





Annual Report 2024 | 2025



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PARTA General information

1. Public entity's general information

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EXTERNAL AUDITOR: Lunika Chartered Accountants and Auditors Inc.

BANK: Nedbank

COMPANY/BOARD SECRETARY: Barbara Timothy

2. List of abbreviations/

acronyms.

V	5 S	Sort, set in order, shine, standardise,	JICA	Japan International Cooperation
	AIDC	and sustain Automotive Industry Development	KPI	Agency Key Performance Indicator
	AIDC	Centre	KZN	KwaZulu-Natal
	AUDA-	Certife	LEDET	Limpopo Economic Development,
	NEPAD	African Union Development Agency	LLDLI	Environment and Tourism
	NEPAD	-New Partnership for Africa's	NDP	National Development Plan
\mathbb{N}		Development Development	NEF	National Empowerment Fund
	APP	Annual Performance Plan	NWDED	North West Department of
`	ARMS	Audit and Risk Management	NWDLD	Economic Development,
		Solutions		Environment Conservation, and
	BBBEE	Broad-based Black Economic		Tourism
	-1	Empowerment	OCEO	Office of the Chief Executive
	BT&R	Business Turnaround and Recovery	OHS	Occupational Health and Safety
	CEO	Chief Executive Officer	PAPA	Pan African Productivity Association
	CCTV	Closed Circuit Television	PCEL	Portfolio Committee of Employment
	ССМА	Commission for Conciliation,		and Labour
		Mediation and Arbitration	PFMA	Public Finance Management Act
	CFO	Chief Financial Officer	PMEC	Planning, Monitoring, and
	CIS	Competitiveness Improvement		Evaluation Committee
		Services	PSETA	Public Services Sector Education
	DEL	Department of Employment and		and Training Authority
		Labour	RIS	Research, Innovation and Statistics
	the dtic	Department of Trade, Industry and	SABS	South African Bureau of Standards
		Competition	SAP	Systems Applications and Products
	DTEA	Department of Economic	SARS	South African Revenue Service
		Development, Tourism and	SCM	Supply Chain Management
		Environmental Affairs	SEDA	Small Enterprise Development
	ECDC	Eastern Cape Development		Agency
		Corporation	SEZ	Special Economic Zone
	ERP	Enterprise Resource Planning	SMMEs	Small Medium and Micro
	ERRP	Economic Reconstruction and		Enterprises
		Recovery Plan	SOE	State-owned Enterprise
	FOW	Future of Work	SONA	State of the Nation Address
	FPY	First Pass Yield	SOP	Standard Operating Procedure
	GDP	Gross domestic product	TERS	Temporary Employer-Employee
\int	GGDA	Gauteng Growth and Development		Relief Scheme
	IID.	Agency	UIA	Unemployment Insurance Act
	HR	Human Resources	UIAA	Unemployed Insurance Amendment
	HR&R	Human Resources and Remuneration	UIF	Act
	ILO	International Labour Organisation	WIP	Unemployment Insurance Fund Work in Progress
	IMD	Institute for Management	WPC	Work in Progress Workplace Challenge Programme
	אויום אויוי	Development	VVPC	vvoi kpiace Challenge Programme
		Development		

The Internet of Things



3. Foreword by the **Acting Chairperson** of the Board

It is a distinct honour and privilege, as Acting Chairperson of the Board, to present the 2024/25 Annual Report of Productivity SA. As the term of the current Board comes to a close, I am filled with a deep sense of gratitude, pride and reflection on the journey we have undertaken to fulfil the critical mandate entrusted to this organisation.

Productivity SA is a public entity established under Section 31 of the Employment Services Act, No. 4 of 2014, reporting to the Department of Employment and Labour (DEL). Our mandate is to promote employment growth and productivity in South Africa, contributing meaningfully to national competitiveness, socio-economic development and inclusive growth. Governed as a Schedule 3A public entity under the Public Finance Management Act, Productivity SA operates under a tripartite Board, appointed by the Minister of Employment and Labour, representing labour, business, and government.

As we reflect on the year under review, we do so against a backdrop of continued economic strain, high unemployment, and global competitiveness challenges. Yet, in spite of these headwinds, our resolve to deliver on our mandate remains unwavering. The journey toward a more prosperous South Africa must be anchored in improved productivity, competitiveness, and employment growth. Productivity SA is uniquely positioned to lead this national imperative.

South Africa's average economic growth of just over 1% is insufficient to support sustainable job creation. It is widely acknowledged that employment growth follows economic growth and improved productivity. In this context, the work of Productivity SA becomes not just relevant, but essential.

Our enterprise development and support programmes, particularly the Business Turnaround and Recovery (BT&R) and Competitiveness Improvement Services (CIS), have proven vital. These programmes are focused on supporting companies in distress and strengthening the capabilities of SMMEs and cooperatives, especially in townships and rural economies. Through these initiatives, we continue to champion a productivity movement that empowers businesses to thrive, grow, adapt and contribute meaningfully to the economy.

> The journey toward a more prosperous South Africa must be anchored in improved productivity, competitiveness, and employment growth. Productivity SA is uniquely positioned to lead this national imperative.

With additional adequate resources. Productivity SA is positioned to expand its critical services to support companies requiring comprehensive turnaround strategies and productivity enhancement initiatives. current demand for our specialised expertise in organisational restructuring, operational efficiency optimisation, and strategic business transformation far exceeds our present capacity. Additional funding will enable us to increase consulting team, develop advanced diagnostic tools, and extend our reach to serve more enterprises across diverse sectors. This expansion will contribute directly to South Africa's economic recovery and competitiveness by helping struggling businesses achieve sustainable growth, preserve employment, and implement innovative productivity solutions that drive long-term success.

The stark reality of South Africa's global competitiveness ranking demands urgent intervention. The 2025 World Competitiveness Yearbook, published by the Institute of Management Development (IMD), ranks South Africa 64th out of 69 countries, reflecting a worrying downward trend from 60th in 2024. Productivity SA, as IMD's official partner institute in South Africa, continues to play a central role in gathering and analysing national productivity data to inform decision-making. South Africa's performance across the four competitiveness pillars, namely, economic performance, government efficiency, business efficiency and infrastructure, signals the need for renewed focus and collective national action.

We must draw inspiration from the world's top-ranked nations such as Switzerland, Singapore, Hong Kong, Denmark, and the UAE, which consistently perform well across all competitiveness dimensions. If we are to rewrite South Africa's productivity story, we must do so through strategic partnerships, capacity-building, and innovation-led solutions.

Productivity SA stands ready to lead this charge. As the term of the current Board concludes, I extend my heartfelt appreciation to my fellow Board members for their commitment, insight, teamwork and leadership. Your collective guidance has been invaluable. I also wish to thank the management and staff of Productivity SA, whose tireless dedication continues to drive the work of this organisation forward.

A sincere thank you is also due to the Portfolio Committee on Employment and Labour, whose oversight role ensures accountability and transparency, our key funder and mother department, the Department of Employment and Labour and the Department of Trade, Industry and Competition (**the dtic**), who have funded one of our flagship programmes, the Workplace Challenge, for their continued support and collaboration. A special word of appreciation goes to the Minister of Employment and Labour, Ms. Nomakhosazana Meth, for her visionary leadership and stewardship of our sector.

As we hand over the baton to a new Board, I remain confident that Productivity SA will continue to build on this solid foundation. Let us work together to ignite a productivity-driven culture that creates decent work, builds sustainable enterprises, and secures a competitive future for our nation.

BA Jack

Ms Bev JackActing Chairperson of the Board
Productivity SA
31 July 2025



4. Overview by the **Acting Chief Executive Officer**

"It always seems impossible until it is done." These words by Nelson Mandela resonate deeply as I reflect on the past year in my role as Acting Chief Executive Officer of Productivity SA. It has been a journey defined by remarkable milestones and formidable challenges, each one a testament to the resilience, commitment, and collective impact of our organisation.

The 2024/25 financial year stands out as a clear indicator of our progress. I am proud to share that we achieved 85% of our Annual Performance Plan (APP) targets, a notable improvement from the 77% recorded the previous year. But beyond the numbers, this performance signifies the expanding influence of Productivity SA in the South African economy, particularly in championing inclusive growth and supporting the small, medium and micro enterprises (SMMEs), cooperatives, and entrepreneurs who are the backbone of economic recovery.

At the heart of this impact is the Competitiveness Improvement Services (CIS) Programme that continues to deliver transformative results. For five consecutive years, the CIS has met 100% of its annual targets. In the 2024/25 period alone, 1 323 SMMEs and enterprises were supported; 2 696 entrepreneurs, workers, and managers were capacitated; and 423 productivity champions were developed and empowered. In partnership with the Department of Trade, Industry and Competition (the dtic), 102 enterprises participated in the Workplace Challenge Programme (WPC). Importantly,

75% of these WPC-supported businesses were Black-owned, 33% had women ownership, and 19% had youth ownership. These figures underscore our commitment to transformation and empowerment. Through these efforts, 3 241 jobs were preserved — an essential contribution in a country battling persistently high unemployment. Productivity SA was identified as a key implementing partner for the Productivity Ecosystem for Decent Work project in South Africa. Further details on this project and its impact can be found on page 110 of this report. The CIS programme also embarked on a special project with the International Labour Organisation (ILO) to support 150 SMMEs through four service offerings.

> The 2024/25 financial year stands out as a clear indicator of our progress. I am proud to share that we achieved 85% of our Annual Performance Plan (APP) targets, a notable improvement from the 77% recorded the previous year.

Progress, however, is seldom linear. As mentioned at the outset of my overview, the journey has not always been smooth sailing, and the performance of one of our flagship programmes — the Business Turnaround and Recovery (BT&R) Programme — concluded the financial year on a bittersweet note. A new funding agreement between Productivity SA and the Unemployment Insurance Fund, valued at R165 649 420 over a three-year period, was officially concluded on 25 July 2024. However, administrative delays in the release of the first tranche had a significant impact on the programme's performance.

As a result, the targets set in the APP, as well as the commitments outlined the implementation plan of the funding agreement, have not been fully met. Despite these challenges, an acceleration plan is in place, and the programme has made commendable progress in getting back on track. I would like to acknowledge and commend the BT&R team at head office and regional operations for their resilience and dedication during this difficult period. The BT&R programme plays a critical role, as it identifies solutions to restore the long-term sustainability of businesses and, importantly, to prevent job losses.

The BT&R Programme is aligned with the provisions of Section 2(1)(a) and (g), Section 32(g), and Section 7(1–3) of the Employment Services Act, as well as Section 5(d) of the Amended Unemployment Insurance Act. The programme is designed to develop and implement comprehensive interventions that place businesses on a path of sustainable growth.

It is open to any enterprise in distress, regardless of size or sector. The vision of the programme is to save jobs and create an environment conducive to both job retention and job creation. It also seeks to raise awareness among enterprises about the importance of job retention and proactive intervention to mitigate the productivity decline that often precedes job losses. By providing non-financial assistance to a wide range of organisations, the programme supports improvements in productivity, profitability, and service delivery, while safeguarding and retaining existing jobs. This makes the programme even more vital as South Africa continues to confront high levels of unemployment.

Overall, Productivity SA's programmes are implemented across all provinces of the country, with interventions aimed at supporting distressed companies and preserving jobs nationwide. Productivity SA is structured into three regional offices. The Midrand office serves as the head office and covers Gauteng, North West, and Limpopo. The Durban office is responsible for KwaZulu-Natal, Eastern Cape, and Mpumalanga, while the Cape Town office services the Western Cape, Northern Cape, and Free State. This footprint ensures we remain responsive to the diverse and evolving needs of enterprises across the country.

Spending trends

Beyond the core operational expenses essential to keeping the organisation fully functional, the spending patterns of Productivity SA are closely aligned with its national mandate: to promote employment growth and productivity, thereby contributing to South Africa's socioeconomic development and global competitiveness. The bulk of expenditure was directed toward interventions aimed at fulfilling this mandate. Capacity constraints and challenges

Underfunding remains a key challenge for Productivity SA in delivering on its national mandate. With increased resourcing support, Productivity SA has the potential to significantly deepen its impact and fulfil its national mandate to lead and inspire a competitive and productive South Africa. While the organisation continues to deliver value with the resources at its disposal, the current funding model presents constraints that limit its ability to extend services equitably across all provinces. Unlocking additional financial and human capital would enable Productivity SA to scale up its programmes, amplify its reach, and drive more meaningful transformation in productivity and competitiveness nationwide.

Productivity SA's current funding model does not enable the organisation to adequately fulfil its national mandate to lead and inspire a competitive and productive South Africa. The entity remains under-resourced, both financially and in terms of human capital, which significantly hampers its ability to make a meaningful and wide-reaching impact across the country.

The current three-year funding agreement for the BT&R Programme is due to expire on 24 June 2027. In collaboration with the Unemployment Insurance Fund (UIF) and the Department of Employment and Labour (DEL), Productivity SA has made commendable progress toward finalising a new agreement to ensure continuity of service delivery.

In alignment with government-wide fiscal consolidation efforts, the organisation's budget vote allocation is expected to remain unchanged in the upcoming financial year. In response, the organisation has implemented a Business Turnaround and Financial Sustainability Strategy, focusing on maximising revenue generation while implementing prudent cost-containment measures.

Discontinued activities/activities to be discontinued

No activities were discontinued during the period under review.

Requests to roll over funds

Productivity SA intends to apply for the retention of surplus funds to meet the commitments of the organisation and ensure financial sustainability.

Financial assistance

In March 2025, Productivity SA received financial assistance amounting to R9.5 million from the Department of Employment and Labour. This intervention was necessary to mitigate a projected cash shortfall and liquidity risk anticipated between February and March 2025, brought on by budget cuts and underperformance in revenue generation.

Supply chain management

Productivity SA remains committed upholding the principles of good governance and compliance in its procurement practices. The organisation adheres to the Preferential Procurement Policy Framework Act (PPPFA) and its own Supply Chain Management (SCM) policy to maintain a robust internal control environment. For the financial year under review:

- No unsolicited bid proposals were considered.
- SCM processes and systems are in place and continue to be strengthened.
- The functioning of the Bid Evaluation and Bid Adjudication Committees play a pivotal role in maintaining compliance and minimising irregularities.

Audit report matters in the previous year

Audit findings from the previous financial year have been addressed through improved internal controls, with the aim of resolving identified issues and preventing recurrence of repeat audit findings.

Predetermined objectives

To ensure consistency and accountability in performance reporting, Productivity SA has established a Planning, Monitoring, and Evaluation Committee (PMEC) and implemented a performance management tool. This allows for accurate quarterly reporting in line with approved predetermined objectives, with the committee involved from the planning stage through to reporting and evaluation.

Collection of revenue

Revenue targets for the year under review were not achieved due to several operational challenges, including a high vacancy rate and the delayed signing of the UIF funding agreement. While the anticipated funds for June 2024 were only received in November 2024, these have been carried forward into the 2025/26 financial year. The entity plans to accelerate project implementation in the first quarter of the new year to recover lost time.

> To ensure consistency and accountability in performance reporting, Productivity SA has established a Planning, Monitoring, and Evaluation Committee (PMEC) and implemented a performance management tool.

Procurement and contract management

Compliance with laws and regulations is monitored and managed by Executive Managers across their respective areas. Ongoing compliance monitoring and reporting continues to be undertaken in line with applicable frameworks. Consequence management is enforced through relevant HR policies where applicable. However, the organisation continues to experience critical capacity challenges in procurement, which will be thoroughly assessed. Feasible mitigation strategies will be developed in the short-, medium-, and long-term to ensure Productivity SA strengthens its institutional capacity and achieves financial sustainability.

Outlook and plans to address financial challenges

Despite fiscal constraints, Productivity SA achieved 85% of its APP targets in the 2024/25 financial year, with 11 out of the 13 planned Key Performance Indicators successfully met. Through the Revenue Generation Strategy, the organisation has secured additional work to deliver on a national and regional basis and meet financial commitments while meeting the mandate.

Events after the reporting date

There were no significant events after the reporting date. However, the Post Retirement Medical Aid (PRMA) matter is still awaiting a decision from the High Court. This issue remains a key financial risk for the organisation, as the court's judgement may have long-term financial implications.

Economic viability

Productivity SA remains technically solvent, with total assets of R64.5 million exceeding total liabilities of R47.1 million, and an accumulated surplus of R17.3 million. The organisation is not considered to be at financial risk and is expected to continue operating as a going concern for the next 12 months. This outlook is supported by secured funding agreements, including a signed drawdown agreement with the Department of Employment and Labour for the 2025/26 financial year. Furthermore, the BT&R programme agreement with the UIF, signed during the 2024/25 financial year, secures R165 million in funding over a three-year period.

Appreciation

In conclusion, I wish to express my deepest gratitude to our primary funders, the Department of Employment and Labour, the Department of Trade, Industry and Competition (the dtic), and the Unemployment Insurance Fund, for their unwavering support and continued investment in the mission of Productivity SA. Your belief in our work enables us to make a lasting impact on South Africa's economy and its people.

To our outgoing Board, thank you for your strategic vision, leadership, and commitment to excellence. Your stewardship has laid a strong foundation for the road ahead.

But above all, to the staff of Productivity SA: you are the pulse of this organisation. Your passion, resilience, and tireless effort in the face of challenges embody the spirit of service and the pursuit of national good. As Maya Angelou said, "Nothing will work unless you do." It is your work that drives the change we seek to see in communities, industries and lives across the country.

As we begin the new financial year, let us recommit ourselves to our purpose to lead and inspire a productive, competitive, and inclusive South Africa. Let's embrace innovation, collaboration, and excellence as we scale up our impact and build momentum for growth.

The journey ahead will demand even more from us, but I am confident that, together, we will rise to the occasion.

Here's to another year of purpose-driven progress and collective achievement.

Ms Amelia Naidoo

Acting Chief Executive Officer Productivity SA 31 July 2025

5. Statement of responsibility and confirmation of accuracy for the annual report

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

- All information and amounts disclosed in the Annual Report are consistent with the Annual Financial Statements audited by Lunika Chartered Accountants and Auditors Inc.
- The Annual Report is complete, accurate and free from any omissions.
- ◆ The Annual Report has been prepared in accordance with the guidelines on the Annual Reports issued by National Treasury.
- ◆ The Annual Financial Statements (Part F) have been prepared in accordance with the SA Standards of Generally Recognised Accounting Practice (GRAP).

The Accounting Authority is responsible for the preparation of the Annual Financial Statements and for the judgments made in this information.

The Accounting Authority is responsible for establishing and implementing a system of internal control designed to provide reasonable assurance as to the integrity and reliability of the performance information, the human resources information and the Annual Financial Statements.

The external auditors are engaged to express an independent opinion on the Annual Financial Statements.

In our opinion, the Annual Report fairly reflects the operations, the performance information, the human resources information and the financial affairs of the public entity for the financial year ended 31 March 2025.

Ms Amelia Naidoo

BA Jack

Acting Chief Executive Officer 31 July 2025

Ms Bev Jack

Acting Chairperson of the Board Productivity SA 31 July 2025

6. Strategic overview



6.1 VISION

To lead and inspire a productive and competitive South Africa.



6.2 MISSION

To improve productivity by diagnosing, advising, implementing, monitoring and evaluating solutions aimed at improving South Africa's sustainable growth, development and employment through increased competitiveness.



6.3 VALUES

- Service excellence through the implementation of relevant solutions
- Market leadership through creative and innovative solutions
- Working together as a team to achieve common goals
- Partner with stakeholders pursuing solutions to South Africa's productivity challenge
- ◆ Honesty, integrity and professionalism are the cornerstone of all our relations.



7. Legislative and other matters

Productivity SA is administered under the following legislation:

THE EMPLOYMENT SERVICES ACT (NO. 4 OF 2014)

Productivity SA was established in terms of Section 31 of the Employment Services Act No. 4 of 2014 as a juristic person, with the mandate to promote employment growth and productivity, thereby contributing to South Africa's socioeconomic development and competitiveness.

THE PUBLIC FINANCE MANAGEMENT ACT (PFMA) (NO. 1 OF 1999, AS AMENDED)

The objective of this Act is to regulate financial management in the national government and provincial government spheres; to ensure that all revenue, expenditure, assets and liabilities of those entities are managed efficiently and effectively; and provide the responsibilities of persons entrusted with financial management in those entities and to provide for matters connected therewith.

The board as an accounting authority must manage Productivity SA in accordance with sections 49–62 of the PFMA.

THE PREFERENTIAL PROCUREMENT POLICY FRAMEWORK ACT (NO. 5 OF 2000, AS AMENDED)

The Act was promulgated to give effect to Section 217(3) of the Constitution by providing a framework for the implementation of the procurement policy contemplated in Section 217(2) of the Constitution; and to provide for matters connected therewith. In this Act, unless the context indicates otherwise, 'acceptable tender' means any tender which, in all respects, complies with the specifications and conditions of tender as set out in the tender document.

THE BROAD-BASED BLACK ECONOMIC EMPOWERMENT ACT (NO. 53 OF 2003) AND THE CODES OF GOOD PRACTICE

This Act establishes a legislative framework for the promotion of Broad-Based Black Economic Empowerment (B-BBEE). The Act empowers the Minister of Finance to issue codes of good practice, to publish transformation charters, to establish the Black Economic Empowerment Advisory Council, and to provide for matters connected therewith. Productivity SA's Enterprise Support programmes are designed to promote a productivity and entrepreneurship culture and consciousness to promote decent work, which involves opportunities for work that are productive and deliver fair income. The Competitiveness (CIS) Improvement Services Programme supports South Africa's strategic objectives in scaling up efforts to promote long-term industrialisation and transformation of the economy, targeting enterprises of all sizes within the productive sectors of the economy.

THE UNEMPLOYMENT INSURANCE ACT (NO.30 OF 2001, AS AMENDED)

The Unemployment Insurance Act (UIA) provides for financing of employment services (in terms of Section (12), with Section 5(d) relating to financing of the retention of contributors in employment and the re-entry of contributors into the labour market and any other scheme aimed at vulnerable workers.

Financing the Business Turnaround and Recovery (BT&R) Programme will ensure the provision of turnaround strategies and plans to restructure and improve the productivity and operational efficiency of companies facing economic distress, to save jobs or minimise the retrenchment of employees.

THE NATIONAL DEVELOPMENT PLAN, 2030: OUR FUTURE – MAKE IT WORK

The National Development Plan (NDP) provides a long-term vision to 2030 towards dealing with the challenges of unemployment, inequality and creating a more inclusive society. Central to meeting the vision enshrined in the NDP is the implementation of the New Growth Path, the Industrial Policy Action Plan and the National Infrastructure Plan.

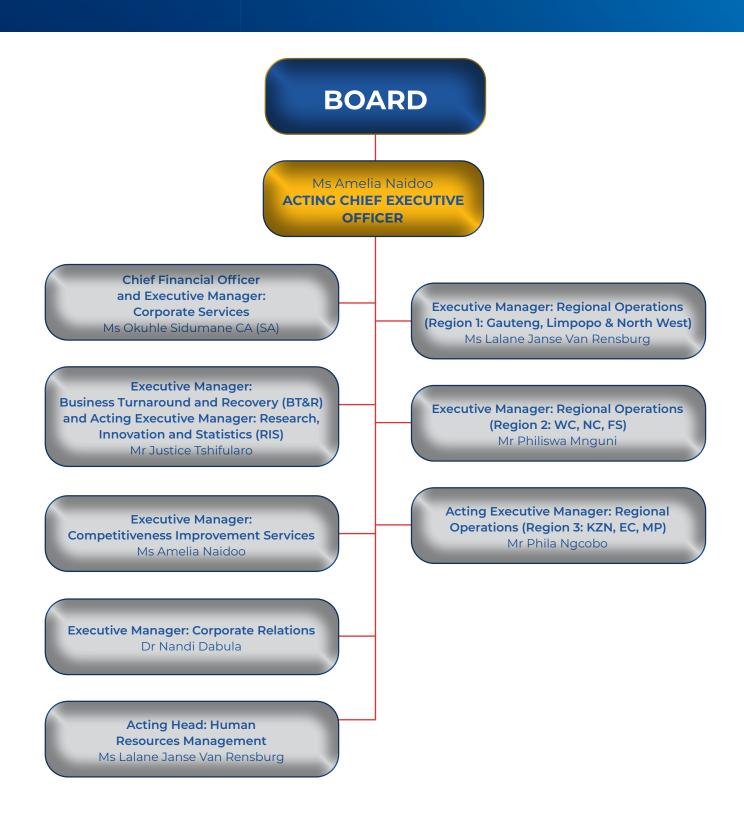
Productivity SA's strategic and programme interventions focus on contributing to the NDP goals, specifically Chapter 3 – targeting programmes that contribute to sustainable development and economic growth; Chapter 9 – developing world-class centres and programmes in the national system of innovation; and Chapter 13 – implementing programmes that improve the efficiency and effectiveness of government.

