



ANNUAL REPORT 2025/26

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**LEADING
PRODUCTIVITY
EXCELLENCE**







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PART A **GENERAL** **INFORMATION**

1. PUBLIC ENTITY'S GENERAL INFORMATION

PHYSICAL ADDRESS:	Cnr New Road and Sixth Road International Business Gateway Midrand
POSTAL ADDRESS:	Private Bag 235 Midrand 1685
TELEPHONE NUMBER:	011 848 5300
EMAIL ADDRESS:	info@productivitysa.co.za
WEBSITE ADDRESS:	www.productivitysa.co.za
EXTERNAL AUDITOR:	Lunika Chartered Accountants and Auditors Inc.
BANK:	Nedbank
COMPANY/BOARD SECRETARY:	Barbara Timothy

2. LIST OF ABBREVIATIONS/ACRONYMS

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

3. FOREWORD BY THE CHAIRPERSON OF THE BOARD

Productivity lies at the heart of every prosperous economy. Nations that consistently improve productivity create sustainable employment, attract investment, strengthen businesses and improve the quality of life of their citizens. For South Africa, where unemployment and economic growth remain our greatest national challenges, the work of Productivity SA has never been more important.

It is therefore both an honour and a privilege to present my first foreword as Chairperson of the Board of Productivity SA in the 2025/26 Annual Report.

Productivity SA is a public entity of the Department of Employment and Labour, established in terms of Section 31 of the Employment Services Act, No. 4 of 2014. Its mandate is to promote productivity and employment growth, thereby contributing to South Africa's socio-economic development and global competitiveness.

Productivity SA is listed as a Schedule 3A Public Entity in terms of the Public Finance Management Act, No. 1 of 1999, and is governed by a tripartite Board comprising the Chairperson and seven members appointed by the Minister of Employment and Labour.

South Africa continues to face significant economic challenges. Persistently low economic growth, high unemployment and structural constraints require decisive action and innovative solutions. Against this backdrop, Productivity SA remains firmly committed to advancing higher levels of productivity, improving competitiveness and supporting sustainable employment creation. Productivity growth is fundamental to unlocking South Africa's economic potential. For more than a decade, the country's economic growth has averaged just above one per cent, far below the level required to create sufficient employment opportunities and improve living standards. Sustainable job creation is driven by



Ms Zola Baba Tshefu
Chairperson of the Board

stronger economic growth, increased competitiveness and higher productivity. These remain the cornerstones of inclusive economic development.

On behalf of the Board, I am pleased to present the Productivity SA Annual Report for 2025/26. I remain confident that the organisation is well positioned to fulfil its legislative mandate and continue to make a meaningful contribution towards improving productivity and safeguarding jobs.

At the same time, we recognise that achieving different outcomes requires a willingness to adapt and innovate. While Productivity SA has consistently demonstrated its value and impact, there are opportunities to strengthen its effectiveness even further.

Chief among these priorities is reviewing and modernising the entity's funding model to ensure it remains sustainable and adequately resourced to meet growing national demands. During the year under review, the Board ensured that the Strategic Plan and Annual Performance Plan remained closely aligned with the priorities of the Department of Employment and Labour. Our focus continues to be on supporting government initiatives that promote employment creation,

by helping South African enterprises achieve world-class productivity standards and improve their competitiveness.

I am particularly encouraged by South Africa's improved performance in the **2026 World Competitiveness Yearbook (WCY)**, published by the Institute for Management Development (IMD) in collaboration with Productivity SA. South Africa improved its overall ranking from 64th position in 2025 to 54th position in 2026 among the 70 economies assessed. This is a significant improvement, reflecting encouraging progress in several key areas, including government efficiency, business confidence, infrastructure management and policy adaptability. While considerable structural challenges remain, these results demonstrate that meaningful progress is possible through sustained reform and collaboration.

The IMD World Competitiveness Yearbook is recognised globally as one of the leading assessments of national competitiveness. Productivity SA is proud to serve as the IMD's South African partner institution, coordinating the local Executive Opinion Survey and contributing to the country's participation in this internationally respected benchmarking exercise. South Africa's performance across the four competitiveness pillars was as follows:

Pillar	2025	2026	Change
Economic Performance	63	64	-1
Government Efficiency	63	54	+9
Business Efficiency	57	42	+15
Infrastructure	62	59	+3
Overall Ranking	64	54	+10

The world's most competitive economies consistently perform well across all four pillars: Economic Performance, Government Efficiency, Business Efficiency and Infrastructure. These are precisely the areas in which South Africa must continue to improve if we are to achieve sustained economic growth and inclusive prosperity.

The top five ranked economies in the 2026 World Competitiveness Yearbook were:

- Singapore (1st)
- Hong Kong SAR (2nd)
- Switzerland (3rd)
- Taiwan (4th)
- United Arab Emirates (5th)

South Africa's improvement in the IMD World Competitiveness Yearbook is encouraging, particularly the significant gains recorded in Government Efficiency and Business Efficiency. While rankings alone do not transform an economy, they provide an important indication that focused reforms, stronger institutions and collaboration between government and business can produce measurable results. Our challenge now is to sustain this momentum and translate improved competitiveness into higher investment, stronger enterprise performance and meaningful job creation.

Productivity SA plays a critical role in supporting South African enterprises to improve productivity and competitiveness through targeted interventions and development programmes. Among its flagship initiatives are the **Business Turnaround and Recovery (BT&R) Programme** and the **Competitiveness Improvement Services (CIS) Programme**.

The BT&R Programme assist companies experiencing financial or operational distress by developing turnaround strategies that help preserve businesses and prevent job losses. These interventions reduce the social and economic impact of business failure on employees, communities and the broader economy.

The CIS Programme supports SMMEs and cooperatives in adopting internationally recognised productivity improvement practices.

The programme focuses on priority sectors with high growth and employment potential while promoting enterprise development within township and rural economies.

Through training, advisory services and capacity-building interventions, Productivity SA assists businesses operating in both the formal and informal sectors to become more competitive and sustainable.

For these programmes to achieve even greater impact, sustained investment and an appropriate funding model are essential. Strengthening Productivity SA's institutional capacity will enable the organisation to expand its reach and make an even greater contribution towards South Africa's economic recovery and long-term competitiveness.

Looking ahead, the Board remains committed to strengthening governance, enhancing organisational performance and ensuring that Productivity SA evolves to meet the changing needs of South Africa's economy. We believe the organisation has the capability to become an even more influential partner in supporting industrial competitiveness, enterprise resilience, public sector productivity and employment creation.

Productivity is not merely an economic indicator; it is a pathway to opportunity, dignity and shared prosperity.

By working together across government, business, organised labour and academia, we can build a more competitive economy that creates sustainable livelihoods for future generations.

As I reflect on my first year as Chairperson, I am encouraged by the commitment demonstrated by my fellow Board members, management and every employee of Productivity SA. Their professionalism, integrity and dedication provide a strong foundation for the work that lies ahead.

I also extend my sincere appreciation to the Portfolio Committee on Employment and Labour for its oversight role and continued support, as well as to the Department of Employment and Labour and the Department of Trade, Industry and Competition for their ongoing financial support of the entity.

Finally, I wish to acknowledge the leadership of the Minister of Employment and Labour, Ms Nomakhosazana Meth, and the Deputy Minister, Ms Judith Nemadzinga-Tshabalala, whose oversight and commitment continue to strengthen Productivity SA's contribution to South Africa's development agenda. Together, through stronger partnerships, innovation and an unwavering commitment to productivity, we can build a more competitive, inclusive and prosperous South Africa.



Ms Zola Tshefu
Chairperson of the Board
31 July 2026

4. OVERVIEW BY THE ACTING CHIEF EXECUTIVE OFFICER

As Acting Chief Executive Officer of Productivity SA, I am pleased to present this overview of the organisation's performance for the 2025/26 financial year.

Despite operating in a challenging economic environment characterised by low economic growth, fiscal constraints and persistently high unemployment, Productivity SA delivered strongly on its mandate. Of the twelve performance targets set in the Annual Performance Plan (APP), the organisation achieved eleven, representing an achievement rate of 92%. This marks a continued upward trajectory in organisational performance, improving from 85% in the previous financial year and 77% in the year prior to that.

These results reflect an organisation that continues to strengthen its operational effectiveness while remaining focused on delivering meaningful outcomes for South Africa. They are particularly encouraging when viewed alongside South Africa's improved performance in the 2026 World Competitiveness Yearbook, in which the country advanced ten positions overall. While South Africa continues to face significant economic and structural challenges, these achievements demonstrate that sustained effort, sound partnerships and focused interventions can produce measurable progress.

Our Enterprise Development Programmes remain the cornerstone of Productivity SA's contribution to employment preservation, enterprise sustainability and national competitiveness. The continued success of the Business Turnaround and Recovery (BT&R) Programme and the Competitiveness Improvement Services (CIS) Programme demonstrates their value as effective labour market interventions that support businesses, safeguard jobs and improve productivity across key sectors of the economy.

I am particularly proud of the consistent performance of the CIS Programme. Over the



Ms Amelia Naidoo
Acting Chief Executive Officer

past five financial years, the programme has achieved 100% of its planned performance targets while providing sustained support to small, medium and micro enterprises (SMMEs) operating in both the formal and informal economy.

During the 2025/26 financial year, the programme supported **1 553 enterprises**, capacitated **2 742 entrepreneurs, workers and managers** to strengthen productivity practices, and trained **415 productivity champions** to promote a stronger culture of productivity across workplaces.

Through the Workplace Challenge (WPC) Programme, funded by the Department of Trade, Industry and Competition (**the dtic**), **112 enterprises** were supported. Of these participating businesses, 77% were Black-owned enterprises, 48% had partial or full women ownership, 20% had partial or full youth ownership, while 1% were owned by persons with disabilities. Collectively, these interventions contributed to the preservation of more than **3 241 jobs**.

The BT&R Programme also exceeded expectations. Under the current funding agreement with the Unemployment Insurance Fund (UIF), Productivity SA committed to intervening in **75** new companies, preserving

3 750 jobs, and training **225 Future Forum members**.

By year-end, the programme had significantly exceeded these commitments:

- 95 companies had enrolled (127% of target);
- 8 820 jobs were preserved (235% of target); and
- 770 Future Forum members had been trained (342% of target).

Cumulatively since 2020, BT&R programme has nurtured **392** companies, safeguarded **37 020** jobs, and capacitated **3 736** Future Forum members in strategic turnaround practices. Furthermore, an additional **3 147** jobs were created through the Programme's successful interventions.

Disaggregated data further demonstrate BT&R's impact on inclusive employment: **38%** of saved jobs are held by women, **62%** by men, **30%** (11 024 jobs) by youth, and **3.9%** (1 436 jobs) by people living with disabilities. From a sectoral perspective, most participating firms are in Manufacturing (25.8%), followed by Construction and Engineering (12%), Clothing, Textile, Leather and Footwear (10.3%), Food and Beverages (8.7%), Metals and Machinery (5.7%), Agriculture and Farming (4.6%), Transport, Storage and Communications (4.6%), and Business and Professional Services (3%).

These achievements demonstrate the effectiveness of Productivity SA's turnaround interventions in helping businesses navigate financial and operational distress, while protecting livelihoods and strengthening organisational resilience.

The Research, Innovation and Statistics (RIS) Programme also achieved 100% of its planned targets. During the year, three strategic research reports were successfully completed and published. These focused on:

- Exploring the value chain in the agro-processing industry;
- An overview of the leather and footwear industry; and
- The role of energy supply in labour productivity growth.

These research outputs continue to provide valuable evidence-based insights that support policy development and productivity improvement initiatives.

SPENDING TRENDS

Productivity SA's expenditure continues to be closely aligned with its legislative mandate of promoting productivity and employment growth. Beyond the operational expenditure required to sustain the organisation, most resources were directed towards enterprise support interventions and programmes that contribute directly to employment preservation, productivity improvement and national competitiveness.

CAPACITY CONSTRAINTS AND CHALLENGES

While Productivity SA continues to deliver strong performance, the organisation remains constrained by an inadequate funding model that limits its ability to fulfil its national mandate at the scale required.

The entity continues to experience both financial and human resource constraints, limiting its capacity to expand service delivery equitably across all nine provinces. Strengthening institutional capacity remains essential if Productivity SA is to maximise its contribution to South Africa's economic development agenda.

The current three-year funding agreement with the UIF for the BT&R Programme is scheduled to expire on 24 June 2027. Encouraging progress has been made, in collaboration with the UIF and the Department of Employment and Labour, towards concluding a new agreement that will ensure continuity of this critical programme.

The anticipated reduction in baseline allocations as a result of ongoing fiscal consolidation measures will place additional pressure on the organisation's financial sustainability. In response, Productivity SA continues to implement its Business Turnaround and Financial Sustainability Strategy, with a strong focus on revenue generation, cost containment and operational efficiency.

DISCONTINUED ACTIVITIES

No activities were discontinued during the year under review.

ROLLOVER OF FUNDS

Productivity SA intends applying for approval to retain surplus funds to facilitate the finalisation of the annual audit process.

FINANCIAL ASSISTANCE

Productivity SA did not apply for any financial assistance during the year under review. The entity generated sufficient revenue to fund its operations. The generated funds were efficiently utilised to support the organisation in maintaining operational stability and managing liquidity risks.

SUPPLY CHAIN MANAGEMENT

Productivity SA implements the provisions of the Preferential Procurement Policy Framework Act (PPPFA), together with its Supply Chain Management Policy, to promote sound governance, transparency and compliance.

During the year under review:

- No unsolicited bid proposals were received or considered.
- Supply chain management systems and processes remained operational and were continuously strengthened.
- The Bid Evaluation Committee and Bid Adjudication Committee continued to provide effective oversight, contributing to improved compliance and minimising procurement risks.

PREVIOUS AUDIT FINDINGS

All audit findings from the previous financial year were adequately addressed through strengthened internal controls and continuous monitoring. These measures have significantly reduced the likelihood of repeat findings and contributed to improved governance. A post audit action plan is designed to address current audit findings.

PREDETERMINED OBJECTIVES

The Planning, Monitoring and Evaluation Committee (PMEC) oversees organisational performance throughout the planning, implementation and reporting cycle. Supported by an enhanced performance management system, the PMEC ensures that quarterly reporting remains credible, accurate and aligned with approved predetermined objectives.

REVENUE COLLECTION

Revenue targets were not fully achieved during the year, primarily due to resource constraints, a high vacancy rate and delays in finalising the UIF funding agreement. Funding initially anticipated during June 2025 was only received later in the financial cycle, resulting in implementation delays. These projects will be accelerated during the first quarter of the 2026/27 financial year.

PROCUREMENT AND CONTRACT MANAGEMENT

Compliance with applicable legislation continues to be managed by Executive Management within their respective areas of responsibility. The organisation maintains a structured compliance monitoring and reporting framework, while consequence management is applied in accordance with approved Human Resource policies where necessary.

Capacity constraints within the procurement environment remain a challenge. Appropriate short-, medium- and long-term interventions will continue to be explored to strengthen procurement capability and support the organisation's long-term sustainability.

OUTLOOK

Looking ahead, Productivity SA remains committed to building on the strong performance achieved during the year under review. The achievement of 92% of the Annual Performance Plan targets demonstrates strong institutional performance in spite of a constrained operating environment.

The focus for the coming year will be on expanding enterprise support programmes, strengthening strategic partnerships, improving financial sustainability and continuing to position Productivity SA as South Africa's leading productivity and competitiveness institution.

EVENTS AFTER THE REPORTING DATE

There were no material events after the reporting date.

ECONOMIC VIABILITY

Productivity SA remains financially viable and continues to operate as a going concern.

At year-end, the organisation's total assets of R35.3 million exceeded total liabilities of R23.1 million, resulting in an accumulated surplus of R12.2 million.

Funding agreements with the Department of Employment and Labour remain in place for the 2026/27 financial year, while the three-year BT&R funding agreement with the UIF, valued at R165 million, provides additional certainty for the continued implementation of this critical programme.

APPRECIATION

My sincere appreciation goes to our principal funders — the Department of Employment and Labour, the Department of Trade, Industry and Competition (**the dtic**), and the Unemployment Insurance Fund — for their continued confidence in and support of Productivity SA.

My sincere thanks also go to the Board for its strategic leadership, guidance and commitment to sound governance throughout the year.

Finally, I extend my deepest appreciation to the management and staff of Productivity SA. Their professionalism, resilience and unwavering commitment have made this year's achievements possible.

Together, we remain committed to promoting productivity, preserving employment and contributing towards a more competitive, inclusive and prosperous South Africa.



Ms Amelia Naidoo
Acting Chief Executive Officer
31 July 2026

5. SPECIAL PROJECTS



POSITIONING PRODUCTIVITY SA AS AFRICA'S PRODUCTIVITY AND CONTINUOUS IMPROVEMENT HUB

Productivity SA is strengthening its position as a leading institution in productivity and continuous improvement, contributing not only to the performance and sustainability of South African enterprises, but also to the development of a stronger productivity ecosystem across Africa. During the year, this ambition was reflected in two significant milestones: the implementation of the Productivity Ecosystems for Decent Work Project, in partnership with the International Labour Organization (ILO), and Productivity SA's designation as an Africa Kaizen Initiative Centre of Excellence. Together, these achievements reflect a deliberate evolution in the organisation's role — from implementing productivity interventions to building knowledge, capability, partnerships and platforms that can advance continuous improvement and productivity excellence across the continent.

PRODUCTIVITY FOR DECENT WORK: A landmark partnership between the International Labour Organization and Productivity SA

South African enterprises operate in an increasingly competitive and rapidly changing environment. Rising costs, global competition, technological change and evolving market demands require businesses to continuously improve their productivity, resilience and competitiveness.

It was against this backdrop that the Productivity Ecosystems for Decent Work Project was implemented through a landmark partnership between the International Labour Organization (ILO) and Productivity SA. The project brought together the ILO's global expertise with Productivity SA's practical experience in enterprise development, productivity improvement and workplace transformation. Its purpose was to strengthen enterprise productivity while advancing the principles of decent work.

An integrated approach to enterprise improvement

The project recognised that sustainable enterprise development requires more than a single intervention. It therefore brought together four complementary programme streams:

- Productivity for Decent Work;
- Quality and Productivity Improvement;
- Export Development; and
- SMME Development.

Together, these interventions supported enterprises to improve their operations, strengthen competitiveness, develop capabilities and build more sustainable workplaces. At the centre of the project was the Productivity for Decent Work Programme, which combined the ILO's SCORE methodology with Productivity SA's Workplace Challenge approach. Implemented in the footwear, leather and leather-related sector, the programme supported 20 enterprises employing 1 430 people.

Participating enterprises recorded an average overall improvement of 50.3%, including:

- 42.6% improvement in quality;
- 16.1% improvement in efficiency;
- 40.7% improvement in delivery and speed; and
- 125% increase in reported employee morale.

These results demonstrate that productivity improvement and decent work are mutually reinforcing. When businesses improve their systems and processes while engaging employees in workplace improvement, both organisational performance and the workplace experience can benefit.

Strengthening productivity and competitiveness

The Quality and Productivity Improvement Programme introduced internationally recognised Japanese Kaizen methodologies to South African enterprises. Implemented in partnership with the Automotive Industry Development Centre Gauteng, Automotive Industry Development Centre Eastern Cape and JICA South Africa, the programme reached 30 automotive enterprises employing 2 931 people. The participating enterprises achieved an average overall improvement of 46.6%, including improvements in quality, efficiency, delivery and speed.

The Export Development Programme further strengthened enterprise competitiveness by supporting 66 enterprises employing 1 799 people through export market access, export competitiveness, micro-export, export readiness and green economy interventions.

The Green Economy Programme supported enterprises to improve resource efficiency, reduce waste, adopt greener technologies and strengthen energy management.

Supporting inclusive enterprise development

Recognising the importance of small businesses to South Africa's economy, the SMME Development Programme supported 62 enterprises through practical coaching, productivity awareness and business mentorship. The programme also contributed to more inclusive economic participation, with 96% of supported enterprises being Black-owned. Through the Township Economy project, 309 people, including 72 women and 27 youth, were capacitated.

Building a stronger productivity ecosystem

Collectively, the Productivity Ecosystems for Decent Work Project supported 178 enterprises employing more than 7 100 people. The project also contributed to broader inclusion, with participation including 37% women, 216 youth and 74 persons with disabilities.

Beyond the numbers, the project strengthened enterprise capabilities, developed practitioners and reinforced the value of partnerships in advancing productivity, decent work, competitiveness and sustainable economic participation. The partnership between the ILO and Productivity SA demonstrated the value of connecting international expertise with practical local implementation. It also strengthened Productivity SA's role within the broader African productivity ecosystem.

Together with the organisation's designation as an Africa Kaizen Initiative Centre of Excellence, the project reflects Productivity SA's growing capacity to translate productivity knowledge into practical impact while contributing to the development of productivity and continuous improvement expertise across the continent.

The project has demonstrated that when enterprises improve, workplaces become stronger — and when improvement becomes part of the ecosystem, it creates a foundation for more sustainable and inclusive economic growth.



