka - Chief Financial Officer	773 768	64 481	299 816	1 138 065
Ms G Manamela - Director: Operations	714 496	59 541	440 787	1 214 824
Ms KW Tselane - Director: Human Resource Management	747 139	62 262	466 547	1 275 948
Mr. DH Matsepe - Acting Director : Business development	548 320	46 761	425 705	1 020 786
Mr V Pillay - Director: ICT	811 641	-	401 375	1 213 016
	4 511 000	**309 348**	**2 396 939**	**7 217 287**

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:

Provision for long service award

In 2023, the Long Services Award was erroneously classified as a contingent liability, but this has been corrected in the current year to ensure accurate comparison with the prior year's figures. This adjustment led to an increase in the provision for the long service award by R11,005,483. Additionally, employee cost expenses decreased by R3,441,672 finance costs increased by R1,012,851, and abnormal labour idle time decreased by R1,035,000.

Property, Plant and Equipment

Machines that had not yet been installed were mistakenly categorized as property, plant, and equipment. This error has been corrected in the current year by reclassifying them to work in progress. Consequently, the cost of property, plant, and equipment decreased by R405,300, while work in progress **increased by the same amount.**

Machines that had already been installed were mistakenly categorized as work in progress instead of being recognized as property, plant, and equipment. This error has been rectified in the current year by reclassifying them to property, plant, and equipment. As a result, the cost of property, plant, and equipment increased by R2,488,235.67, while work in progress decreased by the same amount.

Previously written-off installation costs have been rectified by capitalizing them to the cost of machinery. Consequently, the cost of property, plant, and equipment increased by R419,826. Additionally, work in progress increased by R529,200, and accumulated depreciation increased by R292,091

In 2023, assets were mistakenly written off as disposal. This mistake has been addressed in the current year by restating the cost of property, plant, and equipment along with accumulated depreciation. Consequently, the cost of property, plant, and equipment increased by R543,301, accumulated depreciation increased by R277,768 and Loss on disposal of Assets decreased by R265,533.

In 2023, after reconstructing the fixed assets register, discrepancies were found between the Fixed Asset Register and General Ledger due to a lack of integration between the Assets module and the General Ledger. These discrepancies have been resolved in the current year by reconciling the fixed asset register and the General Ledger. As a result, the cost of Property, Plant, and Equipment increased by [insert amount], accumulated depreciation increased by R5,924,372.33, and depreciation rose by R 2,121,586.35.

Payable from exchange transactions

In 2023, Maintenance costs were inadvertently excluded, but this has been corrected in the current year to ensure accurate comparison with the prior year's figures. Consequently, payable from exchange transactions increased by R723,155, and over/under recovery of variable overheads increased by R720,575.

Inventory

In 2023, the run times used in valuing finished goods were not substantiated by the relevant up-to-date study report. This has been rectified in the current year by updating the study report. Consequently, the finished goods balance decreased by R581,781.75.

Revenue

in 2023, Proceed received on disposal of Assets was incorrectly classified as Revenue from sales of goods. This has been rectified in the current year by reclassifying the procees on disposal to Loss on disposal account. As a results Revenue from sales of goods decreased by R96 314 and Loss on disposal increased by the same amount.

Cost of sales

In 2023, delivery costs were erroneously categorized as part of the cost of sales. However, this has been rectified in the current year by reclassifying the delivery costs to general expenses. As a result, the cost of sales decreased by R5,377,897, while delivery expenses increased by the same amount.

In 2023, the run times used in valuing finished goods were not substantiated by the relevant up-to-date study report. This has been rectified in the current year by updating the study report. Consequently, the cost of sales decreased by R9 506 411.

Depreciation & amortisation

In 2023, depreciation on leased assets was inaccurately computed. However, this has been rectified in the current year, resulting in depreciation increasing by R26,675, with accumulated depreciation also increasing by the same amount.

Accumulated fund

As a result of the above adjustment to the individual line items in 2023 financial year the opening accumulated fund was restated by R7,255,679 to R144,984,949

Statement of financial position 2023	Note	As previously reported	Correction of error	Restated
Property,Plant and Equipment		84 005 783	4 717 151	88 722 934
Inventory		71 183 496	(246 772)	70 936 724
Provision for log service award		-	(11 005 483)	(11 005 483)
VAT Receivable		2 145 731	2 580	2 148 311
Payable from exchange Transaction		(36 043 591)	(723 155)	(36 766 746)
Accumulated funds		(152 240 628)	7 255 679	(144 984 949)
		(30 949 209)	**-**	**(30 949 209)**