UPDATES TO INSTITUTIONAL POLICIES AND STRATEGIES

With the change in the business environment of Productivity SA and its mandate expanded through the Employment Services Act of 2014 to include promoting employment growth and supporting initiatives aimed at preventing job losses, and additional responsibilities conferred to the entity as per the Presidential Jobs Summit Framework Agreement, 2018, the entity's business model and strategic direction had to be reviewed. This entailed adopting frameworks which improve economic performance, labour market efficiency and management practices to promote full and productive employment and decent work for all. Our enterprise development and support programmes should in future be underpinned by the provisions of Article 23 of the Universal Declaration of Human Rights, notably the right to work, to free choice of employment, to just and favourable conditions of work, and to protection against unemployment.

The business model is being implemented in a challenging environment where the world of work is undergoing transformative change driven by technological innovations, demographic shifts, environmental and climate change, and globalisation, as well as persistent inequalities. These factors have a profound impact on the nature and future of work (FoW), and on the place and dignity of people in it. Therefore, Productivity SA should be resourced and capable to be future-ready and remain relevant and sustainable. The entity should have the intellectual and technical capacity and access to relevant sources of knowledge to meet the changing nature and future of work.

8. Organisational structure



9. Board members



Ms Bev Jack Acting Chairperson of the Board



Dr Anneline Chetty Board member



Mr Godfrey Masale Selematsela Board member



Mr Welile Nolingo Board member



Dr Noel Xola Sicwebu Board member



Mr Gilly Dlamini Board member



Ms Amelia Naidoo Acting Chief Executive Officer

10. Executive management



Ms Amelia Naidoo
Acting Chief Executive Officer and Executive Manager:
Competitiveness Improvement Services
Programme (CIS)



Ms. Okuhle Sidumane CA (SA) Chief Financial Officer and Executive Manager: Corporate Services



Dr. Nandi Dabula Executive Manager: Corporate Relations



Mr Justice Tshifularo
Executive Manager: Business Turnaround
and Recovery Programme (BT&R) and Acting
Executive Manager: Research, Innovation and
Statistics (RIS)



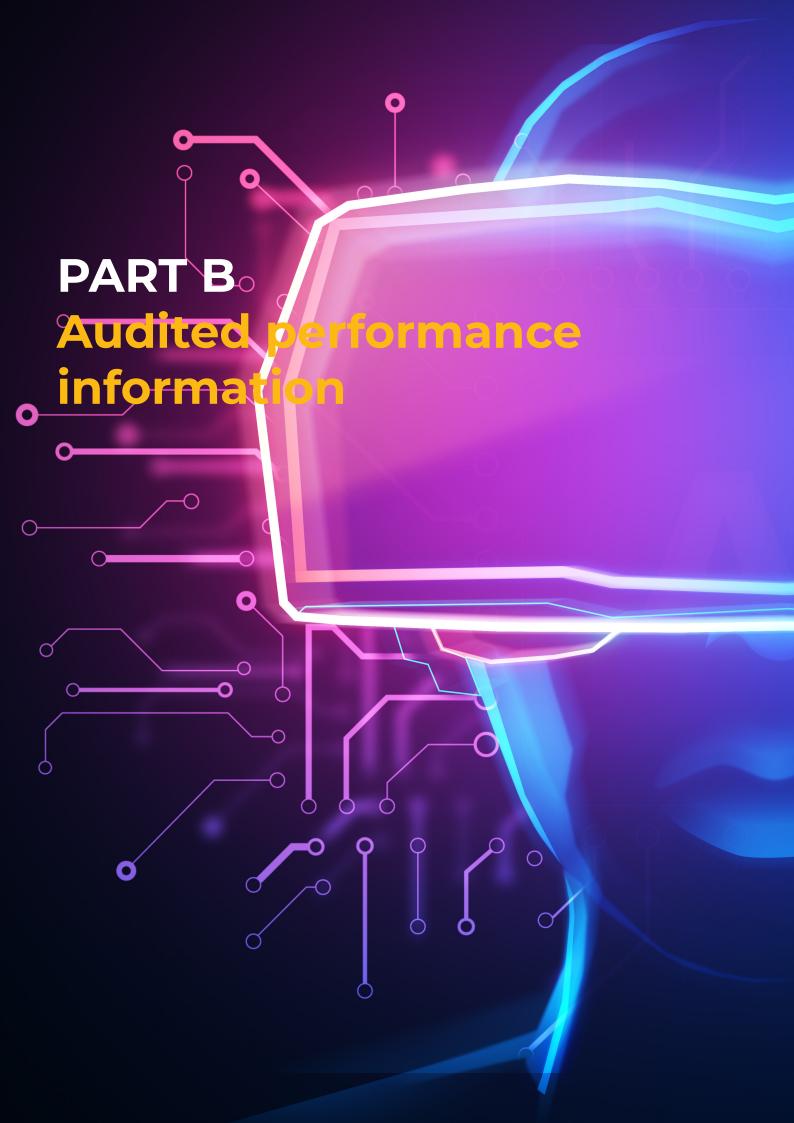
Ms Lalane Janse van Rensburg Executive Manager: Regional Operations: Region 1 (Gauteng, North West and Limpopo) and Acting Head: Human Resources



Mr Philiswa Mnguni Executive Manager: Regional Operations: Region 2 (Western Cape, Northern Cape, and Free State)



Mr. Phila Ngcobo Acting Executive Manager: Regional Operations: Region 3 (KZN,Eastern Cape, and Mpumalanga)



1. Auditor-General's report: Predetermined objectives

The AGSA/auditor currently performs the necessary audit procedures on the performance information to provide reasonable assurance in the form of an audit conclusion. The audit conclusion on the performance against predetermined objectives is included in the report to management, with material findings reported under the predetermined objectives

heading in the report on other legal and regulatory requirements section of the auditor's report.

Refer to page 65 of the Report of the Auditors Report, published as Part F: Financial Information.

2. Overview of public entity's operformance

2.1 Service delivery environment

The 7th Administration announced its strategic focus for the next five years, emphasising the acceleration of service delivery through the Medium Term Development Plan (MTDP) 2024-2029. The MTDP 2024-2029 is a five-year strategic framework that outlines the government's priorities and serves as a roadmap for translating the government's commitments into actionable programmes and policies. This plan marks a critical phase in achieving the National Development Plan (NDP) Vision 2030, as it is the final medium-term plan before the 2030 deadline.

A critical area that warrants attention is the creation of an enabling environment to improve the productivity of industrial SMMEs, both informal and formal, particularly in

the manufacturing sector. At present, the productivity of these enterprises is alarmingly low, depriving them of their potential to be driving forces for economic growth.

The performance of Productivity SA enterprise development programmes is indicative of the effectiveness of the Business Turnaround & Recovery (BT&R) programme as an effective employment and labour market instrument with proven track record to lessen the threat of retrenchments through enabling the acquisition of new clients whilst ensuring Productivity SA fulfills its mandate. CIS programme continues to create an enabling environment conducive to entrepreneurship and sustainable enterprises that can create productive employment and decent work.

Productivity SA is proud to report that over the past five financial years, the CIS programme continued providing support to SMMEs in both the formal and informal economy, and consistently achieved 100% performance on its planned targets. During the 2024/25 financial year, 1 323 SMMEs and other enterprises were supported, 2 696 entrepreneurs, workers and managers capacitated to promote the culture of productivity and 423 champions capacitated to build awareness and promote a stronger culture of productivity. The Workplace Challenge (WPC) programme, funded by the dtic, supported 102 enterprises. 75% of the WPC businesses supported are black-owned businesses, while 33% of the businesses have part or full women ownership and 19% have part or full youth ownerships. More than 3 241 jobs were preserved through these interventions.

A new funding agreement for the Business Turnaround & Recovery (BT&R) programme between Productivity SA and the Unemployment Insurance Fund was concluded on 25 July 2024. The value of the agreement is R165 649 420 over a period of three years. The administrative delays in the release of the first tranche had a major impact on the BT&R performance. The targets set in the APP as well as those commitments enshrined within the implementation plan of the funding agreement were therefore not fully fulfilled. Despite the challenges, an acceleration plan is in place and the programme has made great strides to get back on track.

The programme achieved two of its three APP targets. Out of a target of 71, the programme nurtured 40 (56%) companies, leaving a shortfall of 31 companies. Regarding jobs saved, out of a target of 3 850, the programme saved 7 094 (200%) jobs, thereby surpassing its target. The target for training future forum members was also surpassed reaching 365 (171%) out of a target of 213. The programme is grateful to have a team including service providers and partnerships that continue to work together in fulfilling our mandate. The targets for the financial year 2024/25 that were not achieved will be carried over into the new financial year.

The Research, Innovation and Statistics Programme (RIS) achieved a performance of 100%, with all four targeted research reports in the public, energy, agro-processing and footwear & leather sectors published. The 2024 Productivity Statistics were published

and launched in December 2024. The IMD World Competitiveness Yearbook (WCY) 2024 results were published and outreach activities undertaken. This performance is commendable as it was achieved with constrained resources and in the light of the programme being unable to meet its targets for the last four consecutive years.

Despite the challenges experienced in 2024/25, Productivity SA continues to strive to make a meaningful contribution towards achieving its mandate.

2.2 Organisational environment

While as a national public entity, Productivity SA services the entire country, its footprint is limited to three provinces, that are reorganised into regional offices (Midrand which is the head office and also servicing Gauteng, Northwest and Limpopo; Durban servicing Kwa-Zulu Natal, the Eastern Cape and Mpumalanga; and Cape Town servicing the Western Cape, Northern Cape and Free State).

Driven by declining financial resources and constrained government budget allocations, the reality faced is that Productivity SA remains underfunded. These challenges are structural, as the funds appropriated by Parliament through the Department of Employment and Labour budget vote are insufficient to cover operational costs. The limited financial resources and infrastructure hinder Productivity SA's ability to deliver services equitably across all nine provinces and to meet the substantial demand for its Enterprise Development and Support programmes.

The reduction in grant allocation has impacted on financial sustainability of the entity resulting in requests for bailouts. Due to this financial constraint and the National Treasury moratorium on filling certain vacant posts in the public service, as part of efforts to manage the government's compensation budget, Productivity SA could not fill certain vacancies which further negatively impacted the entity 's ability to meet its APPs.

2.3 Key policy developments and legislative changes

There have not been any key policy developments and legislative changes that have affected our operations during the reporting period.

3. Progress towards achievement of institutional impacts and outcomes

Positioning Productivity SA over the next five years as the Kaizen Centre of Excellence will be a critical step in driving South Africa's economic competitiveness and fostering sustainable growth. As a hub of innovation, expertise, and capacity building, Productivity SA plays a pivotal role in equipping businesses with the tools and knowledge to enhance productivity, create jobs and support inclusive economic development. This strategic focus aligns with national priorities and ensures that our impact is measurable and outcomes are sustainable.

Our mission remains focused on driving sustainable economic growth and promoting employment creating by an enabling environment to improve the competitiveness sustainability of enterprises in the productive sectors by targeting SMMEs and cooperatives both in the formal and informal economy. Productivity SA remains committed to providing productivity related research and statistics, which are critical for the country and individual enterprises to anticipate and prepare continuously for the future of work (FoW) and to meet the needs of the future economy and society.

The entity will continue to actively participate in the Temporary Employer Employee Relief Scheme (TERS) task team of the Presidential Jobs Summit as well as in the TERS single adjudication committee with CCMA, the dtic and UIF to ensure that distressed companies not only receive wage subsidies but benefit from the development and implementation of turnaround strategies to enhance their longterm sustainability.

Productivity SA engages in a variety of strategic partnerships and alliances with a wide range of institutions, including national and global strategic business partners that share a common SMME focus and the notion that small and medium size enterprises create jobs and power economies. These partnerships create an enabling environment for SMMEs in South Africa to engage with strategic business partners to enhance SMMEs growth.

> As a hub of innovation, expertise, and capacity building, Productivity SA plays a pivotal role in equipping businesses with the tools and knowledge to enhance productivity, create jobs and support inclusive economic development.

4. Institutional programme performange information

Performance information introduction

Outcomes, outputs, output indicators, targets and actual achievement

Productivity SA had thirteen (13) planned targets in the Annual Performance Plan (APP) for the 2024/25 financial year, of which 11 targets were met. A summary of the performance is displayed in the table below:

	No of annual	No of targets	No of targets	Overall
PROGRAMME	planned targets	achieved	not achieved	achievement (%)
Programme 1: Administration - Corporate Services	3	2	1	67%
Programme 1: Administration - Human Resource Management	1	1	0	100%
Programme 1: Administration – Corporate Relations	1	1	0	100%
Programme 2: Competitiveness Improvement Services	3	3	0	100%
Programme 3: Business Turnaround and Recovery	3	2	1	67%
Programme 4: Research, Innovation and Statistics	2	2	0	100%
Overall performance	13	11	2	85%

4.1 Programme 1: Administration

Purpose of the programme

The programme aims to strengthen the institutional capacity of Productivity SA to deliver on its mandate and be financially sustainable.

Sub-programmes:

- ◆ Office of the CEO provides strategic leadership to ensure that the mandate is achieved
- Corporate Services/Office of the CFO renders effective and efficient financial management, IT and facilities administrative support for the entity.
- ◆ Human Resource Management: Renders effective and efficient human resources management related services to the entity.
- ◆ Corporate Relations: Drives the productivity movement by promoting a culture of productivity in the workplace and in society in general.

Strategic objectives

The programme contributes to the following strategic objectives towards achieving the Annual Performance Plan:

- ◆ Strategic objective 1 Strengthen the institutional capacity of Productivity SA to deliver on its mandate and be financially sustainable.
- ◆ Strategic objective 5 Productivity culture and accountability: To promote a culture of productivity and competitiveness in the workplace and community life.

4.1.1. Sub-programme: Corporate Services

Table 1: Corporate Services performance against APP targets

		Sub-	programme: Co	orporate Servi	ces - Office of	the CFO		
Outcome	Output	Output indicator	Audited actual performance 2022/23	Audited actual performance 2023/24	Planned annual target 2024/25	Actual achievement 2024/25	Deviation from planned target to actual achievement 2024/25	Reasons for deviation
Strengthening the institutional capacity of Productivity SA to deliver on its mandate and be financially sustainable	Monitor compliance to 30-day payment requirement	Monitoring report with corrective measures where applicable, done on a monthly basis	100%	Not achieved	30-day payment report with corrective measures implemented where applicable done on a monthly basis	Not achieved	Not achieved	Some suppliers were paid after the 30 day period and they didn't provide their SMME status
	Measures taken to reduce and eliminate Fruitless and Wasteful expenditure, Audit outcomes/findings detected and reported to the Accounting Officer and National Treasury in terms of National	Wasteful Expenditure by 31 March Reduction in audit	100% New indicator	Not achieved 86%	Reduction in fruitless and wasteful expenditure by 31 March Reduction in audit outcomes/ findings by 31 March	Achieved from R713 045 to R404 723 Reduced from 14 to 10 findings	0	N/a N/a
	Treasury's guidelines							

Linking performance with budgets

Table 2: Corporate Services performance in terms of budget

		2024/25				
		Actual	(Over)/under		Actual	(Over)/under
Programme /activity/	Budget	expenditure	expenditure	Budget	expenditure	expenditure
objective	R'000	R'000	R'000	R'000	R'000	R'000
Office of the Chief Financial Officer	13 197	16 087	(2 890)	21 240	21 799	(559)
Office of the Chief Executive Officer	4 245	3 987	258	5 776	5 982	(206)
Total	17 442	20 074	(2 632)	27 016	27 781	(765)

Strategy to overcome areas of under performance

The 30-day payment to SMMEs remains a challenge, as some suppliers are reluctant to disclose their SMME status. The Entity continues to monitor the situation and engage with these

The 30-day payment to SMMEs remains a suppliers to obtain their SMME classification and challenge, as some suppliers are reluctant to revenue information.

4.1.2 Sub-programme: Human Resource Management

Table 3: Human Resource Management performance against APP targets

		Sub-	programme: H	uman Resourc	e Managemer	nt		
Outcome	Output	Output indicator	Audited actual performance 2022/23	Audited actual performance 2023/24	Planned annual target 2024/25	Actual achievement 2024/25	Deviation from planned target to actual achievement 2024/25	Reasons for deviation
Strengthening the institutional capacity of Productivity SA to deliver on its mandate and be financial sustainable		Percentage of planned training interventions commenced by 31 March	100%	100%	100%	100%	0	N/a

Linking performance with budgets

Table 4: Human Resource Management performance in terms of budget

		2024/25		2023/24			
Programme /		Actual	(Over)/under		Actual	(Over)/under	
activity/	Budget	expenditure	expenditure	Budget	expenditure	expenditure	
objective	R'000	R'000	R'000	R'000	R'000	R'000	
Training and development	1 194	458	736	846	196	650	
Total	1 194	458	736	846	196	650	

Strategy to overcome areas of under performance

N/a



4.1.3 Sub-programme: Corporate relations

Table 5: Corporate Relations performance against APP targets

		Sul	o-programme:	Corporate Re	lations			
Outcome	Output	Output indicator	Audited actual	Audited actual	Planned annual	Actual achievement 2024/25	Deviation from planned target to actual achievement 2024/25	Reasons for deviation
Enterprise competitiveness	Promote the productivity and	Number of advocacy	10	10	10	10	0	N/a
and	competitiveness	and public						
sustainability:	mind-set and	awareness						
To improve	culture in the	campaigns						
productivity	workplace	to support						
for sustained		the						
inclusive		productivity						
economic		movement in						
growth and		South Africa						
competitiveness.		by 31 March						
Promote full								
and productive								
employment and								
decent work.								

Linking performance with budgets

Table 6: Corporate Relations performance in terms of budget

		2024/25		2023/24				
Programme /		Actual	(Over)/under		Actual	(Over)/under		
activity/	Budget	expenditure	expenditure	Budget	expenditure	expenditure		
objective	R'000	R'000	R'000	R'000	R'000	R'000		
Corporate	6 884	6 870	14	10 179	6 997	1 182		
Relations								
Total	6 884	6 870	14	10 179	6 997	1 182		

Strategy to overcome areas of under performance

N/a

4.2 Programme 2: Competitiveness improvement services

Purpose of the programme

The purpose of the programme is to create an enabling environment conducive for entrepreneurship and sustainable enterprises that contribute to inclusive growth, preserve jobs and create productive employment and decent work (*SDG 8). CIS supports South Africa's strategic objectives in scaling up efforts to promote long term industrialisation and transformation of the economy and to achieve a productive high-income economy that is globally competitive. Interventions are aimed at enhancing the appropriate capacities of SMMEs and co-operatives, targeting those in the productive or priority economic sectors to adopt world-class productivity enhancement best practices, focusing on products, processes and people. CIS prioritises the participation of historically disadvantaged people and regions in the economy, thereby supporting meaningful BBBEE using instruments such as special economic zones (SEZs), industrial parks and black industrialists interventions.

Sub-programmes: N/a

Strategic objectives

The programme contributes to the following strategic objectives towards achieving the Annual Performance Plan:

- ◆ Strategic objective 2 Enterprise competitiveness and sustainability: To improve productivity for sustained inclusive economic growth and competitiveness.
- ◆ Strategic objective 5 Productivity culture and accountability: To promote a culture of productivity and competitiveness in the workplace and community life.



Outcomes, outputs, output indicators, targets and actual achievement

Table 7: Competitiveness Improvement Services performance against APP targets

		Programme:	Competitiven	ess Improvem	ent Servi	ces		
Outcome	Output	Output indicator	Audited actual	Audited actual performance 2023/24	Planned annual	Actual	Deviation from planned target to actual achievement 2024/25	Reasons for deviation
Enterprise competitiveness and sustainability: To improve productivity for sustained inclusive economic growth and competitiveness.	SMME and other enterprises supported through productivity interventions to improve their competitiveness and sustainability	Number of SMMEs and other enterprises supported through Competitiveness Improvement services by 31 March		1 617	1 252	1 323	+71	Collaborating effectively with strategic partners
Promote full and productive employment and decent work.	Promote the productivity and competitiveness mind-set and culture in the workplace		2 314	3 016	2 400	2 696	+296	Increased demand from strategic partners
		Number of productivity champions capacitated to build awareness and promote a stronger culture of productivity in South Africa by 31 March	528	542	323	423	+100	Strategic projects contracts.

Linking performance with budgets

Table 8: Competitiveness Improvement Services performance in terms of budget

		2024/25		2023/24			
		Actual	(Over)/under		Actual	(Over)/under	
Programme /activity/	Budget	expenditure	expenditure	Budget	expenditure	expenditure	
objective	R'000	R'000	R'000	R'000	R'000	R'000	
Competitiveness Improvement Services	20 490	15 017	5 473	20 744	36 055	(15 311)	
Workplace Challenge	12 598	10 494	2 104	13 150	13 409	(259)	
Total	33 088	25 966	7 577	33 894	49 464	(15 570)	

Strategy to overcome areas of under performance

N/a

4.3 Programme 3: Business Turnaround and Recovery

Purpose of the programme

The programme focuses on supporting initiatives aimed at preventing job losses as well as providing turn-around strategies to companies facing economic distress (financial and/or operational difficulties) that may result in an employer contemplating the dismissal of employees based on its operational requirements. The outcome of these interventions is to lessen the social and economic impact on individuals, companies, regions and the national economy.

Sub-programmes: N/a

Strategic objectives

The programme contributes to the following strategic objectives towards achieving the Annual Performance Plan:

 Strategic objective 3 – Jobs preservation: To support enterprises facing economic distress and initiatives aimed at preventing job losses.

Outcomes, outputs, output indicators, targets and actual achievement

Table 9: Business Turnaround and Recovery programme performance against the APP

N.		Programme: Business Turnaround and Recovery										
C	Outcome	Output	Output indicator	Audited actual performance 2022/23	Audited actual performance 2023/24	Planned annual target 2024/25	Actual achievement 2024/25	Deviation from planned target to actual achievement 2024/25	Reasons for deviation			
T a p th	dusiness furnaround nd Recovery rocesses nat creates onditions	economic distress and	Number of jobs saved in companies facing economic distress by	4 983	5 390	3 850	7 094	+3 244	Larger companies signed onto the programme			
c jo a		initiatives aimed at	31 March Number of companies facing economic distress supported through turn-around strategies to retain jobs by 31 March.	78	71	77	40	(37)	Lost eight months of 2024/25 due to delays in signing the new funding agreement and the disbursement of tranche 1			
			Number of future forums members trained and capacitated on productivity improvement solutions	792	934	231	365	+134	Signed entities opted to send more employees for training			

Linking performance with budgets

Table 10: Business Turnaround and Recovery performance in terms of budget

		2024/25		2023/24			
Programme /		Actual	(Over)/under		Actual	(Over)/under	
activity/	Budget	expenditure	expenditure	Budget	expenditure	expenditure	
objective	R'000	R'000	R'000	R'000	R'000	R'000	
Business	52 169	27 019	25 150	52 169	33 048	19 121	
Turnaround and							
Recovery							
Total	52 169	27 019	25 150	52 169	33 048	19 121	

Strategy to overcome areas of under performance

Although the BT&R lost eight months of 2024/25 due to delays in signing the new funding agreement and the disbursement of tranche 1, the programme nevertheless achieved two of its three KPIs due to efforts in implementing

the acceleration plan. Despite the challenges, the acceleration plan remains in place and the programme has made tremendous strides to get back on track. The unachieved targets will be rolled over into the new financial year.