PRODUCTIVITY SA DESIGNATED AS AN AFRICA KAIZEN INITIATIVE CENTRE OF EXCELLENCE

October 2025 marked a significant milestone in Productivity South Africa's journey to advance productivity, competitiveness and continuous improvement when Productivity SA was formally designated as an **Africa Kaizen Initiative (AKI) Centre of Excellence**.

The designation was announced during the 10th Africa Kaizen Annual Conference (AKAC 2025), held from 27 to 28 October 2025 at the Birchwood Hotel in Boksburg, South Africa, under the theme *"African Industrialisation through Fostering Competitive Firms and Value Chains on the Continent."* The conference was hosted by South Africa's National Quality and Productivity Network (NQPN), in collaboration with the African Union Development Agency (AUDA-NEPAD), the Japan International Cooperation Agency (JICA) and the Pan African Productivity Association (PAPA).

The recognition places Productivity SA among the first cohort of four Centres of Excellence established under the Africa Kaizen Initiative, alongside leading institutions from Ethiopia, Tunisia and Mauritius.

The Africa Kaizen Initiative was launched in 2017 by AUDA-NEPAD and JICA as a strategic continental platform to promote Kaizen and Quality and Productivity Improvement (QPI) in support of industrial development, inclusive economic growth and job creation. The initiative provides a framework for African countries to share knowledge, build institutional capability and scale practical approaches to improving productivity and competitiveness.

Recognition of South Africa's Productivity Leadership

For South Africa, the designation is an important recognition of the country's contribution to the development and application of Kaizen and productivity improvement methodologies.

The 2025 AKAC Communiqué specifically recognised the **commendable progress made by South Africa through the National Quality and Productivity Network in advancing Kaizen and QPI initiatives**, with particular progress noted in the automotive and manufacturing sectors.



This recognition is significant because productivity improvement is central to South Africa's ability to build competitive enterprises, strengthen domestic manufacturing and value chains, support sustainable enterprises and create and retain employment. Kaizen provides a practical approach to achieving these objectives by embedding a culture of continuous improvement, problem-solving, efficiency and quality at the level of the organisation and its people.

The designation therefore represents more than an institutional achievement for Productivity SA. It is a recognition of **South Africa's growing role in advancing a culture of productivity and continuous improvement on the African continent.**

Positioning Productivity SA as a Continental Hub

As an Africa Kaizen Initiative Centre of Excellence, Productivity SA is positioned to serve as a continental hub for **productivity excellence, knowledge exchange and capability development**. The designation provides a platform to strengthen the sharing of South African expertise and experience, facilitate learning among African productivity institutions and support the wider adoption of Kaizen practices.

The role of the Centres of Excellence extends beyond their respective national borders. The AKAC 2025 called on designated Centres of Excellence to deepen the dissemination of Kaizen within their countries and neighbouring countries, thereby strengthening continental awareness, capability and ownership of the Africa Kaizen Initiative.

This creates an important opportunity for Productivity SA to leverage its experience, partnerships and institutional capabilities to contribute to productivity improvement across Africa, while also learning from other leading Kaizen Institutions on the continent.

From Recognition to Impact

The designation also reinforces Productivity SA's strategic direction of strengthening its role as a Centre of Excellence in Kaizen and continuous improvement. It provides an opportunity to move beyond individual productivity interventions towards a broader institutional role focused on developing capability, sharing knowledge, promoting evidence-based approaches and building networks that can accelerate productivity improvement.

The 2025 Africa Kaizen Annual Conference further highlighted the importance of extending Kaizen to micro, small and medium-sized enterprises, promoting Digital Kaizen, empowering youth and women entrepreneurs, and integrating Kaizen principles into continental value chains to strengthen competitiveness and participation in global markets. These priorities provide a clear direction for the work that lies ahead.

This commitment was brought to life through successful hosting of the Africa Kaizen Awards, followed by the National Productivity Awards. The Africa Kaizen Awards brought together government, development partners, productivity practitioners and leading enterprises from across the continent to recognise organisations that have demonstrated excellence in applying Kaizen principles to improve quality, productivity and competitiveness. The event was honoured by the participation of the Minister of Employment and Labour as keynote speaker, alongside the JICA Director-General, highlighting the importance of strong government and development-partner collaboration in advancing the productivity agenda.

The successful hosting of the Africa Kaizen Awards, followed by the National Productivity Awards, provided a powerful link between South Africa's continental responsibilities and its national productivity priorities. While the Africa Kaizen Awards showcased excellence and innovation across the continent, the National Productivity Awards celebrated organisations within South Africa that are driving productivity, competitiveness and continuous improvement in their own workplaces. Together, the two events demonstrated that productivity is both a continental imperative and a national priority.

For Productivity SA, this milestone is therefore both a recognition and a responsibility. The Centre of Excellence designation, coupled with the successful delivery of these two flagship awards events, strengthens the organisation's position as a leading institution in the productivity movement. It provides a platform to deepen partnerships, share knowledge and expand the application of Kaizen and productivity improvement practices across South Africa and the continent.

Ultimately, the designation of Productivity SA as an Africa Kaizen Initiative Centre of Excellence, and the successful hosting of the Africa Kaizen and National Productivity Awards, mark an important chapter in South Africa's productivity journey, one that positions Productivity SA to contribute to a more productive, competitive, innovative and inclusive economy, both at home and across Africa.



6. 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 judgment 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 2026.

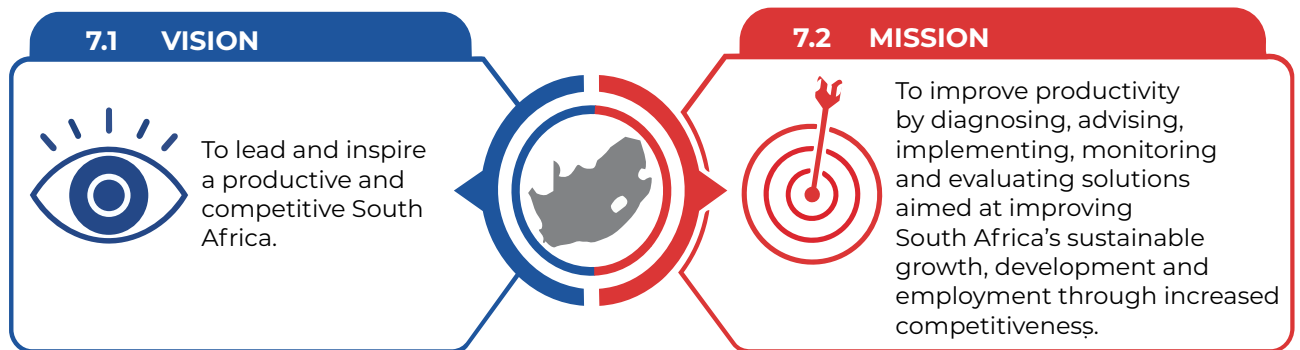


Ms Amelia Naidoo
Acting Chief Executive Officer
31 July 2026



Ms Zola Tshefu
Chairperson of the Board
Productivity SA
31 July 2026

7. STRATEGIC OVERVIEW



7.3 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.



8. 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 socio-economic 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 to provide the responsibilities of persons entrusted with financial management in those entities and 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 Improvement Services (CIS) 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. 63 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.

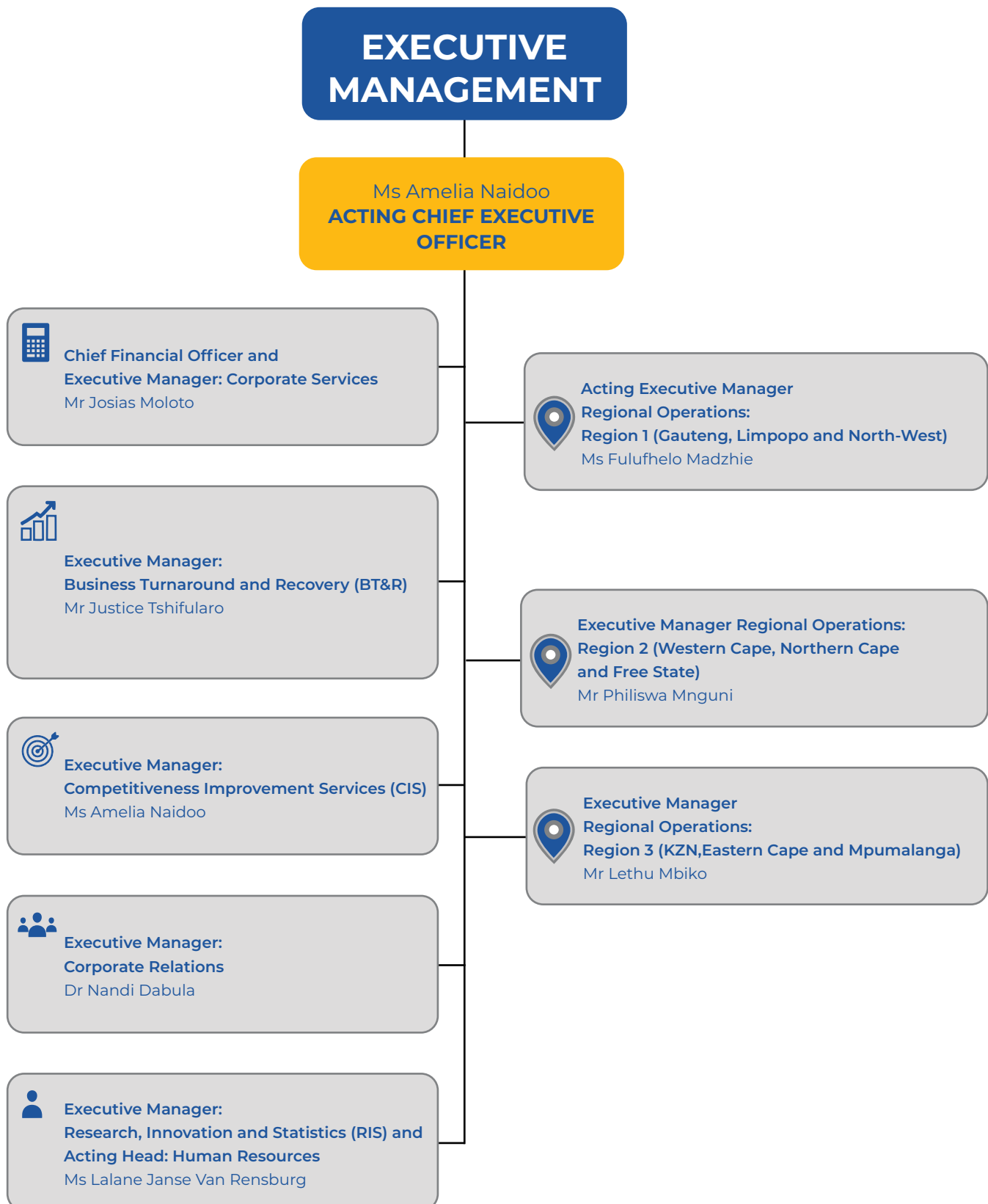
Productivity SA's strategic and programme interventions focus on contributing to the NDP goals, specifically Chapter 3 – targeting programmes that contribute to sustainable development and economic growth; Chapter 9 – developing world - class centres and programmes in the national system of innovation;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

9. ORGANISATIONAL STRUCTURE



10. BOARD MEMBERS



Ms Zola Baba Tshefu
Chairperson of the Board



Ms Nolukholo Sigaba
Board member



Ms Makgoka Sinah Mosehla
Board member



Ms Bev Jack
Board member



Mr Gilly Dlamini
Board member



Mr Jerry Thabo Mmoneri
Board member



Mr Godfrey Masale Selematsela
Board member



Ms Amelia Naidoo
Acting Chief Executive Officer

11. EXECUTIVE MANAGEMENT



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



Dr Nandi Dabula
Executive Manager: Corporate Relations



Mr Josias Moloto
Chief Financial Officer and
Executive Manager: Corporate Services



Mr Justice Tshifularo
Executive Manager: Business Turnaround
and Recovery Programme



Ms Fulufhelo Madzhie
Acting Executive Manager: Regional Operations:
Region 1 (Gauteng, Limpopo and North-West)



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



Ms Lalane Janse Van Rensburg
Executive Manager: Research, Innovation and
Statistics (RIS) and Acting Head:
Human Resources



Mr Lethu Mbiko
Executive Manager: Regional Operations:
Region 3 (KZN, Eastern Cape and Mpumalanga)



PART B **AUDITED** **PERFORMANCE** **INFORMATION**



Business Performance

LOW

HIGH



1. AUDITOR'S REPORT: PREDETERMINED OBJECTIVES

The external auditor currently performs the necessary audit procedures over the performance information to provide reasonable assurance through an audit conclusion. The audit conclusion on the performance against predetermined objectives is included in the report to management, with material findings being reported under the Predetermined

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

Refer to page 78 of the Report of the Auditors Report, published as Part F: Financial Information.

2. OVERVIEW OF PUBLIC ENTITY'S PERFORMANCE

2.1 SERVICE DELIVERY ENVIRONMENT

The 7th Administration has outlined its strategic priorities for five years, with a strong emphasis on accelerating service delivery through the Medium Term Development Plan (MTDP) 2024–2029. The MTDP serves as the government's five-year strategic framework, translating national priorities and commitments into actionable policies and programmes. As the final medium-term plan leading to the National Development Plan (NDP) Vision 2030, it represents a critical milestone in achieving the country's long-term development objectives.

A key priority within this framework is the creation of an enabling environment that enhances the productivity and competitiveness of both formal and informal industrial SMMEs, particularly in the manufacturing sector. Currently, the productivity of these enterprises remains significantly below its potential, limiting their ability to contribute meaningfully to economic growth, job creation, and industrial development.

The exceptional performance of our 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 acquiring clients and fulfilling our mandate. The

Competitiveness Improvement Services (CIS) Programme continues to create an enabling environment conducive to entrepreneurship and sustainable enterprises that can create productive employment and decent work.

We are 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 2025/26 FY, **1 553** SMMEs and other enterprises were supported, **2 742** entrepreneurs, workers and managers capacitated to promote the culture of productivity and **415** champions capacitated to build awareness and promote a stronger culture of productivity. **112** of the enterprises supported were through the Workplace Challenge (WPC) programme, funded by **the dtic**. **77%** of the WPC businesses supported are Black owned businesses. **48%** of the businesses have part or full women ownership and **20%** of the businesses have partial or full Youth Ownership. Only **1%** was people with disabilities. Over **3 241** jobs were preserved through these interventions.

Under the current funding agreement with the UIF, the BT&R programme was mandated to intervene in **75** new companies, save **3 750** jobs, and train and capacitate **225** future forum members. By the end of the financial year, **95** (127%) new companies had signed

up, saving **8 820** jobs (235%) and training **770** Future Forum members (342%).

Cumulatively since 2020, BT&R programme has nurtured **392** companies, safeguarded **37 020** jobs, and capacitated **3 736** Future Forum members in strategic turnaround practices. Furthermore, an additional 3 147 jobs were created through the Programme's successful interventions.

Disaggregated data further demonstrate BT&R's impact on inclusive employment: 38% of saved jobs are held by women, 62% by men, 30% (11 024 jobs) by youth, and 3.9% (1 436 jobs) by people living with disabilities. From a sectoral perspective, most participating firms are in Manufacturing (25.8%), followed by Construction and Engineering (12%), Clothing, Textile, Leather and Footwear (10.3%), Food and Beverages (8.7%), Metals and Machinery (5.7%), Agriculture and Farming (4.6%), Transport, Storage and Communications (4.6%), and Business and Professional Services (3%).

The Research, Innovation and Statistics Programme (RIS) achieved 100% performance, all three targeted research reports were successfully published. The reports focused on (1) Exploring the Value Chain in the Agro-Processing industry; (2) Overview of the Leather and Footwear Industry; and (3) The role of Energy supply in Labour Productivity Growth. The two statistics reports were also published i.e. the 2025 Productivity Statistics and the IMD World Competitiveness Yearbook (WCY) 2025. This performance is commendable as it was achieved with constrained resources.

Despite the challenges experienced in the 2025/26 FY, Productivity SA is prepared to continue to strive to make a meaningful contribution towards contributing to its mandate.

2.2 ORGANISATIONAL ENVIRONMENT

As a national public entity, Productivity SA services the entire country, however, its footprint is only limited to three Provinces, which are reorganised into Regional Offices (Midrand which is the head office and also servicing Gauteng, North West and Limpopo;

Durban servicing KwaZulu-Natal, the Eastern Cape and Mpumalanga; and Cape Town servicing the Western Cape, Northern Cape and Free State).

As a designated Kaizen Centre of Excellence, Productivity SA's focus will leverage strategic partnerships with key international and national stakeholders to drive productivity improvement, policy alignment, and enterprise development. Through collaboration with organisations such as the International Labour Organization (ILO), Japan International Cooperation Agency (JICA), the African Union Development Agency (AUDA-NEPAD), National Economic Development and Labour Council (NEDLAC), the Department of Small Business Development (DSBD), the Department of Trade, Industry and Competition (**the dtic**), Proudly South African (Proudly SA), Industrial Development Corporation (IDC), and the Small Enterprise Development Finance Agency (SEDFA), the organisation enhances knowledge exchange, supports enterprise sustainability, promotes localisation, and embeds productivity within South Africa's broader economic and labour frameworks.

The reality we face, driven by declining financial resources and constrained government budget allocations, 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 further 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.

Productivity SA also faces a significant financial challenge with Post-Retirement Medical Aid costs. Currently, R310 481 is allocated monthly for medical coverage of 23 retirees. Potential legal outcomes could escalate monthly expenses to R446 130 for all 35 pensioners, totalling R5 353 560 annually. This poses an unsustainable financial strain for the organisation.

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

As a hub of innovation, expertise, and capacity building, Productivity SA as a Centre of Excellence 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 with sustainable outcomes.

Productivity SA's mission remains focused on driving sustainable economic growth and promoting employment by creating an enabling environment to improve the competitiveness and sustainability of enterprises in the productive sectors (targeting SMMEs and cooperatives both in the formal and informal economy). We are 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 BT&R programme continues to strengthen its institutional partnerships to proactively mitigate retrenchments.

Collaborative engagements with the Temporary Employer/Employee Relief Scheme (TERS) ensure that companies approved for financial support are automatically enrolled in BT&R's turnaround interventions, enabling integrated financial and operational recovery. Similarly, strategic partnerships with the Commission for Conciliation, Mediation and Arbitration (CCMA) and the National Bargaining Council for the Clothing Manufacturing Industry have been instrumental in pre-empting retrenchments under Section 189A processes. BT&R also works with Proudly SA, the Industrial Development Corporation (IDC), and Land Bank to identify struggling enterprises and facilitate targeted interventions.

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 a much stronger voice for SMMEs in SA and are a fertile soil on which a seed of productivity can bloom.

4. INSTITUTIONAL PROGRAMME

PERFORMANCE INFORMATION

Productivity SA had twelve planned targets in the Annual Performance Plan (APP) for the 2025/26 financial year, of which eleven targets were met which constituted 92% achievement.

Programme		Annual Planned Indicators	100% + Achieved	Not Achieved	Annual Aggregate Performance
1.	Programme 1: Administration - Corporate Services (CS)	2	1	1	50%
2.	Programme 1: Administration - Human Resource Management (HRM)	1	1	0	100%
3.	Programme 1: Administration - Corporate Relations (CR)	1	1	0	100%
4.	Programme 2: Competitiveness Improvement Services (CIS)	3	3	0	100%
5.	Programme 3: Business Turnaround and Recovery (BT&R)	3	3	0	100%
6.	Programme 4: Research, Innovation and Statistics (RIS)	2	2	0	100%
Overall Performance		12	11	1	92%

4.1 PROGRAMME 1 : ADMINISTRATION

Purpose of the programme:

The programme aims to strengthen Productivity SA's institutional capacity to fulfil its mandate and achieve financial sustainability.

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:** Render effective and efficient human resources management-related services to the entity.
- **Corporate Relations:** Drive 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 in 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

Outcomes, Outputs, Output Indicators, Targets and Actual Achievement

The Administration Programme's overall performance is as follows:

Sub- Programmes	Aggregate Performance
Programme 1: Administration - Corporate Services (CS)	50%
Programme 1: Administration - Human Resource Management (HRM)	100%
Programme 1: Administration – Corporate Relations (CR)	100%

4.1.1 SUB-PROGRAMME: CORPORATE SERVICES

Table 1: Corporate Services performance against APP targets

Outcomes	Output	Output Indicator	Audited Actual Performance 2023/24	Audited Actual Performance 2024/25	Planned Annual Target 2025/26	Actual Achievement 2025/26	Deviation from planned target to Actual Achievement 2025/26	Reasons for deviation
MTDP Outcome 1: Improved service delivery Strengthen regulatory capabilities of the entity Good Corporate Governance	Measures taken to reduce and eliminate Fruitless and Wasteful expenditure,	Percentage Reduction in Fruitless and Wasteful Expenditure by 31 March 2026	0% elimination of fruitless and wasteful expenditure incrementally from the baseline of R518 000.00 by 31 March	Achieved from R713 045 to R404 723	20% Reduction	100%	0	N/A
	Audit outcomes/ findings detected and reported to the Accounting Officer and National Treasury in terms of National Treasury's guidelines.	Percentage Reduction in Audit Outcomes/ findings by 31 March 2026	86% reduction of audit outcomes/ findings incrementally from 2021/22 baseline by 31 March	from 14 findings to 10 findings	20% Reduction	Not Achieved	10 Audit findings were reported in the 2025 financial year as compared to 12 in 2026. The APP target was therefore not met	Control deficiencies were identified and exacerbated by vacancies in key senior finance positions. Although the number of audit findings increased compared to the previous financial year, the majority were not material.