Statement of financial performance	Note	As previously reported	Correction of error	Restated
Employee cost		62 498 111	(3 441 672)	59 056 439
Abnormal labour idle time		87 783 462	(1 035 000)	86 748 462
Cost of sales		71 153 451	(14 884 309)	56 269 142
Finance cost: Provision for long service award		-	1 012 851	1 012 851
Over/under recovery Variable overheads		(7 848 759)	10 054 124	2 205 365
Depreciation & amortisation		259 202	21 122	280 324
Delivery cost		-	5 377 897	5 377 897
Over/under recovery fixed overheads		33 368 244	(868 272)	32 499 972
Loss on Disposal of Assets		2 060 489	(361 846)	1 698 643
Sales of goods		(53 535 774)	96 314	(53 439 460)
Surplus for the year		**195 738 426**	**(4 028 791)**	**191 709 635**

30. RISK MANAGEMENT

Financial risk management

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

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

Liquidity risk

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

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

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

At 31 March 2024	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Borrowings	319 058	109 043	109 043	-
Payables from exchange transactions	39 596 362	-	-	-

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:

Financial instrument	2024	2023
Cash and cash equivalent	29 122 382	23 077 635
Receivables from exchange transactions	32 905 437	24 257 626
Receivables from non-exchange transactions	21 328 624	1 092 000

Trade receivables that have been impaired and provided amounting to R29 340 825 as 31 March 2024 (2023: R16 106 211) have been disclosed. This exposes the entity to the credit risk with regards to the recoverability of these debts.

The ageing for the impairment amount is disclosed under note 7(Receivables from exchange transactions)

Market 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 2024 is 10.25% (2023: 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.

31. GOING CONCERN LEGISLATIVE MANDATE

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

Financial relationship

SEE 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; and

d. money received from any other source.

SEE has operations in various factories across provinces that manufacture wood, linen and steel products for purpose of trading at an arm's length. The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

Going concern assessment

- 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. Following factors 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 over 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 75% of the entity *revenue and 25% 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.

Entity had sales revenue of 14% from prior year sales. Current year National Treasury allocation amounted to R187 160 000(12% increase from prior year) and the total revenue amounted to R248 056 580. Although there has been fiscal budget cuts across the government sector, the entity is still expected to receive National Treasury grant allocation in 2024/2025 of R184 684 000 and will continue pursuing potential sales and secure MOUs with both National and Provincial Departments 2025, to further increase current budget sales revenue.

Although the entity is impacted by the current financial inclines, the company is still able to continue with operations and productions to meet the targeted delivery and timelines schedules. The organisation is further participating in the European Union donor initiative of employability for education (E4E) project through the Department of Employment and Labour under Programme 3: Public Employment Services to improve the opportunities of employment for persons with disabilities into open labour market. This initiative will assist the entity in achieving its mandate of providing additional work opportunities for persons with disabilities. Therefore, as a result of above developments, the entity continued to operate and is anticipated to continue operations for the next 12 months.

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.

32. EVENTS AFTER THE REPORTING DATE

Legislative mandate

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

SEE is trading as Service Products and is required to prepare its Annual Financial Statements in accordance with GRAP as per Accounting Standard Board (ASB) mandated in accordance with PFMA of 1999 (as amended by Act 29 of 1999).

Subsequent events assessment

SEE has operations in various factories across the country in eight provinces that manufacture wood, linen and steel products for purpose of trading at an arm's length and currently operating 12 factories.

In 2021/2022 financial year Durban Factory was discontinued and handed over to Department of Public Works and Infrastructure (DPWI) for revamp subsequent to factory being destroyed by natural disaster in 2017.

As at the reporting date, the factory revamp project made significant progress and DPWI envisaged to hand back the factory to SEE in 2024/2025 financial year. It is therefore assessed that the conditions to hand back Durban Factory to SEE existed as at reporting date to indicate significant operations re-establishment.

CONCLUSION

Based on the assessment above, the indication to re-establish operations in Durban Factory are considered significant for disclosure purpose although as non-adjusting events.

33. Irregular, fruitless and wasteful expenditure	2024	2023
Irregular expenditure	3 615 646	2 006 633
Fruitless and wasteful expenditure	1 609 193	1 196 823
Closing balance	5 224 839	3 203 456

Opening balance of irregular expenditure include an amount R1,777,679 related to IT services identified and confirmed in the current year but relate to prior year.

There is no Fruitless and wasteful expenditure condoned both in prior year and current year		
Amount of material losses through criminal conduct		
Inventory Theft and Losses	52 029	1 088 719
Disciplinary steps taken/criminal proceedings		
There were no disciplinary steps taken/criminal proceedings during the current financial year.		

Notes

employment & labour

Department:
Employment and Labour
REPUBLIC OF SOUTH AFRICA