4.4 Programme 4: Research, Innovation and Statistics

Purpose of the programme

The programme aims to measure and evaluate productivity in the workplace and overall competitiveness of the economy; develop and maintain databases and best practice productivity and competitiveness system, and business model innovation including products and services innovation to improve quality and access to services; and undertake and publicise productivity related research and statistics.

Sub-programmes:

- ◆ Research
- ◆ Knowledge Management
- ◆ Statistics

Strategic objectives

The programme contributes to the following strategic objectives towards achieving the Annual Performance Plan:

◆ Strategic objective 4 – Evidence-based planning, monitoring and evaluation: Generation and dissemination of productivity related research and statistics.

Outcomes, outputs, output indicators, targets and actual achievement

Table 11: The Research, Innovation and Statistics programme performance against the APP

		Program	me: Research	, Innovation a	nd Statistics			
Outcome	Output	Output indicator	Audited actual performance 2022/23	Audited actual performance 2023/24	Planned annual target 2024/25	Actual achievement 2024/25	Deviation from planned target to actual achievement 2024/25	Reasons for deviation
Provision of productivity and competitiveness related value-added information	Undertake productivity- related research on priority sectors	Number of research reports and publications on priority sectors published and disseminated by 31 March	2	2	4	4	0	N/a
	Collate productivity related statistics	Number of statistical reports on productivity and competitiveness published by 31 March	2	2	2	2	0	N/a

Linking performance with budgets

Table 12: The Research, Innovation and Statistics Programme in terms of budget

		2024/25			2023/24	
		Actual	(Over)/under		Actual	(Over)/under
Programme /activity/	Budget	expenditure	expenditure	Budget	expenditure	expenditure
objective	R'000	R'000	R'000	R'000	R'000	R'000
Research, Innovation and	7 771	6 156	1 615			
Statistics				8 947	7 425	1 522
Total	7 771	6 156	1 615	8 947	7 425	1 522

Strategy to overcome areas of under performance

N/a

5. Revenue collection

		2024/2025	2023/2024			
Sources of revenue	Estimate R'000	Actual amount collected R'000	(Over)/under collection R'000	Estimate R'000	Actual Amount Collected R'000	(Over)/under collection
DEL	61 472	74 150	(12 678)	62 921	68 543	(5 622)
UIF	52 169	27 019	25 150	52 168	33 048	19 120
the dtic	10 027	10 027	-	10 662	10 342	320
Donations	-	-	-	160	-	160
Total transfers and subsidies	123 668	111 196	12 472	125 911	111 932	13 979
Rendering of services	43 143	4 437	38 706	41 024 5	5 249	35 775
Other income	293	1 993	(1 700)	-	536	536
Interest received	910	995	(85)	661	921	260
Total	168 014	118 621	49 393	167 596	118 639	(48 957)

6. Capital investment

To comply with the requirements of the PFMA and GRAP, measures were taken to ensure that the public entity's asset register remained up to date during the period under review. These included maintaining an up-to-date asset register with asset descriptions, identification codes and a record of all acquisitions, movements and disposals.

Furthermore, a physical asset count is performed annually. The decisions as to which assets to dispose of and scrap lie with the Asset Disposal Committee. All movements in assets are authorised by a responsible official of Productivity SA.

Assets comprise library, computer equipment, equipment, furniture and motor vehicles. All assets are in good condition. Should certain assets be identified as not fit and proper for the entity's use, they are disposed of via donations or outright sale, and replaced.

No major maintenance projects were undertaken during the period under review.





1. Introduction

Corporate governance embodies processes and systems through which public entities are directed, controlled and held to account. In addition to legislative requirements based on a public entity's enabling legislation, and the Companies Act, corporate governance with regards to public entities is applied through the precepts of the Public Finance Management

Act (PFMA) and tracked in tandem with the principles contained in the King Code of Governance principles and the King Report on Corporate Governance (King IV).

Parliament, as the Executive Authority and the Accounting Authority of the public entity, is responsible for corporate governance.

2. Portfolio committees

Productivity SA, along with its sister entities that report to the Department of Employment and Labour, is part of the Portfolio Committee on Employment and Labour in Parliament.

Productivity SA attended the following meetings with the Portfolio Committee on Employment and Labour:

- Department of Employment and Labour and its Public Entities Introductory Workshops: 20 and 21 August 2024.
- ◆ Tabling of Department of Employment and Labour and its Public Entities Annual Reports for 2023/24: 16 October 2024.

- Briefing by the Department of Employment and Labour and its Public Entities on Q1 and Q2 Performance Reports: 20 November 2024.
- ◆ Implications of SONA 2025 for Department of Employment and Labour and its Public Entities: 26 February 2025.
- ◆ Briefing by Department of Employment and Labour and its Public Entities on Q3 Performance Reports: 2 April 2025.

The Portfolio Committee of Employment and Labour did not identify any risk areas but noted that Productivity SA operates on limited resources for the marketing, funding, implementation of its programmes and increasing the entity's footprint in all provinces.

3. Executive Authority

Productivity SA submits regular reports to the Department of Employment and Labour as the Accounting Authority including the APP 2024/25 and Strategic Plan 2020/2021 - 2024/2025 financial year.

The first draft of the Annual Performance Plan (APP) 2024/25 and Strategic Business Plan

2024/25 financial year were submitted on 22 November 2023 and the final draft on 4 March 2024.

No significant issues relating to the APP and the Strategic Plan were raised by the Department of Employment and Labour.

4. The Accounting Authority Board

The Board serves as the Accounting Authority of Productivity SA. The duties of the Board are captured in the Productivity SA Constitution and outlined in the requirements of the Public Finance Management Act (PFMA) No 1 of 1999 as amended by Act No 29 of 1999).

The Board is responsible and accountable for the public entity's performance and strategic direction. The Board sets the vision and mission of Productivity SA and is responsible for the overall strategic direction, performance, and control of the entity in executing its mandate as per the Employment Services Act, No 4 of 2014. The Board, as the Accounting Authority of Productivity SA, meets at least four times a year.

The role and responsibilities of the Board are to:

- Determine the strategic direction of Productivity SA and oversee the performance of Productivity SA in executing its mandate;
- Approve annual budgets, business plans and financial strategy of Productivity SA;
- Formulate the general policy of Productivity SA;
- Appoint the Chief Executive Officer (CEO) on terms stipulated in the Constitution and subject to the Labour Relations Act (LRA) and other relevant legislations;
- Determine the remuneration terms and conditions of the employment of the CEO and other employees;
- ◆ Appoint sub committees and ad hoc committees as it may deem necessary to perform its duties.

Constitution

The Board provides commentary on the Constitution of the Board and comments on the progress made on complying with it.

The Board adheres to the rules and procedures outlined in the Constitution of the Board of Productivity SA by which the functions of the Board and those of its sub committees are determined.

Composition of the Board for the period 1 December 2019 – 31 November 2024. The term of the Board was extended by the Minister of Employment and Labour for the period 1 December 2024 to 31 July 2025 pending the appointment of a new Board by the cabinet of South Africa

Name	Designation (in terms of the public entity board structure)	Date appointed	Date resigned/ term ended	Qualifications	Area of expertise	Board directorships (List the entities)	Other committees or task teams (eg: Audit committee/ Ministerial task team)	No. of Board & sub comm meetings attended
Vacant	Non-Executive Chairperson	Vacant	Vacant	Vacant	Vacant	Productivity SA		0
Bev Jack	Non-Executive	19 May 2022	Current	Certificate of Education, University of Zimbabwe	Business	Productivity SA	Board/ HR and R Committee	13
Anneline Chetty	Non-Executive	1 Dec 2019	Current	PhD in Geography and Environmental Science	Government	Productivity SA	Board/ Audit and Risk Committee	12
Welile Nolingo	Non-Executive	1 Dec 2019	Current	Diploma in Management (Labour Relations)	Labour	Productivity SA	Board/ Audit and Risk Committee	15
Godfrey Masale Selematsela	Non-Executive	23 Sept 2020	Current	Diploma in General Nursing Science and Advanced Certificate in Labour Law .	Labour	Productivity SA	Board/ HR and R Committee	15
Noel Xola Sicwebu	Non-Executive	1 March 2024	Current	 MA Education Masters in Bus Administration PhD in Linguistics and Literature 	Government	Productivity SA	Board/ HR and R Committee	15
Gilly Dlamini	Non-Executive	1 May 2024	Current	Masters Agricultural Economics	Business	Productivity SA	Board/ Audit and Risk Committee	12

Committees for the period: 1 December 2019 – 31 November 2024. The term of the Board was extended by the Minister of Employment and Labour for the period 1 December 2024 to 31 July 2025 pending the appointment of a new Board by the cabinet of South Africa

Committee	No. of meetings held	No. of members	Name of members
Audit & Risk Committee	5	4	Paul Slack
			Welile Nolingo
			Anneline Chetty
			Gilly Dlamini
Human Resource and	7	3	Bev Jack
Remuneration Committee			Godfrey Masale Selematsela
			Noel Xola Sicwebu

Remuneration of Board members

The Board remuneration rates are paid irrespective of whether meetings last the whole day or for a few hours only.

- No fees will be payable should a Board member not attend a scheduled meeting or if a completed document and signed claim form has not been received.
- ◆ These fees will also apply in cases where a Board member is asked by the Productivity SA to officiate at a meeting or function on behalf of Productivity SA.

Board members not remunerated are government representatives who are not entitled to any fees or refunds for travel and accommodation costs. The rates are reviewed annually as guided by the National Treasury.

Other expenses, e.g travel, are reimbursed by the public entity.

- ◆ Travel and accommodation to the functions or meeting on behalf of Productivity SA is incurred by Productivity SA.
- ◆ Remuneration rates for the Board of Productivity SA:

Non-Executive Chairperson of the Board R4 446.51 per meeting

Independent Chairperson of the Audit and Risk Committee R4 446.51 per meeting

Non-Executive Board/Alternate/Co-opted members R2 697.57 per meeting

Board for the period: 1 December 2019 – 31 November 2024. The term of the Board was extended by the Minister of Employment and Labour for the period 1 December 2024 to 31 July 2025 pending the appointment of a new Board by the cabinet of South Africa

Name	Remuneration for attendance	Total
Chairperson: Vacant		
Bev Jack	R2 697.57	R59 086
Welile Nolingo	R2 697.57	R60 708
Gilly Dlamini	R2 697.57	R57 690
Godfrey Masale Selematsela	R2 697.57	R51 297
Paul Slack	R4 446.51	R88 930

5. Risk management

Due to the size and its quest for value and independence, Productivity SA outsources the risk management to internal auditors, Audit and Risk Management Solutions (ARMS).

Senior management, with the assistance of the outsourced internal audit function, is committed to assessing the major operational, business and fraud related risks that Productivity SA faces on an ongoing basis. Internal audit plans are drawn

up and progress is continually monitored against these plans.

A risk management workshop was facilitated by ARMS in which the Board and Executive Committee revisited the risks facing Productivity SA

ARMS evaluates reports prepared by ARMS to identify areas where further management attention may be required.

6. Internal control unit

Internal control is evaluated in a combined effort by management, internal audit and external audit. The findings on internal controls by internal audit and external audit are reported to the ARC and actions to clear them are monitored.

For the year under review, ARMS carried out the annual internal audit plan as approved by the ARC which included the following internal audit work:

- ◆ Performance Information Review
- ◆ Human Resource Management Review
- ◆ Information and Communication Technology Review
- ◆ Financial Management Review; and
- ◆ Supply Chain Management Review.

ARMS' findings have been reported to the ARC and communicated to Productivity SA Management. Productivity SA Management has adequately addressed the findings.

Productivity SA management is satisfied that internal controls implemented and relied on continued to provide reasonable assurance regarding financial and performance management and compliance with Productivity SA policies and procedures as well as legislation.

7. Internal audit and **Audit and Risk Committee**

ARMS, an outsourced firm responsible for Productivity SA's internal audit function. provides an independent appraisal function that is designed to examine and evaluate the Productivity SA's internal controls. In particular, ARMS is responsible for examining and evaluating the effectiveness of Productivity SA's operational activities, business risks and the system of internal, operational and financial controls.

Any major weaknesses detected are brought to the attention of the ARC, the external auditors and members of management for their consideration and remedial action. ARMS meets regularly with external auditors, Lunika Inc, to discuss plans and results in respect of the audits carried out during the year. ARC meets periodically with management, external auditors and internal auditors, and separately with external and internal auditors when necessary.

ARC has a written charter approved by the Board. ARC does not have any operational or executive responsibilities. Its objectives are to:

- Establish a channel of communication between the Board, management, external auditors and internal auditors;
- Evaluate whether management creates and maintains an effective control environment to safeguard Productivity SA's assets, and that management demonstrates the necessary respect for the entity's internal control structure:
- Review the scope and outcome of audits. This review includes an assessment of the effectiveness of the annual statutory audit and ensuring that sufficient emphasis is placed on issues which, in the opinion of the committee, management or the auditors, deserve special attention;
- Ensure that the Board makes informed decisions and is aware of the implications of these decisions on accounting policies, practices and disclosure; and
- Safeguard the liability of members of the Board by informing the Board about issues that impact on the business and the status of financial reporting.

The Audit and Risk Committee has a written charter approved by the Board. The committee does not have any operational or executive responsibilities.

The table below discloses relevant information on the Audit and Risk Committee members

Committee for the period 1 December 2019 – 31 November 2024. The term of the Board was extended by the Minister of Employment and Labour for the period 1 December 2024 to 31 July 2025 pending the appointment of a new Board by the cabinet of South Africa

Name	Qualifications	Internal or external	If internal, position in the public entity	Date appointed	Date resigned	Number of meetings attended
Paul Slack	BComm (Hons)(Financial Management; CA(SA); CD(SA)	External	N/a	1 Aug 2021	Current	5
Welile Nolingo	Diploma in Management (Labour Relations)	External	N/a	1 Dec 2019	Current	5
Anneline Chetty	PhD in Geography and Environmental Science	External	N/a	1 Dec 2019	Current	3
Gilly Dlamini	Master of Commerce (Economics)	External	N/a	1 May 2024	Current	3

8. Compliance with laws and regulations

Productivity SA regularly conducts an exercise to evaluate and advise on compliance with all relevant legislation in the year of review.

The overarching principle of Productivity SA is to subscribes to a code of ethics and act with honesty, responsibility and integrity towards its stakeholders.

9. Fraud and corruption

Management has developed a multi-pronged plan to address fraud and corruption. The possible risks that could prevent the entity from achieving its objectives are identified along with what could go wrong. From this exercise a fraud and risk checklist is developed to ensure that all bases are covered.

Awareness is created via presentations to staff on a quarterly basis. Staff members are aware of the processes and procedures to be followed should they suspect or have evidence that fraud and corruption is taking place. A fraud hotline was sought from the Department of Employment and Labour as Productivity SA is not a large enough entity to warrant its own dedicated hotline.

The emerging risks are reported on a quarterly basis at the ARC and quarterly at the Executive Committee meeting. The combination of management efforts, internal audit as well as external audit in creating awareness as well as devising steps to detect and prevent fraud and corruption is believed to be sufficient to adequately address this subject.

In light of the above, management is continuously investigating allegations including, where warranted, forensic evidence that has come to their attention.

10:Minimising conflict of interest

Productivity SA management views conflict of interest in supply management in a serious light. To this end, the standard contract that Productivity SA signs with service providers contains a water-tight clause on conflict of interest and provides for possible prosecution should it be found that an employee or a service provider has violated the provisions of this clause. Furthermore, Productivity SA strives to comply with the PFMA on sourcing of goods and services

by prescribing three levels, ie, quotations, a signed contract and open tender, should certain limits be reached.

All employees of the entity sign the declaration of interest at the time they join. It is also a standard item on the agenda of all committee meetings that members declare their interest to avoid conflict.

11. Code of conduct

Productivity SA subscribes to a code of ethics and endeavours to act with honesty, responsibility and integrity towards its stakeholders. Should this code be breached, it is prescribed that the

relevant breach be addressed according to the policy that covers it.

12. Health, safety and environmental issues

In accordance with the Occupational Health and Safety Act, 1993 (Act No. 85 of 1993), employers are required to provide and maintain, as far as is reasonably practicable, a working environment that is safe and without risk to the health of employees. This obligation includes mitigating exposure to hazardous substances, poor ergonomic conditions, and harmful microorganisms. Where such risks cannot be entirely eliminated, employers must inform employees of potential hazards and the safety measures in place to prevent harm.

Productivity SA remains fully committed to upholding these responsibilities by creating and maintaining a safe and healthy work environment for all employees and stakeholders. Regular safety inspections are conducted to assess compliance and improve health and safety measures. The organisation's Occupational Health and Safety (OHS) Policy is currently in draft form and undergoing internal review, with plans to table it for approval through the appropriate governance committees.

The adoption of hybrid and remote working arrangements has significantly influenced the implementation of OHS within the organisation. With a large portion of employees now working from home, there is reduced physical occupancy of office premises, which has in turn lessened pressure on building infrastructure and lowered the risk of workplace-related incidents. However, this shift has also necessitated a broader view of workplace safety—one that includes promoting safe home-working environments. Employees are encouraged to maintain ergonomic workspaces, adhere to safety protocols, and report any health and safety concerns, even when working remotely.

To further ensure compliance with building regulations, Productivity SA has implemented a number of practical measures in its offices. These include the installation of visible safety signage, marked emergency exits, and routine servicing of fire extinguishers. Air conditioning systems are also maintained regularly to ensure a safe and comfortable environment for those

who work on-site. Collectively, these initiatives reflect Productivity SA's ongoing dedication to occupational health and safety, both within its physical offices and in support of employees working remotely.

Productivity SA's commitment to creating and sustaining a safe workplace for all employees and stakeholders.

13. Audit and Risk Committee report

The Audit and Risk Committee is pleased to present its report for the financial year ended 31 March 2025.

13.1 Audit and Risk Committee members and members' attendance

The Audit and Risk Committee consists of the members listed below and meets at least four times per annum, as per approved terms of reference.

During the current year, five meetings were scheduled and held. The Audit and Risk Committee confirms that it has discharged its responsibility in terms of Productivity SA's Audit and Risk Committee Charter.

Committee for the period: 1 December 2019 – 31 November 2024. The term of the Board was extended by the Minister of Employment and Labour for the period 1 December 2024 to 31 July 2025 pending the appointment of a new Board by the cabinet of South Africa

	Audit and Risk Committee					
Name	24/4/2024	23/5/2024	25/7/2024	24/10/2024	20/3/2025	
Paul Slack	1	V	√	√	√	
Anneline Chetty	√	V	A	A	√	
Welile Nolingo	$\sqrt{}$	V	√	√	√	
Gilly Dlamini	-	V	√	√	Α	

 $\sqrt{\ }$ Present A = Apology S = Sabbatical leave

Responsibility of the Audit and Risk Committee

ARC reports that it has complied with its responsibilities arising from section 51(1) (a) (ii) of the Public Finance Management Act No. 1 of 1999 and Treasury Regulations 27.1. ARC also reports that it has adopted appropriate formal terms of reference as its ARC, has regulated its affairs in compliance with this charter, and has discharged all its responsibilities as contained therein.

Effectiveness of internal control

ARC reviewed the findings by the internal auditors which were based on the risk assessment conducted and revealed certain weaknesses, which were raised with management. The committee is satisfied with the additional controls that management have implemented in addressing these internal audit findings.

Internal audit

The Audit Internal Auditors: Risk and Management Solutions (ARMS) were appointed on the 24th February 2022 for a period of three (3) years subject to annual performance review. The appointment was effective 1st April 2022 covering the financial year ending 31st March 2023 to 31st March 2025. Thereafter, the Internal Auditors: ARMS contract was extended for 3 months from 1st April 2025 to 30th June 2025 so that they can finalise the outstanding reviews for the 2024/25 while Productivity SA finalise the tendering process of appointing new internal auditors. This extension was to ensure that there is no disruption in the auditing process during the transition, allowing the Entity to maintain compliance and uphold its financial integrity.

The following reviews were conducted:

- Performance Information Review
- Financial Management Review

From these internal audit reports and those from the external auditor, the Audit and Risk Committee has recommended improvements in the internal control environment. Management has committed to address these and the Audit and Risk Committee will continue to monitor such remedial action in the ensuing year.

External Auditors

The External Auditors: Lunika Incorporated were appointed on the 21st November 2022 for a period of five (5) years for the 2022/23 – 2026/27 financial year subject to annual performance review by the Auditor-General South Africa (AGSA) for concurrence. The AGSA had also approved Lunika Incorporated appointment in terms of section 25(4) of the Public Audit Act, Act No.25 of 2004. The appointment was effective from the 1st March 2023 to commence with auditing the 2022/23 financial year.

In-year management and monthly/quarterly report

Productivity SA has submitted monthly and quarterly reports to the Executive Authority: Board.

The Audit and Risk Committee has recommended the Audited Annual Financial Statements and Audited Annual Performance Report to the Board for approval and adoption.

Evaluation of Audited Annual Financial Statements

ARC has reviewed the audited annual financial statements and we are satisfied that annual financial statements conform to the applicable and appropriate accounting standards. The ARC has:

- Reviewed and discussed the audited annual financial statements to be included in the annual report with the Auditor and the Accounting Authority;
- Reviewed the Auditor's management report and management's response thereto;
- Reviewed the accounting policies and practices as reported in the entities' Annual Financial Statements;
- Reviewed the entity's compliance with legal and regulatory provisions;
- Reviewed the information in predetermined objectives included in the Annual Report;
- Reviewed material adjustments resulting from the audit;
- Reviewed the effectiveness and adequacy of the internal audit function and adequacy of its annual work plan;
- Reviewed the results of the work performed by the internal audit and any significant investigation and management responses thereto;

- Reviewed the external auditor's findings and reports submitted to management; and
- Reviewed the independence and objectivity of the external auditors.

The ARC recommended the audited annual financial statements to the Board for approval and adoption.

Auditor's Report

ARC has reviewed Productivity SA implementation plan for audit issues raised in the prior year and we are satisfied that the matters have been adequately resolved. The ARC concurs and accepts the conclusions of the Auditors on the annual financial statements and is of the opinion that the audited annual financial statements be accepted and read together with the report of the Auditors.

Mr Paul Slack

Chairperson of the Audit and Risk Committee Productivity SA 2025

14.B-BBEE compliance performance information

The following table has been completed in accordance with the compliance to the BBBEE requirements of the BBBEE Act of 2013 and as determined by the Department of Trade, Industry and Competition.

Has the Public Entity applied any relevant Code of Good Practice (B-BBEE Certificate Levels 1 – 8) with regards to the following:

- 6) with regards to the following.							
		Discussion (include a discussion on your response					
	Response						
Criteria	Yes / No	taken to comply)					
Determining qualification criteria for the issuing of licences, concessions or other authorisations in respect of economic activity in terms of any law?	NO	Not applicable to Productivity SA					
Developing and implementing a preferential procurement policy?	YES	SCM policy was developed and updated with preferential procurement requirements					
Determining qualification criteria for the sale of state-owned enterprises?	NO	Not applicable to Productivity SA					
Developing criteria for entering into partnerships with the private sector?	NO	Not yet implemented					
Determining criteria for the awarding of incentives, grants and investment schemes in support of Broad Based Black Economic Empowerment?	NO	Not applicable to Productivity SA					



1. Introduction

1.1 OVERVIEW OF HUMAN RESOURCES MATTERS

The 2024/25 financial year has been marked by significant challenges and proactive measures aimed at addressing internal concerns and legal matters within Productivity SA. Despite challenges, Productivity SA Executive Management remains committed to fostering a positive work environment and ensuring organisational stability in the face of turnover and legal challenges.

The entity finalised two forensic investigations during the period under review. The first investigation focussed on HR and payroll and resulted in an action plan being compiled to address concerns and enhance the efficiency of HR and payroll processes. The second investigation focussed on HR and procurement and ultimately led to disciplinary action commencing against a senior management official. Although the disciplinary process concluded in November 2024, a CCMA process is currently underway.

The staff turnover rate of 12% has been substantial, as there were eleven service terminations during this period. This consisted of nine permanent employees and two fixed-term contract employees.

Certain key senior management positions in the entity are currently vacant, including the position of Chief Financial Officer and Head: Human Resources Management. Acting/secondment appointments have been activated to ensure continuity in these business-critical functions.