Table 2: Corporate Services performance in terms of budget

Programme/activity/ objective	2025/26			2024/25		
	Budget	Actual Expenditure	(Over)/Under Expenditure	Budget	Actual Expenditure	(Over)/Under Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
Office of the CFO	18 372	18 220	152	13 197	16 087	(2 890)
Office of the CEO	6 524	4 316	2 207	4 245	3 987	258
Total	24 896	22 536	2 359	17 442	20 074	(2 632)

Strategy to overcome areas of under-performance

A permanent CFO and Senior Finance Manager were appointed. Controls have been put in place to reduce findings in the coming audit. This entails:

- Improving the filing of documents through SharePoint;
- Tracking audit findings through the post-audit action plan;
- Month-end activities conducted to close each period appropriately;
- SCM workshops are conducted to ensure compliance is maintained throughout the organisation;
- Appointment of an internal audit to investigate IFWE as well as to assist in reviewing AFS before submission; and
- An AFS plan that incorporates review by the Senior Financial Manager and the Chief Financial Officer of the various components is in place.

4.1.2 SUB-PROGRAMME: HUMAN RESOURCE MANAGEMENT

Table 3: Human Resource Management performance against APP targets

Outcomes	Output	Output Indicator	Audited Actual Performance 2023/24	Audited Actual Performance 2024/25	Planned Annual Target 2025/26	Actual Achievement 2025/26	Deviation from planned target to Actual Achievement 2025/26	Reasons for deviation
MTDP Outcome 1: Improved service delivery Strengthen the institutional capacity of the entity	Commencement of planned training interventions to capacitate the workforce	Percentage of planned training interventions commenced by 31 March 2026	100%	100%	100%	100%	0	N/A

Linking performance with budgets

Table 4: Human Resource Management performance in terms of budget

	2025/26			2024/25		
Programme/activity/objective	Budget	Actual Expenditure	(Over)/Under Expenditure	Budget	Actual Expenditure	(Over)/Under Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
Training and Development	618	415	203	1 194	458	736
Total	618	415	203	1 194	458	736

Strategy to overcome areas of under-performance

N/A

4.1.3 SUB-PROGRAMME: CORPORATE RELATIONS

Table 5: Corporate Relations performance against APP targets

Outcomes	Output	Output Indicator	Audited Actual Performance 2023/24	Audited Actual Performance 2024/25	Planned Annual Target 2025/26	Actual Achievement 2025/26	Deviation from planned target to Actual Achievement 2025/26	Reasons for deviation
MTDP Outcome 1: Increased employment opportunities Work with the private sector and labour to protect existing jobs and investments in vulnerable sectors.	Promote the productivity and competitiveness mind-set and culture in the workplace.	Number of advocacy and public awareness campaigns to support the Productivity movement in South Africa by 31 March 2026	10	10	10	14	+4	Additional awareness campaigns were held due to strengthened stakeholder collaborations.

Linking performance with budgets

Table 6: Corporate Relations performance in terms of budget

Programme/activity/ objective	2025/26			2024/25		
	Budget	Actual Expenditure	(Over)/Under Expenditure	Budget	Actual Expenditure	(Over)/Under Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
Corporate Relations	8 774	8 296	478	6 884	6 870	14
Total	8 774	8 296	478	6 884	6 870	14

Strategy to overcome areas of under-performance

N/A

4.2 PROGRAMME 2: COMPETITIVENESS IMPROVEMENT SERVICES

Purpose of the programme:

The Programme supports SMMEs in both the formal and informal economy by focusing on productivity and operational efficiency interventions, promoting a culture and mindset of productivity, and driving accountability for productivity performance across sectors (national, sector and enterprise levels) and segments of society. Furthermore, the Programme prioritises the participation of historically disadvantaged people and regions in the economy, thereby supporting meaningful BBBEE through instruments such as Special Economic Zones (SEZs), Industrial Parks and Black Industrialists interventions.

Sub-programmes:

- Workplace Challenge Programme
- International Labour Organisation (ILO) Project

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

Outcomes	Output	Output Indicator	Audited Actual Performance 2023/24	Audited Actual Performance 2024/25	Planned Annual Target 2025/26	Actual Achievement 2025/26	Deviation from planned target to Actual Achievement 2025/26	Reasons for deviation
MTDP Outcome 1: Increased employment opportunities Work with the private sector and labour to protect existing jobs and investments in vulnerable sectors.	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 2026	1 637	1 323	1 252	1 553	+301	The target was exceeded primarily due to strengthened stakeholder agreements, which improved access to companies and enabled greater uptake of support services, resulting in assistance to more enterprises.
	Promote the productivity and competitiveness mind-set and culture in the workplace.	Number of entrepreneurs, workers and managers capacitated to promote the culture of productivity by 31 March 2026.	3 016	2 696	2 400	2 742	+342	The target was exceeded through ongoing collaborative projects with partner entities, resulting in more entrepreneurs trained.
		Number of Productivity Champions capacitated to build awareness and promote a stronger culture of productivity in South Africa by 31 March 2026	542	423	335	415	+80	The target was exceeded due to the implementation of the Workplace Challenge Programme, which increased the number of champions trained within supported entities.

Linking performance with budgets

Table 8: Competitiveness Improvement Services performance in terms of budget

Programme/activity/objective	2025/26			2024/25		
	Budget	Actual Expenditure	(Over)/Under Expenditure	Budget	Actual Expenditure	(Over)/Under Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
Competitiveness Improvement Services	11 611	6 883	4 729	20 490	15 017	5 473
Workplace Challenge	13 623	14 760	(1 136)	12 598	10 494	2 104
Total	25 234	21 642	3 592	33 088	25 966	7 577

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 to prevent job losses and on providing turnaround strategies for companies facing economic distress (financial or operational difficulties) that may lead an employer to contemplate dismissing 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

Outcomes	Output	Output Indicator	Audited Actual Performance 2023/24	Audited Actual Performance 2024/25	Planned Annual Target 2025/26	Actual Achievement 2025/26	Deviation from planned target to Actual Achievement 2025/26	Reasons for deviation
MTDP Outcome 1: Increased employment opportunities Work with the private sector and labour to protect existing jobs and investments in vulnerable sectors.	Support enterprises facing economic distress and initiatives aimed at preventing job losses	Number of jobs saved in companies facing economic distress by 31 March 2026	5 392	7 094	3 750	8 820	+5 070	More companies signed on to the Programme as demand increased, thereby saving more jobs.
		Number of companies facing economic distress supported through Turn-around Strategies to retain jobs by 31 March 2026	71	40	75	95	+20	More companies were signed up as there was a greater demand for assistance
		Number of Future Forum members trained and capacitated on productivity improvement solutions by 31 March 2026	933	365	225	770	+545	Companies opted to send more employees for training

Table 10: Linking performance with budgets

	2025/26			2024/25		
Programme/activity/objective	Budget	Actual Expenditure	(Over)/Under Expenditure	Budget	Actual Expenditure	(Over)/Under Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
Business Turnaround and Recovery	55 069	33 723	21 346	52 169	27 019	25 150
Total	55 069	33 723	21 346	52 169	27 019	25 150

Strategy to overcome areas of under-performance

N/A

4.4 PROGRAMME 4: RESEARCH, INNOVATION AND STATISTICS

Purpose of the programme:

The programme aims to measure and evaluate productivity in the workplace and the overall competitiveness of the economy; develop and maintain databases and a best-practice productivity and competitiveness system, and Business Model Innovation, including Product and Service Innovation, to improve quality and access to services; and undertake productivity-related research and statistics and publicise them.

Sub-programmes: N/A

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

Outcomes	Output	Output Indicator	Audited Actual Performance 2023/24	Audited Actual Performance 2024/25	Planned Annual Target 2025/26	Actual Achievement 2025/26	Deviation from planned target to Actual Achievement 2025/26	Reasons for deviation
MTDP Outcome 1: Increased employment opportunities	Undertake productivity-related research on priority sectors	Number of research reports and publications on priority sectors published and disseminated by 31 March 2026	2	4	3	3	0	N/A
	Collate productivity related statistics	Number of statistical reports on productivity and competitiveness published by 31 March 2026	2	2	2	2	0	N/A

Table 12: Linking performance with budgets

Programme/activity/objective	2025/26			2024/25		
	Budget	Actual Expenditure	(Over)/Under Expenditure	Budget	Actual Expenditure	(Over)/Under Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
Research development	8 736	7611	1 126	7 771	6 156	1 615
Total	8 736	7611	1 126	7 771	6 156	1 615

Strategy to overcome areas of under-performance

N/A

5. REVENUE COLLECTION

Sources of Revenue	2025/26			2024/25		
	Estimate	Actual amount collected	(Over)/under collection	Estimate	Actual amount collected	(Over)/under collection
	R'000	R'000	R'000	R'000	R'000	R'000
DEL	64 123	64 123	-	61 472	75 729	-14 257
UIF	55 069	33 723	21 346	52 169	27 019	25 150
The dtic	10 360	10 360	-	10 027	10 027	-
Donations	1 500	-	1 500	-	-	-
Total transfers and subsidies	131 052	108 206	22 846	123 668	112 775	10 893
Rendering of services	53 825	4 371	49 454	43 143	4 437	38 706
Other Income	300	5 565	5 265	293	3 394	3 101
Interest received	1 036	1 275	239	910	995	85
Gain on disposal of assets	-	-	-	-	47	47
Total	186 213	119 417	66 796	168 014	121 648	46 366

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.



PART C

GOVERNANCE



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 regard to public entities is applied through the precepts of the Public Finance Management Act (PFMA) and track in tandem

with the principles contained in the King's Report King Code of Governance principles and the King Report on Corporate Governance (King IV).

Parliament, as the Executive Authority and the Board, as the Accounting Authority of the public entity are responsible for Corporate Governance.

2. PORTFOLIO COMMITTEES

Productivity SA reports to the Department of Employment and Labour and is part of Parliament's Portfolio Committee on Employment and Labour. Productivity SA attended meetings with Portfolio Committee on Employment and Labour on the following dates:

- 03 April 2025 - Brief to the PCEL on Quarter 3 and Quarter 4 (2024/25 FY)
- 18 June 2025 - Brief on Strategic Plans, Annual Performance Plan and Budget review 2026/2027 FY
- 08 October 2025 - Brief by the Office of the Auditor-General of SA on audit outcomes for the DEL and Entities
- 13 October 2025 - Brief by the DEL and its Entities on Annual report and 4th Quarterly Performance reports (2024/25) in meeting its strategic objectives

- 19 November 2025 - PCEL workshop by DEL and Entities on interventions for companies in distress
- 26 November 2025 - PCEL to outline litigation cases and reports pertaining to a four-storey building under construction that crumbled at 75 Victoria Street, George
- 28 January 2026 - Quarter 1 and 2 2025/26 FY presentations to the PCEL
- 11 March 2026 - Quarter 3 2025/26 presentation to the PCEL

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

3. EXECUTIVE AUTHORITY

Productivity SA's regular reports include the Annual Performance Plan (APP) 2025/26 and Strategic Business Plan 2025/26 financial year. The first draft of the Annual Performance Plan (APP) 2025/26 and Strategic Business Plan 2025/26 financial year were submitted on 31 October 2024 and the final draft on 3 March 2025.

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

4. **THE ACCOUNTING AUTHORITY/BOARD**

The Board members serve 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 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 Board's role and responsibilities 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) of Productivity SA on terms stipulated in the Constitution, Employment Services Act, No. 4 of 2014 and subject to the Labour Relations Act (LRA) and other relevant legislation;
- Determine the remuneration terms and conditions of the employment of the CEO and other employees of Productivity SA;
- Appoint sub-committees and adhoc committees of Productivity SA as it deems necessary in the performance of its duties.

Constitution

The Board provides commentary on the Constitution of the Board of Productivity SA and comments on the progress made on complying with the Constitution. The Board adheres to the rules and procedures outlined in the Constitution by which the functions of the Board and those of its sub-committees are determined.

Composition of the Board.

The term of the Board was extended by the Minister of Employment and Labour from 1 December 2024 to 31 May 2025, and was subsequently further extended to 30 September 2025. Following the conclusion of the extended term, a new Board was appointed with effect from 1 October 2025..

Name	Designation	Date appointed	Date resigned/ term ended	Qualifications	Area of expertise	Board directorships	Other committees or task teams	Number of Board and sub-comm meetings attended
Vacant	Non-executive Chairperson	Vacant	Vacant	Vacant	Vacant	Productivity SA	Board	0
Beverly Jack	Non-executive	19 May 2022	30 Sept 2025 Term ended	Certificate of Education, University of Zimbabwe	Business	Productivity SA	Board/ HR and R Committee	12
Anneline Chetty	Non-executive	1 Dec 2019	30 Sept 2025 Term ended	PhD in Geography and Environmental Science	Government	Productivity SA	Board/ Audit and Risk Committee	6
Welile Noling	Non-executive	1 Dec 2019	30 Sept 2025 Term ended	Diploma in Management (Labour Relations)	Labour	Productivity SA	Board/ Audit and Risk Committee	10
Godfrey Selematsela	Non-executive	23 Sept 2020	30 Sept 2025 Term ended	Diploma in General Nursing Science and Advanced Certificate in Labour Law .	Labour	Productivity SA	Board/ HR and R Committee	13
Noel Sicwebu	Non-executive	1 March 2024	30 Sept 2025 Term ended	MA Education Masters in Bus Administration PhD in Linguistic and Literature	Government	Productivity SA	Board/ HR and R Committee	10
Gilly Dlamini	Non-executive	1 May 2024	30 Sept 2025 Term ended	Masters Agricultural Economics	Business	Productivity SA	Board/ Audit and Risk Committee	10

Committees to 30 September 2025

Committee	Number of meetings held	Number of members	Name of members
Audit & Risk Committee	5	4	Paul Slack Welile Noling Anneline Chetty Gilly Dlamini
Human Resource and Remuneration Committee	5	3	Beverly Jack Godfrey Selematsela Noel Sicwebu

Composition of the new Board from 1 October 2025

Name	Designation	Date appointed	Date resigned/ term ended	Qualifications	Area of expertise	Board directorships	Other committees or task teams	Number of Board and sub-comm meetings attended
Zola Tshefu	Non-executive Chairperson	1 Oct 2025	Current	Master of Business Administration	Business	Productivity SA	Board	6
Beverly Jack	Non-executive	1 Oct 2025	Current	Certificate of Education, University of Zimbabwe	Business	Productivity SA	Board/ HR and R Committee	8
Sinah Mosehla	Non-executive	1 Oct 2025	Current	Master in Public Administration	Government	Productivity SA	Board/ Audit and Risk Committee	7
Jerry Mmoneri	Non-executive	1 Oct 2025	Current	Certificate of Economic Development	Labour	Productivity SA	Board/ Audit and Risk Committee	7
Godfrey Selematsela	Non-executive	1 Oct 2025	Current	Diploma in General Nursing Science and Advanced certificate in labour law .	Labour	Productivity SA	Board/ HR and R Committee	11
Nolukholo Sigaba	Non-executive	1 Oct 2025	Current	Post Graduate Diploma: Project and Programme Management	Government	Productivity SA	Board/ HR and R Committee	6
Gilly Dlamini	Non-executive	1 Oct 2025	Current	Masters Agricultural Economics	Business	Productivity SA	Board/ Audit and Risk Committee	6

Composition of new committees from 1 October 2025

Committee	Number of meetings held	Number of members	Name of members
Audit & Risk Committee	5	4	Paul Slack Gilly Dlamini Jerry Mmoneri Sinah Mosehla
Human Resource and Remuneration Committee	5	3	Beverly Jack Godfrey Selematsela Nolukholo Sigaba

Remuneration of Board members

The Board members rates are remunerated in line with the National Treasury guidelines irrespective of meetings lasting the whole day or for a few hours only.

- No fees are 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 also apply in cases where a Board is asked by the Productivity SA to officiate at a meeting or function on behalf of Productivity SA.

Members who are not remunerated include government representatives who are not entitled to any fees or refunds for travel and accommodations costs.

The rates are reviewed annually in line with Productivity SA as guided by the National Treasury.

Other expenses that are reimbursed:

- Travel and accommodation to the functions or meetings on behalf of Productivity SA is incurred by Productivity SA.
- Remuneration rates for the Board of the Productivity SA
 - Non-executive Chairman 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

Remuneration of committee members to 30 September 2025

The term of the Board was extended by the Minister of Employment and Labour for the period: 1 December 2024 to 31 May 2025 and further extended to 30 September 2025.

Name	Remuneration for attendance	Total
Chairperson: Vacant		
Beverly Jack:	R2 697.57	R48 911.61
Welile Nolingolo	R2 697.57	R32 370.84
Gilly Dlamini	R2 697.57	R26 975.70
Godfrey Selematsela	R2 697.57	R58 901.58
Paul Slack	R4 446.51	R62 251.14

Other expenses 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 the Productivity SA
 - Non-executive Chairperson of the Board: R4 629.00 per meeting
 - Independent Chairperson of the Audit and Risk Committee: R4 629.00 per meeting
 - Non-executive Board/Alternate/Co-opted members: R2 809.00 per meeting

Remuneration of new Board members 1 October 2025

Name	Remuneration for attendance	Total
Zola Tshefu	R4 629.00	R59 082.06
Beverly Jack:	R2 809.00	R36 425.87
Jerry Mmoneri	R2 809.00	R19 217.28
Gilly Dlamini	R2 809.00	R16 519.71
Godfrey Selematsela	R2 809.00	R48 310.38
Paul Slack	R4 629.00	R36 484.53

5. RISK MANAGEMENT

Productivity SA demonstrates a commitment to effective risk management through its comprehensive risk assessment process. Senior management, with the assistance of the outsourced internal audit function, is committed to the ongoing assessment of the major operational, business and fraud related risks faced by Productivity SA. Internal audit plans are drawn up and progress against these plans is continually monitored.

A risk management workshop was facilitated by PKM Audit and Risk Management during which Board and Executive Committee revisited the risks facing Productivity SA.

The Audit and Risk Committee evaluates reports prepared by the Office of the Chief Financial Officer 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 Audit and Risk Committee and actions to clear them are monitored.

For the year under review, PKM Audit and Risk Management carried out the annual internal audit plan as approved by the Audit and Risk Committee which included the following internal audit work:

- Performance information review;
- Review of the Annual Financial Statements; and
- Irregular, fruitless and wasteful expenditure review

PKM Audit and Risk Management findings were reported to the Audit and Risk Committee and communicated to management, which has adequately addressed them. While periodic evaluations by management and independent reviews by internal and external auditors identified areas of further improvement, management is satisfied that the improvement in controls implemented continue 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 COMMITTEES

PKM Audit and Risk Management, an outsourced firm responsible for Productivity SA's internal audit function, provides an independent appraisal function that examines and evaluates Productivity SA's internal controls. In particular, PKM Audit and Risk Management has the responsibility of examining and evaluating the effectiveness of Productivity SA's operational activities, the attendant business risks and the system of internal, operational and financial controls.

Major weaknesses detected are brought to the attention of the Audit and Risk Committee, the external auditors and members of management for their consideration and remedial action. PKM Audit and Risk Management meets with external auditors Lunika Inc on a regular basis and discusses plans and results in respect of the audits carried out during the year. The committee meets periodically with management, external auditors and internal auditors, as well as meeting separately with external and internal auditors when necessary.

PKM Audit and Risk Management prepared an internal audit charter which was approved by the Audit and Risk Committee. The committee does not have any operational or executive responsibilities. Its objectives are:

- Establishing a channel of communication between the Board, management, external auditors and internal auditors;
- Evaluating 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;
- Reviewing 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;
- Ensuring that the Board makes informed decisions and is aware of the implications of these decisions on accounting policies, practices and disclosure; and
- Safeguarding the members of the Boards liability by informing the Board about issues that impact on the business and the status of financial reporting.

The table below discloses relevant information about Audit Committee members

Committees members to 30 September 2025

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	2
Welile Nolingolo	Diploma in Management (Labour Relations)	External	N/A	1 Dec 2019	30 Sept 2025 Term ended	2
Anneline Chetty	PhD in Geography and Environmental Science	External	N/A	1 Dec 2019	30 Sept 2025 Term ended	1
Gilly Dlamini	Master of Commerce (Economics)	External	N/A	1 May 2024	30 Sept 2025 Term ended	2

Committee members from 1 October 2025

Name	Qualifications	Internal or external	If internal, position in the public entity	Date appointed	Date resigned	Number of meetings attended
Paul Slack	B.Comm (Hons) (Financial Management; CA(SA); CD(SA)	External	N/A	1 Aug 2021	Current	3
Jerry Mmoneri	Certificate of Economic Development	External	N/A	1 Oct 2025	Current	3
Sinah Mosehla	Master in Public Administration	External	N/A	1 Oct 2025	Current	3
Gilly Dlamini	Master of Commerce (Economics)	External	N/A	1 Oct 2025	Current	3

8. COMPLIANCE WITH LAWS AND REGULATIONS

Productivity SA has implemented sufficient and adequate processes, procedures, policies, and frameworks to ensure that the entity complies with legislative or regulatory matters that affect it. The internal audit planning process identifies audit areas in a manner that ensures compliance with legislative requirements and supports a value-added audit process. Non-compliance with applicable regulations

and statutory requirements is identified and guidance is provided for implementation plans to redress and resolve these matters of non-compliance. The overarching principle of Productivity SA is that it subscribes to a code of ethics and endeavours to act with honesty, responsibility and integrity towards its stakeholders.