There were four appointments during this period, consisting of six permanent appointments and two fixed-term contract appointments. The entity has advertised some of the business-

critical positions and a recruitment process is currently underway.

The Human Resources Department achieved its 2024/25 Annual Performance Plan (APP) target through commencement of all planned training interventions. The Workplace Skills Plan for 2024/25 included short courses, financial assistance (bursary) for tertiary qualifications, as well as technical capacitation of employees. This included Lean Six Sigma and Kaizen QPI training for service delivery employees.

The entity hosted seven interns during 2024/25, of which six were funded by the Public Services SETA (P-SETA) and one was funded by the Human Sciences Research Council (HSRC). The P-SETA funded internship programme concluded on 31 March 2025 and interns received completion certificates at the March 2025 staff meeting. The remaining HSRC funded internship programme will conclude during the new financial year. The interns gained valuable work experience from their mentors and team members during the internship programme, which will enhance their employability. The entity retained skills by appointing two interns on a fixed-term contract basis for 12 months. The P-SETA also afforded the entity the opportunity to host eight interns during the 2025/26 and 2026/27 financial years.

The financial challenges experienced by the entity had a negative impact on the salary negotiation process and ultimately led to cost-of-living salary adjustments being deemed unaffordable. Annual salary negotiations for 2024/25 eventually concluded in November 2024. The salary increase agreement consisted of once-off ex-gratia bonuses of R15 000 for eligible employees with a 0% cost-of-living salary adjustment.

The legal matter pertaining to the Labour Court review was finalised during October 2024. The Labour Court ruled in favour of the entity and set aside the previous CCMA award.

The legal matter relating to post-retirement medical aid (PRMA) is still in progress. The High Court matter was heard on 14 August 2024 and the entity is still awaiting judgement. The CCMA arbitration matter relating to the post-retirement medical aid claim of a former employee concluded in January 2025, with the CCMA ruling in favour of the employee. The entity has incurred legal costs for both the CCMA and High Court matters. In order to comply with the initial July 2021 court order, payments of approximately R3.4m have been processed in respect of the pensioners' medical aid memberships for 2024/25.

1.2 HUMAN RESOURCES PRIORITIES

The following key priorities were identified for the year under review:

- ◆ Improve employee relations;
- Enhance HR and payroll processes;
- Attract and retain top talent through recruitment and succession planning;
- Support and ensure workers' wellbeing;
- Review policies and procedures;
- Organisational review and design;
- ◆ Enable effective flexible and remote working arrangements;
- Digitise of performance management system; and
- Learning and growth.

HUMAN RESOURCES PLANNING FRAMEWORK AND STRATEGIES

The entity was selected for an employment equity audit by the Department of Employment and Labour during 2024/25. The audit process resulted in the entity revising its employment equity plan for the period October 2024 to September 2027. The Human Resources Department will continue playing an active role towards achieving the entity's employment equity targets.

Despite the moratorium, certain businesscritical positions were identified to be filled during the new financial year. HRM will focus on implementing the recruitment plan. This will allow the entity to be adequately resourced to continue performing optimally.

Due to the moratorium, certain unfunded vacancies have been placed on hold for a lengthy period. Employees were appointed in an acting/secondment capacity in certain positions to enable the relevant programmes/departments to implement their deliverables. The entity will embark on an organisational review and design process to determine whether certain positions can be modified to incorporate job functions of long-standing vacancies, and whether certain vacant positions can be removed from the organisational structure.

EMPLOYEE PERFORMANCE MANAGEMENT FRAMEWORK

The performance contracting for 2024/25 was finalised on 31 May 2024. All employees submitted performance contracts.

Performance Review 1 for the period April to September 2024 was finalised on 31 October 2024. All employees submitted Performance Review 1.

Performance Review 2 for the period October 2024 to March 2025 had to be finalised by 30 April 2025. 97% of employees submitted Performance Review 2. Outstanding performance reviews were to be submitted by 31 July 2025.

The revised Remuneration and Benefits Policy, including the Recognition Scheme, will be implemented during the new financial year, and is expected to motivate employees through the recognition of exceptional performance.

EMPLOYEE WELLNESS PROGRAMMES

The entity remains committed to promoting employee health and well-being. As part of the Productivity Month launch in October 2024, wellness activities were incorporated to support a healthy and resilient workforce. Health screenings, including blood pressure, glucose and cholesterol tests were offered to employees. A guest speaker also presented on building resilience and productivity through mental wellness, encouraging employees to prioritise mental well-being. There was a 24% utilisation rate as at March 2025.

Company Wellness Solutions also provided an overview of the confidential wellness services available to employees, which include mental health counselling, legal support, fitness, nutrition, and financial wellness assistance.

HUMAN RESOURCES POLICY DEVELOPMENT

The following policies were revised and approved by the Board during the 2024/25 FY:

- ◆ Acting and Secondment Policy; and
- Remuneration and Benefits Policy.

The Human Resources Department also revised thirteen policies and will present the policies to various internal structures prior to submitting to the Board during the new financial year.

HUMAN RESOURCES ACHIEVEMENTS AND CHALLENGES

The Human Resources Department's highlights and challenges over this period were:

Highlights

High	lights	Details
1.	Achievement of 2024/25 Annual Performance Plan (APP) target	The APP target was fully achieved (commencement of 100% of Workplace Skills Plan for 2024/25).
2	"HR un-boxed" engagement sessions	The HR Department conducted "HR un-boxed" engagement sessions with all programmes and departments from August 2024. The sessions are also used by employees to raise HR matters and staff concerns related to HR processes, performance contracting and reviews. HR was able to clarify and address staff concerns. Employees expressed positive feedback regarding the engagement with HR.
3.	Internship programme	Hosted seven interns during this period, including six interns funded by the P-SETA and one intern funded by the HSRC.
4.	Regulatory reports submitted timeously	The HR Department has submitted the relevant regulatory reports timeously during this period.

Challenges

Chal	lenges	Details
1.	Lack of funding for approved positions	The entity is still unable to fill certain positions due to financial constraints. As at March 2025, the vacancy rate was 22%, which is considered high. This has placed strain on the existing resources due to the additional workload with which they have been faced.
2	Post retirement medical aid	The resolution of the PRMA legal matter is experiencing significant delays outside of the control of Productivity SA, leading to a notable increase in legal expenses for the entity. The entity also incurred significant costs relating to the PRMA, including payment of approximately R310k per month for medical aid costs.

Future human resources plans and goals

The Human Resources Department's future plans and goals are:

- ◆ Enhance human resources information systems;
- Enhance leave management system;
- Digitalise and automate standard operating procedures:
- ◆ Implement revised Remuneration and Benefits Policy;
- Conduct organisational climate survey;
- ♦ Conduct skills audit; and
- Finalise the organisational review and design process.



2.1 Personnel related expenditure

Personnel cost by programme/activity/objective

Programme /activity/	Total expenditure for the entity	Personnel		No. of	Average personnel cost per employee
objective	R'000	R'000	R'000		R'000
Productivity SA	66 603	63 166	95%	72	877
Business Turnaround & Recovery	27 019	9 157	34%	9	1 017
Workplace Challenge	10 494	1 748	17%	2	874
Total	104 116	74 071	71%	83	892

Note: The above includes permanent and fixed-term contract employees as of 31 March 2025. The amount reflected in the above table excludes post-retirement medical aid contributions of R3.443m.

Personnel expenditure amounts include pro-rata salary costs for employees who left the entity during the year. The total number of employees reflects active employees as at March 2025.

Personnel cost by salary band

		Percentage of personnel expenditure		Average personnel
	Personnel expenditure			· · · · · · · · · · · · · · · · · · ·
Level	R'000	R'000		R'000
Top Management	8 988	12.1%	5	1 798
Senior Management	19 657	26.7%	17	1 156
Professional qualified	34 982	45.9%	41	853
Skilled	9 850	14.5%	18	547
Semi-skilled	594	0.8%	2	297
Unskilled	0	0	0	0
Total	74 071	100%	83	892

Note: The above includes permanent and fixed-term contract employees as of 31 March 2025. The amount reflected in the above table excludes post-retirement medical aid contributions of R3.443m.

Personnel expenditure amounts include pro-rata salary costs for employees who left the entity during the year. The total number of employees reflects active employees as at March 2025.

Performance rewards

			% of performance rewards to total
	Performance rewards	Personnel Expenditure	personnel cost
Programme /activity/objective	R'000	R'000	R'000
Top Management	90	8,988	1.0%
Senior Management	225	19 657	1.1%
Professional qualified	570	34 982	1.6%
Skilled	285	9 850	2.9%
Semi-skilled	30	594	5.0%
Unskilled	0	0	0%
Total	1 200	74 071	1.6%

Training costs

Programme /activity/	Personnel Expenditure	Training Expenditure	Training Expenditure as a % of Personnel Cost	No. of employees	cost per
objective	R'000	R'000			R'000
Productivity SA	63 166	416	0.7%	84	5.0
Business Turnaround & Recovery	9 157	14	0.1%	2	7.0
Workplace Challenge	1 748	8	0.5%	2	4.0
Total	74 071	438	0.6%	88	5.0

Employment and vacancies

Permanent and fixed-term contract employees

	2024/25		2024/25		
	Number of		Number of		
	employees	2024/25	employees	2024/25	Percentage of
Programme/activity/objective	Apr 2024	approved posts	Mar 2025	vacancies	vacancies
Productivity SA	79	94	72	22	23%
Business Turnaround & Recovery	9	10	9	1	10%
Workplace Challenge	2	3	2	1	33%
Total	90	107	83	24	22%

Programme/activity/objective	2024/25 Number of employees Apr 2024	2024/25 approved posts	2024/25 No. of employees Mar 2025	2024/25 vacancies	% of vacancies
Top Management	6	9	5	4	44%
Senior Management	19	24	17	7	29%
Professional qualified	41	50	41	9	18%
Skilled	22	22	18	4	18%
Semi-skilled	2	2	2	0	0
Unskilled	0	0	0	0	0
Total	90	107	83	24	22%

During this period, the entity experienced financial constraints and was unable to fill vacancies due to the moratorium imposed. Employees were appointed on an acting/secondment basis to ensure business continuity.

Employment changes

Salary band	Employment at beginning of period (Apr 2024)	Appointments	Terminations	Employment at end of the period (Mar 2025)
Top Management	6	0	1	5
Senior Management	19	2	4	17
Professional qualified	42	2	3	41
Skilled	21	0	3	18
Semi-skilled	2	0	0	2
Unskilled	0	0	0	0
Total	90	4	11	83

Reasons for staff leaving

Reason	Number	% of total no. of staff leaving
Death	0	0
Resignation	9	82%
Dismissal	2	18%
Retirement	0	0
III health	0	0
Expiry of contract	0	0
Other	0	0
Total	11	100%

The entity experienced a high turnover rate during 2024/25. Exit interviews were conducted with employees who resigned. Steps have been taken to address issues identified.

Labour relations: Misconduct and disciplinary action

Number
0
0
0/
/2
2

Equity target and employment equity status

Male								
	Afri	can	Colo	ured	Ind	ian	Wh	iite
Levels	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	2	3	0	1	0	0	0	0
Senior Management	8	12	0	0	0	1	1	1
Professional qualified	13	24	3	3	1	1	2	2
Skilled	3	9	1	1	0	0	0	1
Semi-skilled	1	1	0	0	0	0	0	0
Unskilled	0	0	0	0	0	0	0	0
Total	27	49	4	5	1	2	3	4

		Female						
	Afri	can	Colo	ured	Ind	lian	Wh	nite
Levels	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	1	3	0	0	1	1	1	1
Senior Management	6	10	0	1	1	1	1	1
Professional qualified	18	23	0	1	2	2	2	2
Skilled	/10	10	0	1	3	3	1	1
Semi-skilled	1	1	0	0	0	0	0	0
Unskilled	0	0	0	0	0	0	0	0
Total	36	47	0	3	7	7	5	5

	Disabled staff						
	Ma	ale	Fen	nale			
Levels	Current	Target	Current	Target			
Top Management	0	0	0	0			
Senior Management	0	0	0	0			
Professional qualified	0	0	1	1			
Skilled	0	0	0	0			
Semi-skilled	0	0	0	0			
Unskilled	0	0	0	0			
Total	0	0	1	1			





1. Irregular, fruitless and wasteful expenditure and material losses

1.1 Irregular expenditure

a) Reconciliation of irregular expenditure

	2024/25	2023/24
Description	R'000	R'000
Opening balance	8 238	1 911
Adjustment to opening balance	-	1 513
Opening balance as restated	8 238	3 434
Add: Irregular expenditure confirmed	2 649	6 708
Less: Irregular expenditure condoned	-	/ / / /-
Less: Irregular expenditure not condoned and removed	-	
Less: Irregular expenditure recoverable	-	X X -
Less: Irregular expenditure not recoverable and written off	-	(1 894)
Closing balance	10 887	8 238
Less: Irregular expenditure not recoverable and written off	10 887	

Irregular expenditure for the current year is R2 649, it was incurred on suppliers with no or expired contracts (these mainly related to ICT contracts and travel agencies).

Reconciling notes

	2024/25	2023/24
Description	R'000	R'000
Irregular expenditure that was under assessment	-	<u> </u>
Irregular expenditure that relates to the prior year and identified in the current year	-	1 530
Irregular expenditure for the current year	2 649	6 708
TOTAL	10 887	8 238

1.2 Fruitless and wasteful expenditure

a) Reconciliation of fruitless and wasteful expenditure

	2024/25	2023/24
Description	R'000	R'000
Opening balance	1 118	- /
Adjustment to opening balance	(160)	/ - /
Opening balance as restated	957	\ / /
Add: Fruitless and wasteful expenditure confirmed	-	1 118
Less: Fruitless and wasteful expenditure recoverable	-	
Less: Fruitless and wasteful expenditure not recoverable and written off		
Closing balance	957	1 118

There were no fruitless and wasteful expenditure incurred in FY2025.

Fruitless and wasteful expenditure for FY2024 was reduced to R957 and the application of the condonation this amount is in progress.

Reconciling notes

	2024/25	2023/24
Description	R'000	R'000
Fruitless and wasteful expenditure that was under assessment	1 118	
Fruitless and wasteful expenditure that relates to the prior year and identified in the current year	-	713
Fruitless and wasteful expenditure for the current year	-	405
Prior year error	(161)	
TOTAL	957	1 118

2. Supply chain management

2.1 Procurement by other means

Project description	Name of supplier	Type of procurement by other means	Contract number	Value of contract R'000
BoardPAC softw	Vodacom	Transversal contract	Not applicable	93
Caseware Software license	Adapt IT	Sole provider	Not applicable	110
Stata and Eviews statistical software	Quantec Enterprises	Sole provider	Not applicable	99
Tailor made local and international industry reports suitable for researchers	SABINET ONLINE	Preferred supplier	Not applicable	63
Systems2Win license	Haldan INC	Sole provider	Not applicable	25
CEO position advert	The Sunday Times newspaper	Preferred supplier	Not applicable	75
Catering	Innovation Hub	Productivity SA has MoU with GDED which has partnered with Innovation Hub	Not applicable	40
AGM Advertisement	The Sunday Times newspaper	Preferred supplier	Not applicable	52

Project description	Name of supplier	Type of procurement by other means	Contract number	Value of contract R'000
Chairperson for a Disciplinary matter	Farisanani and Associates	Only one service provider responded	Not applicable	75
Catering for WPC Eastern Cape milestone event	Bavububele Trading CC	Productivity SA has MoU with ECED which has partnered with Bavububele Trading CC	Not applicable	19
Benchmarking exercise for Black Industrialist	Global Mark (Pty) Ltd	Quotes received from only 2 companies	Not applicable	112
Document storage	The Document Warehouse	Continuity of storage and security of the Company's documents and records until current lease expires	Not applicable	3
Workplace Challenge Annual Report 2023/24	Yes Direct (Pty) Ltd	Termination of the selected service provider contract due to malperformance and material breach of contract.	Not applicable	83
AGM Holding room	Emperors Palace	Sole provider as the event was held at the venue	Not applicable	3
SAGE Software license	SAGE	Sole provider	Not applicable	109
Remote technical support for SimpliVity Server Node	Hewlett Packard Enterprise Systems (HPE)	Sole Provider	Not applicable	6
Managing Network, Server, and Disaster Recovery Replication infrastructure	Sizwe IT Group	Extension of the contract	Not applicable	79
Document storage	The Document Ware- house	Continuity of storage and security of the Company's documents and records until current lease expires	Not applicable	3
SAP Business One support	G3G	Extension of support the contract	Not applicable	58
TOTAL				1 107



INDEPENDENT AUDITOR'S REPORT TO THE BOARD OF PRODUCTIVITY SA

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

- 1. We have audited the financial statements of the Productivity SA set out on pages 72 to 109, which comprise the statement of financial position as at 31 March 2025, statement of Statement of Statement of Financial Performance, statement of changes in net assets, cash flow statement and statement of comparison of budget and actual amounts for the year then ended, as well as notes to the financial statements, including a summary of significant accounting policies.
- 2. In our opinion, the financial statements present fairly, in all material respects, the financial position of the Productivity SA as at 31 March 2025 and its financial performance and cash flows for the year then ended in accordance with the South African Standards of Generally Recognised Accounting Practice and the requirements of the Public Finance Management Act (PFMA).

Basis for opinion

- 3. We conducted our audit in accordance with the International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the responsibilities of the Lunika Chartered Accountants and Auditors Incorporated for the audit of the financial statements section of our report.
- 4. We are independent of the public 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 our audit in South Africa. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA code.
- 5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter

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

An uncertainty relating to the future outcome of exceptional litigation or regulatory action

7. With reference to note 30 to the financial statements, the public entity is the defendant in various review applications against it. Contested court-ordered obligation to fund 100% of post- retirement medical aid for 23 retirees, with an estimated liability of R24.47 million. The ultimate outcome of the matters could not be determined and no provision for any liability that may result was made in the financial statements.

Responsibilities of the accounting authority for the financial statements

- 8. The accounting authority 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 authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
- 9. In preparing the financial statements, the accounting authority is responsible for assessing the public entity's ability to

PRODUCTIVITY SA

Annual Financial Statements for the year ended 31 March 2025

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 public entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

- Our 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 our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing 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.
- 11. A further description of our 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 69 to 71, forms part of our auditor's report.

REPORT ON THE AUDIT OF THE ANNUAL PERFORMANCE PLAN

12. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, we must audit and report on the usefulness and reliability of the reported performance information against predetermined objectives for the selected material performance indicators presented in the annual performance report. The accounting authority is responsible for the preparation of the annual performance report.

- 13. We selected the following material performance indicators related to Programme 3 Business Turnaround and Recovery presented in the annual performance report for the year ended 31 March 2025. We selected those indicators that measure the public entity's performance on its primary mandated functions and that are of significant national, community or public interest.
- Number of jobs saved in companies facing economic distress by 31 March
- Number of companies facing economic distress supported through the Turnaround Strategies to retain jobs by 31 March
- Number of Future Forum members trained and capacitated on productivity improvement solutions by 31 March
- 14. We evaluated the reported performance information for the selected objective against the criteria developed from the performance management and reporting framework, as defined in the general notice. When an annual performance report is prepared using these criteria, it provides useful and reliable information and insights to users on the public entity's planning and delivery on its mandate and objectives.
- 15. We performed procedures to test whether:
- the indicators used for planning and reporting on performance can be linked directly to the public entity's mandate and the achievement of its planned objectives
- all the indicators relevant for measuring the public entity's performance against its primary mandated and prioritised functions and planned objectives are included
- the indicators are well defined to ensure that they are easy to understand and can be applied consistently, as well as verifiable so that we 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
- there is adequate supporting evidence for the achievements reported and for the reasons provided for any over- or underachievement of targets.
- 16. We performed the procedures to report material findings only; and not to express an assurance opinion or conclusion.
- 17. We did not identify any material findings on the reported performance information for the selected indicators.

Other matters

18. We draw attention to the matters below.

Achievement of planned targets

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

REPORT ON COMPLIANCE WITH LEGISLATION

20. In accordance with the PAA and the general notice issued in terms thereof, we must audit and report on compliance with applicable legislation relating to financial matters, financial management and other related matters. The Accounting Authority is responsible for the Productivity SA's compliance with legislation.

- 21. We performed procedures to test compliance with selected requirements in key legislation.
- 22. We identified material non-compliance with the selected legislative requirements.
- 23. The material findings on compliance with the selected legislative requirements, presented per compliance theme, are as follows:

Annual financial statements and Financial Report

24. The financial statements submitted for auditing were not fully prepared in accordance with the prescribed financial reporting framework and as required by section 55(1) (a) of the PFMA. Material misstatements of Cashflow statement items and disclosure items were identified by the auditors in the submitted financial statement were corrected, resulting in the financial statements receiving an unqualified audit opinion.

Expenditure management

25. Effective and appropriate steps were not taken to prevent irregular expenditure as disclosed in note 27 to the annual financial statements, as required by section 51(1) (b)(ii) of the PFMA. The majority of the irregular expenditure was caused by noncompliance with Treasury Regulation 16A6.1 and National Treasury Regulations 8.2 and Instruction Note 31 dated 31 May 2012.

OTHER INFORMATION IN THE ANNUAL REPORT

26. The accounting authority 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 the selected programme presented in the annual performance report that have been specifically reported on in this auditor's report.

PRODUCTIVITY SA

Annual Financial Statements for the year ended 31 March 2025

- 27. Our 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 we do not express an audit opinion or any form of assurance conclusion on it.
- 28. Our responsibility is to read this other information and, in doing so, consider whether it is materially inconsistent with the financial statements and the selected programme presented in the annual performance report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

INTERNAL CONTROL DEFICIENCIES

- 29. We did not receive the other information prior to the date of this auditor's report. When we do receive and read this information, if we conclude that there is a material misstatement therein, we are 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, we may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.
- 30. We considered internal control relevant to our audit of the financial statements, annual performance report and compliance with applicable legislation; however, our objective was not to express any form of assurance on it.
- 31. The matters reported below are limited to the significant internal control deficiencies that resulted in the findings on the annual performance report and the material findings on compliance with legislation included in this report.
- 32. The entity, under the oversight of the accounting authority, disclosed transactions as related party transactions which did not meet the definition in GRAP

- 20, indicating weaknesses in internal controls for identifying related parties and in the accounting authority's review of the annual financial statements for compliance. In addition, the accounting authority did not ensure that controls over the preparation and review of the cash flow statement were adequately designed and implemented, resulting in a material misstatement that was only identified and corrected during the audit process.
- 33. The entity did not have adequate internal controls in place to prevent irregular expenditure, as required by section 51(1)(b) (ii) of the PFMA. Specifically, preventative controls within the procurement and contract management processes were either ineffective or not properly implemented, resulting in the incurrence of irregular expenditure for at least two consecutive financial years.

Lunika Inc.

Lunika Chartered Accountants and Auditors Incorporated

Samkelo Mxunyelwa CA (SA) Director Registered Auditor 31 July 2025 Lonehill Office Park Sandton Johannesburg

ANNEXURE TO THE AUDITOR'S REPORT

The annexure includes the following:

- the auditor'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, we exercise professional judgement and maintain professional scepticism throughout our audit of the financial statements and the procedures performed on reported performance information for the selected programme and on the public entity's compliance with selected requirements in key legislation.

Financial statement

In addition to our responsibility for the audit of the financial statements as described in this auditor's report, we 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 our 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 public 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. we 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 public entity to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify our opinion on the financial statements. Our 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 public 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

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

We also provide the accounting authority with a statement that we 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 our independence and, where applicable, actions taken to eliminate threats or safeguards applied.