9. FRAUD AND CORRUPTION

Management has developed a multi-pronged plan to addressing fraud and corruption. The risks that could prevent the entity from achieving its objectives were identified along possible risks occurring. From this exercise a fraud and risk checklist was developed to ensure that all bases are covered.

Awareness was 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 Department of Employment and Labour as it would not

be cost effective for Productivity SA to host its own dedicated hotline.

The emerging risks are reported quarterly to the Executive Committee and the Audit and Risk Committee. The combination of management efforts, internal and external audit, creation of awareness and devising steps to detect and prevent fraud and corruption is believed sufficient to adequately address this subject.

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

10. MINIMISING CONFLICT OF INTEREST

Productivity SA management views conflict of interest in supply chain management in a serious light. To this end, the standard contract that Productivity SA would sign 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 violated the provisions of this clause.

Productivity SA strives to comply with the PFMA on the sourcing of goods and services.

The legislation prescribes three levels, viz, quotations, a signed contract and open tender should certain limits be reached.

All employees of the entity have signed the declaration of interest at the time when they joined. A standard item on the agenda of all committee meetings is 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,

the Productivity SA Constitution prescribes that the relevant breach be addressed according to the policy that covers it.

12. HEALTH SAFETY AND ENVIRONMENTAL ISSUES

To formalise occupational health and safety (OHS) practices, Productivity SA engaged an expert to ensure compliance of Productivity

SA, its staff and contractors with the principles of OHS.

The OHS process entails the following:

- Inspections by means of audits for any physical hazards, hygiene stress factors, environmental concerns and general liability risk issues;
- Informing all staff of their rights and responsibilities in terms of the OHS and Compensation for Occupational Injuries and Diseases Acts
- Establishment of an OHS committee;
- Appointment and coaching of health and safety representatives; and
- Establishment of an effective evacuation procedure/instructions.

OHS in Productivity SA involves five main areas, viz, the premises, regulation of the facilities, stacking and storage, fire protection and electrical machinery. These are the main areas in which audits of the facilities are conducted. Productivity SA is then audited on the administrative function in which compliance on reporting and appointment of representatives is measured.

An initial audit indicated a number of low- to medium-risk items, which were addressed. Based on the initial audit findings the compliance rating was very low due to the administrative structures not yet being implemented. This administrative process was initiated in October 2012 when the management structures and appointment of key health and safety representatives began.

13. AUDIT AND RISK COMMITTEE REPORT

The Audit and Risk Committee is pleased to present its report for the financial year ended 31 March 2026.

13.1 Audit and Risk Committee members and members' attendance

The Audit and Risk Committee consists of the members listed and should meet 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 Audit and Risk Committee Charter.

Committee members attendance to 30 September 2025

The term of the Board was extended by the Minister of Employment and Labour for the period: 1 December 2024 to 31 May 2025 and further extended to 30 September 2025

NAME	Audit and Risk Committee				
	22/5/2025	24/7/2025			
Paul Slack	√	√			
Anneline Chetty	√	√			
Welile Noling	√	√			
Gilly Dlamini	√	A			

√= Present A = Apology S = Sabbatical leave

Committee members attendance from 1 October 2025

NAME	Audit and Risk Committee				
	13/11/2025	12/2/2026	25/3/2026		
Paul Slack	√	√	√		
Sinah Mosehla	√	√	√		
Jerry Mmoneri	√	√	√		
Gilly Dlamini	√	√	√		

√= Present A = Apology S = Sabbatical leave

The Audit and Risk Committee responsibility

The Audit and Risk Committee 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. The Audit and Risk Committee also reports that it has adopted appropriate formal terms of reference as its Audit and Risk Committee Charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

Effectiveness of internal control

The Audit and Risk Committee reviewed the findings by the internal auditors which were based on the risk assessment conducted and revealed certain weaknesses. These were raised with management. We are satisfied with the additional controls that management has implemented in addressing these internal audit findings.

Internal audit

PKM Audit and Risk management were appointed with effect from January 2026 for the provision of internal audit services. The following reviews were conducted for the 2025/26 financial year:

- Performance information review
- Irregular Fruitless and Wasteful Expenditure review
- Annual Financial Statements 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 remedial action in the ensuing year.

In-year management and monthly/quarterly report

The public entity has submitted monthly and quarterly reports to the Executive Authority

Evaluation of audited Annual Financial Statements

We have reviewed the audited Annual Financial Statements and we are satisfied that they conform to the applicable and appropriate accounting standards. The Audit and Risk Committee 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 entity's 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 Audit and Risk Committee recommended the audited annual financial statements to the Board for approval and adoption.

Auditor's report

We have reviewed Productivity SA's implementation plan for audit issues raised in the prior year and we are satisfied that the matters have been adequately resolved.

The Audit and Risk Committee 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
31 July 2026

14.B-BBEE COMPLIANCE PERFORMANCE INFORMATION

The following table has been completed in accordance with the compliance to the B-BBEE requirements of the B-BBEE 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:		
Criteria	Response Yes / No	Discussion (include a discussion on your response and indicate what measures have been 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



PART D

HUMAN RESOURCE MANAGEMENT

1. INTRODUCTION

1.1 Overview of human resources matters

The 2025/26 financial year consisted of various human resources related highlights and challenges. Productivity SA's Executive Management remains committed to fostering a positive work environment and ensuring organisational stability despite certain challenges experienced.

The Human Resources Department achieved its 2025/26 Annual Performance Plan (APP) target through the commencement of 100% of planned training interventions. The Workplace Skills Plan for 2025/26 included short courses, financial assistance (bursaries) 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 eight interns during 2025/26, funded by the Public Services SETA (P-SETA). The P-SETA funded Internship Programme will conclude on 31 March 2027. In addition, three graduates/interns were funded by Productivity SA. The entity appointed one graduate on a permanent basis during 2025/26.

The turnover rate of 9.3% has been substantial, as there were ten service terminations during this period. This consisted of four permanent employees and six fixed-term contract employees.

The entity has filled business critical positions during this period following Board approval. Certain key senior management positions in the entity are currently vacant, including the position of Chief Executive Officer, Executive Manager: Regional Operations (Region 1), Senior Manager: ICT & Facilities and Head: Human Resources Management. Acting/secondment appointments have been made to ensure continuity in these business-critical functions.

There were sixteen appointments during 2025/26, consisting of eight permanent appointments and eight fixed-term contract appointments. The entity has advertised

additional business-critical positions and the recruitment process is currently underway.

Annual salary negotiations for 2025/26 were concluded in May 2025. The salary agreement consisted of a 6% salary increase applicable to the 2025/26 financial year, backdated to 1 April 2025.

The legal matter relating to post-retirement medical aid (PRMA) is still in progress. The High Court matter regarding Joinder applicants was heard on 14 August 2024, and the entity received the judgement in August 2025. In terms of the court ruling, Productivity SA must continue paying 100% of the medical aid contributions for applicants until the main case is finalised. Concurrently, a directive was issued by the North Gauteng High Court, mandating that the parties attempt to settle this matter through mediation. Should mediation prove unsuccessful, a mediator's report must be submitted to the court before a trial date can be sought. The mediation process commenced in March 2026 and is still in progress.

There were two CCMA arbitration matters during 2025/26. The entity also addressed two internal grievances during this period. One matter was amicably resolved by means of a mediation process. The other matter was a group grievance, which culminated in a CCMA referral. This matter was later withdrawn by the applicants and was closed internally.

1.2 Human resources priorities

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

- Organisational review and design;
- Digitisation of performance management system;
- Review policies and procedures;
- Improvement of employee relations;
- Enhancement of HR and payroll processes;
- Attracting and retaining top talent through recruitment and succession planning;

- Supporting and ensuring workers' wellbeing;
- Learning and growth; and
- Enabling effective flexible and remote working arrangements.

Human resources planning framework and strategies

Despite the moratorium, certain business-critical positions were identified to be filled during 2025/26 and 2026/27. HRM will focus on implementing the recruitment plan. This will allow the entity to be adequately resourced to continue performing optimally. Vacancies will be filled in accordance with the entity's employment equity targets.

The entity will finalise an organisational review and design process during 2026/27 to determine whether certain positions can be modified in order to incorporate job functions of long-standing vacant positions, and whether certain vacant positions can be removed from the organisational structure.

Employee performance management framework

The HRM Department introduced a new Sage performance management tool during October 2025. A performance management task team was established to conduct user acceptance testing. User refresher training was also conducted by the HR Department. The roll-out of the new system was finalised in May/June 2026.

Performance contracting for 2025/26 was finalised on 31 May 2025. 98% of employees submitted performance contracts.

Performance Review 1 for the period April to September 2025 was finalised. 97% of employees submitted Performance Review 1.

Performance Review 2 for the period October 2025 to March 2026 was finalised. 79% of employees submitted Performance Review 2. Outstanding performance reviews were submitted by 31 July 2026, as some employees were still experiencing challenges in terms of submitting via the system.

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. In December 2025 Productivity SA held its employee wellness programme, reaffirming its commitment to fostering a healthy, resilient, and productive workforce.

The wellness launch introduced employees to the comprehensive support services available through the programme, including confidential mental health counselling, Legal support, fitness, nutrition, and financial wellness assistance is provided by Company Wellness Solutions. The launch also created awareness of the importance of employee well-being and encouraged employees to proactively utilise the available wellness resources.

The employee wellness programme continues to support employees by providing access to holistic wellness services that promote physical, mental, emotional, and financial well-being, contributing to improved employee health and organisational productivity.

Human resources policy development

The following ten policies were revised by the HRM Department and submitted to the Board for approval during the 2025/26 financial year:

1. Affirmative Action and Employment Equity Policy;
2. Appointment, Termination and Transfer Policy;
3. Bereavement Policy;
4. Code of Ethics Policy;
5. Disciplinary Policy and Code;
6. Employee Wellbeing Programme Policy;
7. HIV/AIDS Policy;
8. Grievance Policy;
9. Recruitment and Selection Policy; and
10. Working Hours and Remote Work Policy.

The policies were approved and will be published internally and communicated to employees via email and policy workshops during the 2026/27 financial year.

HUMAN RESOURCES ACHIEVEMENTS AND CHALLENGES

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

Highlights

Highlights		Details
1.	Achievement of 2025/26 Annual Performance Plan (APP) target	The APP target of commencement of 100% of Workplace Skills Plan for 2025/26 was achieved.
2.	"HR un-boxed" engagement sessions	The HR Department conducted "HR un-boxed" engagement sessions with all programme/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, thereby helping HR to clarify and address staff concerns. Employees expressed positive feedback regarding the engagement with HR.
3.	Internship programme	Hosted eight interns during this period, funded by the P-SETA. In addition, three graduates/interns were funded by Productivity SA. The entity appointed one graduate on a permanent basis during 2025/26.
4.	Wellness services	Productivity SA appointed a wellness service provider effective October 2025 for a 24-month contract. A wellness launch took place at the December 2025 staff meeting. Employees are eagerly receiving the EAP programme and there are already engagements with the service provider.
5.	Clearing of audit matters according to action plans	The HRM Department has made significant progress in actively clearing matters raised in the various audits that have been conducted. A significant improvement should be noted on all HRM audit findings from both internal/external and joint audit with ICT and finance.

Challenges

Challenges		Details
1.	Legal matters	The entity incurred significant legal costs due to a CCMA arbitration matter and the PRMA legal process.
2.	Post retirement medical aid costs	The HR Department incurred significant costs relating to the PRMA, including payment of approximately R391k per month for medical aid costs, which has increased due to the nine additional members added to the employer billing as a result of the court ruling. In addition to the medical aid cost, legal costs were also incurred due to the mediation process.

FUTURE HUMAN RESOURCES PLANS AND GOALS

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

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

2. HUMAN RESOURCE OVERSIGHT STATISTICS

2.1 Personnel related expenditure

Personnel cost by programme/activity/objective

Programme/ activity/objective	Total expenditure for the entity (R'000)	Personnel expenditure (R'000)	Personnel expenditure as a percentage of total expenditure (R'000)	Number of employees	Average personnel cost per employee (R'000)
Productivity SA	76 880	67 312	88%	77	874
Business Turnaround & Recovery	33 723	10 603	31%	10	1 060
Workplace Challenge	14 760	1 454	10%	2	727
Total	125 363	79 369	63%	89	892

Note: The above includes permanent and fixed-term contract employees as of 31 March 2026. The amount reflected in the above table excludes post-retirement medical aid contributions of R12 637 million. 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 2026.

Personnel cost by salary band

Level	Personnel expenditure (R'000)	Percentage of personnel expenditure to total personnel cost (R'000)	Number of employees	Average personnel cost per employee (R'000)
Top management	10 309	13%	7	1 473
Senior management	21 892	27.5%	16	1 368
Professional qualified	35 942	45.1%	49	734
Skilled	10 430	13.4%	13	802
Semi-skilled	796	1%	4	199
Unskilled	0	0	0	0
Total	79 369	100%	89	892

Note: The above includes permanent and fixed-term contract employees as of 31 March 2026. The amount reflected in the above table excludes post-retirement medical aid contributions of R12 637 million. 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 2026.

Performance rewards

Programme/ activity/objective	Performance rewards (R'000)	Personnel Expenditure (R'000)	% of performance rewards to total personnel cost (R'000)
Top management	0	10 309	0
Senior management	0	21 892	0
Professional qualified	0	35 942	0
Skilled	0	10 430	0
Semi-skilled	0	796	0
Unskilled	0	0	0
Total	0	79 369	0

Training costs

Programme/ activity/objective	Personnel expenditure (R'000)	Training expenditure (R'000)	Training expenditure as a percentage of personnel cost	Number of employees trained	Avg training cost per employee
Productivity SA	67 312	387	0.6%	66	6
Business Turnaround & Recovery	10 603	21	0.2%	7	3
Workplace Challenge	1 454	7	0.5%	3	2
Total	79 369	415	0.5%	76	6

Employment and vacancies

Permanent and fixed-term contract employees

Programme/ activity/objective	2025/26 Number of employees Apr'2025	2025/26 approved posts	2025/26 Number of employees Mar 2026	2025/26 Vacancies	Percentage of vacancies
Productivity SA	72	96	77	19	20%
Business Turnaround & Recovery	9	10	10	0	0%
Workplace Challenge	2	3	2	1	33%
Total	83	109	89	20	18%

Programme/ activity/objective	2025/26 Number of employees Apr'2025	2025/26 approved posts	2025/26 Number of employees Mar 2026	2025/26 Vacancies	Percentage of vacancies
Top management	5	9	7	2	22%
Senior management	17	24	16	8	33%
Professional qualified	46	50	49	1	2%
Skilled	13	22	13	9	41%

Programme/ activity/objective	2025/26 Number of employees Apr'2025	2025/26 approved posts	2025/26 Number of employees Mar 2026	2025/26 Vacancies	Percentage of vacancies
Semi-skilled	2	4	4	0	0
Unskilled	0	0	0	0	0
Total	83	109	89	20	18%

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

Employment changes

Salary band	Employment at beginning of period (Apr 2025)	Appointments	Terminations	Employment at end of the period (Mar 2026)
Top management	5	3	1	7
Senior management	17	4	5	16
Professional qualified	46	5	2	49
Skilled	13	1	1	13
Semi-skilled	2	3	1	4
Unskilled	0	0	0	0
Total	83	16	10	89

Reasons for staff leaving

Reason	Number	Percentage of total number of staff leaving
Death	0	0
Resignation	6	60%
Dismissal	0	0
Retirement	1	10%
Ill health	0	0
Expiry of contract	3	30%
Other	0	0
Total	10	100%

The entity experienced a high turnover rate during 2025/26. Exit interviews were conducted with employees who resigned. Where possible steps will be taken to address issues identified.

Labour relations: Misconduct and disciplinary action

Nature of disciplinary action	Number
Verbal warning	1
Written warning	0
Final written warning	0
Dismissal	0
Total	1

Equity target and employment equity status

Levels	Male							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top management	4	3	0	1	0	0	0	0
Senior management	7	10	0	1	0	1	0	1
Professional qualified	16	25	3	3	1	1	2	2
Skilled	1	6	1	1	0	1	0	1
Semi-skilled	3	4	0	1	0	1	0	1
Unskilled	0	0	0	0	0	0	0	0
Total	31	48	4	7	1	4	2	5

Levels	Female							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top management	1	3	0	0	1	1	1	1
Senior management	6	9	0	1	1	1	2	1
Professional qualified	23	24	0	1	3	1	1	1
Skilled	9	6	0	1	2	1	0	1
Semi-skilled	1	2	0	1	0	1	0	1
Unskilled	0	0	0	0	0	0	0	0
Total	40	44	0	4	7	5	4	5

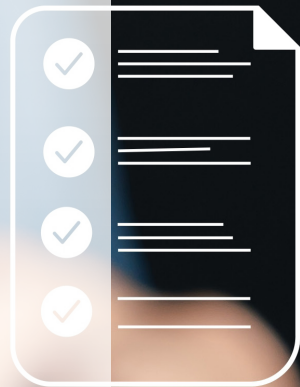
Levels	Disabled staff			
	Male		Female	
	Current	Target	Current	Target
Top management	0	0	0	0
Senior management	0	0	0	0
Professional qualified	0	0	1	1
Skilled	0	1	0	0
Semi-skilled	0	1	0	1
Unskilled	0	0	0	0
Total	0	2	1	2

The Employment Equity Plan for the period 1 September 2025 to 31 August 2030 (5 years) was finalised during 2025/26 and is in the process of implementation. Preference will be given to previously disadvantaged and/or disabled candidates in line with Productivity SA's employment equity targets.



PART E

PFMA COMPLIANCE REPORT



1. IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE AND MATERIAL LOSSES

1.1 Irregular expenditure

a) Reconciliation of irregular expenditure

Description	2025/26	2024/25
	R'000	R'000
Opening balance	10 887	8 238
Adjustment to opening balance	-	-
Opening balance as restated	-	-
Add: Irregular expenditure confirmed	2 947	2 649
Less: Irregular expenditure condoned	(8 238)	-
Less: Irregular expenditure not condoned and removed	-	-
Less: Irregular expenditure recoverable	-	-
Less: Irregular expenditure not recoverable and written off	-	-
Closing balance	5 596	10 887

Irregular expenditure for the current year is R2 947. This was incurred on suppliers with no or expired contracts, mainly related to ICT contracts and travel agencies.

Reconciling notes

Description	2025/26	2024/25
	R'000	R'000
Irregular expenditure that was under assessment	-	-
Irregular expenditure that relates to the prior year and identified in the current year	-	-
Irregular expenditure for the current year	2 947	2 649
Total	2 947	2 649

1.2 Fruitless and wasteful expenditure

a) Reconciliation of fruitless and wasteful expenditure

Description	2025/26	2024/25
	R'000	R'000
Opening balance	958	1 118
Adjustment to opening balance	-	(160)
Opening balance as restated	958	958
Add: Fruitless and wasteful expenditure confirmed	173	-
Less: Fruitless and wasteful expenditure recoverable	(958)	-
Less: Fruitless and wasteful expenditure not recoverable and written off	-	-
Closing balance	173	958

Fruitless and wasteful expenditure consists of SARS penalties and interest incurred on late payment for November 2025.

Reconciling notes

Description	2025/26	2024/25
	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	-	-
Fruitless and wasteful expenditure for the current year	173	-
Prior year error	-	(160)
Total	173	958

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 software	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
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 two 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

Project description	Name of supplier	Type of procurement by other means	Contract number	Value of contract R'000
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 Warehouse	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				11 107



A photograph of a business meeting. Several people are gathered around a table, looking at and pointing to various financial documents. The documents include bar charts, pie charts, and tables of data. One person is using a calculator. The scene is brightly lit, and the focus is on the hands and the documents.

PART F

FINANCIAL

INFORMATION

Accounting Authority's Report

1. Incorporation

The entity was established in terms of section 31(1) of the Employment Services Act, No 4 of 2014 (The Act).

2. Corporate governance

General

The Board is committed to business integrity, transparency and professionalism in all its activities. As part of this commitment, the board supports the highest standards of corporate governance and the ongoing development of best practice.

Board of directors

The Board:

- retains full control over the entity, its plans and strategy;
- acknowledges its responsibilities as to strategy, compliance with internal policies, external laws and regulations,
- effective risk management and performance measurement, transparency and effective communication both internally and externally by the entity;
- is of a unitary structure comprising:
 - non-executive directors, all of whom are independent directors as defined in the Code; and
 - executive directors.

Chairperson and Chief Executive

The Chairperson is a non-executive and independent director (as defined by the Code).

The roles of Chairperson and Chief Executive are separate, with responsibilities divided between them, so that no individual has unfettered powers of discretion.

Non-executive meetings

The Accounting Authority schedules to meet at least four times per annum. The Accounting Authority has met on five separate occasions during the financial year, which includes one special board meeting.