Annual Financial Statements for the year ended 31 March 2025

Compliance with legislation – selected legislative requirements

Sections or regulations		
Section 51(1)(a)(iv); 51(1)(b)(i); 51(1)(b)(ii); 51(1)(e)(iii)		
Section 53(4)		
Section 55(1)(a); 55(1)(b); 55(1)(c)(i)		
Section 56(1); 56(2)		
Section 57(b); Section 66(4);		
Regulation 8.2.1; 8.2.2		
Regulation 16A 3.2; 16A 3.2(a); 16A 6.1; 16A6.2(a) & (b); 16A 6.3(a); 16A 6.3(a)(i)		
16A 6.3(b); 16A 6.3(c); 16A 6.3(e); 16A 6.4; 16A 6.5; 16A 6.6; 16A8.3; 16A		
8.4; 16A9.1(b)(ii); 16A 9.1(d); 16A 9.1(e); 16A9.1(f);		
16A 9.2(a)(ii)		
Regulation 30.1.1; 30.1.3(a); 30.1.3(b); 30.1.3(d); 30.2.1		
Regulation 31.1.2(c'); 31.2.5; 31.2.7(a)		
Regulation 33.1.1; 33.1.3		
Public service regulation 13(c);18; 18 (1) and (2);		
Section 29; 34(1)		
(definition "acceptable tender")		
Section 1(i); 2.(1)(a); 2.1(b); 2.1(f)		
(under functionality) Paragraph 4.1; 4.2		
Paragraph 5.1; 5.3; 5.6; 5.7		
Paragraph 6.1; 6.2; 6.3; 6.5; 6.6; 6.8		
Paragraph 7.1; 7.2; 7.3; 7.5; 7.6; 7.8		
Paragraph 8.2; 8.5		
Paragraph 9.1; 9.2		
Paragraph 10.1, 10.2		
Paragraph 11.1 Paragraph 3.1		
Paragraph 4.1; 4.2; 4.3; 4.4		
Paragraph 5.1; 5.2; 5.3; 5.4		
Paragraph 3.1; 3.3 (b); 3.3 (c); 3.3 (e); 3.6		
Paragraph 3.1; 4.1; 4.2		
Paragraph 4.1; 4.2 (b); 4.3; 4.4; 4.4 (a); 4.4(c); 4.4(d);4.6		
Paragraph 5.4		
Paragraph 7.2; 7.6		
Paragraph 6		
Paragraph 4.3		
Paragraph 5.5.1(vi); 5.5.1(x)		
Paragraph 3.1;		
Paragraph 3.4(a); 3.4(b)		
Paragraph 3.9		
Paragraph 6.1; 6.2; 6.7		
Paragraph 3.2.1; 3.2.2; 3.2.4; 3.3.1;		
Paragraph 4.1		
Paragraph 4(1)		
Paragraph 4(2)		
Paragraph 4(4)		

Legislation	Sections or regulations
PFMA instruction note no.3 of 2021/22	Definition
	Paragraph 4.2(b)
Practice Note 5 of 2009/10	Paragraph 3.3
PFMA SCM instruction 08 of 2022/23	Paragraph 3.2
	Paragraph 4.3.2; 4.3.3
NT instruction note 4 of 2015/16	Paragraph 3.4
NT instruction 3 of 2019/20 - Annexure A	Section 5.5.1 (iv) and (x)
National Treasury Instruction 4A of 2016/17	Paragraph 6
Instruction note No. 4 of 2022/2023: PFMA	Paragraph 4.12
Compliance and Reporting Framework	

Annual Financial Statements for the year ended 31 March 2025

Statement of Financial Position as at 31 March 2025

	N ()	2025	2024
Figures in Rand	Note(s)	2025	Restated*
Assets			
Current assets			
Receivables from exchange transactions	3	972 641	315 510
Prepayments	4	131 904	611 201
Cash and cash equivalents	5	58 556 866	19 898 326
Casif and Casif equivalents	5	59 661 411	20 825 037
		39 001 411	20 825 037
Non-current assets			
Property, plant and equipment	6	3 770 352	4 482 198
Intangible assets	7	129 060	246 948
Deposit held	8	894 987	894 987
Beposit field	_	4 794 399	5 624 133
Total assets		64 455 810	26 449 170
Liabilities			
Current liabilities			
Finance lease obligation	9	262 703	225 095
Operating lease liability	10&29	917 315	1 162 546
Payables from exchange transactions	11	5 599 556	5 858 491
Unspent conditional grants and receipts	12	39 400 365	15 284 328
Provisions	13	716 378	647 731
		46 896 317	23 178 191
Non-current liabilities			
Finance lease obligation	9	243 173	505 876
Total liabilities		47 139 490	23 684 067
Net assets		17 316 320	2 765 103

Statement of Financial Performance as at 31 March 2025

			2024
Figures in Rand	Note(s)	2025	Restated*
Revenue			
Revenue from exchange transactions			
Rendering of services		4 436 802	5 248 999
Other income	15	1 993 292	536 471
Interest received		994 672	920 921
Gain on disposal of assets		47 165	
Total revenue from exchange transactions		7 471 931	6 706 391
Revenue from non-exchange transactions			
Transfer revenue			
Transfers received	16	111 195 837	111 932 213
Total revenue		118 667 768	118 638 604
Expenditure			
Employee related costs	17	(77 514 710)	(84 445 491)
Audit fees	18	(1 318 144)	(1 211 960)
Depreciation and amortisation		(921 128)	(2 439 366)
Finance costs	19	(48 766)	(70 246)
Lease rentals on operating lease		(5 928 565)	(5 969 638)
Debt impairment		-	(149 556)
Bad debts written off		-	(110 267)
Project implementation costs		(1 677 436)	(7 139 087)
Legal fees		(1 406 429)	(1 230 255)
Loss on disposal of assets		-	(103 498)
Operating expenses	20	(15 301 373)	(18 612 641)
Total expenditure		(104 116 551)	(121 482 005)
Surplus (deficit) for the year		14 551 217	(2 843 401)

Statement of Changes in Net Assets

Figures in Rand	Total net assets
Restated* Balance at 01 April 2023	5 608 356
Deficit for the year	(2 843 401)
Other (R1 assets)	148
Prior year error - note 32	237 361
Restated* Balance at 01 April 2024	2 765 103
Surplus for the year	14 551 217
Balance at 31 March 2025	17 316 320

Cash Flow Statement

Figures in Rand	Note(s)	2025	2024 Restated*
Cash flows from operating activities			
Receipts			
Cash received from customers		5 834 617	6 303 293
Transfers received		135 311 874	124 897 321
Interest received		994 672	920 921
		142 141 163	132 121 535
Payments			
Cash paid to employees		(77 637 061)	(84 583 882)
Cash paid to suppliers		(25 465 818)	(32 667 059)
Finance costs		(48 766)	(65 500)
		(103 151 645)	(117 316 441)
Net cash flows from operating activities	21	38 989 518	14 805 094
Cash flows from investing activities			
Purchase of property, plant and equipment	6	(166 829)	(216 563)
Proceeds from disposal of property, plant and equipment	6	60 946	56 847
Net cash flows from investing activities		(105 883)	(159 716)
Cash flows from financing activities			
Finance lease payments		(225 095)	(208 360)
Net increase/(decrease) in cash and cash equivalents		38 658 540	14 437 018
Cash and cash equivalents at the beginning of the year		19 898 326	5 461 308
Cash and cash equivalents at the end of the year	5	58 556 866	19 898 326

Statement of Comparison of Budget and Actual Amounts

Budget on accrual ba	asis					
Figures in Rand	Approved budget	Adjustments	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Referenc
Statement of Finance	_		Duaget	Busis	arra abtuar	Rolololo
Revenue	siai P Criorinano					
Revenue from						
exchange						
transactions						
Rendering of						
services	50 359 000	(7 216 000)	43 143 000	4 436 802	(38 706 198)	25
Other income	_	293 000	293 000	1 993 292	1 700 292	25
Interest received	661 000	249 000	910 000	994 672	84 672	
Total revenue	\mathcal{H}					
from exchange						
transactions	51 020 000	(6 674 000)	44 346 000	7 424 766	(36 921 234)	
Revenue from						
non-exchange						
transactions						
Transfer revenue						
Transfers received	129 139 000	(5 471 000)	123 668 000	111 195 837	(12 472 163)	25
Total revenue	180 159 000	(12 145 000)	168 014 000	118 620 603	(49 393 397)	
Expenditure						
Employee related	(00.00/.000)	JE (00.000	(22.2.(2.22)	(55.51 (51.0)		0.5
costs	(98 074 000)	17 428 000	(80 646 000)	(77 514 710)	3 131 290	25
Auditors	(1 218 000)	(200 000)	(1 418 000)	(1 318 144)	99 856	
remuneration Depreciation and	(1218 000)	(200 000)	(1 418 000)	(1310144)	99 656	
amortisation	(2 546 000)	(64 000)	(2 610 000)	(921 128)	1 688 872	25
Finance costs	(49 000)	(26 000)	(75 000)	(48 766)	26 234	20
Lease rentals on	(43 000)	(20 000)	(73 000)	(40 700)	20 254	
operating lease	(6 938 000)	(444 000)	(7 382 000)	(5 928 565)	1 453 435	25
Project	(8 333 633)	(111000)	(, 552 553)	(8 328 888)	55 .55	20
implementation						
costs	(53 395 000)	4 415 000	(48 980 000)	(1 677 436)	47 302 564	25
Legal fees	(967 000)	_	(967 000)	(1 406 429)	(439 429)	25
Operating expenses	(16 972 000)	(8 964 000)	(25 936 000)	(15 301 373)	10 634 627	25
Total expenditure	(180 159 000)	12 145 000	(168 014 000)	(104 116 551)	63 897 449	
Operating surplus	-	-	_	14 504 052	14 504 052	
Proceeds on						
disposal of assets	-	-	-	47 165	47 165	
Deficit for the year	\			14 551 217	14 551 217	
Actual amount on comparable basis			-	14 551 217	14 551 217	
as presented in the Budget and Actual Comparative Statement						

as at 31 March 2025

1. SIGNIFICANT ACCOUNT POLICIES

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

1.1 Presentation of annual financial statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 91(1) 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.

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

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

1.2 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the entity.

1.3 Going concern assumption

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

1.4 Materiality

Omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatement judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor.

Assessing whether an omission or misstatement could influence decisions of users, and so be material, requires consideration of the characteristics of those users. The Framework for the Preparation and Presentation of Financial Statements states that users are assumed to have a reasonable knowledge of government, its activities, accounting and a willingness to study the information with reasonable diligence. Therefore, the assessment takes into account how users with such attributes could reasonably be expected to be influenced in making and evaluating decisions.

1.5 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:

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 13 - Provisions.

Annual Financial Statements for the year ended 31 March 2025

Significant account policies as at 31 March 2025

1.5 Significant judgements and sources of estimation uncertainty (continued)

Allowance for doubtful debts

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

Assessment of useful lives

The residual value and useful life of an asset are regarded as accounting estimates and intrinsically have an element of uncertainty associated with them. As such, they are based on information available at the time that they are estimated.

It is therefore expected that these estimates will differ at various stages of an asset's life depending on the economic climate and management's intentions. Useful lives and residual amounts are reviewed and assessed at each reporting date.

Such review and assessment takes into consideration the nature of the assets, their intended use and technical obsolescence. The residual value and useful life of an asset is reviewed and revised if necessary at each reporting date.

1.6 Property, plant and equipment

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

Property, plant and equipment are depreciated on the straight-line basis over their expected useful lives to their estimated residual value.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment.

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

Item	Depreciation method	Useful life
Library	Straight-line	3-5 years
Furniture and fixtures	Straight-line	6-10 years
Motor vehicles	Straight-line	5-8 years
Computer equipment	Straight-line	3-5 years
Equipment	Straight-line	3-5 years
Finance lease assets	Straight-line	3-5 years

as at 31 March 2025

1.6 Property, plant and equipment (continued)

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

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the entity. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

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.

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

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.

1.7 Intangible assets

An intangible asset is recognised when:

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

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

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

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

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

Item	Depreciation method	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.

Annual Financial Statements for the year ended 31 March 2025

Significant account policies as at 31 March 2025

1.8 Financial instruments

Financial assets

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:

The financial assets are held for collection of cash flows and those cash flows represent the payment of principal. The exchange transactions are measured at amortised cost. Interest income from these financial assets (cash and cash equivalents) is included in finance income.

If an entity determines that no objective evidence of impairment exists for an individually assessed receivable, whether significant or not, it includes the receivable in a group of receivables with similar credit risk characteristics and collectively assesses them for impairment.

The financial assets of the entity are the regular way purchases and sales of financial assets, which are recognised on the trade date (the date on which the entity commits to purchase or sell the asset). Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and the entity has transferred substantially all risks and rewards of ownership.

Receivables from exchange transactions

Receivables from exchange transactions, includes trade and other receivables, which relate to amount due from customers for services rendered in the ordinary course of the business.

Receivables from non exchange transactions

Receivables from non exchange transactions, includes unspent grants and receipt, these relate to amounts invoiced where the grant was not received to allocate the invoices against the grant.

Cash and cash equivalents

Net cash and cash equivalents included in the statement of cash flows include cash on hand, and deposits held on call accounts with the bank.

Deposits held

Deposits held are amounts paid to the landlord as the security by the tenants obligation to the landlord in terms of the five years lease agreement.

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

Impairment of financial assets

If an entity determines that no objective evidence of impairment exists for an individually assessed receivable, whether significant or not, it includes the receivable in a group of receivables with similar credit risk characteristics and collectively assesses them for impairment.

Financial liabilities

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

Payables from exchange transactions

Payables from exchange transactions comprise trade and other payables and are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade and other payables are initially recognised at fair value and are subsequently measured at amortised cost.

as at 31 March 2025

1.9 Leases

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

Finance leases - lessee

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

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

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.

1.10 Prepayments

Prepayments are amounts paid in advance for a benefit not yet received. This type of expense normally includes costs paid in one fiscal year that benefits a future year (period). Prepayments are recognised as assets and are not discounted. Their value is expensed over time on to the statement of financial performance.

1.11 Employee benefits

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 payable when employment is terminated by the entity before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchangeforthese benefits. Termination benefits exclude any benefits which are dependent on future service. The entity recognises termination benefits at the earlier of the following dates:

- when the entity can no longer withdraw the offer of those benefits; and
- when the entity recognises costs for a restructuring that is within the scope of GRAP 19 Provisions, Contingent Liabilities and Contingent Assets, and involves payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

Short-term employee benefits

Remuneration to employees in respect of services rendered during a reporting period is recognised as an expense in that reporting period. Provision is made for accumulated leave and for short-term benefits when there is no realistic alternative other than to settle the liability, and there is a formal plan and the amounts to be paid are determined before the time of issuing the financial statements.

as at 31 March 2025

1.11 | Employee benefits (continued)

Post-employment benefits

These are post-employment benefit plans that are payable after the completion of employment. These plans create an obligation on the entity to provide agreed benefits to current and past employees and effectively places actuarial and investment risk on the entity.

The entity only provides post-retirement healthcare benefits upon retirement to 23 of it's former employees who are on retirement in terms of the pending court order, this arrangement does not fall within the ambits of GRAP 25 post-employment benefits as it is not a benefit offered over time of employment.

1.12 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.

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

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

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.

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

1.13 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments as well as future commitments relating to operating leases. Commitments are disclosed in note 29.

1.14 Revenue from exchange transactions

Revenue from exchange transactions relates to revenue earned through consulting services rendered to companies in line with the entity's mandate.

Measurement

Revenue is measured at the fair value of the consideration received or receivable.

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;

as at 31 March 2025

1.14 Revenue from exchange transactions (continued)

- the stage of completion of the transaction at the reporting date can be measured reliably;
- 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.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

Interest

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

1.15 Revenue from non-exchange transactions

Revenue from non-exchange transactions takes the form of grants from the Department of Employment and Labour, Unemployment Insurance Fund and Department of Trade, Industry and Competition.

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.

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.

1.16 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 in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

Significant account policies as at 31 March 2025

1.16 Fruitless and wasteful expenditure (continued)

Fruitless and wasteful expenditure is recorded in the notes to the financial statements when confirmed. The amount recorded is equal to the total value of the fruitless and or wasteful expenditure incurred.

Fruitless and wasteful expenditure is removed from the notes to the financial statements when it is resolved or transferred to receivables or written off.

1.17 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:

- this Act; or
- the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- any provincial legislation providing for procurement procedures in that provincial government.

Irregular expenditure that was incurred and identified during the current reporting period and which was condoned before year-end and/ or before finalisation of the Annual Financial Statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is required with the exception of updating the note to the Annual Financial Statements.

Irregular expenditure that was incurred and identified during the current reporting period and for which condonement is being awaited at year-end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the Annual Financial Statements.

Where irregular expenditure was incurred in the previous reporting period and is only condoned in the following reporting period, the register and the disclosure note to the Annual Financial Statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current reporting period and which was not condoned by National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure 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 must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the Accounting Officer or Accounting Authority may write-off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

1.18 Segment information

A segment is an activity of an entity:

- that generates economic benefits or service potential (including economic benefits or service potential relating to transactions between activities of the same entity);
- whose results are regularly reviewed by management to make decisions about resources to be allocated to that activity and in assessing its performance; and
- for which separate financial information is available.

as at 31 March 2025

1.18 Segment information (continued)

Reportable segments are the actual segments which are reported on in the segment report. They are the segments identified above or alternatively an aggregation of two or more of those segments where the aggregation criteria are met.

1.19 Budget information

Entities are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by entity shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

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

The approved budget covers the fiscal period from 01 Apr 2024 to 31 Mar 2025.

The budget for the economic entity includes all the entities approved budgets under its control. The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period has been included in the Statement of comparison of budget and actual amounts.

1.20 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.

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.

entity is exempt from disclosure The 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.

Annual Financial Statements for the year ended 31 March 2025

Significant account policies as at 31 March 2025

1.21 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.

Figures in Rand 2025 2024

2. NEW STANDARDS AND INTERPRETATIONS

2.1 Standards and interpretations issued, but not yet effective

The entity has not applied the following standards and interpretations, which have been published and are mandatory for the entity's accounting periods beginning on or after 01 April 2025 or later periods:

S	tandard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
•	GRAP 106 Transfer of Functions Between Entities Not Under Common Control	Not yet determined	Unlikely there will be a material impact material impact
•	GRAP 105 Transfer of Functions Between Entities Under Common Control	Not yet determined	Unlikely there will be a material impact material impact
•	GRAP 2023 Improvements to the Standards of GRAP 2023	Not yet determined	Unlikely there will be a material impact material impact
•	GRAP 1 (amended): Presentation of Financial Statements (Going Concern)	Not yet determined	Unlikely there will be a material impact material impact
•	GRAP 104 (as revised): Financial Instruments	01 April 2025	Unlikely there will be a material impact material impact

3. RECEIVABLES FROM EXCHANGE TRANSACTIONS

Accrued income	189 328	-
Other receivables	108 259	102 259
Trade receivables	675 054	213 251
	972 641	315 510
Receivables aging is as follows:		
0-30 days	736 097	1 254
31-60 days	5 209	531 808
61-90 days	47 341	-
Over 90 days	183 994	78 090
Less allowance for impairment		(295 642)
	972 641	315 510

Annual Financial Statements for the year ended 31 March 2025

Notes to the Annual Financial Statements

Figures in Rand 2025 2024

3. / RECEIVABLES FROM EXCHANGE TRANSACTIONS (CONTINUED)

Reconciliation of provision for impairment of trade and other receivables

	-	295 643
Reversal of provision	(295 643)	(98 287)
Provision for impairment	-	110 267
Opening balance	295 643	283 663

The creation and release of provision for impaired receivables have been included in operating expenses. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

4. PREPAYMENTS

Prepayments consist of maintenance and support on computer software's, membership and subscription payments.

131 904 611 201

5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of:

	58 556 866	19 898 326
Short-term deposits	55 999 131	19 689 025
Bank balances	2 557 735	209 301

6. PROPERTY, PLANT AND EQUIPMENT

	2025		2024			
/		Accumulated	Carrying		Accumulated	Carrying
	Cost	depreciation	value	Cost	depreciation	value
Buildings	178 088	(178 087)	1	178 088	(178 087)	1
Furniture and						
fixtures	1 078 200	(814 198)	264 002	1 078 200	(710 977)	367 223
Motor vehicles	157 601	(145 491)	12 110	157 601	(135 245)	22 356
Computer						
equipment	7 803 102	(4 800 978)	3 002 124	7 761 636	(4 369 363)	3 392 273
Equipment	33 320	(31 827)	1 493	33 320	(31 167)	2 153
Finance lease						
assets	1 132 202	(641 580)	490 622	1 132 202	(434 010)	698 192
Total	10 382 513	(6 612 161)	3 770 352	10 341 047	(5 858 849)	4 482 198

Figures in Rand

6. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Reconciliation of property, plant and equipment - 2025

	Opening balance	Additions	Disposals	Depreciation	Total
Buildings	1	-	-	-	1
Computer equipment	3 392 273	166 829	(75 435)	(481 543)	3 002 124
Finance lease assets	698 192	-	-	(207 570)	490 622
Furniture and fixtures	367 223	-	-	(103 221)	264 002
Motor vehicles	22 356	-	-	(10 246)	12 110
Equipment	2 153	-	_	(660)	1 493
	4 482 198	166 829	(75 435)	(803 240)	3 770 352

Reconciliation of property, plant and equipment - 2024

	Opening balance	Additions	Disposals	Depreciation	Total
Buildings	44 610	-	-	(44 609)	1
Computer equipment	5 130 545	216 563	(89 910)	(1 864 925)	3 392 273
Finance lease assets	924 632	-	-	(226 440)	698 192
Furniture and fixtures	589 222	-	(70 278)	(151 721)	367 223
Motor vehicles	33 534	-	-	(11 178)	22 356
Equipment	14 052	-	(10)	(11 889)	2 153
	6 736 595	216 563	(160 198)	(2 310 762)	4 482 198

7. INTANGIBLE ASSETS

	2025			2024		
		Accumulated amortisation			Accumulated amortisation	•
Computer software	1524724	(1 395 664)	129 060	1524724	(1 277 776)	246 948

Reconciliation of intangible assets - 2025

Computer software

Opening balance	Amortisation	Total
246 948	(117 888)	129 060

Reconciliation of intangible assets - 2024

Opening balance	Amortisation	Total
375 55	2 (128 604)	246 948

Computer software

Fig	gures in Rand		2025	2024
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8. DEPOSIT HELD

Deposits held are amounts paid to the landlord as the security by the tenants obligation to the landlord in terms of the five years lease agreement. Upon termination or cancellation of the lease, the deposit including interest calculated based on the prime link rate of the landlord at the time less 5 percent points per annum compounded annually in arrears after deducting all amounts owed by the tenant. The current rental agreements are to expire between 30 June 2026 and 31 March 2027.

	894 987	894 987
PE satelite office	12 987	12 987
WC regional office	109 000	109 000
KZN regional office	46 000	46 000
Head office	727 000	727 000

9. FINANCE LEASE OBLIGATION

- within one year

Minimum	lease	payme	nts due
---------	-------	-------	---------

Present value of minimum lease payments	505 876	730 971
less: future finance charges	(41 846)	(90 612)
	547 722	821 583
- in second to fifth year inclusive	273 861	547 722
- Within one year	2/3 861	273 861

Present value of minimum lease payments due

- in second to fifth year inclusive	243 173	505 876
	505 876	730 971
Non-current liabilities	243 173	505 876

	·	
	505 876	730 971
Current liabilities	262 703	225 095
Non-current habilities	243 173	303 676

The finance lease obligation relates to 6 printers leased over the average lease term of 5 years and the average effective borrowing rate of 7.75%.

10. OPERATING LEASE LIABILITY

Current liabilities	917 315	1 162 546

Refer to note 29 for additional information.

262 703

225 095

Figu	ures in Rand	2025	2024
11.	PAYABLES FROM EXCHANGE TRANSACTIONS		
	Trade payables	1 320	710 367
	Accrued expenses	2 068 487	1 460 682
	Accrued leave pay	3 022 805	3 146 144
	Accrued bonus	361 328	360 340
	Other payables	145 616	180 958
		5 599 556	5 858 491
	Payables aging is as follows 0-30 days	5 599 556	5 858 491

12. UNSPENT CONDITIONAL GRANTS AND RECEIPTS

These are government grants received that will be recognised in future accounting periods. This conditional revenue will be recognised in a future period upon completion of the IT refresh, ILO and Business Turnaround and Recovery projects in the 2025/26 financial year.