Audit and Risk Committee

Audit and Risk Committee is chaired by Mr. Paul Slack (independent member) and comprises three independent additional members, viz Ms. Sinah Mosehla, Mr. Jerry Mmoneri and Mr. Gilly Dlamini.

Internal audit

The entity has outsourced its internal audit function to PKM Chartered Accountants who succeeded ARMS-Audit and Risk Management Solutions which was the entity's previous internal auditors. This is in compliance with the Public Finance Management Act No. 1 of 1999.

3. Executive Authority

The entity's Executive Authority is the Minister of Employment and Labour.

The annual financial statements set out on page 85, which have been prepared on the going concern basis, were approved by the board on 31 July 2026 and were signed on its behalf by:



Amelia Naidoo
Acting Chief Executive Officer

Independent Auditor's Report to the Board of Productivity SA

Report on the audit of the annual financial statements

Opinion

1. We have audited the financial statements of the Productivity SA set out on pages 84 to 129, which comprise the statement of financial position as at 31 March 2026, 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 2026 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.

Responsibilities of the accounting authority for the financial statements

6. 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.
7. In preparing the financial statements, the accounting authority is responsible for assessing the public entity's ability to continue as a going concern; disclosing, as applicable, matters relating to going concern; and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the 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

8. 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

Independent Auditor's Report to the Board of Productivity SA

influence the economic decisions of users taken on the basis of these financial statements.

9. A further description of our responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.

Report on the audit of the annual performance report

10. 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.
11. 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 2026. 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 Turn-around Strategies to retain jobs by 31 March
 - Number of Future Forum members trained and capacitated on productivity improvement solutions by 31 March

12. 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.

13. 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

Independent Auditor's Report to the Board of Productivity SA

- there is adequate supporting evidence for the achievements reported and for the reasons provided for any over- or underachievement of targets.

14. We performed the procedures to report material findings only; and not to express an assurance opinion or conclusion.
15. We did not identify any material findings on the reported performance information for the selected indicators.

Other matters

16. We draw attention to the matters below.

Achievement of planned targets

17. 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

18. 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.
19. We performed procedures to test compliance with selected requirements in key legislation.
20. We identified material non-compliance with the selected legislative requirements.

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

Consequence Management

22. I was unable to obtain sufficient appropriate audit evidence that disciplinary steps were taken against officials who had incurred irregular expenditure as required by section 51(1)(e)(iii) of the PFMA. This was because investigations into irregular expenditure were not performed in the current year.

Expenditure management

23. Effective and appropriate steps were not taken to prevent irregular expenditure as disclosed in note 25 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 non-compliance 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

24. 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.
25. 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.

Independent Auditor's Report to the Board of Productivity SA

26. 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.
27. 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.
- investigations and determinations, and inadequate oversight by senior management.
31. 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. To improve effective internal controls to prevent irregular, fruitless, and wasteful expenditure, and to enforce consequence management, as required by the PFMA.

Internal control deficiencies

28. 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.
29. 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.
30. The entity, under the oversight of the accounting authority, adequate internal controls in place to ensure effective consequence management, as required by the PFMA and applicable Treasury Regulations. Specifically, weaknesses in the monitoring and follow-up mechanisms necessary to ensure that consequence management actions are implemented within prescribed timeframes, a lack of clear assignment of responsibility for initiating and finalising

Lunika Inc.

Lunika Chartered Accountants and Auditors Incorporated

Samkelo Mxunyelwa CA (SA)
Director
Registered Auditor

31 July 2026
Lonehill Office Park
Sandton
Johannesburg

 LUNIKA

Independent Auditor's Report to the Board of Productivity SA

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.

External auditor'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 applied.

Independent Auditor's Report to the Board of Productivity SA

Compliance with legislation – selected legislative requirements

The selected legislative requirements are as follows:

Legislation	Sections or regulations
Public Finance Management Act 1 of 1999	Section 51(1)(b)(i); 51(1)(b)(ii); 51(1)(e)(iii); 53(4); 54(2)(c); 54(2)(d) 55(1)(a); 55(1)(b); 55(1)(c)(i); 56; 57(b);66(3)(c);66(5)
Treasury Regulations 2005	Regulation 16A 3.2; 16A 3.2(a); 16A 6.1; 16A6.2(a);16A6.2(b);16A 6.3(a);16A 6.3(b); 16A 6.3(c); 16A 6.3(e); 16A 6.4; 16A 6.5; 16A 6.6; 16A.7.1; 16A.7.3;16A 8.3;16A 8.4;16A9.1(b)(ii);16A9.1(d); 16A 9.1(e); 16A9.1(f); 16A 9.2; 16A 9.2(a)(ii); 30.1.1; 31/1/2(c); 30.1.3(a); 30.1.3(b); 30.1.3(d); 30.2.1; 31.2.1; 31.2.5; 31.2.7(a); 31.3.3; 32.1.1(a); 32.1.1(b); 32.1.1(c); 33.1.1;33.1.3
Construction Industry Development Board Regulations, 2004	Regulation 17; 25(7A);25(9)(a); 25(10)
National Treasury SCM Instruction No. 4A of 2016/17	Paragraph 6
National Treasury SCM Instruction No. 03 of 2021/22	Paragraph 4.1; 4.2 (b); 4.3; 4.4 (a); 4.17; 7.2; 7.6
National Treasury SCM Instruction No. 2 of 2021/22	Paragraph 3.2.1; 3.2.4; 3.2.4(a); 3.3.1
National Treasury Practice Note 5 of 2009/10	Paragraph 3.3
National Treasury Practice Note 7 of 2009/10	Paragraph 4.1.2
Preferential Procurement Policy Framework Act 5 of 2000	Section 1; 2(1)(a); 2(1)(b); 2.1(f)
Preferential Procurement Regulations, 2022	Regulation 4.1; 4.2; 4.3; 4.4; 5.1; 5.2; 5.3; 5.4
Prevention and Combating of Corrupt Activities Act 12 of 2004	Section 34(1)

Statement of Financial Position as at 31 March 2026

Figures in Rand	Note(s)	2026	2025 Restated*
Assets			
Current Assets			
Receivables from exchange transactions	3	1 036 423	764 681
Prepayments	4	811 395	131 904
Cash and cash equivalents	5	30 904 366	58 556 866
		32 752 184	59 453 451
Non-Current Assets			
Property, plant and equipment	6	1 674 053	2 949 322
Intangible assets	7	59 399	118 343
Deposits held	8	850 238	850 238
		2 583 690	3 917 903
Total Assets		35 335 874	63 371 354
Liabilities			
Current Liabilities			
Finance lease obligation	9	262 703	262 703
Operating lease liability	10	282 901	917 315
Payables from exchange transactions	11	6 360 022	5 232 741
Unspent grants and receipts	12	7 002 587	37 820 601
Provisions	13	9 194 455	716 378
		23 102 668	44 949 738
Non-Current Liabilities			
Finance lease obligation	9	-	243 173
Total Liabilities		23 102 668	45 192 911
Total Net Assets		12 233 206	18 178 443

Statement of Financial Performance

Figures in Rand	Note(s)	2026	2025 Restated*
Revenue			
Revenue from exchange transactions			
Rendering of services		4 370 912	4 436 802
Other income	14	5 565 235	3 393 937
Interest received		1 274 888	994 672
Gain on disposal of assets		-	47 165
Total revenue from exchange transactions		11 211 035	8 872 576
Revenue from non-exchange transactions			
Transfer revenue			
Government grants and subsidies	15	108 206 362	112 775 602
Total revenue		119 417 397	121 648 178
Expenditure			
Employee related costs	16	(92 006 523)	(77 514 711)
Audit fees	17	(750 094)	(1 318 144)
Legal fees		(870 103)	(1 304 826)
Depreciation and amortisation	6&7	(1 587 973)	(1 752 875)
Finance costs	18	(32 266)	(48 766)
Lease rentals on operating lease		(5 833 085)	(5 928 565)
Bad debts impairment		(13 520)	(57 381)
Project implementation costs		(5 986 185)	(3 152 899)
Operating expenses	19	(18 282 885)	(15 156 671)
Total expenditure		(125 362 634)	(106 234 838)
(Deficit)/surplus for the year		(5 945 237)	15 413 340

Statement of Changes in Net Assets

Figures in Rand	Accumulated (deficit)/ surplus	Total net assets
Balance at 01 April 2024	2 765 103	2 765 103
Surplus for the year	15 413 340	15 413 340
Restated* balance at 01 April 2025	18 178 443	18 178 443
Deficit for the year	(5 945 237)	(5 945 237)
Balance at 31 March 2026	12 233 206	12 233 206

Cash Flow Statement

Figures in Rand	Note(s)	2026	2025 Restated*
Cash flows from operating activities			
Receipts			
Rendering of services		9 664 405	7 426 317
Government grants and subsidies		77 388 348	135 311 875
Interest income		1 274 888	994 672
		<u>88 327 641</u>	<u>143 732 864</u>
Payments			
Employee related costs		(91 354 148)	(77 637 062)
Suppliers		(24 096 793)	(27 057 518)
Finance costs		(32 266)	(48 766)
		<u>(115 483 207)</u>	<u>(104 743 346)</u>
Net cash flows from operating activities	20	(27 155 566)	38 989 518
Cash flows from investing activities			
Purchase of property, plant and equipment	6	(253 761)	(166 829)
Proceeds from disposal of property, plant and equipment	6	-	60 946
Net cash flows from investing activities		(253 761)	(105 883)
Cash flows from financing activities			
Finance lease payments		(243 173)	(225 095)
Net (decrease)/increase in cash and cash equivalents		(27 652 500)	38 658 540
Cash and cash equivalents at the beginning of the year		58 556 866	19 898 326
Cash and cash equivalents at the end of the year	5	30 904 366	58 556 866

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Statement of Financial Performance

Revenue

Revenue from exchange transactions

Rendering of services	45 003 510	8 821 579	53 825 089	4 370 912	(49 454 177)	23.1
Other income	305 628	(5 628)	300 000	5 565 235	5 265 235	23.2
Interest received	949 221	86 989	1 036 210	1 274 888	238 678	23.3

Total revenue from exchange transactions

46 258 359	8 902 940	55 161 299	11 211 035	(43 950 264)
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Revenue from non-exchange transactions

Transfer revenue

Government grants and subsidies	129 552 000	1 500 000	131 052 000	108 206 362	(22 845 638)	23.4
Total revenue	175 810 359	10 402 940	186 213 299	119 417 397	(66 795 902)	

Expenditure

Employee related costs	(94 755 304)	(8 303 070)	(103 058 374)	(92 006 523)	11 051 851	23.5
Audit fees	(653 680)	(463 574)	(1 117 254)	(750 094)	367 160	23.6
Legal fees	(1 008 677)	300 677	(708 000)	(870 103)	(162 103)	23.7
Depreciation and amortisation	(2 722 209)	58 140	(2 664 069)	(1 587 973)	1 076 096	23.8
Finance costs	(78 128)	-	(78 128)	(32 266)	45 862	
Lease rentals on operating lease	(7 703 180)	254 872	(7 448 308)	(5 833 085)	1 615 223	23.9
Bad debts impairment	-	-	-	(13 520)	(13 520)	
Project implementation costs	(50 550 258)	6 000	(50 544 258)	(5 986 185)	44 558 073	23.10
Operating costs	(18 338 923)	(2 255 985)	(20 594 908)	(18 282 885)	2 312 023	23.11
Total expenditure	(175 810 359)	(10 402 940)	(186 213 299)	(125 362 634)	60 850 665	

Deficit for the year

-	-	-	(5 945 237)	(5 945 237)
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Actual amount on comparable basis as presented in the Budget and Actual Comparative Statement

-	-	-	(5 945 237)	(5 945 237)
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Significant accounting policies as at 31 March 2026

1. Significant accounting policies

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

1.1 Basis of preparation

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

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

These accounting policies are consistent with the previous period, with the exception of the financial instruments policy which has been updated to align with the revised GRAP 104 standard.

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.

The entity does not retrospectively adjust the accounting of past items (or group of items) that were previously assessed as immaterial, unless an error occurred.

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.

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

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.

Significant accounting policies as at 31 March 2026

1.5 Significant judgements and sources of estimation uncertainty (continued)

Impairment – expected credit losses (ECL)

The entity measures expected credit losses (ECL) on financial assets measured at amortised cost, lease receivables, and on loan commitments and financial guarantee contracts, using the requirements in GRAP 104.5.17–5.35. Financial assets measured at cost (i.e. investments in residual interests where fair value cannot be measured reliably) are subject to a separate impairment model described in note [6] (see GRAP 104.5.36). ECL measurement involves significant judgement, including in:

- defining “default” and segmenting exposures into appropriate groups;
- estimating probabilities of default, loss given default and exposures at default;
- assessing the impact of collateral and other credit enhancements; and
- incorporating forward-looking information and any post-model adjustments where model outputs do not fully capture emerging risks.

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

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

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

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

Property, plant and equipment is initially measured at cost.

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

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.

Significant accounting policies as at 31 March 2026

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 losses.

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

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

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's expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the entity revises the

expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

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.

Significant accounting policies as at 31 March 2026

1.7 Intangible assets (continued)

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

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

Intangible assets are derecognised:

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

1.8 Financial instruments - GRAP 104 (revised 2019) - current policy

Definitions

Financial assets include:

- cash;
- residual interests of another entity; or
- contractual rights to receive or exchange cash or another financial asset.

Financial liabilities are contractual obligations to deliver cash or another financial asset, or to exchange financial assets or liabilities under conditions that are potentially unfavourable to the entity.

The **amortised cost** of a financial asset or liability is the amount at which it is measured initially, minus principal repayments, plus or minus cumulative amortisation using the effective-interest rate method, and less any loss allowance.

12 month expected credit losses is the portion of lifetime expected credit losses that represent the expected credit losses that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Credit-impaired financial asset is a financial asset that is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired include observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

It may not be possible to identify a single discrete event; instead, the combined effect of several events may have caused financial assets to become credit-impaired.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Expected credit losses are the weighted average of credit losses with the respective risks of a default occurring as the weights.

Gross carrying amount of a financial asset is the amortised cost of a financial asset, before adjusting for any loss allowance.

Impairment gain or loss is a gain or loss that is recognised in surplus or deficit in accordance with paragraph 5.23 and 5.36.

Significant accounting policies as at 31 March 2026

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of a financial instrument.

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

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

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

Initial recognition

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

Classification

Classification of 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:

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.

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 and are subject to an impairment review.

Classification of 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.

Finance lease obligation

Refer to note 1.9 - leases for detailed information.

Trade and other payables are initially recognised at fair value and are subsequently measured at amortised cost.

Significant accounting policies as at 31 March 2026

1.8 Financial instruments - GRAP 104 (revised 2019) - current policy (continued)

Measurement

Initial measurement

Except for, where at initial recognition, the entity measures receivables and payables at their transaction price if they do not contain a material financing transaction, the entity measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or a financial liability not at fair value through surplus or deficit, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Subsequent measurement of financial assets

After initial recognition, the entity measures a financial asset at amortised cost.

The entity applies the impairment requirements in paragraphs 5.17 to 5.35 to financial assets that are measured at amortised cost in accordance with paragraph 4.2 and paragraph 5.36 to financial assets measured at cost in accordance with paragraph 4.5.

Subsequent measurement of financial liabilities

After initial recognition, the entity measures a financial liability at amortised cost.

Impairment

Recognition of expected credit losses

Simplified approach for receivables

The entity applies the simplified approach in measuring expected credit losses for trade receivables and lease receivables. Under the simplified approach, lifetime expected credit losses are recognised from initial recognition.

Expected credit losses are determined using a provision matrix, based on historic credit loss experience adjusted for forward-looking information.

Expected credit losses are assessed at each reporting date and adjusted to reflect changes in credit risk since initial recognition. The entity directly reduces the gross carrying amount of a financial asset when there is no reasonable expectation of recovering the asset in its entirety or in part. Write-offs are assessed on an individual basis and are authorised in accordance with the entity's debt management policy. A write-off constitutes a derecognition event and is recognised in surplus or deficit. Where amounts previously written off are subsequently recovered, the recovery is recognised in surplus or deficit in the period in which it is received.

A significant increase in credit risk is presumed when contractual payments are more than 30 days past due, unless reasonable and supportable information indicates otherwise.

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.

Significant accounting policies as at 31 March 2026

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 Employee benefits

Identification

Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for services rendered by employees or for the termination of employment.

Termination benefits

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

- (a) when the entity can no longer withdraw the offer of those benefits; and
- (b) 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 with amounts determined before the time of issuing the financial statements.

Post-employment benefits

Post-employment benefits 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 place actuarial and investment risk on the entity.

1.11 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.

A provision is used only for expenditures for which the provision was originally recognised.

Significant accounting policies as at 31 March 2026

1.11 Provisions and contingencies (continued)

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 27.

1.12 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.

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

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

1.13 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.

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

Measurement

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

Rendering of services

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

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

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

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, royalties and dividends or similar distributions is recognised when:

Significant accounting policies as at 31 March 2026

- 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.

1.14 Revenue from non-exchange transactions

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

1.14 Revenue from non-exchange transactions (continued)

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.

1.15 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure that was made in vain and would have been avoided had reasonable care been exercised. All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the Statement of Financial Performance in the year that the expenditure was incurred. 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.

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.

1.16 Irregular expenditure

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

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

Significant accounting policies as at 31 March 2026

1.16 Irregular expenditure (continued)

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 be recorded appropriately in the irregular expenditure register. In such instances, no further action is required other than 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 also be recorded in the irregular expenditure register. No further action is required other than 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 or expenditure item, be disclosed as such in the note to the financial statements, and updated accordingly in the irregular expenditure register.

1.17 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.

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.

1.18 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 Productivity SA shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

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

The approved budget covers the fiscal period from 2025/04/01 to 2026/03/31.

The budget for the economic entity includes all the entity's 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 have been

Significant accounting policies as at 31 March 2026

included in the Statement of Comparison of Budget and Actual Amounts.

1.19 Related parties

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

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

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

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

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

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

1.19 Related parties (continued)

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

The entity is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no

more or less favourable than those which it is reasonable to expect the entity to have adopted if dealing with that individual entity or person in the same circumstances and terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate.

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

1.20 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.

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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 2026 or later periods:

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

3. Receivables from exchange transactions

Receivables from exchange transactions

Trade receivables	932 940	662 422
Other receivables	103 483	102 259
Total receivables from exchange transactions	1 036 423	764 681

Split between financial instruments and non-financial instruments

Carrying amount of non-financial instruments	103 483	102 259
Carrying amount of financial instruments	932 940	662 422
Total split between financial instruments and non-financial instruments	1 036 423	764 681

Please refer to note 24 - Financial instruments for further details. Disclosures were made keeping in mind materiality considerations.

Other receivables comprise positive balances at year-end of PAYE and medical aid accounts.

Notes to the Annual Financial Statements

Figures in Rand	2026	2025
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3. Receivables from exchange transactions (continued)

Reconciliation of provision for impairment of trade and other receivables

Opening balance	12 632	-
Provision for impairment	13 519	12 632
	26 151	12 632

Financial instrument disclosure

Additional information on the financial instrument components of this note, as required by GRAP 104, is provided in note 24 Financial instruments - risk management and other disclosures.

4. Prepayments

Prepayments consist of software licences, membership and subscription payments.

Prepaid expenses	811 394	131 904
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5. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	2 180 853	2 557 735
Short-term deposits	28 723 513	55 999 131
	30 904 366	58 556 866

6. Property, plant and equipment

	2026			2025		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Buildings	178 088	(178 087)	1	178 088	(178 087)	1
Furniture and fixtures	1 304 139	(1 171 203)	132 936	1 304 139	(1 055 626)	248 513
Motor vehicles	157 601	(157 600)	1	157 601	(146 423)	11 178
Computer equipment	8 519 876	(7 224 073)	1 295 803	8 266 116	(6 048 238)	2 217 878
Finance leased assets	1 132 202	(886 890)	245 312	1 132 202	(660 450)	471 752
Total	11 291 906	(9 617 853)	1 674 053	11 038 146	(8 088 824)	2 949 322

Notes to the Annual Financial Statements

Figures in Rand	2026	2025
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6. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment

2026	Opening balance	Additions	Transfers	Depreciation	Total
Buildings	1	-	-	-	1
Furniture and fixtures	248 513	-	-	(115 577)	132 936
Motor vehicles	11 178	-	-	(11 177)	1
Equipment	-	-	715	(715)	-
Computer equipment	2 217 878	253 761	(716)	(1 175 120)	1 295 803
Finance leased assets	471 752	-	-	(226 440)	245 312
	2 949 322	253 761	(1)	(1 529 029)	1 674 053

2025	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
Buildings	1	-	-	-	-	1
Furniture and fixtures	367 223	-	-	-	(118 710)	248 513
Motor vehicles	22 356	-	-	-	(11 178)	11 178
Equipment	2 132	-	-	(1 412)	(720)	-
Computer equipment	3 330 640	166 829	(13 781)	1 412	(1 267 222)	2 217 878
Finance leased assets	698 192	-	-	-	(226 440)	471 752
	4 420 544	166 829	(13 781)	-	(1 624 270)	2 949 322

Notes to the Annual Financial Statements

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7. Intangible assets

	2026			2025		
	Cost	Accumulated amortisation	Carrying value	Cost	Accumulated amortisation	Carrying value
Computer software	1 524 724	(1 465 325)	59 399	1 524 724	(1 406 381)	118 343

Reconciliation of intangible assets

2026	Opening balance	Amortisation	Total
Computer software	118 343	(58 944)	59 399

2025	Opening balance	Amortisation	Total
Computer software	246 948	(128 605)	118 343

8. 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-year lease agreement. Upon termination or cancellation of the lease, the deposit adjusted interest calculated based on the prime link rate of the landlord at the time less 5 percentage points per annum compounded annually in arrears after deducting all amounts owed by the tenant. The current rental agreements expire between 31 May 2026 and 31 January 2027.