		Business Turn- around and	Productivity	-		
2025	ILO	Recovery	SA	Challenge	Transnet	Total
Opening balance	-	10 346 536	4 926 384	1 381	10 027	15 284 328
Amount received	-	52 168 600	61 472 000	10 027 000	-	123 667 600
Financial assistance received	-	-	9 500 000	-	-	9 500 000
Amounts received						
(other)	3 352 640	-	216 125	-	-	3 568 765
Interest capitalised	79 346	1 299 462	-	-	-	1 378 808
Government grant recognised	-	(27 019 181)	(61 472 000)	(10 027 000)	-	(98 518 181)
Government grant recognised financial assistance	_		(12 677 655)	_	_	(12 677 655)
	_	_	(12 07 / 055)	_	_	(12 07 / 633)
Other income recognised	(2 374 933)	_	(416 959)	(1 381)	(10 027)	(2 803 300)
	<u> </u>	36 795 417	1 547 895	- (1.551)	- (10 027)	39 400 365

Annual Financial Statements for the year ended 31 March 2025

Notes to the Annual Financial Statements

Figures in Rand

12. UNSPENT CONDITIONAL GRANTS AND RECEIPTS (CONTINUED)

2024	Business Turn- around and Recovery	Productivity SA	Workplace Challenge	Transnet	Total
		X			
Opening balance	41 704 012	1 820 726	61 863	10 659	43 597 260
Amount received	-	62 921 000	10 342 000	-	73 263 000
Financial assistance received	-	8 799 244	-	-	8 799 244
Amount received(other)	-	381 995	-	-	381 995
Interest capitalised	1 690 148	<u>-</u>	2 809	580	1 693 537
Government grant recognised	(33 047 624)	(62 921 000)	(10 342 000)	-	(106 310 624)
Government grant recognised financial assistance	\ <u>\</u>	(5 621 589)	-	-	(5 621 589)
Other income recognised*		(453 992)	(63 291)	(1 212)	(518 495)
	10 346 536	4 926 384	1 381	10 027	15 284 328

^{*}Other income recognised represent income earned from LEDET, PSETA, Transnet and Itukise.

13. PROVISIONS

Reconciliation of provisions - 2025

Audit fees-external Audit fees-internal

Opening Balance	Additions	Utilised during the year	Total
539 210	530 981	(539 210)	530 981
108 521	185 397	(108 521)	185 397
647 731	716 378	(647 731)	716 378

Reconciliation of provisions - 2024

Audit fee-external Audit fee-internal

Opening Balance	Additions	Utilised during the year	Total
513 129	539 210	(513 129)	539 210
_	108 521	-	108 521
513 129	647 731	(513 129)	647 731

The provision for external audit fees relates to the audit strategy based on the assumption of future audit fees according to the audit engagement.

Figures in Rand	2025	2024
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14. ACCUMULATED SURPLUS

No surpluses will be surrendered to National Treasury given that the entity is insufficiently funded.

15. OTHER INCOME

	1 993 292	536 471
Sundry income	499 962	164 880
Staff development	111 415	273 304
Reversal of bad debts provision	295 644	98 287
ILO income	1 086 271	-

16. TRANSFERS RECEIVED

Operating grants

Department of Employment and Labour including financial assistance 74 149 655 68 542 589

Capital grants

	111 195 837	111 932 213
	37 046 182	43 389 624
Unemployment Insurance Fund	27 019 182	33 047 624
Department of Trade, Industry and Competition	10 027 000	10 342 000

17. EMPLOYEE RELATED COSTS

	77 514 710	84 445 491
Leave pay provision charge	510 467	160 658
SDL	680 763	740 142
UIF	367 422	414 127
Medical aid - company contributions	3 442 702	3 496 308
Basic	72 513 356	79 634 256

Figu	res in Rand	2025	2024
76	AUDITORS DEMINISTRATION		
18.	AUDITORS REMUNERATION		
	Audit fees-external	566 148	605 900
	Audit fees-external Audit fees-internal	521 356	606 060
	Audit fee-forensic	230 640	606 060
	Addit lee-lorerisic	1 318 144	1 211 960
		1 310 144	1211 300
19.	FINANCE COSTS		
13.	FINANCE COSTS		
/\\\ \\\	Finance leases	48 766	65 500
	Interest on late payments (SARS)	-0 700	4 746
	interest office payments (SANS)	48 766	70 246
	Total interest incurred on finance leases is calculated using the	40 700	70 240
< \ \	effective interest rate of 7.75%.		
20.	OPERATING EXPENSES		
7	Annual award expenses	558 194	267 123
	Bank charges	39 184	38 749
	Board fees	317 711	592 973
	Communications	2 458 369	2 669 465
	Computer expenses	1 341 665	1 429 303
	Conferences and seminars	9 634	84 433
	Consumables	107 664	93 908
	Insurance	782 421	674 710
	Trademarks	-	196 266
	Motor vehicle expenses	4 028	15 030
	Office maintenance	133 558	199 184
	Other expenses	78 718	413 459
	Placement fees	291 533	124 093
-/	Printing and stationery	344 525	623 222
	Promotions	521 180	684 730
	Staff welfare	43 112	86 090
	Subscriptions and membership fees	121 329	59 948
	Support services	2 835 590	3 760 806
	Training	437 504	195 724
	Travel - local	3 172 306	4 582 926
	Travel - overseas	323 650	129 061
	Utilities	1 379 498	1 691 438
		15 301 373	18 612 641

Figures in Rand	2025	2024
21. CASH GENERATED FROM OPERATIONS		
Surplus (deficit)	14 551 217	(2 843 401)
Adjustments for:		
Depreciation and amortisation	921 128	2 439 366
Proceeds/loss on disposal of assets	(47 165)	103 498
Finance costs	48 766	-
Debt impairment	-	149 556
Reversal of bad debts provision/bad debts	(295 644)	110 267
Movements in operating lease assets and accruals	(245 231)	137 870
Movements in provisions	68 647	134 602
Debt impairment	-	(149 556)
Reversal of bad debts provision/bad debts	295 644	(110 267)
Changes in working capital:		
Inventories	-	211 825
Receivables from exchange transactions	(657 131)	752 392
Other receivables from non-exchange transactions	-	41 308 040
Prepayments	479 297	(137 407)
Payables from exchange transactions	(246 047)	1 011 241
Unspent conditional grants and receipts	24 116 037	(28 312 932)
	38 989 518	14 805 094

22. TAXATION AND VAT EXEMPTION

The entity is exempted from income tax in term of section 10(1)(cN) of the Income Tax Act, No. 58 of 1962. The entity was granted exemption for VAT from July 2005 as its activities no longer comply with the definition of "enterprise" in Section 1 of the VAT Act and the requirement of VAT registration in terms of Section 23 of the same Act. The entity is now included in the amended definition of "public authority" in terms of Section 1 of the VAT Act.

23. RELATED PARTIES

Relationships	
Board Members	Refer to members' report note 24
Controlling entity	Department of Employment and Labour
Controlled entities	Business Turnaround Recovery and Workplace Challenge programmes
Entities with common control	UIF, Compensation Fund and CCMA
Other government departments	the dtic
Other	Transnet

Annual Financial Statements for the year ended 31 March 2025

Notes to the Annual Financial Statements

Figu	ures in Rand	2025	2024
23.	RELATED PARTIES (CONTINUED)		
	Related party balances		
	Amounts included in trade payables		
Y	Department of Employment and Labour	1 579 764	4 757 420
	the dtic	-	1 380
	Transnet	-	10 027
	UIF	36 795 416	10 346 536
	Related party transactions		
1	Revenue		
1 >	Department of Employment and Labour	74 149 655	68 542 589
	UIF	27 019 182	33 047 624
	the dtic	10 027 000	10 342 000
/	Expenditure		
	Compensation Fund	106 693	120 799

24. EMOLUMENTS

Executive Management

2025	Designation	Emoluments	Other benefits*	Total
ZUZS	Executive Manager CIS / Acting Chief	Linoidificitis	Deficites	iotai
	Executive Officer	1 273 581	255 837	1 529 418
	Chief Financial Officer- 31 December			
	2024	993 145	86 027	1 079 172
1	Executive Manager Corporate Relations	1 283 201	49 247	1 332 448
	Executive Manager: Regional Operations (Region 1) / Acting Head HRM	1 431 991	229 891	1 661 882
	Executive Manager: BT&R/Acting Executive Manager RIS	1 288 520	145 003	1 433 523
	Acting Executive Manager: Regional Operations (Region 3)	982 547	99 691	1 082 238
	Executive Manager: Regional Operations (Region 2)	1 181 054	29 400	1 210 454
		8 434 039	895 096	9 329 135

Figures in Rand

24. EMOLUMENTS (CONTINUED)

Executive Management

Executive	Management			
			Other	
2024	Designation	Emoluments	benefits*	Total
	Chief Executive Officer- retired 31 March			
	2024	1 646 534	58 817	1 705 351
	Chief Financial Officer	1 324 193	20 095	1344288
	Executive Manager: Corporate Relations	1 265 813	62 169	1 327 982
	Executive Manager: Regional Operations			
	(Region 1)	1 406 358	196 185	1 602 543
	Acting Executive Manager:	1 256 287	214 918	1 471 205
	CIS/ Acting Chief Executive Officer			
	-appointed 01 February 2024			
	Executive Manager: BT&R	1 266 530	152 997	1 419 527
	Acting Executive Manager:	710 616	96 104	806 720
	RIS-resigned 31 October 2023			
	Acting Executive Manager: Regional Operations (Region 3) - appointed			
	01 October 2023	1 088 946	37 577	1 126 523
	Executive Manager: Regional Operations (Region 2) - appointed 01 September			
	2023	689 170	12 254	701 424
		10 654 447	851 116	11 505 563

^{*} Other benefits comprise travel and cellphone allowances.

Non-Executive Management

HOIT EXCOUNTED				
2025	Designation	Emoluments	Other benefits** Total	Total
Jack B	Acting Chairperson	57 449	1 637	59 086
Nolingo WC	Member	56 649	4 059	60 708
Selematsela M	Member	57 301	389	57 690
Dlamini GM	Member	51 254	43	51 297
Slack P	Chairperson - Audit and Risk			
	Committee	88 930		88 930
		311 583	6 128	317 711

Annual Financial Statements for the year ended 31 March 2025

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24. EMOLUMENTS (CONTINUED)

Non-Executive Management

Non-Executive Management					
				Other benefits**	
	2024	Designation	Emoluments	Total	Total
	Mdwaba M	Chairman - Board -	255 351	6 994	262 345
		22 September 2023			
	Jack B	Member	60 866	1 972	62 838
/	Nolingo WC	Member	63 720	5 425	69 145
	Singh S	Member - 31 July 2023	23 571	1 379	24 950
	Selematsela M	Member	66 261	7 714	73 975
	Slack P	Chairperson – Audit and Risk			
		Committee	87 506	1 424	88 930
	Schoeman J	Member - 31 December 2023	10 790	_	10 790
1			568 065	24 908	592 973

^{**} Other benefits comprise travel allowance.

25. BUDGET DIFFERENCES

Material differences between budget and actual amounts Budget narrations are included for variations above R100 000.

25.1 Rendering of services.

External consulting income was not achieved due to resource constraints, high vacancy rate. Underachievement was due to the delay in signing of the UIF agreement.

25.2 Other income

The Labour Court ruled in favour of Productivity SA and the refund of R499 962 previously paid for CCMA arbitration and unbudgeted income was earned from ILO special project.

25.3 Transfers received

The transfers received include R9 500 000 financial assistance received from DEL. The underachievement is due to the funding from the UIF that was anticipated for June 2024 was only released in November 2024. Funds are carried over into 2025/26.

Figures in Rand

25. BUDGET DIFFERENCES (CONTINUED)

25.4 Employee related costs

CoE is behind budget. This is due to the fact that the entity was supposed to fill only business-critical positions, as there is a moratorium on filling positions. Salary increase of 4.8% was not effected, instead each employee was given R15 000 once-off ex gratia payment.

25.5 Depreciation and amortisation

The entity anticipated to reassess the assets that are still in working condition but with R1 value on the system, the exercise was not carried out.

25.6 Lease rentals

There was a misalignment on lease rentals when preparing the ENE budget. The assumption in the budget was that lease rentals were straight lined and actual rentals are split based on office space occupied by each programme. This misalignment has been updated accordingly in FY 2026.

25.7 Project implementation cost

Savings are driven by lower project implementation costs in line with the revenue as first half of the year focused on sourcing clients. Earlier stages of projects are low revenue generating, slowing the implementation costs.

25.8 Legal fees

The legal expenditure was higher than budget due to High Court matters and CCMA matters that arose during FY2025

25.9 Operating expenses

There are savings on goods and services due to delayed spending and the bulk of it being from BT&R.

Changes from the approved budget to the final budget

The changes between the approved and final budget are due to cost containment strategies implemented throughout the entity inline with the National Treasury cost containment.

Annual Financial Statements for the year ended 31 March 2025

Notes to the Annual Financial Statements

Figures in Rand

26. RISK MANAGEMENT

Financial risk management

The entity has a policy and framework on risk management. The strategic risk register is reviewed annually by management. The entity's activities expose it to interest, credit and liquidity risks.

Liquidity risk

Liquidity risk is the risk that there will be insufficient funds available to settle obligations when they are due.

The entity has a liquidity risk due to deficit cash balances mainly driven by the shortfall in the funding from the grant and related spend. The level of cash balances in the group is monitored weekly and cash generated from operations is reviewed against planned cash flows projections on a monthly basis. In addition, working capital reviews are performed monthly.

Surplus cash is invested in interest-bearing current accounts and time deposits that are expected to readily generate cash inflows for managing liquidity risk.

The entity meets its financial requirements through a mixture of grant spend and additional income generated from both internal BT&R/WPC income and advisory services.

At 31 March 2025 Less than 1 year

Payables from exchange transactions 5 599 556

At 31 March 2024 Less than 1 year

Payables from exchange transactions 5 858 491

Credit risk

The entity trades only with recognised, creditworthy third parties. In addition, receivable balances are monitored on an ongoing basis with the result that the entity's exposure to bad debts is not significant. The maximum exposure is the carrying amounts as disclosed. There is no significant concentration of credit risk within the entity. With respect to credit risk arising from the other financial assets of the entity, which comprise cash and cash equivalents, the entity's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. The entity's cash and cash equivalents are placed with high credit quality financial institutions therefore the credit risk with respect to cash and cash equivalents is low. Trade and other receivables are not rated.

Figures in Rand	2025	2024

26. RISK MANAGEMENT (CONTINUED)

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

Financial instrument

Cash and cash equivalents	58 556 866	19 898 326
Receivables from exchange transactions	972 641	315 510
Deposits held	894 987	894 987

27. IRREGULAR EXPENDITURE

Closing balance	10 886 414	8 237 708
Less: Amount recoverable - current		(1 894 374)
Add: Irregular expenditure - prior period	-	1 513 090
Add: Irregular expenditure - current	2 648 706	6 708 272
Opening balance as previously reported	8 237 708	1 910 720

Irregular expenditure for the current year is R2 648 706, it was incurred on suppliers with no or expired contracts (these mainly related to ICT contracts and travel agencies).

Application of the condonation of irregular expenditure amounting to R8 237 708 for FY2024 is in progress

28. FRUITLESS AND WASTEFUL EXPENDITURE

Closing balance	956 989	1 117 808
Less: Prior year error	(160 819)	
Add: Fruitless and wasteful expenditure identified - prior period	-	713 075
Add: Fruitless and wasteful expenditure identified - current	-	404 733
Opening balance as previously reported	1 117 808	-

There was no fruitless and wasteful expenditure incurred in FY2025.

Fruitless and wasteful expenditure for FY2024 was reduced to R956 989 and the application of the condonation of this amount is in progress.

Annual Financial Statements for the year ended 31 March 2025

Notes to the Annual Financial Statements

Figures in Rand	2025	2024
29. COMMITMENTS		
Authorised operational expenditure	8 611 157	6 741 850
Operating leases - as lessee (expense)		
Minimum lease payments due		
- within one year	6 323 876	6 042 830
- in second to fifth year inclusive	2 353 340	8 677 215
	8 677 216	14 720 045

Operating lease payments represent rentals payable by the entity for certain of its office properties and parking. Leases are negotiated for an average term of five years. No contingent rent is payable.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. Rentals are smoothed over the lease term in accordance with the Standards of GRAP and are recognised as an operating lease liability.

30. CONTINGENCIES

The entity continues to pay 23 retirees post-retirement medical aid 100% subsidy in accordance with the interim court order issued on 21 June 2021. The entity is continuing with the legal action to object the post-retirement medical aid subsidy. In FY 2023 the assessment by the actuaries of this PRMA cost for the entity amounts to R24 470 000 for the lifetime of the employees.

An employee who resigned referred his matter to CCMA for unfair dismissal in FY2025. No legal fees have been incurred as yet; these are estimated to be R50 000.

Figures in Rand

31. PRIOR-YEAR ERROR

As part of the review of the significant areas in the entity it was noted that award services and legal fees were not accrued in prior financial year. Cashflow from operating balances were also misclassified. This is classified and disclosed as a prior period error in accordance with GRAP 3 and was adjusted retrospectively.

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

Statement of financial position

Payables from exchange transactions Accumulated surplus

Note	As previously reported	Correction of error	Restated
11	5 621 129	237 362	5 858 491
	3 002 465	(237 362)	2 765 103

Statement of financial performance

		As previously	Correction	
	Note	reported	of error	Restated
Annual award expenses	20	(131 363)	(135 759)	(267 122)
Legal fees		(1 128 653)	(101 603)	(1 230 256)
Cash flow statement				
Cash flow from operating activities				
Cash received from customers		6 400 456	(97 163)	6 303 293
Transfers received		122 988 289	1 909 032	124 897 321
Interest received		2 614 457	(1 693 536)	920 921
Cash paid to employees		(84 445 491)	(138 391)	(84 583 882)
Cash paid to suppliers		(32 687 117)	20 058	(32 667 059)
		14 870 594	-	14 870 594

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Notes to the Annual Financial Statements

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32. COMPARATIVE FIGURES

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

33. GOING CONCERN

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. The 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.

The entity is funded by the Department of Employment and Labour and MOA has been concluded for the funding on the FY2026 financial year indicating a commitment of R64 123 000.

34. EVENTS AFTER THE REPORTING DATE

Executive management team is not aware of any other material event which occurred after the reporting date and up to the date of this report.

35. SEGMENT INFORMATION

General information Identification of segments

The entity is organised and reports to management on the basis of three major functional areas: primary, secondary and employment services. The segments were organised around the type of service delivered and the target market.

Management uses these same segments for determining strategic objectives. Segments were aggregated for reporting purposes.

Information reported about these segments is used by management as a basis for evaluating the segments' performances and for making decisions about the allocation of resources. The disclosure of information about these segments is also considered appropriate for external reporting purposes.

Productivity SA was established in terms of the Employment Services Act and provides productivity related value-added information and statistics, best practices and systems; and promote a productivity culture and mind set across all segments (national, sector and enterprise) of society.

Business Turnaround and Recovery provides turnaround solutions to companies facing economic distress and its funding comes from the Unemployment Insurance Fund.

Figures in Rand

35. SEGMENT INFORMATION (CONTINUED)

The Competitiveness Improvement Services (CIS) Programme support South Africa's strategic objectives in scaling up efforts to promote long term industrialisation and transformation of the economy targeting enterprises of all sizes within the productive sectors of the economy, with a focus on Priority Sectors. CIS interventions include capacity building of entrepreneurs and enterprises, and interventions through the Workplace Challenge Programme (WPC) funded by **the dtic** or other enterprise support interventions.

Measurement of segment surplus or deficit, assets and liabilities

The accounting policies of the segments are the same as those described in the summary of significant accounting policies.

Inter-segment transfers: segment revenue and segment expense include revenue and expense arising from transactions between segments. Such transactions are usually accounted for at arm's length and are eliminated on consolidation.

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Notes to the Annual Financial Statements

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35. SEGMENT INFORMATION (CONTINUED)

Segment surplus or deficit, assets and liabilities

	Productivity					
2025	SA	BT&R	WPC	ILO	Eliminations	Total
Revenue						
Revenue from non-exchange transactions	74 149 655	27 019 182	10 027 000	-	-	111 195 837
Revenue from exchange transactions	3 338 823	-	716 339	2 374 933	-	6 430 095
Interest received	788 993	-	205 678	-	-	994 671
Proceeds from disposal of assets	47 165	-	-	-	-	47 165
Inter-segment transfers	21 723 115	_	_	-	(21 723 115)	
Total segment revenue	100 047 751	27 019 182	10 949 017	2 374 933	(21 723 115)	118 667 768
Entity's revenue						118 667 768

Notes to the Annual Financial Statements

Figures in Rand

35. SEGMENT INFORMATION (CONTINUED)

2025	Productivity SA	BT&R	WPC	ILO	Eliminations	Total
Expenditure						
Employee related costs	66 609 695	9 157 274	1 747 739	-	-	77 514 708
Goods and services	18 371 623	3 799 893	1 085 500	2 374 933	_	25 631 949
Finance costs	48 766	-	-	-	_	48 766
Depreciation and amortisation	921 128	-	-	-	-	921 128
Inter-segment transfers		14 062 015	7 661 100	_	(21 723 115)	
Total segment expenditure	85 951 212	27 019 182	10 494 339	2 374 933	(21 723 115)	104 116 551
Total segmental deficit	14 096 539	_	454 678	-		14 551 217
Assets						
Current assets	21 273 201	39 897 386	3 681 268	1 057 053	(6 247 497)	59 661 411
Non current assets	4 794 399	_		_		4 794 399
Total segment assets	26 067 600	39 897 386	3 681 268	1 057 053	(6 247 497)	64 455 810
Total assets as per statement of financial position						64 455 810
		1				
2025	Productivity SA	BT&R	WPC	ILO	Eliminations	Total
Liabilities					,	
Segment						
liabilities	8 439 333	39 897 386	3 993 215	1 057 053	(6 247 497)	47 139 490
Accumulated						
reserves	17 628 267		(311 947)	-	-	17 316 320
Total segment liabilities	26 067 600	39 897 386	3 681 268	1 057 053	(6 247 497)	64 455 810
Total liabilities as per statement of						

financial Position _____

64 455 810

Notes to the Annual Financial Statements

Figures in Rand

35. SEGMENT INFORMATION (CONTINUED)

				1	
2027	Productivity	DTOD	WDC	-1 :	-
2024	SA	BT&R	WPC	Eliminations	Total
Revenue					
Revenue from					
non-exchange transactions	60 5/2 500	33 047 624	10.7/2.000		111 072 217
	08 542 589	33 047 624	10 342 000	_	111 932 213
Revenue from exchange					
transactions	3 132 771	_	2 652 698	_	5 785 469
Interest received	757 251		163 670	_	920 921
	737 231			(2.200.075)	920 921
Debt written off	_	_	2 280 045	(2 280 045)	-
Inter-segment transfers	25 267 065			(25, 267, 065)	
· · · // //	25 267 065			(25 267 065)	
Total segment revenue	97 699 676	77 O/7 62/	15 / 70 / 17	(27 547 110)	110 670 607
~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~	97 699 676	33 047 624	15 436 413	(27 547 110)	
Entity's revenue					118 638 603
Expenditure					
Employee related	57 F07 F50	0.01 / 700	7.507.430		0 / / / 5 / 03
costs	73 727 750	9 214 322	1 503 419	-	84 445 491
Goods and	07.051.500	0.553.550	1 000 110		7 / / 07 / 0 /
services	23 951 522	8 571 770	1 900 112	-	34 423 404
Loss on sale of	107 (00				107 (00
assets	103 498	-	-	-	103 498
Depreciation and	2 (70 765				2 /70 765
amortisation	2 439 365	-	-	-	2 439 365
Finance costs	70 246	-	-	-	70 246
Debt write off	2 280 045	-	-	(2 280 045)	-
Inter-segment					
transfers	-	15 261 532	10 005 533	(25 267 065)	
Total segment					
expenditure	102 572 426	<u>33 047 624</u>	13 409 064	(27 547 110)	121 482 004
Total segmental	,				
deficit	(4 872 750)		2 029 349	_	(2 843 401)

## **Notes to the Annual Financial Statements**

## Figures in Rand

#### 35. SEGMENT INFORMATION (CONTINUED)

2024	Productivity SA	BT&R	WPC	Eliminations	Total
Assets					
Current assets	10 388 100	12 988 848	414 873	(2 966 784)	20 825 037
Non current					
assets .	5 624 133	_	-		5 624 133
<b>Total segment</b>					
assets	16 012 233	12 988 848	414 873	(2 966 784)	26 449 170
Total assets as					
per statement of					
financial position					26 449 170
Liabilities					
Segment					
liabilities	12 480 505	12 988 848	1 181 498	(2 966 784)	23 684 067
Accumulated					
reserves	3 531 728	_	(766 625)		2 765 103
<b>Total segment</b>					
liabilities	16 012 233	12 988 848	414 873	(2 966 784)	26 449 170
<b>Total liabilities as</b>					
per statement of					
financial position					26 449 170



# Digital Transformation as a catalyst for productivity

# SPECIAL PROJECTS

In a fast-evolving digital economy, Productivity SA is embracing technology and AI as drivers of productivity and competitiveness for SMMEs. By integrating digital tools, data analytics, and innovation-driven programmes, the organisation is enabling smarter, faster, and more scalable enterprise support, thereby building capacity for future-ready businesses.