None of the balances in deposits are classified as non-financial instruments in terms of GRAP 104.

Head office	727 000	727 000
KZN regional office	46 000	46 000
WC regional office	109 000	109 000
PE satellite office	12 987	12 987
Expected credit losses	(44 749)	(44 749)
	850 238	850 238

Notes to the Annual Financial Statements

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9. Finance lease obligation

Minimum lease payments due

- within one year	273 861	273 861
- in second to fifth year inclusive	-	273 861

Less: future finance charges

	(11 158)	(41 846)
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Present value of minimum lease payments

Present value of minimum lease payments due

- within one year	262 703	262 703
- in second to fifth year inclusive	-	243 173

Non-current liabilities

	-	243 173
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Current liabilities

	262 703	262 703
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Split between financial instruments and non-financial instruments

Carrying amount of financial instruments	262 703	505 876
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The finance lease obligation relates to six printers leased over the average lease term of five years and the average effective borrowing rate of 7.75%.

10. Operating lease liability

Current liabilities	282 901	917 315
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Refer to note 26 - Commitments for additional information.

11. Payables from exchange transactions

Trade payables	1 892 443	1 320
Other payables	78 004	27 634
Accrued leave pay	3 673 470	3 022 805
Accrued bonus	363 038	361 328
Accrued expense	353 067	1 819 654
	6 360 022	5 232 741

The leave pay provision charge has increased in the 2026 financial year due to the extension of the timeframe to utilise legacy leave days until 31 March 2026.

Notes to the Annual Financial Statements

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11. Payables from exchange transactions (continued)

Split between financial instruments and non-financial instruments

Carrying amount of non-financial instruments	4 114 512	3 411 767
Carrying amount of financial instruments	2 245 510	1 820 974
Total split between financial instruments and non-financial instruments	6 360 022	5 232 741

12. Unspent grants and receipts

2026	Productivity SA	Business Turnaround Recovery	Workplace Challenge	ILO	Total
Opening balance	(31 869)	36 795 417	-	1 057 053	37 820 601
Government grant received	64 123 000	-	10 360 000	-	74 483 000
Amounts received - other	1 014 240	-	1 700 000	5 666 886	8 381 126
Interest capitalised	-	1 690 917	-	60 540	1 751 457
Amount spent - government grant	(64 123 000)	-	(10 360 000)	-	(74 483 000)
Amount spent - other	(676 128)	(33 723 362)	(1 130 000)	(5 421 107)	(40 950 597)
	306 243	4 762 972	570 000	1 363 372	7 002 587

Notes to the Annual Financial Statements

Figures in Rand	2026	2025
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12. Unspent grants and receipts (continued)

2025	Productivity SA	Business Turnaround Recovery	Workplace Challenge	ILO	Transnet	Total
Opening balance	4 926 384	10 346 536	1 381	-	10 027	15 284 328
Government grant received	61 472 000	52 168 600	10 027 000	-	-	123 667 600
Financial assistance received	9 500 000	-	-	-	-	9 500 000
Amounts received - other	216 125	-	-	3 352 640	-	3 568 765
Interest capitalised	-	1 299 462	-	79 346	-	1 378 808
Amount spent - government grant	(61 472 000)	(27 019 181)	(10 027 000)	-	-	(98 518 181)
Amount spent - government grant financial assistance	(14 257 419)	-	-	-	-	(14 257 419)
Amount spent - other	(416 959)	-	(1 381)	(2 374 933)	(10 027)	(2 803 300)
	(31 869)	36 795 417	-	1 057 053	-	37 820 601

13. Provisions

Reconciliation of provisions

2026	Opening balance	Additions	Utilised during the year	Total
Audit fees - external	530 981	594 455	(530 981)	594 455
Audit fees - internal	185 397	-	(185 397)	-
PRMA legal claim	-	8 600 000	-	8 600 000
	716 378	9 194 455	(716 378)	9 194 455

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13. Provisions (continued)

Reconciliation of provisions

2025	Opening balance	Additions	Utilised during the year	Total
Audit fees - external	539 210	530 981	(539 210)	530 981
Audit fees - internal	108 521	185 397	(108 521)	185 397
	647 731	716 378	(647 731)	716 378

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

PRMA Legal Claim Provision: The post-retirement medical aid (PRMA) matter was initially disclosed as a contingent liability because the obligation was dependent on the outcome of ongoing court proceedings. Following the resolution of the court matter, the uncertainty relating to the existence of a present obligation was removed, resulting in the matter being reclassified as a provision.

The court outcome created a present obligation requiring the entity to make a settlement offer to the affected pensioners through a mediation process. In compliance with the court resolution, management extended cash settlement offers to the affected pensioners. Although the pensioners have not yet accepted the offers, the entity has no realistic alternative but to settle the obligation should the mediation process be concluded successfully. Accordingly, a provision was recognized, as the obligation arose from a past event, it is probable that an outflow of economic resources will be required to settle the obligation, and the amount can be estimated reliably.

14. Other income

Other services rendered	5 421 108	2 374 934
Reversal of bad debts provision	-	295 644
Staff development	144 127	111 415
Sundry income	-	611 944
	5 565 235	3 393 937

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15. Government grants and subsidies

Unconditional grants

Government grant - Department of Employment and Labour

64 123 000	75 729 420
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Conditional grants

Government grant - Department of Trade, Industry and Competition

10 360 000	10 027 000
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Government grant - Unemployment Insurance Fund

33 723 362	27 019 182
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44 083 362	37 046 182
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108 206 362	112 775 602
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16. Employee related costs

Basic

77 120 754	72 513 121
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Leave pay provision charge

1 124 216	510 467
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Medical aid - company contributions for pensioners

12 637 481	3 442 702
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SDL

731 704	680 763
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UIF

392 368	367 658
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92 006 523	77 514 711
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Medical aid - company contributions for pensioners: The significant increase in this item is due to a settlement offer made to the pensioners as a result of the court case. This matter was reported as a contingent liability in the previous financial year.

The leave pay provision charge increased in the 2026 financial year due to the extension of timeframe to utilise legacy leave days until 31 March 2026.

17. Audit fees

Audit fees - external

594 455	566 148
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Audit fees - internal

155 639	521 356
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Audit fees - forensic

-	230 640
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750 094	1 318 144
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18. Finance costs

Finance leases

30 688	48 766
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Interest on late payment (SARS)

1 578	-
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32 266	48 766
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Total interest incurred on finance leases is calculated using the effective interest rate of 7.75%.

Notes to the Annual Financial Statements

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19. Operating expenses

Annual awards fees	960 221	558 194
Bank charges	39 270	39 184
Board fees	467 229	317 711
Communications	1 956 984	2 458 369
Computer expenses	1 795 207	1 341 665
Conferences and seminars	-	9 634
Consumables	161 841	107 664
Insurance	720 839	782 421
Motor vehicle expenses	-	4 028
Office maintenance	72 478	133 558
Other expenses	224 709	69 775
Penalties	171 306	-
Placement fees	98 686	291 533
Printing and stationery	367 076	344 525
Promotions	197 404	521 180
Staff welfare	52 800	43 112
Subscriptions and membership fees	98 155	121 329
Support services	4 780 372	2 699 831
Training	414 650	437 504
Travel - local	4 320 835	3 172 306
Travel - overseas	249 738	323 650
Utilities	1 133 085	1 379 498
	18 282 885	15 156 671

20. Cash (used in) generated from operations

(Deficit)/surplus	(5 945 237)	15 413 340
Adjustments for:		
Depreciation and amortisation	1 587 973	1 752 875
Gain on sale of assets and liabilities	-	(47 165)
Finance costs	32 266	48 766
Bad debts impairment	13 520	57 381
Movements in operating lease	(634 414)	(245 231)
Movements in provisions	8 478 077	68 647
Changes in working capital:		
Receivables from exchange transactions	(271 742)	(404 422)
Prepayments	(679 491)	479 297
Payables from exchange transactions	1 081 496	(670 243)
Unspent grants and receipts	(30 818 014)	22 536 273
	(27 155 566)	38 989 518

Notes to the Annual Financial Statements

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21. 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.

22. Related parties**Relationships**

Board members

Controlling entity

Controlled entities

Entities with common control

Other government departments

Refer to members' report note

Department of Employment and Labour

Business Turnaround Recovery and

Workplace Challenge programmes

Unemployment Insurance Fund,

Compensation Fund and CCMA

Department of Trade, Industry and

Competition

Notes to the Annual Financial Statements

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22. Related parties (continued)

Related party balances

Amounts included in payables (unspent grants)

Unemployment Insurance Fund	4 762 972	36 795 417
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Related party transactions

Non-exchange revenue

Department of Employment and Labour	64 123 000	75 729 420
Department of Trade, Industry and Competition	10 360 000	10 027 000
Unemployment Insurance Fund	33 723 362	27 019 182

Expenditure

Department of Trade, Industry and Competition	11 889 870	7 661 100
Unemployment Insurance Fund	17 093 111	14 062 015
Compensation Fund	88 481	106 693

Remuneration of management

Management class: Board members

2026			
Name	Meeting attendance fee	Other benefits received**	Total
Tshefu Z	59 082	1 011	60 093
Jack B	85 337	2 128	87 465
Dlamini G	43 495	1 573	45 068
Selematsela M	107 211	15 909	123 120
Mmoneri T	19 217	379	19 596
Nolingo WC	32 370	1 746	34 116
Slack P	98 735	1 657	100 392
	445 447	24 403	469 850

Notes to the Annual Financial Statements

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22. Related parties (continued)

2025			
Name	Meeting attendance fee	Other benefits received**	Total
Jack B	57 449	1 637	59 086
Nolingo WC	56 649	4 059	60 708
Selematsela M	57 301	389	57 690
Dlamini G	51 254	43	51 297
Slack P	88 930	-	88 930
	311 583	6 128	317 711

** Other benefits comprise travel allowance and skills development levy.

Management class: Executive management

2026			
Designation	Basic salary	Other benefits received*	Total
Executive Manager CIS / Acting Chief Executive Officer	1 338 525	491 316	1 829 841
Chief Financial Officer	969 647	95 130	1 064 777
Acting Chief Financial Officer - 15 August 2025	442 707	45 241	487 948
Executive Manager: Corporate Relations	1 346 812	169 592	1 516 404
Executive Manager: RIS / Acting Head HRM	1 507 790	383 865	1 891 655
Executive Manager: Regional Operations (Region 2)	1 277 311	140 510	1 417 821
Executive Manager: Regional Operations (Region 3)	505 233	78 472	583 705
Executive Manager: BT&R	1 353 545	163 493	1 517 038
	8 741 570	1 567 619	10 309 189

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22. Related parties (continued)

2025			
Designation	Basic salary	Other benefits received*	Total
Executive Manager CIS / Acting Chief Executive Officer	1 273 581	255 837	1 529 418
Chief Financial Officer - 31 December 2024	993 145	86 027	1 079 172
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
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

* Other benefits comprise skills development, travel and cellphone allowances.

23. Budget differences

Material differences between budget and actual amounts

Budget narrations are included for variations above R100 000.

23.1 Rendering of services

The lower than budgeted income variance of R49 454 177 was due to various factors, such as capacity constraints arising from vacancies that were either not filled or filled later than planned. In addition, there were challenges in finalising certain co-funding agreements, and to a lesser extent, difficulties in enrolling qualifying SMMEs into programmes.

23.2 Other income

This income comprises the staff development grant and income from rendering services under the ILO project. An amount of R300 000 was budgeted, while an actual of R5 565 235 was generated. During the budgeting period there was uncertainty whether the programme would receive funding for the 2025/26 financial year. The funding agreement between ILO and Productivity SA was eventually concluded after the budgeting cycle.

Notes to the Annual Financial Statements

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23. Budget differences (continued)

23.3 Interest received

Interest income is mainly affected by two factors, that of available cash balances, and interest rate movements during the year. An amount of R1 036 210 was budgeted. At the end of the period, R1 274 888 was generated. A positive variance of R238 678 was generated during the 2025/26 financial year.

23.4 Government grants and subsidies

Productivity SA obtained revenue of R108 206 362 which is R22 845 638 below budget of R131 052 000. The under-performance is mainly attributable to Business Turnaround and Recovery Programme. The variance is as result of delays experienced in implementing the programme.

23.5 Employee-related costs

The entity took a decision to fill business-critical vacancies only which has resulted in lower actual expenditure compared to budget. The variance of R11 051 851 emanates from the filling of critical vacancies only.

23.6 Audit fees

The under-expenditure is due to the delay in appointing internal auditors. An amount of R1 117 254 was budgeted. Actual expenditure of R750 094 was incurred.

23.7 Legal fees

An amount of R708 000 was budgeted in 2025/26 but the actual spend exceeded the budget by R162 103 as result of an increased CCMA cost incurred by the organisation.

23.8 Depreciation and amortisation

The higher than budgeted depreciation is mainly due to assets not being depreciated in the system due to a system error. This was identified and corrected and has resulted in an increase in depreciation. A negative variance of R1 076 096 occurred during the year under review.

23.9 Lease rentals on operating lease

There was a misalignment on lease rentals when preparing the ENE budget. That budget assumed that lease rentals were straight lined, whereas actual rentals are split based on office space occupied by each programme. This misalignment has been updated accordingly in FY 2026. As a result of cost saving and aligning the expense to the space utilised, the budget is R7 448 308 with a positive variance of R1 615 223.

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23. Budget differences (continued)

23.10 Project implementation costs

Project expenditure is lower than budget by R44 558 073 due to challenges that were experienced in programme implementation such as nurturing qualifying businesses into programmes. The bulk of the under-expenditure is from the Business Turnaround and Recovery programme.

23.11 Operating expenses

The lower than budgeted costs are due to efforts to manage the organisation's financial resources more effectively by limiting spending on goods and services that are essential for business. A positive variance of R2 312 023 was the result at year end.

Changes from the approved budget to the final budget

The 2024/25 MTEF budget submission to National Treasury was R175 810 359. This was lower than the final internal budget of R186 213 299. Based on submissions from various Productivity SA programmes, the budget was adjusted by R10 402 940, in line with the MTEF's CPIs.

24. Financial instruments - risk management and other disclosures

Categories of financial assets and financial liabilities

Carrying amounts of financial assets

Class of financial instrument

2026	Note(s)	At amortised cost	Expected credit loss	Total
Trade receivables	3	959 092	(26 152)	932 940
Deposits - rental	8	894 987	(44 749)	850 238
Other receivables	3	103 483	-	103 483
Cash and cash equivalents	5	30 904 366	-	30 904 366
Total carrying amounts		32 861 928	(70 901)	32 791 027

2025	Note(s)	At amortised cost	Expected credit loss	Total
Trade receivables	3	675 054	(12 632)	662 422
Deposits-rental	8	894 987	(44 749)	850 238
Other receivables	3	102 259	-	102 259
Cash and cash equivalents	5	58 556 866	-	58 556 866
Total carrying amounts		60 229 166	(57 381)	60 171 785

Notes to the Annual Financial Statements

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24. Financial instruments - risk management and other disclosures (continued)

The financial instruments have been assessed as low risk. The assessment was based on the fact that productivity SA's trade receivable are mainly with other public entities, and these are generally collectable based on past experience supported by our high collection rate. We also have deposits for office space that is rented by the entity. These are also low risk as they are held by established property rental companies with a track record in the industry. Other receivables comprise positive balances at year-end of PAYE, pension fund, medical aid accounts.

The ECL was calculated based on the simplified approach as indicated in the policy notes, using the provision matrix. Productivity SA has not written off bad debts in recent financial years given the type of trade debtors it has. The recognised ECL was determined based on a loss rate of 20% (120 days plus), and 10% (91-120 days). Productivity SA expects to collect 80% or more of its debts. Given the nature of its debtors, this is a conservative estimate. In addition, given these debtors, an impairment with a loss rate of 5% was made for deposits held. These become due only on termination of the lease.

Although financial assets are classified as held at amortised costs, the impact of discounting was considered immaterial given the short-term nature and value of receivables. With the exception of other receivables which are classified as non-financial instruments, the above are all financial instruments as these meet the definition of financial instruments per GRAP 104.

Aging of receivables from exchange	Gross 2025	Expected credit loss 2025	Total	Gross 2026	Expected credit loss 2026	Total
0-30 days	1 488 307	(44 749)	1 443 558	1 311 511	(44 749)	1 266 761
31-60 days	-	-	-	424 975	-	424 975
91-120 days	42 761	(4 043)	38 718	-	-	-
120 + days	141 232	(8 589)	132 643	221 076	(26 152)	194 925
	1 672 300	(57 381)	1 614 919	1 957 562	(70 901)	1 886 661

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24. Financial instruments - risk management and other disclosures (continued)

Carrying amounts of financial liabilities

Class of financial instrument

	Note(s)	2026	2025
Trade payables	11	1 892 443	1 320
Accrued expenses	11	353 067	1 819 654
Finance lease obligation	9	262 703	505 876
Total carrying amounts		2 508 213	2 326 850

While the above are classified as held at amortised costs, trade payables are recorded at transaction costs due to the short-term nature of the balances. The effect of discounting is considered immaterial.

There are no non-financial instruments in the above-disclosed financial instruments, as these meet the definition of financial instruments per GRAP 104.

Nature and extent of risks arising from financial instruments

Qualitative disclosures

Overview

The entity is exposed to the following risks from its use of annual financial statements:

- Credit risk;
- Liquidity risk.

The entity's risk management policies are established to identify and analyse the risks faced by the entity, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the entity's activities.

The entity's Audit Committee oversees how management monitors compliance with the risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the entity. The Audit Committee is assisted in its oversight role by internal audit. Internal audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee and the Risk Committee.

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24. Financial instruments - risk management and other disclosures (continued)

Credit risk

Scope and objectives

Credit risk consists mainly of cash deposits, cash equivalents, trade receivables and deposits held. The entity only deposits cash with commercial banks with high quality credit standing and limits exposure to any one counterparty.

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 commercial institutions. The credit risk with respect to cash and cash equivalents is thus low. Trade and other receivables are not rated.

Credit risk exposure

For purposes of determining the credit loss allowances, management determine the credit rating grades of each financial asset at the end of the reporting period. These ratings are determined either externally through ratings agencies or internally where external ratings are not available.

Liquidity risk

The entity is exposed to liquidity risk, which is the risk that the entity will encounter should difficulties in meeting its obligations arise as they become due.

The entity manages its liquidity risk by effectively managing its working capital, capital expenditure and cash flows. The financing requirements are met through a mixture of cash generated from operations and long- and short-term borrowings. Committed borrowing facilities are available for meeting liquidity requirements and deposits are held at central banking institutions.

There have been no significant changes in the liquidity risk management policies and processes since the prior reporting period.

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 flow projections on a monthly basis. In addition, working capital reviews are performed monthly.

Notes to the Annual Financial Statements

Figures in Rand	2026	2025
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24. Financial instruments - risk management and other disclosures (continued)

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.

25. Irregular and fruitless and wasteful expenditure

Irregular expenditure incurred	2 945 966	2 648 706
Fruitless and wasteful expenditure incurred	172 884	-
Closing balance	3 118 850	2 648 706

Irregular expenditure was incurred on suppliers with no or expired contracts (these mainly related to ICT contracts and travel agencies). The internal auditors are still busy with the investigations to determine irregular, fruitless and wasteful expenditure and whether there were any losses suffered by the entity.

Fruitless and wasteful expenditure consists of SARS penalties and interest incurred on late payment for November 2025.

26. Commitments

Authorised operational expenditure	4 808 784	8 611 157
Operating leases - as lessee (expense)		
Minimum lease payments due		
- within one year	2 353 340	6 323 876
- in second to fifth year inclusive	-	2 353 340
	2 353 340	8 677 216

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

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.

Notes to the Annual Financial Statements

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27. Contingencies**31 March 2026**

The accumulated surplus for 2025/26 will be submitted to National Treasury for approval before it can be retained. If not approved for retention by National Treasury, the surplus will have to be surrendered. The surplus declared to National Treasury is calculated in accordance with instruction note number 03 of 2025/26.

In the 2024/25 financial year, we reported a contingent liability as a result of an employee who had resigned and referred their matter to the CCMA. This matter was still ongoing as at 31 March 2026, with further estimated legal fees of R30 000. There remains uncertainty regarding the timing and value of the contingency.

31 March 2025

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 matter to object to the post-retirement medical aid subsidy. In FY 2023 the assessment by the actuaries of this PRMA cost for the entity was R24 470 000 for the lifetime of the employees.