## Accelerating change through Digital Kaizen

Productivity SA is leading the adoption of **Digital Kaizen**, a modern approach blending traditional continuous improvement with digital technologies. It empowers businesses to identify inefficiencies, automate processes, and monitor performance in real time, ultimately fostering agility, reducing waste and driving sustainable growth.

In 2024/25, two key initiatives strengthened this approach:

- Digital Kaizen study tour: The tour exposed participants to global best practices and realworld applications of Digital Kaizen.
- Digital Kaizen training programme: Internal teams were equipped with practical tools and a digital mindset to lead incremental improvements.

# Global learning: Knowledge Co-Creation Programme (KCCP)

Productivity SA participated in the **KCCP in Digital Kaizen**, hosted by Japan, to benchmark global practices in digital productivity. South Africa was represented by Mr Conrad Sebego (Productivity SA) and Ms Sphiwe Masombuka (AIDC-GP), who gained hands-on experience in IoT applications, data visualisation, and real-time decision-making during factory visits to high-performing companies.

This knowledge is now shaping local enterprise support programmes, embedding global insight into local productivity initiatives.



Ms Sphiwe Masombuka and Mr Conrad Sebego at JICA Tokyo Office – 31 January 2025.

## **Local implementation: Digital Kaizen** training for SMMEs

Building on global insights, Productivity SA rolled out South Africa's first **Digital Kaizen training pilot**, in partnership with **the dtic** and JICA. The programme focused on cost-effective, DIY digital solutions, such as machine monitoring and paperless data collection, for selected SMMEs.

#### Key partners and participants:

- 23 participants from Productivity SA, AIDC-GP, AIDC-EC;
- SMMEs including Sir Fruit, Chemsol, Safeline Brakes, and Finke; and
- Japanese experts and an AUDA-NEPAD observer.

The programme followed a structured rollout from June 2024 to March 2025, balancing theory with practical, in-company implementation. It laid the foundation for an agile, digitally empowered SMME sector.

This global exposure not only deepened participants' understanding of Digital Kaizen but also equipped them with practical insights to apply in South African SMME contexts. The lessons learned are now being incorporated into Productivity SA's support programmes to further strengthen digital readiness and productivity across the local enterprise ecosystem.



Company visit to Nishihara Rikoh Co Ltd on 23 January 2025 during which delegates engaged in Kaizen activities by using Internet of Things (IoT) for data visualisation, such as digitising forms and manufacturing line sensor information, as well as creating graphs.



Closing ceremony and certificate handover – 31 January 2025 – JICA Tokyo Centre.

#### CASE STUDIES: DIGITAL KAIZEN IN ACTION

#### 1. Sir Fruit: Boosting line efficiency through smart data

Faced with production line challenges, Sir Fruit used sensors, dashboards and real-time data to monitor performance and reduce downtime. Key outcomes were:

- ◆ Line efficiency improved from **44.2% to 53.39%**
- ◆ Time to produce 2 million litres dropped from **five months to one month** unaccounted for time reduced from **1.79% to 0.71%**

Smart tech enabled faster response, improved troubleshooting and greater accountability.



Two representatives of Sir Fruit, Ms Confidence Tshamano and Ms Carina Reddy, with Japanese expert, Mr Kogure, two Productivity SA Kaizen consultants (Ms Matjeke and Mr Mailula) and Mr Sebego (Productivity SA).

#### 2. Chemsol Adhesives: Empowering quality through digital forms

Chemsol SA Adhesives, founded in 1995 and based in Clairwood, Durban, employs 21 staff. It produces water- and solvent-based adhesives, plastic packaging, and exports 5% of its output to Zimbabwe and Mozambique.



Representatives of Chemsol (SA)
Adhesives, Ms Premi Subramany,
Rep 2, Rep 3 – with Japanese ExpertMr Kogure, and two Productivity SA
Kaizen consultants (Mr Shoba and Ms
Mbonambi).

Chemsol SA Adhesives implemented a Digital Kaizen project to cut change-over times and improve first-time viscosity test results.

The initiative introduced 5S audits, QR code-based digital forms, and real-time sensors to streamline production. A custom digital interface was developed to track QA checks and performance data. Despite technical hurdles, such as sensor blockages, Chemsol used tablets for real-time monitoring and improved traceability, quality and efficiency. The project fostered a digital mindset and proved that small businesses can achieve big results through innovation.

#### Conclusion

Through Digital Kaizen and strategic partnerships, Productivity SA is embedding a culture of innovation and continuous improvement across South Africa's SMMEs. By combining global best practices with practical local implementation, we are helping businesses unlock their potential and thrive in a digital future.

# 2. Productivity Ecosystems for Decent Work project - South Africa

The Productivity Ecosystems for Decent Work is a global programme launched by the ILO in 2021, with projects in South Africa, Ghana, and Vietnam. Funded by Switzerland and Norway, the initiative supports SMMEs in sectors with potential for productivity growth and job creation. It aligns with SDG 8.2, promoting economic productivity through diversification, innovation, and technological upgrading.

#### **Project approach and governance**

The project uses a systems-thinking approach, addressing productivity challenges at macro (policy), meso (sector), and micro (enterprise) levels. A project advisory committee (PAC) was established to oversee and align the project with South Africa's development priorities.

- Chair: Productivity SA (Ms Amelia Naidoo)
- Deputy Chair: the dtic (Dr Anneline Chetty)
- Members include: The Presidency, DSBD, DEL, National Treasury, BUSA, SMME reps, labour unions (COSATU, FEDUSA, NACTU), NORAD, SECO, and ILO.

The PAC meets twice a year and conducts site visits to participating enterprises.



#### **Project outcomes**

- Enhanced capacity of ILO constituents and ministries to implement productivity and employment policies.
- Reduced constraints to productivity, decent work and formalisation at sector and enterprise levels.

#### **Productivity SA's role**

Productivity SA was appointed main technical partner due to its experience in enterprise support and policy research. An implementation agreement was signed in May 2024 to drive productivity and decent work in the leather, footwear and automotive sectors.

- From May 2024 to March 2025, 64 enterprises were supported through four targeted programmes.
- A new programme, P4DW (Productivity for Decent Work), was developed, combining the SCORE and Workplace Challenge programmes to promote sustainable enterprises.
- Productivity SA is also collaborating with the ILO to improve national productivity statistics to meet international standards.

The partnership continues into 2025/26, aiming to support 150 enterprises through productivity-enhancing interventions that promote decent work and sustainable enterprise development.



# 1. Region 1: BT&R Case study

# **STUDIES**

Name of project: **Regional operation:** 

**AfricaRise Fashion** 

Region 1 (Gauteng, Limpopo and Northwest)

Compiled by:

Ms Yvonne Magodi

AfricaRise Fashion was established in 2017 by renowned fashion designer, Thula Sindi. AfricaRise Fashion is a multi-brand retail store that offers the best of South African and African fashion, accessories, art, books and beauty products. ARF stores are situated around Gauteng and the flagship store is Shop U63 in Sandton City Mall. The other large permanent stores are in Menlyn Mall, and Johannesburg city.

The brand's first fashion emporium in Sandton City was opened in October 2019. The retail store features a variety of top South African fashion brands made by a creative line up of designers. In August 2020, AfricaRise launched a second store in Magnet House in Marshalltown.

AfricaRise Fashion has adopted the business model of housing several creatives and designers in one store. Each designer gets a designated area in the store to showcase the aesthetics of each brand, resulting in a vibrant and welcoming shopping environment.

The designers are not restricted to when and how often they send their products to the store. Designers send their products directly to the store, and where necessary products are sent via courier services. African fashion, jewellery, fine art, crafts, and accessories are all available at Thula Sindi's AfricaRise concept store









AfricaRise Fashion was established in 2017 by renowned fashion designer, Thula Sindi.

An analysis of the company's annual financial statements for 2021 and 2022 concluded that the company was in financial distress, having been negatively affected by the COVID lockdown that decreased the operating profit margin.

During the in-depth assessment, e-commerce website upgrade was identified for implementation to boost online sales. A service provider was appointed and an e-commerce website developed that included a content management system (CMS) to allow the client to update and edit a product catalogue, a shopping cart and credit card payment plugin.

Before the e-commerce website upgrade, online sales were lower than R3 000 per month. Challenges encountered and solutions adopted were:

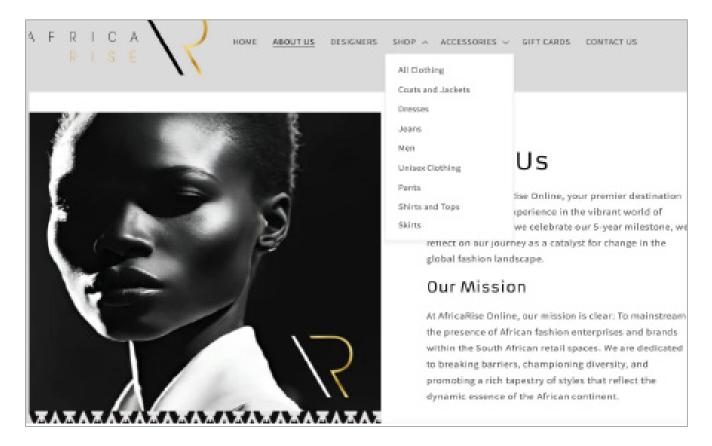
Challenges (Before)	Solutions (After)
No uniform look across pages	◆ Complete redesign with a modern African
<ul> <li>Landing page confusing</li> </ul>	theme
<ul> <li>Limited search capability</li> </ul>	◆ Uniform image sizes
<ul> <li>Merchandise display not uniform</li> </ul>	◆ Improved UX design
◆ Different sizes of images used across the site	◆ Improved navigation
• Designers not linked to their merchandise, so	♦ Integrated payment gateway.
user could not search a particular designer's	◆ Merchandise categorised correctly, irrelevant
creations	categories and links removed
<ul> <li>Payment gateway did not function requiring</li> </ul>	◆ Simple and seamless checkout process
offline payment processing	◆ Intuitive prompts

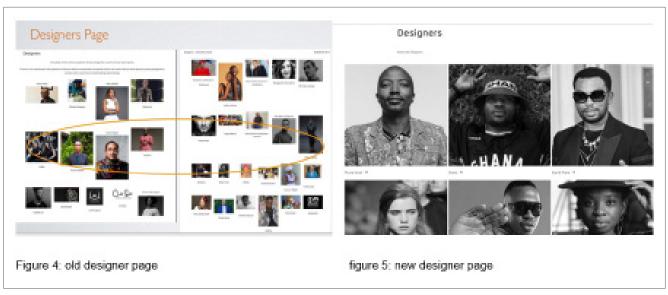
Following the upgrade, Africa Rising online sales increased by 78.1% in January 2024 and by 28.0% in February 2024. The online presence has exposed the company to the market and this has dramatically increased sales.

The highlight of the project was the emphasis on small changes to make a big impact. The e-commerce website improvement brought a notable improvement to the online sales. The client is pleased with the service received and is enjoying benefits such as faster buying process, affordable advertising and marketing, flexibility for customers, no reach limitations and faster response to buyer/market demands.

> Africa Rising online sales increased by 78.1% in January 2024 and by 28.0% in February 2024.

#### The website is live at <a href="https://africariseonline.co.za/">https://africariseonline.co.za/</a>





The project innovation is for the client to maintain the website, rotate and update the images/stock regularly, track the online traffic and monitor performance. This is motivating and empowering for the client and provides room for continuity.

# 1. Region 1: CIS Case study

Name of project: Out of Africa

**Regional operation:** Region 1 (Gauteng, Limpopo and Northwest)

**Compiled by:** Ms Lebogang Khumalo

Out of Africa PPE Supplies is a 100% blackowned business enterprise that trades in many aspects such as skills development, and supply of protective clothing manufacturing. The business was established in 2016 by Mr Alfred Pondo Malebe, with a staff complement of eleven.

The Mission of Out of Africa PPE Supplies is to "connect the minds" of individuals and organisations that have common economic objectives. Its business objective is to mutually and significantly increase the economic potential of the company and each client with which it is involved.

The company aims to harness the entrepreneurial flair, talents and network of young black professionals and graduates into the mainstream economy. This is where their qualities can be realised and enhanced. The founder believes that this empowerment initiative will provide training, transfer and managerial access and opportunities to employees.



Out of Africa PPE Suppliers was referred to Productivity SA to help it implement ISO 9000. The company wanted to take part in the Kaizen programme to reduce material waste, lower customer refunds, increase efficiency, and improve employee communication so it can better address production-related issues.

#### Intervention 1: Baseline assessment

Out of Africa PPE Suppliers is one of the largest suppliers of PPE in Polokwane, and the CEO wants to expand the business. According to the company structure, they are different managers and supervisors or team leaders. Team members lack authority and, as a result, do not take responsibility for their work, which has a detrimental effect on the organisation's performance.

The lack of cleaning and organising habits in the workplace is evident in the way finished work is stored on the floor and offcuts are scattered everywhere. Cables are left running all over the place, which could injure workers. These are all signs of a lack of organisation and cleaning practices in the workplace. Management prioritises ensuring that there is enough inventory in the shop and production, and not on quality management.

SOPs are not in place, and teams are not given training. Although there is not a formal system in place to track waste in the process, no line balancing is done for products with more complex operations. Customers are not prioritised

#### **Intervention 2: Capacity building**

The Capacity Building information is as follows:

Number of Productivity Champions Trained	13
Date of Training	26 July 2024

The capacity building session was well received. The company requested all employees, including one director, to be included in the capacity building workshop to understand tools and techniques that will be used. The team was very interactive and engaged with the training concept. Through the training, each department managed to identify waste elimination opportunities in the company. The Kaizen team was also selected to represent each department.

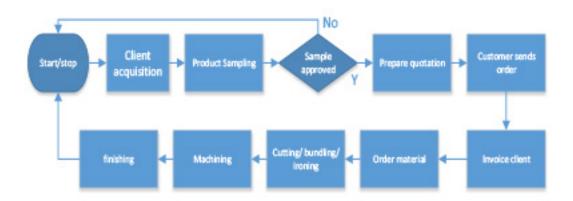






#### Intervention 3: Process flow analysis

The process was mapped as shown in the diagram below:



## Intervention 4: Implement customer refund procedure

Out of Africa has implemented a customer refund document as a part of its new initiative to gather comprehensive data on all issues related to refunds. This document helps them track and analyse the reasons for refund requests, allowing them to identify patterns and take necessary actions to improve their processes and minimise refund issues in the future.

## Intervention 5: Implement patterns and guidelines for cutting

Patterns and guidelines for cutting have been introduced to reduce wastage of materials as shown in the diagram below:



#### Intervention 7: 5S Implementation in Production Area

The production area was disorganised, and operators and supervisors struggled to find offcuts and finished products inside the boxes. This caused delays for customers who must wait for their products and sometimes leave even without making a purchase. Operators must also stop working to help with the search, which reduces production time.

Target: To improve the 5S audit score from 0 to 70.

Production area: before 5A implementation



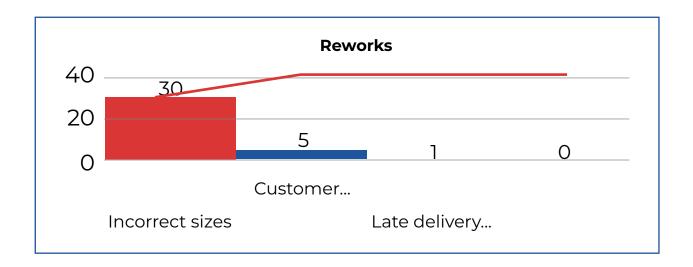
Safety measures are poor with a cable running under the machinist's table and an old machine that is not used. A box to store offcuts is kept under the tables, whether the offcuts are big or small. Sometimes finished products are mixed with offcuts.

#### Production area: after 5s implementation

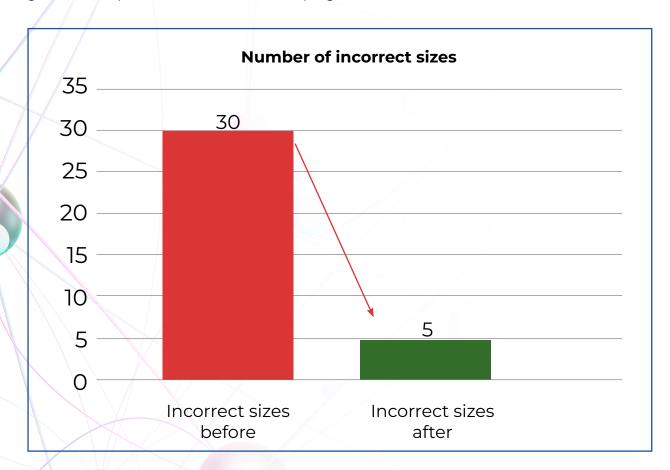


The work area is now clean and organised. There are no cables or clusters on the walkway, making walking easy and safe. Boxes are properly labelled with product types, colours, and sizes.

The before picture or as is situation consisted of 30 refunds due to rework, so the target was to reduce the number of reworks from 30 to 0 by December 2023.

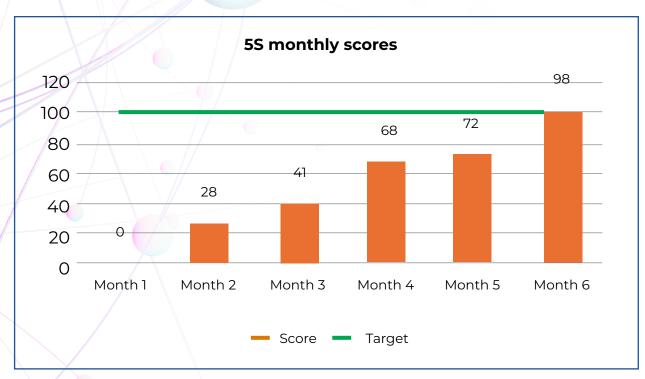


The number of incorrect sizes decreased from 30 to 5, resulting in an 83% improvement from the target due to implementation of the Kaizen programme.



Reduce customer waiting time from 45 to 5 minutes by implementing 5S in the production area.

### 5S Audit score improvement from 0 to 98



#### Reducing waiting time from 45 minutes to just 5 minutes.



The positive attitude of the entire team, including management, greatly facilitated the execution of the project, particularly through their continuous support. The Kaizen team will continue to implement new actions and record data to maintain control. Moving forward, the plan is for the team to hold monthly meetings with both the sales and production teams to address any issues arising. This will create a platform where everyone can share innovations and implement marketing strategies to improve sales.

# 2. Region 2: BT&R Case study

Name of project:
Regional operation:
Compiled by:

**MX Versveld CC** 

Region 2 (Western Cape, Northern Cape and Free State)

Mr Chris Bondo

MX Versfeld specialises in the manufacture of bespoke furniture and fitted cabinetry, primarily serving private residential clients. The collaboration between MX Versfeld and Productivity SA was a result of the company's application for admission into the BT&R programme. During the initial phase of engagement, concerted efforts were directed towards addressing several challenges impeding the transformational process of the business:

- Implementation of a structured system to alleviate the current chaotic environment and reactive approach to task management in the organisation.
- Development of processes aimed at preempting the recurrence of errors and mistakes.
- Establishment of metrics and systems to systematically evaluate productivity across various operational facets of the organisation.

A comprehensive investigation was conducted during the subsequent in-depth assessment phase of the project to ascertain the root causes of the identified gaps. This culminated in the formulation of two pivotal project deliverables aimed at instigating changes in the organisational operational framework, particularly in the production domain.

MX Versfeld maintains a dynamic product portfolio tailored to the needs of its clientele, as a distinguished provider of bespoke cabinetry and furniture solutions. While not constrained by fixed offerings, the company's custom repertoire encompasses various product categories, predominantly featuring high-end selections:

- ◆ Living room cabinets and fittings
- ♦ Kitchen cabinets and fittings
- ◆ Bedroom cabinets and fittings
- ◆ Decks
- ♦ Stairs
- ◆ Tables
- ◆ Chairs

Before the company's involvement in the BT&R programme, MX Versfeld was exhibiting operational irregularities in its organisational framework. After the in-depth assessment sessions, numerous gaps in its structure and systems were identified.

The company's financial analysis report for 2020 and 2021 indicated a decline in performance in the latter year, with an increased risk of financial instability reported for 2021. The above necessitated a turnaround and recovery intervention.

The following are some of the gaps identified during the business and operational diagnostics phase:

- Absence of operational key performance indicators (KPIs) to gauge performance across different operational facets such as efficiency, quality, and on-time delivery. Consequently, the organisation could not ascertain the efficiency of its operations or make informed operational decisions;
- Lack of a production planning and scheduling system to align production activities with allocated labour hours, production capacity, and delivery lead times. This deficiency significantly contributed to the organisation's challenges in meeting delivery deadlines;
- Suspected over-processing/over-servicing of clients leading to escalated production costs and reduced profit margins;

- Inadequate floor marking that failed to provide comprehensive floor layout details, impacting housekeeping, floor storage, and safety;
- Absence of a personnel performance management system hindering the ability of management to analyse and track labour performance effectively;
- ◆ Lack of a well-established production planning, monitoring and tracking tool; and
- Absence of a structured training and development plan, particularly significant in the joinery and carpentry industry given its skill-intensive nature.

Due to budgetary constraints and other defining limitations, the organisation identified two key deliverables for implementation:

- 1. Establishment of a set of KPIs/metrics.
- 2. Development of a production planning and scheduling system.

Table 1: Brief overview of the BT&R Involvement.

Interventions	Issue/challenge	Intervention	Outcome - completed
1: Establishment of a set of KPIs (key performance indicators) metrics	- The organisation did not have operational key performance indicators that reflected on the performance levels of different facets of the operations (efficiency, re-works, on-time delivery, etc)	The deliverable was pinned on the development of a set of KPIs that would pose as the basis for all operational-related decisions. The following KPIs were developed, and these were critical as they had an alignment with the organisation's goal of maximising profit while delivering timeously at the lowest possible cost.  • Production efficiency • Re-works • Ontime delivery capability • Frequency of rightfully quoted projects  All KPIs were defined in the context of MX Versfeld and relevant tools were developed to measure and calculate the relevant performances at different times. Simple visual tools were also developed to aid in the comprehension and ease of reading the performance, especially by the shopfloor workers.	The outcomes of the deliverable were achieved.  The KPIs were developed and issued to the management for use. If used properly, consistently, and within the bounds of other sound management supporting structures, the KPIs are projected to trigger the development of counteracting measures and informed decisions to reach the set overall business and operational targets.