An employee who resigned referred his matter to CCMA for unfair dismissal in FY2025. The estimated legal fees are R50 000. These have not yet been incurred.

Accumulated Surplus Submitted to NT

Cash and cash equivalents at the end of the year

30 904 366 58 556 866

Add: Receivables

1 036 423 764 681

Less: Current liabilities

(23 102 664) (45 192 911)

8 838 125 14 128 636

Notes to the Annual Financial Statements

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2026

2025

28. Prior-year adjustments

Presented below are those items contained in the Statement of Financial Position, Statement of Financial Performance and Cash Flow Statement that have been affected by prior-year adjustments:

Statement of Financial Position

	Note	As previously reported	Correction of error	Restated
Property, plant and equipment	6	3 770 352	(821 030)	2 949 322
Intangible assets	7	129 060	(10 717)	118 343
Payables from exchange transactions	11	5 599 556	(366 815)	5 232 741
Deposit held		894 987	(44 750)	850 237
Receivables from exchange transactions	3	972 641	(207 960)	764 681
Unspent grant and receipts	12	39 400 365	(1 579 764)	37 820 601
Accumulated surplus		17 316 320	862 123	18 178 443
		68 083 281	(2 168 913)	65 914 368

Statement of Financial Performance

	Note	As previously reported	Correction of error	Restated
Government grant and subsidies	15	111 195 837	1 579 765	112 775 602
Other income	14	1 993 292	1 400 645	3 393 937
Depreciation and amortisation	6&7	(921 128)	(831 747)	(1 752 875)
Legal fees		(1 406 429)	101 603	(1 304 826)
Project implementation costs		(1 677 436)	(1 475 463)	(3 152 899)
Bad debt impairment		-	(57 381)	(57 381)
Operating expenses	19	(15 301 373)	144 701	(15 156 672)
		93 882 763	862 123	94 744 886

Cash flow statement

	Note	As previously reported	Restated
Cash flow from operating activities		5 834 617	7 426 318
Rendering of services		(25 465 818)	(27 057 519)
Suppliers		(19 631 201)	(19 631 201)

Notes to the Annual Financial Statements

Figures in Rand	2026	2025
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28. Prior-year adjustments (continued)

Errors

Property, plant and equipment, intangible assets and depreciation

Management identified that depreciation for certain computer equipment did not get recognised for the 2024/25 financial year. This correction has impacted accumulated depreciation and surplus for the 2025/26 financial year.

Misalignment between general ledger and fixed asset register

A system error was noted, where the general ledger and fixed asset register were not aligned from prior year. An adjustment was done on the system to align the two through an adjustment to the 2024/25 general ledger, resulting in a prior-period error.

Assessment of useful lives

Management identified assets whose useful lives were not reassessed in the prior-year even though they had been fully depreciated at that point. This would normally be treated as a change in estimate, given that the assets reached their useful life in the prior year and that relevant facts and circumstances were not taken into account in determining the useful lives of assets.

Payables, legal fees and outsourced services

Expenses that were accounted for as prior year error in 2023/24, were also included in 2024/25 as normal expenditure, resulting in increased expenses.

Change in accounting policy

The entity adopted the revised Standard of Generally Recognised Accounting Practice, GRAP 104 (Revised) on Financial Instrument in the current financial year ended 31 March 2026. The revised standard became effective for reporting periods beginning on or after 1 April 2025.

The Standard has been applied prospectively starting on 1 April 2025. The adoption of GRAP 104 (Revised) resulted in a change in the classification and/or measurement of certain financial instruments. In accordance with the transitional provisions of GRAP 104 (Revised), the change in accounting policy has been applied retrospectively.

Measured at amortised cost, the classification of the financial assets and financial liabilities remained constant. The effect of the change on the current and prior periods is as follows:

The loss allowance for receivables from exchange transactions for the 2025 financial period increased by R57 381 resulting in changes made to the allowance provision and the impairment loss. There was no loss allowance previously reported in March 2025

Loss allowance-revised GRAP 104

Loss allowance
(57 381)

Notes to the Annual Financial Statements

Figures in Rand

2026

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29. Comparative figures

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

30. Change in estimate

Property, plant and equipment

In line with the entity's accounting policy, Productivity SA reassesses the useful lives of all asset classes at the end of each reporting period. During the current year, management determined that the estimated useful lives of certain asset categories should be extended. As a result of this revision, depreciation expense for the current period was reduced compared to prior years. The change in estimate has been applied prospectively in accordance with GRAP3 Accounting Policies, Changes in Accounting Estimates and Errors.

The useful lives were extended on the basis of the physical condition of the assets and management expectations of the period over which the assets can remain in use. The assessments were made taking into account GRAP 17.

	Cost	Accumulated depreciation	Net book value
Audiovisual equipment			
Before useful life review	(76 025)	(72 646)	(129)
After useful life review	76 025	74 271	1 754
	-	1 625	1 625
Computer equipment			
Before useful life review	8 397 130	(7 034 862)	(1 224 394)
After useful life review	(8 397 130)	7 103 799	1 293 331
	-	68 937	68 937
Furniture and fittings			
Before useful life review	(1 304 138)	(1 169 032)	(130 766)
After useful life review	1 304 138	1 171 202	132 936
	-	2 170	2 170
Software			
Before useful life review	(1 524 274)	(1 406 377)	(1)
After useful life review	1 524 274	1 465 325	58 949
	-	58 948	58 948

Notes to the Annual Financial Statements

Figures in Rand	2026	2025
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31. Going concern

We draw attention to the fact that at 31 March 2026, the entity had an accumulated surplus of R12 233 206 and that the entity's total assets exceed its liabilities by R12 233 206.

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

The entity is funded by the Department of Employment and Labour and an MoA has been concluded for the funding for the FY2027 financial year indicating a commitment of R66 556 000.

32. Events after the reporting date

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

33. Segment information

General information

Identification of segments

The entity is organised and reports to management on the basis of major functional areas that are determined by the entity's programmes. The segments were organised around the type of service delivered and the target market. Management uses these segments for determining strategic objectives. Segments are 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 promotes a productivity culture and mindset across all segments (national, sector and enterprise) of society.

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

The Competitiveness Improvement Services (CIS) 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, with a focus on priority sectors. CIS interventions include capacity building of the Department of Trade, Industry and Competition or other enterprise support interventions.

Notes to the Annual Financial Statements

Figures in Rand

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33. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2026	Productivity SA	Business Turnaround Recovery	Workplace Challenge	ILO	Eliminations	Total
Revenue						
Revenue from non-exchange transactions	64 123 000	33 723 362	10 360 000	-	-	108 206 362
Revenue from exchange transactions	1 016 678	-	3 498 359	5 421 107	-	9 936 144
Inter-segment transfers	33 691 656	-	-	-	(33 691 656)	-
Interest received	1 056 932	-	217 955	-	-	1 274 887
Total segment revenue	99 888 266	33 723 362	14 076 314	5 421 107	(33 691 656)	119 417 393
Entity's revenue						119 417 393
Expenditure						
Employee related costs	79 949 796	10 602 560	1 454 167	-	-	92 006 523
Goods and services	23 580 036	6 027 691	1 415 709	712 433	-	31 735 869
Finance costs	32 266	-	-	-	-	32 266
Depreciation and amortisation	1 587 972	-	-	-	-	1 587 972
Inter-segment transfers	-	17 093 111	11 889 871	4 708 674	(33 691 656)	-
Total segment expenditure	105 150 070	33 723 362	14 759 747	5 421 107	(33 691 656)	125 362 630
Total segmental deficit	(5 261 804)	-	(683 433)	-	-	(5 945 237)

Notes to the Annual Financial Statements

Figures in Rand	2026	2025
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33. Segment information (continued)

2026	Productivity SA	Business Turnaround Recovery	Workplace Challenge	ILO	Eliminations	Total
Assets						
Current assets	25 498 132	9 723 950	2 519 440	1 363 372	(6 352 710)	32 752 184
Non-current assets	2 570 704	-	12 986	-	-	2 583 690
Total segment assets	28 068 836	9 723 950	2 532 426	1 363 372	(6 352 710)	35 335 874
Total assets as per Statement of Financial Position						35 335 874
Liabilities						
Segment liabilities	14 662 395	9 723 950	3 705 662	1 363 372	(6 352 710)	23 102 669
Accumulated surplus	13 406 441	-	(1 173 236)	-	-	12 233 205
Total segment liabilities	28 068 836	9 723 950	2 532 426	1 363 372	(6 352 710)	35 335 874
Total liabilities as per Statement of Financial Position						35 335 874

Notes to the Annual Financial Statements

Figures in Rand

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33. Segment information (continued)

2025	Productivity SA	Business Turnaround Recovery	Workplace Challenge	ILO	Eliminations	Total
Revenue						
Revenue from non-exchange transactions	75 729 419	27 019 182	10 027 000	-	-	112 775 601
Revenue from exchange transactions	6 289 165	-	716 337	2 374 933	-	9 380 435
Inter-segment transfers	21 909 915	-	-	-	(21 909 915)	-
Proceeds from disposal of assets	47 165	-	-	-	-	47 165
Interest received	788 993	-	205 678	-	-	994 671
Total segment revenue	104 764 657	27 019 182	10 949 015	2 374 933	(21 909 915)	123 197 872
Entity's revenue	123 197 872					
Expenditure						
Employee related costs	66 609 695	9 157 274	1 747 739	-	-	77 514 708
Goods and services	21 216 801	3 799 892	1 076 557	2 374 933	-	28 468 183
Finance costs	48 766	-	-	-	-	48 766
Depreciation and amortisation	1 752 875	-	-	-	-	1 752 875
Inter-segment transfers	-	14 062 016	7 847 899	-	(21 909 915)	-
Total segment expenditure	89 628 137	27 019 182	10 672 195	2 374 933	(21 909 915)	107 784 532
Total segmental surplus/ (deficit)	15 136 520	-	276 820	-	-	15 413 340

Notes to the Annual Financial Statements

Figures in Rand	2026	2025
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33. Segment information (continued)

	Productivity SA	Business Turnaround Recovery	Workplace Challenge	ILO	Eliminations	Total
2025						
Assets						
Current assets	21 267 556	39 897 386	3 672 753	1 057 053	6 441 297)	59 453 451
Non-current assets	3 904 916	-	12 987	-	-	3 917 903
Total segment assets	25 172 472	39 897 386	3 685 740	1 057 053	(6 441 297)	63 371 354
Total assets as per Statement of Financial Position						63 371 354
Liabilities						
Segment liabilities	6 504 225	39 897 386	4 175 544	1 057 053	6 441 297)	45 192 911
Accumulated surplus	18 668 247	-	(489 804)	-	-	18 178 443
Total segment liabilities	25 172 472	39 897 386	3 685 740	1 057 053	(6 441 297)	63 371 354
Total liabilities as per Statement of Financial Position						63 371 354



3355.44
210,000.00
82,547.42

PART G

CASE STUDIES



REGION 1

BT&R CASE STUDY

NATIONAL FLAGS (PTY) LTD

1. COMPANY OVERVIEW

National Flags (Pty) Ltd was established in 1982 as a flag-making company.

National Flag Branding and Event Solutions offers anything required by a client to create, install and set up branding materials at an event. As a leading below the line branding supplier, National Flags has the latest technological capabilities, including flat-bed printing, dye sublimation and direct digital printing. Thus it offers a new generation of branding innovations, including the creation of a full range of flags, banners, gazebos, outdoor banners, and display systems. All products are manufactured at their 8000 m² factory in Johannesburg. In 2010 it successfully secured the contract for flags and branding supplier for the FIFA World Cup. In 2013 it delivered 22 tons of manufactured goods in seven days to the Democratic Republic of Congo. The company is also the approved supplier to the African Cup of Nations.

No client is too small, and different countries, retail companies and members of the public can use the creative expertise and experience that is on offer to showcase their brand.

National Flags is a proudly South African B-BBEE Level 1 company.

National Flag's vision for National Flag Branding and Event Solutions is to become an internationally recognised leader in the manufacturing of display and exhibition products. This envisages a world in which its products are synonymous with quality and innovation. Through unwavering dedication to their resellers, distributors, and partners, National Flag aims to foster a global network of success. National Flag's commitment to expanding their presence in South Africa, the USA, and throughout Africa drives it to

relentlessly pursue excellence in marketing, sales and customer service.

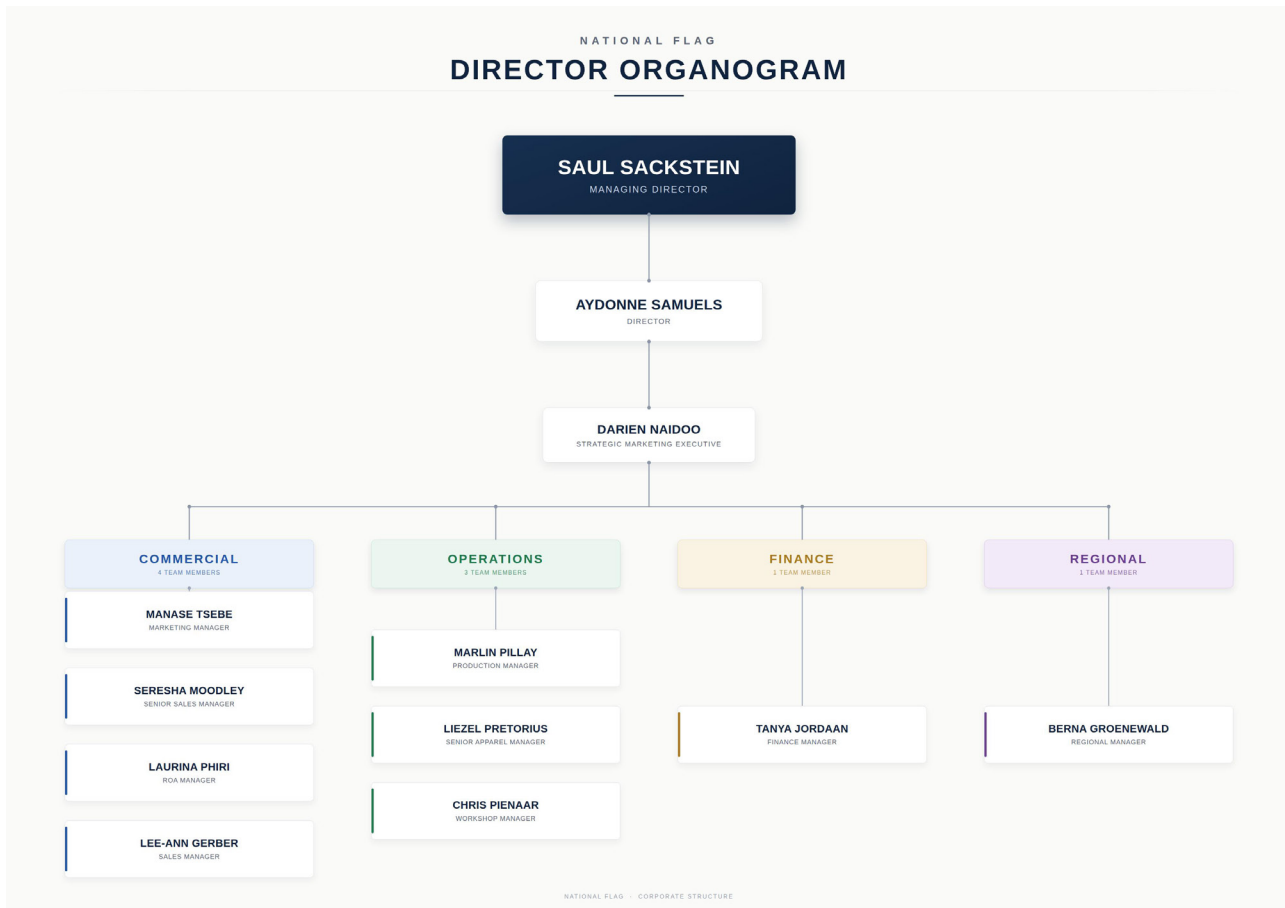
The goal is to help resellers succeed by providing exceptional support, exclusive benefits and top-notch products. National Flags aims to expand its reach not only in South Africa but also in the USA and across Africa, establishing itself as a global leader in the promotional products industry. Passion for excellence in marketing, sales and customer satisfaction drives the company to continuously innovate and improve, ensuring that partners and customers achieve their branding and event objectives.

The company's mission envisions a future where National Flag Branding & Events is not just a manufacturer but a catalyst for remarkable promotional experiences worldwide.

a) Company products



b) Company structure



2. CHALLENGES FACING THE COMPANY

In engaging the assistance of Productivity SA, it became clear that the need for a business turnaround and recovery was multi-faceted.

The company had been importing gazebo frames from China. This created numerous challenges not least of which was a cash flow problem. Such problems can be crippling for small- and medium-sized businesses, hampering ongoing operation and covering expenses prior to delivery, high importing pricing costs due to inflation and the prevailing exchange rate. Imported container

delays and buying gazebos locally was also costly compared to manufacturing in-house. In addition, National Flags only had a basic website where potential customers could source information regarding their products and services. The website was not generating the desired leads.

A more advanced e-commerce website with futuristic functionalities was clearly needed. Such a website would ensure that direct clients and resellers could design their products as per their specifications, pay for orders and track the progress of their orders online.

3. INTERVENTIONS

Turnaround interventions were undertaken with the consent and input of the future forum. An e-commerce website was developed and implemented by Productivity SA in conjunction with service providers, including web artists. The objective of the new website is to provide direct clients and resellers with an opportunity to design and purchase their products in the comfort of their own home and office premises without having to communicate directly with National Flags.

Together with Productivity SA, a digital marketing tool was also developed to ensure that the company's specifications were met. This digital marketing tool sought to attract more clients internationally with a succinct product description and catalogue pricing in dollars. A real time functionality ensures that fluctuating dollar exchange rates enable the customer to know precisely what they will be paying.

	Issue/challenge	Intervention	Outcome - completed
Intervention 1 E-commerce website	The current informational website was not converting leads into buying customers.	An e-commerce platform linked to the social media marketing platforms.	- Integrated website with built-in e-commerce. - Increased sales - Penetrated the American market
Intervention 2: Development of an online marketing tool	The absence of an online marketing tool was preventing the company reaching the target audience in the United States and resellers.	The development of an online marketing tool integrated with the e-commerce website.	- Search engine optimisation. - Online ads on social media platforms - Generate leads through online ads. - Increased sales - Increased profitability - Increased awareness among both local and international clients

4. RESULTS

The result of Productivity SA's intervention was a customised commercial website package that meets the needs of modern e-commerce of businesses. The expansion of their website has various plug-ins such as:

- Currency conversion that forms part of the e-commerce platform;
- Social media functionality that assists with language interpretation;
- Successful implementation of digital marketing and sales e-commerce platform that will attract an American audience; and
- Reach 50 American states by 2025.

The development of an online marketing tool integrated with the e-commerce website also introduced the following functionalities:

- Search engine optimisation;
- Online advertisements on social media platforms;
- Generate leads through online advertisements;
- Convert leads into loyal customers;
- Attract more resellers;
- Increased awareness among both local and international clients; and
- Increased sales.

All involved in the project - from management to general work staff – have had a good experience in its development and implementation. The change strategies implemented are geared toward building the corporate culture encompassing employee behaviour, attitude, capability and commitment. The organisation's ability to learn from its experiences is a legitimate yardstick of corporate success.

- **Leadership:** Set direction from the top and engage the people below;
- **Focus:** Focus simultaneously on the hard (structures and systems) and the soft (corporate culture);
- **Process:** Plan for spontaneity; and
- **Consultants:** Consultants are expert resources who empower employees.

The optimisation and streamlining of National Flags for both the development of an online marketing tool and e-commerce website points to the critical success of business growth, including the review of leads a daily basis before the start of the shift.

All deliverables were successfully implemented while working alongside our service provider's web artists. The organisation has achieved success in all aspects of the business turnaround and recovery. This is always dependent, however, on every function and process, and every person, being able and eager to rise to every challenge.

REGION 1

CIS CASE STUDY

MAWASHA CHEMICALS

1. COMPANY PROFILE

Mawasha Chemicals was established in 2001 as a manufacturer of cleaning detergents and supplier of industrial chemicals. The company, founded by Ms Gloria Mawasha, is based in Modjadjiskloof, approximately 18 km from Tzaneen in Limpopo.

The company produces a range of products including automotive and industrial cleaners, degreasers, hand cleaners, odour control products, tar removers, concrete cleaners, and vehicle wash and wax products. It also provides training in chemical production.

Mawasha Chemicals is a Level 1 B-BBEE, 100% Black woman-owned enterprise committed to environmentally responsible manufacturing. The company employs 10 permanent staff, 60% of whom are youth.

2. CHALLENGES FACED BY THE COMPANY

Prior to implementation of the project, Mawasha Chemicals experienced several operational challenges, including poor inventory management and control, raw material wastage due to spillages, and packaging waste resulting from decanting between different container sizes. These issues also led to compromised product seals, reduced product quality and increased risk of cross-contamination.

Additional challenges included weak stock control in the raw material storage area, low production output due to inadequate batch planning, time losses linked to poor workplace organisation, and inefficient utilisation of storage space for raw materials, packaging materials, and finished goods.