#### Interventions

2: Development of a production and site planning and scheduling system

#### Issue/challenge

This system was aimed at rectifying:

- Delivery delays due to the absence of a planning and scheduling system.
- Delivery delays due to an inefficient resource allocation structure.
- Delivery delays due to ineffective communication of job instructions/job details to the shop floor.
- Delivery delays due to the inability to track and monitor the production progress of live jobs.
- Poor job prioritisation which contradicted the project's completion and commissioning dates hence the incapability to deliver on time.
- -Inadequate process documentation

#### Intervention

The deliverable involved the development of a planning and scheduling spreadsheet which encompasses planning and scheduling activities around the production and site installation activities. The spreadsheet alone was inadequate; the following tools were therefore developed as supporting tools to the spreadsheet:

- A job card: This was developed to provide specific details regarding the production process(es) to be followed as well as the material and the finishing specifications.
- A quality inspection checklist: This had details regarding the quality inspection criterion on which the job/project was to be assessed and were to take into consideration by the operators during the production process to site installation.
- Floor schedule & monitoring board: This was developed to monitor all the active jobs and track the progress of the set plan and the schedule. This was also critical in understanding the jobs/projects' priority to ensure that projects are managed and delivered timeously.

#### Outcome - completed

The projected project impact is yet to be realised. This project deliverable is forecast to improve the organisation's ability to deliver projects on time. At the point of this project's closure, the following features had already started being used but only partially:

- Production & site planning and scheduling spreadsheet.
- Floor schedule and monitoring board.
- ♦ Job card

The quality inspection checklist had at this point not yet been used. The project manager emphasises that the only way to the realisation of the intended impact is to fully make use of all the developed tools and features consistently and correctly. It should also be noted that apart from the above, the deliverable will require maturity time for a notable impact to be realised.

The recommendation to introduce a structured approach to managing production activities proved to be of paramount importance. Subsequent positive outcomes were only achieved when the organisation fully implemented the project proposals. This entailed the strategic recruitment of dedicated production management personnel entrusted with the responsibility of leading and optimising production processes with effectiveness and efficiency. To date, the following positives have been realised.

#### Results

Coupled with the employment of a production manager to complement the desired production management structure, the following positive results were realised.

◆ Improved OTD (on time delivery)

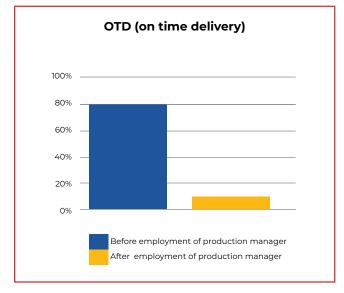
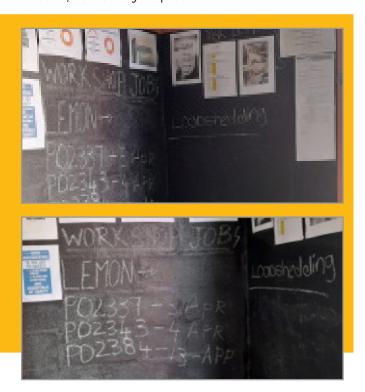


Fig 4: OTD improvement graph

This achievement is credited to the implementation of production floor activity tracking and enhanced awareness of production order delivery statuses among the production team, as visually depicted:



◆ A decline in injuries on the shopfloor.



Fig 7: Graph showing a decline in IODs

Table 2: IODs monthly average per month (before/after).

Average IODs before the employment of a project manager	Average IODs after the employment of a project manager
One injury every month (from data recorded eight months before the employment of the production manager.	No injuries have been recorded three months after the production manager was employed

The BT&R project undertaken by the company has brought about considerable positive outcomes that are crucial for ensuring the long-term sustainability and success of its operations. These positive outcomes have stemmed from the implementation of recommendations by the project manager.

By implementing these recommendations, the company has experienced a tangible shift in its operational landscape. This shift has led to noticeable improvements in the company's operations, ranging from service delivery to resource management.

Moreover, the project manager's emphasis on continuous improvement has instilled a culture of ongoing refinement in the organisation. This proactive approach to optimisation ensures that the company remains adaptive and responsive to changing operational dynamics.

Furthermore, the establishment of operational and business-supporting structures has fortified the company's foundation, providing a framework for sustained growth and resilience. These structures serve as the backbone of the organisation, supporting its day-to-day operations while also facilitating strategic decision-making and planning.

# 2. Region 2: CIS Case study

Name of project: Regional operation: Compiled by:

#### Jemaha (Pty) Ltd

Region 2 (Western Cape, Northern Cape and Free State) Mr Jean-Dre Crouse

Jemaha is a butter products packer situated in Killarney Gardens, Cape Town. A team of 14 employees packages large quantities of locally produced butter to smaller sizes, mostly for the hospitality sector. Realising that Jemaha could not compete with large butter manufacturers, a new brand, Forest Cow, of flavoured butters was set up as a product innovation in 2022. This opened a new category to compete in a smaller, more niched and higher margin market. With all the necessary certifications in place, distributions of the Forest Cow range will soon start.

Jemaha has a young and inexperienced operational team. The Kaizen programme funded by the Department of Trade, Industry and Competition (the dtic) provided a way to train the team with the necessary skills while at the same time implementing operational efficiency projects.

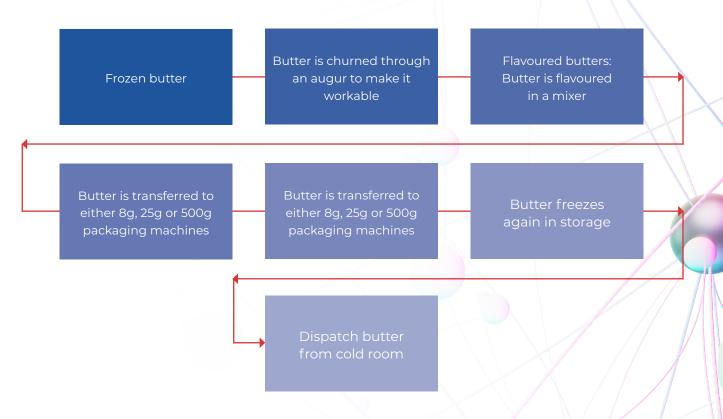
The project plan covered the following interventions:

- Baseline assessment;
- Capacity building;
- ◆ Implementation of identified continuous improvement actions; and
- Project closeout.

The business process is simple with orders being placed via email, following which the order is processed and delivered. Customers have a 14day account in which to pay for the products. Since Jemaha has 30-day accounts with suppliers, this arrangement allows it to distribute and be paid for orders before supplier payments are due. This benefits cash flow for the company.

The Kaizen programme funded by the Department of Trade, Industry and Competition (the dtic) provided a way to train the team with the necessary skills while at the same time implementing operational efficiency projects.

A short process flow of the manufacturing process is shown below:

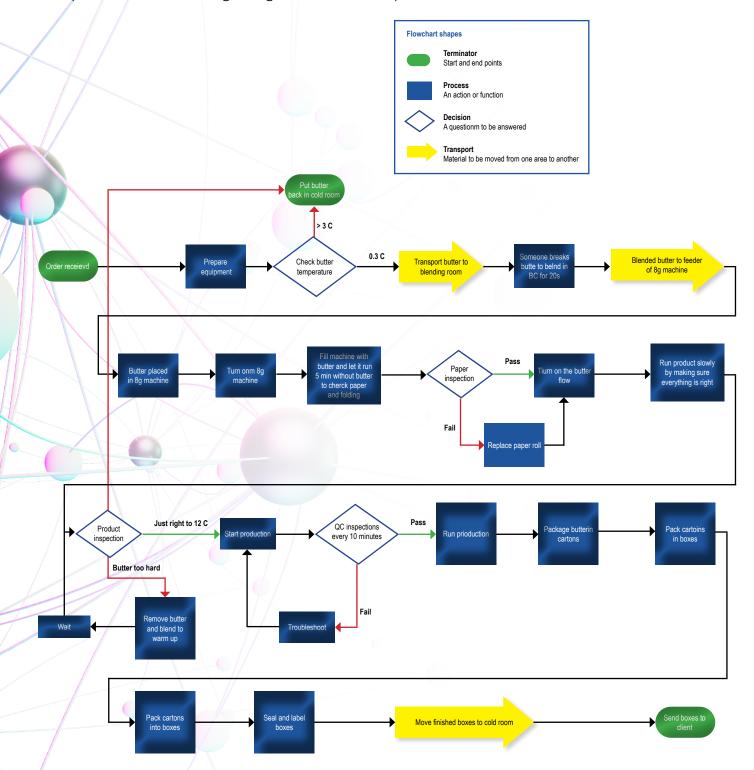


The key issues to be addressed from the baseline assessment related to:

- Workplace cooperation;
- Quality management;
- ◆ Enhancing productivity; and
- Occupational health and safety.

The productivity champions training was conducted over five days from January 2024 to end of May 2024, during which the champions to lead the Kaizen were capacitated and their activity implemented on the shopfloor with support from the management team. The tools introduced to the team included: process mapping; 5S; visual management system with 3Cs problem solving and the seven types of waste.

The team drew process flow maps for the packing of their 8g product which was consolidated on the map below. What became particularly important from the beginning was the role butter temperature plays in the processing and packing of the product. A degree Celsius deviation from the ideal temperature will cause problems.



The actions implemented included:

- KPI tracking and visual management
- ♦ 5S
- Root cause analysis

The objective of the 5S in the work and storage area was to eliminate wasteful activities by streamlining the operations. The team assessed their work environment and reduced motion and searching for materials by sorting items on frequency of use. The pictures below reflect this implementation.





Consumables and spice rack in work area was changed to only what is required in that area.





Packaging area was neatened and waste removed.





Mixing area was cleaned up, storage racks were moved closer to where they were being used which freed up space and reduced walking time.





Cold room working area was reorganised to reduce motion. Box storage was moved to the storage area.



A root cause analysis was done on the inconsistency of weight of butter products packed coming from the machines. Examples of rejected product are shown in the photo. Reasonss for rejection include tear marks on the side of the butter.

The team used the fishbone diagram shown below to find the cause of the problems.

The root cause of the inconsistent weight was the inconsistent temperature of the butter. The team would reuse warm butter, and mix it with cold butter, creating layers of dense butter and oily warm butter that separated from each other. The strength of butter at incorrect temperatures changed and was not compatible with the machine. This caused reworking and reduced the first pass yield because the butter would have to be remixed.



The solution was to work out a schedule of butter defrosting so that the butter is slightly colder than required at the time of use. This was done using the temperature decay function and a differential equation. The simplified spreadsheet is shown below.

Time schedule								
Room temperature	10	10						
Start temperature of butter	-(	°C						
Required temperature of butter	C	0						
	Unsalted	Salted						
Time predicted	17,3	10,2	hours					

	When to	Butter required	
Time of day	Unsalted	Salted	
9	16	23	1
10	17	24	2
11	18	1	3
12	19	2	0
13	20	3	2
14	21	4	3
15	22	5	3

Temperature measurements were taken over the course of two days to model the temperature decay in the butter. It was found that there was a difference in heating rate of salted and unsalted butter. To use the tool, the team would measure the temperature of the room that they are working in, the current temperature of the butter and the required temperature of the butter. The formula would then calculate the number of hours required for the butter to defrost to the ideal temperature.

An additional schedule was created so that if butter was needed at a certain time during the day, it would calculate at what time the butter needed to be taken out of the fridge to start defrosting. The team use this scheduler to stagger the times when the butter needed to be taken out of the fridge. They have adjusted it further so as to change the heating rate of the butter by defrosting it in different rooms with different temperatures to ensure they have butter at the optimal temperature at the time of use.

A visual management system was implemented with the FSSC food audit system as a way to give feedback to the employees on current performance compared to previous months. The visual management boards show the progress being made in the factory with all the

continuous improvements. Safety, machine downtime, materials received, consumable stock outs, production, deliveries and attendance are tracked.

The following results were achieved due to participating in the programme:

Objective	Measure	KPI	Target	Baseline	Actual (Avg, June 2024)	
Measurement	Quality	% First pass yield	80%	37%	61.05%	24% (increase)
criteria aligned to strategic	Efficiency	% increase in overall butter yield	95%	80%	87.95%	8% (increase)
goals	Safety	% incident free days	100%	100%	99%	-1% (decrease)

Jemaha has demonstrated a culture of continuous improvement as a result of the interventions. The team made the necessary changes which resulted in a more productive operation. The FSSC audit is taking longer than expected, but will be worthwhile as Jemaha need the certification to get products into a major supermarket chain.

Results speak for themselves with the 230% improvement in First Pass Yield (FPY), meaning that the team do not have to waste as much butter re-entering the process while processing butter more quickly. Safety incidents have remained stable at zero. With the hard work put into the Kaizen project and FSSC certification, the company is poised for growth.

Company progress will be monitored in the coming months to ensure the sustainability of the Kaizen project.

> Results speak for themselves with the 230% improvement in FPY, meaning that the team do not have to waste as much butter re-entering the process while processing butter more quickly.

# 3. Region 3: BT&R Case study

Name of project: Regional operation: Compiled by:

**Rock Agencies** 

Region 3 (KwaZulu-Natal, Eastern Cape and Mpumalanga) Ms Zipho Magagula

Rock Agencies applied to the Productivity SA Business Turnaround and Recovery Programme to improve business processes and strengthen the market presence of the business.

The support needed included:

- ♦ Design and launch of website and 24 months period of hosting;
- Review and design of company logo;
- Brand development;
- Ecommerce for planning and collection; and
- Synchronising inventory on the system.

The support also included operational efficiency:

- Establish time studies and standard operating procedure (SOP);
- Mapping sales input; and
- Mapping inventory flow.

Rock Agencies is a family-valued clothing manufacturing company based in Durban, Kwa-Zulu Natal and currently employs 24 people. Starting from humble beginnings in 2009, the company has shown that with hard work, perseverance, and a vision to grow, success can be seen in the bustling business of the company today.

Rock Agencies operates in the retail industry and manufactures all types of clothing but specialising in swim, beach, surf, sport and corporate apparel.

The company undertakes the full process from design to delivery. The skilled and specialised staff complement are well trained and versed in the art of swim and sportswear clothing manufacture. The operational staff have many years of experience ensuring the product and workmanship is of top quality.

Rock agencies supplies the following companies and outlets:

- Mr Price sports wear
- Shongweni market
- Beach patrons

Starting from humble beginnings in 2009, the company has shown that with hard work, perseverance, and a vision to grow, success can be seen in the bustling business of the company today.

The challenges noted during the in-depth assessment activity conducted by Productivity SA were:

- A manual planning system is still used, meaning that most planning and documentation is performed on paper with no proper inventory control;
- Website is outdated and doesn't speak to the potential clients;
- ◆ There is no financial manager, resulting in an absence of financial and inventory systems;
- Lackofcustomers and potential opportunities mostly due to social impacts of COVID;
- ◆ Limited client base arising from the closure of parks and farm stalls due to COVID;
- ◆ Due to closure of beaches, loss of clients from both walk-in clients and swim wear stores;
- ◆ Too much competition;
- No marketing strategy and no marketing campaign to develop a loyal customer base;
- Limited presence of the company on the internet;
- ◆ No branding to denote strong global brand;
- ◆ Limited ability to keep up with the trends.

An in-depth assessment and review of the company's operations and interviews with management and key staff members was conducted by Productivity SA to identify the company's weakness and strengths.

The Future Forum, a collaborative structure representing management and employees, with the purpose of actively involving management and labour in the programme during its phases, was developed. The Future Forum members were enrolled in the training and formalisation of an early warning system (EWS).

The above also formed a basis for the development of a workplan, outlining the turn around strategies and required interventions.

To mitigate some of the challenges the following interventions were implemented:

- ◆ Design and launch of website: The need to design and launch website, review and design of company website and logo, brand development, incorporating the ecommerce for planning and collection and sync available inventory on the system; and
- Operational efficiency through the standardisation of production and process mapping.

#### **Results and impact**

The project is not yet completed due to the limited availability of the client mostly caused by fluctuating marketing demands, new client sourcing and a new store opening.

The need to develop and launch website was to improve visibility, competitiveness and optimisation of search engines, advertising as well as promoting the brand which would ultimately increase sales.

The impact of the Enterprise Resource Planning (ERP) system is purely dependent on its usage by Rock Agencies. The sooner management starts using the system to its full potential, the sooner the company will see its impact. The impact of the ERP system will be to:

- ◆ Improve capacity planning;
- Enable Rock Agencies to make informed decisions and communicate changes quickly to ensure that staff can focus on priorities and produce faster results;
- ◆ Better manage departments in Rock Agencies ie, production, HR, financial, etc;
- Maximise resources to deliver more finished projects and reduced costs;
- Simulate ways to increase capacity internally or add external capacity when needed;
- ♦ Identify resource conflicts before they occur and resolve them;
- ◆ Simulate scheduling and project portfolio alternatives to see the impact on resources;
- ◆ Enhance business reporting with real-time information;
- Provide better customer service and access to customer information;
- Improve inventory costs;
- ◆ Boost cash flow;
- Achieve cost savings;
- Improve business processes; and
- ♦ Improve supply chain management.

The purpose of implementing the operation efficiency was to improve productivity, standardisation and effective system planning to ensure order fulfilment and improve sales and customer satisfaction.

Rock Agencies has the potential to develop into a recognisable clothing and textiles manufacturing entity in KZN, but requires improved overall management of the business. The growth of the business to date has put tremendous pressure on the small management team, considering they wear all caps in different departments of the business. It is imperative that the company immediately starts using the ERP system for overall management of all departments in the business, particularly stock and inventory intake and output, and reduce cost of sales. The website will have a longer term impact on the business and will not necessarily result in immediate change. Increased social media traffic will drive consumers to the website, create awareness, and an interactive site will allow potential and existing customers to communicate directly with management.

# 3. Region 3: CIS Case study

Name of project: Regional operation: Compiled by:

### Adnotes (Pty) Ltd

KwaZulu-Natal, Eastern Cape and Mpumalanga Ms Buyisiwe Langa

Adnotes (Pty) Ltd is located in 54 Mitchelle Drive in Port Shepstone, KwaZulu-Natal. It was established and registered in 2011 and is 100% black owned. Adnotes has 30 employees of which nine are black females. The company is in the telecommunication industry and its main product is providing internet services to underprivileged communities and businesses within reasonable pricing range.







The aim of joining the Kaizen programme was to reduce waste accumulated in their operations, and the loss of clients through poor project management and resource allocation and utilisation. The programme started on 12 December 2023 and ran to 12 May 2024.

The project plan covered the following interventions:

- Baseline assessment;
- Capacity building;

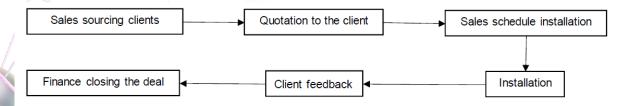
- Implementation of identified continuous improvement actions; and
- Project closeout.

The first activity was to collect data of current conditions from the selected theme of improving sales and reducing costs by measuring productivity in the sales team, network operating centre and digital marketing.

The major concern picked up during the baselines assessment was that the company is

not making many sales especially through digital marketing. Company resources are used without confirmed sales being generated. The aim was to compare the cost of injected activity aimed at leading to sales with sales generated over a period of time.

The productivity champions training was conducted during January 2024 and three champions were capacitated to lead the Kaizen implementations on the shopfloor with support from the management team. The tools introduced to the team included: Process mapping, 5S, Visual Management System with 3Cs Problem Solving and the 7 Types of Wastes.

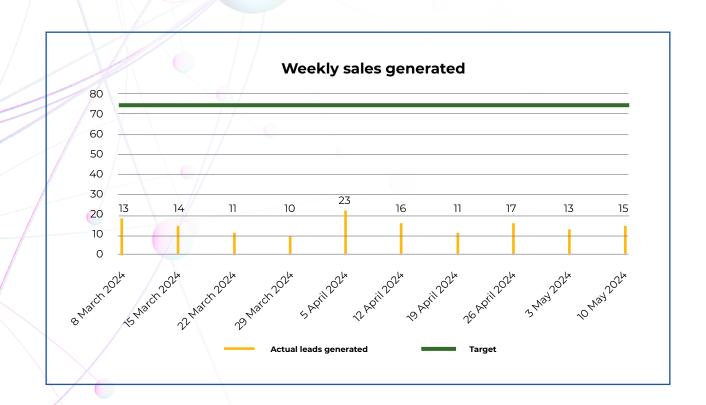


The actions that were implemented included:

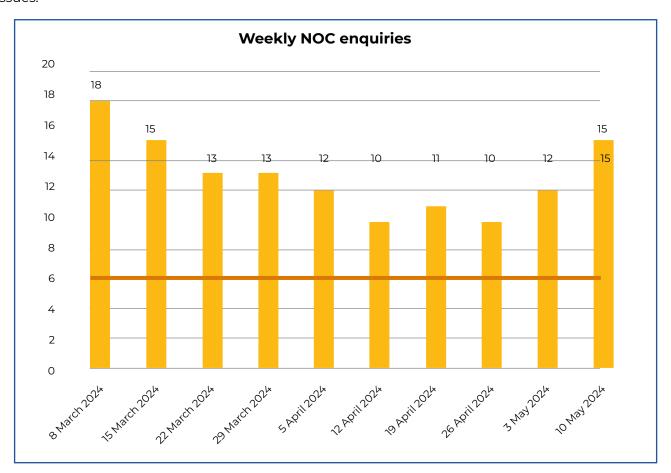
- Sales team coaching.
- Productivity measurement of the network operating centre (NOC).
- Conducting research in digital marketing.

Kaizen team discussion meetings were conducted to facilitate improved communication, working towards a common goal, responding to customer issues on time, and closely tracking business performance to proactively take corrective action.

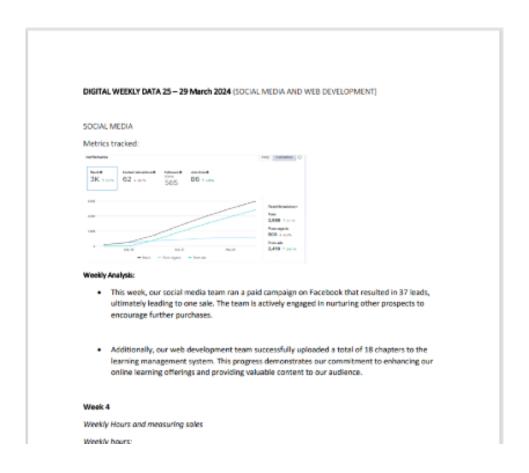


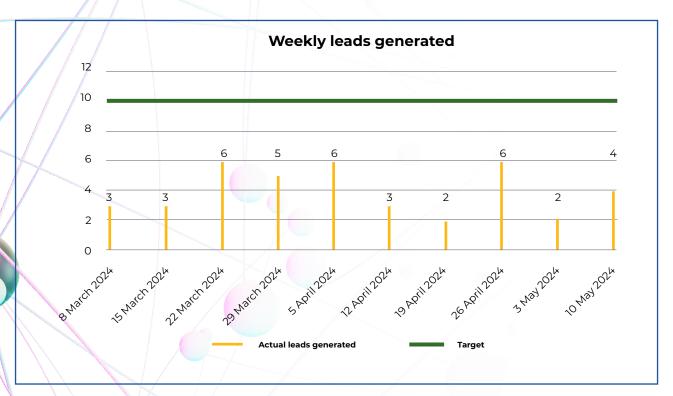


The weekly enquiries were tracked and showed that overall, the trend is moving towards fewer client issues.



Digital marketing campaigns were implemented to improve the number of leads with great success:





The following results were achieved due to participating in the programme:

Objective	Measure	KPI	Target	Baseline	Actual (Avg, May 2024)	Improvement
Measurement	Cost	Weekly sales generated	N/M	53	67	14 (26% increase)
criteria aligned	Cost	Weekly leads generated	N/M	12	17	5 (42% increase)
to strategic goals	Cost	Weekly network operat-	N/M	59	43	-16 (27% decrease)
		ing centre enquiries				

Challenges included consistency of data collection and time keeping when meeting requests have been shared. This improved with constant follow up. Another challenge was that the Kaizen team needed to review the collected data to have an understanding of which countermeasures could be implemented to improve the performance. The technical team was also part of the areas to be tackled because there was overtime cost attached to their operations. This required some improvements regarding daily planning of activities.

The plan going forward is to continuously monitor the impact statement that has been set, and understand the trend on a weekly basis. The overall team's positive attitude, including that of the owner and management team, made it easier to run the project and provide continuous support. The plan going forward is to continuously hold weekly meetings in which the sales team, digital team and network operating centre review their performance and give feedback.





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