3. HOW THE CHALLENGES WERE ADDRESSED

To address these challenges, three key improvement projects were prioritised:

- **Project 1:** Increase production output by eliminating waste in the production line;
- **Project 2:** Implement 5S in the storeroom area to improve organisation and control; and
- **Project 3:** Develop and strengthen inventory management systems.

Key Performance Indicators (KPIs)	Baseline	Target
Delivery Production Output (units)	200L	400L
5S Audit in the storeroom (number)	25	80
Inventory Management	N/A	N/A

4. INTERVENTIONS

Baseline performance measures were established to monitor and evaluate project outcomes. A Gemba walk was conducted, supported by a 5S audit, to assess current operational conditions and identify areas for improvement. These measures provided a reference point for tracking progress and assessing the impact of the interventions implemented.

Project 1: Manufacturing processes

Production output was low due to poor batch planning, inefficient workplace organisation, and time wastage caused by unnecessary activities, such as transferring finished products into 25-litre containers before shelving. The absence of defined production targets and the manufacture of small, inefficient batch sizes further reduced productivity, as these required similar processing time to larger batches. In addition, raw material losses occurred due to spillage during production.

Project 2: Inventory management and control

The company lacked a structured inventory management system, resulting in poor stock control from production through to end-user distribution and storage. Reliance on manual hardcopy documentation led to errors, mix-ups, and stock losses, affecting traceability and overall operational control. This highlighted significant weaknesses in inventory management and control processes.

Project 3: Store layout and stock organisation

Products and materials were poorly organised, with chemicals and containers stored without clear adherence to designated areas. Although demarcated zones existed, they were not consistently followed, resulting in disorganisation and inefficient use of space. Inventory tracking was also limited, making it difficult to accurately determine stock levels, particularly for 25-litre products, which were often mixed or incorrectly recorded.

Furthermore, the shop layout and limited storage space negatively affected customer experience, with customers sometimes leaving without purchasing due to uncertainty about available stock. Overall, there was inefficient utilisation of space for raw materials, packaging, and finished goods.

Before 5S Implementation: Stores

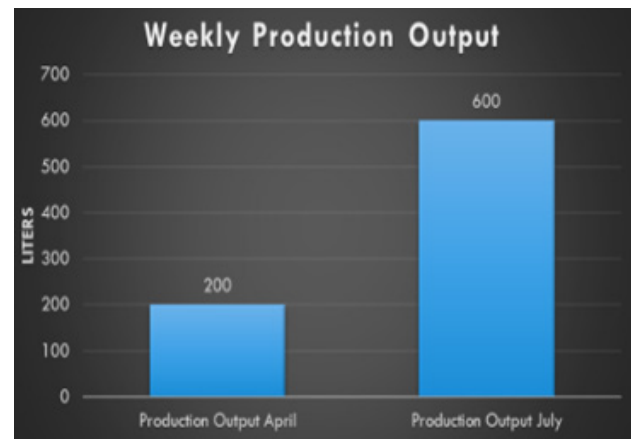


5. IMPLEMENTATION OF COUNTERMEASURES

COUNTERMEASURES ACTION PLAN	
CHALLENGES	ACTION
1. Wastage of raw materials/ spillages and or shrinkages	Introduced pipettes, syringes, and funnels to reduce spillages
2. Waste of packaging	Organised, counted and now using a template linked to each production batch
3. Inventory management	Developed new inventory management templates that link the three parts of the business, viz, storage of raw materials, production and sales
4. 5S implementation	The 5S initiative concentrated on sort, set in order, and shine.

6. SUMMARY OF RESULTS

Project 1: To increase production output on the production line and reduce waste, they implemented the following procedures: limit access control to the stockroom, restrict the pulling of raw materials and introduce pipettes, syringes and funnels to minimise spillages and increase production output from 200 litres to 400 litres.



Project 2: 5S Implementation

The 5S initiative (sort, set in order, shine, standardise, and sustain) delivered significant improvements in the organisation. By supporting the establishment of clear rules for the demarcation and classification of

materials by name and location, improved storage efficiency, reduced workplace clutter, and enhanced overall organisation of the working environment was achieved.

After 5S Implementation: Stores



Project 3: Inventory management system

New inventory management templates were developed to create a structured link between the three key areas of the business: raw material storage, the production process, and sales operations.

The system enables accurate tracking of quantities and costs for each item and production process, improving control, traceability, and overall inventory visibility across the business.

A	B	C	D	E	F	G	H	I										
		Mawasha Chemicals Shop no.3 Charles Marberly Street Soraashana Centre Modjadjiskloof, 0855 Reg. 2003/098122/23.1 Vet No. 816807553 PO Box 4358 Ga-Kgapane, 0838 Cell: 072 177 9627 Fax: 086 535 8833 Email: mawashachen@workmail.co.za									Mawasha Chemicals Shop no.3 Charles Marberly Street Soraashana Centre Modjadjiskloof, 0855 Reg. 2003/098122/23.1 Vet No. 816807553 PO Box 4358 Ga-Kgapane, 0838 Cell: 072 177 9627 Fax: 086 535 8833 Email: mawashachen@workmail.co.za							
RAW MATERIAL SHEET																		
RAW MAT ON HAND PURCHASE TOTAL STC USED STO REMAIN IN UNIT COS TOTAL COST																		
A2 Wax	17.59	200	217.59	3	214.59	R 79.74	R 1,594.81											
Alcogum L	20.7	100	120.7		120.7	R 53.76	R 1,344.06											
C80	17.3	150	167.3	3	164.3	R 68.08	R 1,702.00											
Carbitol LG		50	50		50	R 81.10	R 2,027.45											
Caustic Fle	6.2	125	131.2	4	127.2	R 21.57	R 539.35											
CDE	2.4	400	402.4	2.1	400.3	R 50.37	R 1,259.25											
Chinese W	86	400	486	14	472													
Cresylic Acid		400	400		400	R 51.89	R 1,297.20											
DBP Dibutyl Phthalat		50	50		50	R 93.01	R 2,325.30											
Ecwaoryl f	11.5		11.5	3	8.5													
EGEMBE /	7.8	100	107.8		107.8	R 52.21	R 1,305.25											
Packaging Description																		
ON HAND PURCHASE TOTAL STC USED STO REMAIN IN UNIT PRICE TOTAL PRICE																		
KG Bucket Natural FINO 26 0 26 3 23 R3.65 R94.90																		
KG Bucket Natural FINO 0 0 0 0 0 R6.35 R0.00																		
KG Bucket Natural FINO 19 0 19 6 13 R6.96 R132.24																		
KG Bucket Natural FINO 0 0 0 0 0 R11.00 R0.00																		
KG Bucket Natural TITAN 0 0 0 0 0 R4.30 R0.00																		
KG Bucket Natural TITAN 8 0 8 0 8 R7.00 R56.00																		
KG Bucket White TITAN 37 37 37 R6.94 R256.78																		
KG Bucket Natural TITAN 0 0 0 0 0 R11.50 R0.00																		
KG Bucket Natural TITAN 10 10 1 9 R42.00 R420.00																		
KG Bucket Natural TITAN 10 10 6 4 R48.00 R480.00																		
<	>	...	Sheet2	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	>	March	APRIL	MAY	JUNE	JULY	AUGUST	+	

7. FUTURE ACTIVITIES

- Develop and formalise 5S standard procedures and practices to ensure consistent implementation of the first three S's (sort, set in order, and shine), including employee training and awareness.
- Conduct regular 5S audits to monitor compliance, sustain improvements, and drive continuous workplace organisation.

REGION 2

BT&R CASE STUDY

FABRINOX (PTY) LTD

1. COMPANY PROFILE

Fabrinox is widely regarded as a pioneer of manufacturing in Paarl. In 1979, Mr Johan Beyers established Filmatic, which grew rapidly and required a sub-assembly manufacturer for its larger machines. Mr Andre Visser was tasked with running this department. Initially, laser cutting was outsourced; however, as production volumes increased, Mr Visser decided to purchase his own laser machine. He incorporated components into the sub-assemblies, which became the company's primary business, and in 1993, Fabrinox was founded by Mr Visser.

Today, Fabrinox is a reputable and reliable supplier, with approved supplier status from prestigious clients such as Areva NP, General Electric, Wabtec, ABB, DeLaval, Orica, Howden, Gibela/Alstom, Sterling and Wilson, and SABMiller. The company is recognised for its use of advanced manufacturing techniques and service solutions, enabling it to customise fabrication according to each client's unique requirements.

Fabrinox operates from a single location in Paarl, at the intersection of Drommedaris Road and Drie Bergen Road. The business is divided into four main divisions: Components, Sub-assemblies, Projects and Installations. The former director, Mr Ben Steenkamp, who has since left the company, had a particular interest in Components. At present, component production exceeds that of sub-assemblies.

Fabrinox has four core, custom-manufactured solutions:

- **Components** – Laser cutting of sheet metal and tubes, bending and surface finishing.
- **Sub-assemblies** – Assembly of components, including additional value-adding processes such as precision welding, coating and bead blasting.

- **Projects** – Under-licensing manufacturing, project management, commissioning, procurement and spare parts.
- **Installations.**

2. CHALLENGES

A number of factors pointed to the need for a Business Turnaround and Recovery (BT&R) intervention, together with associated operational challenges.

Fabrinox's financial decline can be attributed to several factors. During the two financial years preceding the application for intervention, the company experienced a slump in orders, primarily due to lockdowns and travel restrictions resulting from the COVID-19 pandemic. In addition, some debtors did not adhere to agreed credit terms and were slow to repay their debts. These factors had a detrimental effect on the company's working capital. Furthermore, the cost of raw materials steadily increased, surpassing inflation rates.

The business also experienced a number of operational challenges. At the time, a lack of discipline among manufacturing staff resulted in poor quality. This increased cycle times, reduced on-time delivery and resulted in dissatisfied clients.

Additionally, an inefficient administrative process from order through to invoicing contributed to these challenges. The situation was further exacerbated by poor maintenance planning, which led to machine breakdowns.

3. INTERVENTIONS

Clarification of Roles and Responsibilities and Service Level Agreements (SLAs)

During the in-depth assessment, it was found that departments were working in silos and that lines of responsibility were unclear. This lack of clear boundaries and siloed working hindered effective coordination and the organisation's overall efficiency and effectiveness.

Multiple workshops were conducted with the executive team and their respective reports to facilitate the development of SLAs and clarify roles and responsibilities. These workshops provided a collaborative platform for engaging the leadership team and their reports to establish clear expectations, define measurable performance targets, and outline the specific responsibilities and accountabilities associated with each role.

The purpose of these workshops was to foster alignment, enhance communication and ensure a shared understanding of the agreed SLAs and the associated roles and responsibilities within the organisation.

The intervention resulted in:

- Service Level Agreements.
- Scoring by customers of services provided by internal suppliers, based on baseline and June 2023 measurements.
- Clarified roles and responsibilities.
- Roles assigned to customer requirements to ensure that there was an owner responsible for driving service improvements.

Implementation Process

The project implementation process was broken down into nine key steps. This approach helped to ensure that the implementation process was structured, systematic and easy to follow.

The implementation of this deliverable involved the active participation of several key departments, including Sales, Components, Projects and Subs, and Supply Chain. Representatives from each department participated in the sessions.

During these sessions, each team was asked to define its department's mission, explaining the reason for the team's existence. The mission statement structure was centred around four primary elements:

- Purpose;
- Vision;
- Strategy; and
- Value.

Following the definition of the departmental mission statement, each team identified the strategically essential core processes that their department offers to the business. The departments involved were:

- Components;
- Sales;
- Projects and Subs; and
- Supply Chain.

In addition, teams were requested to identify their internal suppliers and customers. Customers were asked to list what they receive from their suppliers, while suppliers were asked to specify what their department provides.

Identify / list your: Internal and external suppliers:	Identify WHAT you: Receive from (input) your suppliers (Info, service, material, products):
1.	1.
2.	2.
3.	3.
4.	4.
5.	5.
6.	6.
7.	7.
8.	8.

Establishing Supplier Requirements and Performance Measures

The next step for each team was to establish its requirements from key suppliers. This involved defining what was supplied by the supplier, the criteria for measurement and the actual measurement process.

During the sessions, the measurements were clarified and categorised according to their importance as critical, priority or nice to have. To ensure accurate measurement, an assessment scale was developed for each requirement, consisting of both quantitative and qualitative factors.

Each team was tasked with rating its suppliers against each requirement, while the suppliers themselves also rated their performance.

Subsequently, suppliers and customers met to discuss the requirements and ratings and reach agreement on the baseline rating. This process aimed to ensure that both parties had a clear understanding of expectations and were aligned on their performance goals.

During these discussions, challenges and ideas for improving the ratings were recorded. This was done to ensure that potential issues could be addressed and that supplier-customer relationships could be strengthened. The goal was to work collaboratively to identify opportunities for improvement and develop strategies to enhance the performance of both parties.

Following the completion of individual SLA spreadsheets for each functional department, a consolidated SLA spreadsheet was compiled. This consolidated spreadsheet serves as a comprehensive overview of the organisation's SLAs and their respective metrics.

A meeting with Fabrinex's IT department was subsequently scheduled to discuss the possibility of hosting and maintaining the SLA on its existing Microsoft Power BI platform. It was agreed that this was possible, subject to the completion of the following:

- Identifying the owner of each requirement/measurement;
- Identifying the source of the input value, for example, whether it is perception-based or should be imported from another data source; and
- Determining the frequency of updating and who would be responsible for the updates.

The requirements from IT were discussed with the team, and it was decided that the SLA would be updated on a monthly basis.

During the sessions the measurements were clarified and categorised based on importance as critical, priority, and nice to have.

To ensure accurate measurement, an assessment scale was developed for each requirement, consisting of both quantitative and qualitative factors.

Each team was tasked with rating their suppliers based on each requirement, while the suppliers themselves also rated their performance.

Subsequently, the suppliers and customers met to discuss the requirements and ratings and come to an agreement to serve as the baseline rating. This process aimed at ensuring that both parties have a clear understanding of the expectations and are aligned in their performance goals.

During the discussions, challenges and ideas on how to improve the ratings were recorded. This was done to ensure that potential issues could be addressed and the supplier-customer relationship could be strengthened. The goal was to work collaboratively to identify opportunities for improvement and develop strategies to enhance the performance of both parties.

After the completion of individual SLA spreadsheets for each functional department a consolidated SLA spreadsheet was compiled. This consolidated spreadsheet serves as a comprehensive overview of the organisation's SLAs and their respective metrics.

A meeting with Fabrinex's IT department was scheduled to discuss the possibility of hosting and maintaining the SLA on their current Microsoft Power BI platform.

It was agreed that this was possible but the following items had to be completed before moving ahead with the implementation:

- Identifying the owner of each requirement / measurement;
- Identifying the source of the (input) value e.g. is it perception based or should it be imported from another data source; and
- The frequency of updating and by whom.

The requirements from IT had been discussed with the team and it was decided to update the SLA on a monthly basis.

To establish a clear understanding of the department's structure, each team defined the roles within their respective departments. It was acknowledged that multiple employees could potentially have the same role, and some employees could be assigned multiple roles, depending on their skills and expertise. The ultimate goal was to ensure that each role was adequately defined and that all team members had a clear understanding of their responsibilities. The representative for each role indicated their understanding of their role's responsibilities.

To ensure clarity and understanding of each team member's role and the responsibilities thereof, the representatives wrote down their understanding of each of their teammates' roles' top responsibilities on sticky notes. This exercise aimed to provide a comprehensive overview of each role within the department and help team members understand the requirements of their colleagues positions. It was a collaborative effort aimed at fostering a team oriented culture that emphasised accountability and effective communication.



To promote cross-functional collaboration and enhance inter-departmental communication, representatives from other departments were also requested to participate in the exercise. They were asked to provide their understanding of the responsibilities of roles that did not belong to their respective teams. This exercise aimed to foster a deeper understanding of the roles and responsibilities of colleagues from other departments, facilitate effective communication and enhance collaboration between different teams.

To ensure that each team member had a clear understanding of their role and responsibilities, the owners of each role were given the opportunity to review the responsibilities as defined by their own team and other teams. This process identified any discrepancies or gaps in the understanding of the role and clarified any potential misunderstandings. The role owners had the final say in accepting or declining any additional responsibilities that were identified during the exercise. This process was critical to ensure that each team member was aligned with their respective roles and responsibilities, promoting a culture of accountability and effective communication within the organisation.

To ensure that all responsibilities were appropriately assigned, the different teams came together to discuss any responsibilities that were declined by their own team members but identified by other teams. Through discussion and negotiation, the teams came to an agreement regarding the allocation of these responsibilities.

The roles and responsibilities were summarised, and the teams matched each role with the relevant SLA Key Performance Indicators (KPIs). This process aimed to ensure that each role was linked to specific KPIs that would be used to measure performance,

Improved Supplier Performance

Lastly, each client reassessed and rated its respective suppliers to determine whether any positive changes had occurred compared with the initial baseline scores. Overall, the scores showed a **27% improvement from the baseline**.

The support and cooperation received from Fabrinor were instrumental in achieving the project's objectives within the desired timeframe and maintaining a high standard of quality.

These highlights demonstrate the deliverable's focus on collaboration, accountability and continuous improvement, driving meaningful organisational enhancements:

- **Structured implementation:**
The project was broken into nine key steps, ensuring a systematic and organised approach to implementation. Active participation from key departments — Sales, Components, Projects and Subs, and Supply Chain — facilitated comprehensive involvement.
- **Mission statements and core processes:**
Each department defined its mission based on Purpose, Vision, Strategy and Value, while identifying strategically essential core processes.
- **Supplier-customer collaboration:**
Teams identified their internal suppliers and customers, defined requirements and collaboratively developed baseline ratings. Challenges and improvement

strategies were recorded during discussions to strengthen relationships.

- **Performance measurement and SLAs:**
Teams created individual SLA spreadsheets, which were subsequently consolidated into an organisational SLA. Preparations were made for hosting and maintaining the SLA on Microsoft Power BI, with monthly updates planned.
- **Roles and responsibilities:**
Departmental roles were clearly defined, with responsibilities verified through collaborative exercises. Discrepancies were resolved through cross-team discussions, ensuring accountability and alignment with SLAs.
- **Cross-functional collaboration:**
Representatives participated in interdepartmental exercises to enhance understanding, communication and collaboration.
- **KPI alignment:**
Each role was linked to specific SLA KPIs to measure performance and promote accountability and transparency.
- **Improved supplier scores:**
A reassessment showed a 27% improvement in supplier scores from baseline measurements, reflecting the positive impact of the initiatives.
- **Support and quality:**
Fabrinor's support and cooperation were pivotal in achieving the project's objectives within the set timeframe while maintaining high-quality standards.

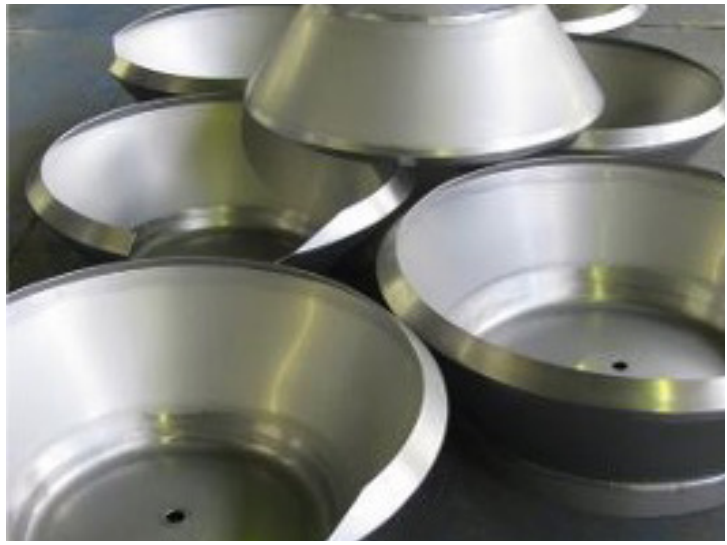
4. RESULTS AND IMPACT

The interventions successfully fostered collaboration, accountability and structured processes across departments, resulting in measurable improvements, including a **27% increase in supplier scores**.

By aligning roles with KPIs, enhancing cross-functional communication and embedding continuous improvement practices, the organisation achieved significant progress towards operational excellence.

To underscore this achievement, **Fabrinor was the overall winner of the National Productivity Awards 2024 in the BT&R category**.

Components



Sub-assemblies



Installations



Projects



REGION 2

CIS CASE STUDY

FINBUCK TRADING AND PROJECTS T/A DEE DEE HYGIENE SOLUTIONS

1. COMPANY PROFILE

Finbuck Trading and Projects t/a Dee Dee Hygiene Solutions is a manufacturer of biodegradable cleaning and hygiene products based in Botshabelo, Free State. The company specialises in the production of affordable, high-quality cleaning solutions that meet the needs of households, businesses and other institutions, enabling them to contribute to environmental sustainability.

A locally owned enterprise, Dee Dee Hygiene Solutions is committed to creating employment opportunities and supporting economic development in the community. Through its focus on quality assurance, customer satisfaction and environmentally responsible manufacturing practices, the company has established itself in the region as a trusted supplier of cleaning and hygiene products.

The company pursues sustainable growth through continuous improvement initiatives, innovation and operational excellence. This ensures that its products remain competitive and deliver value to customers and stakeholders.

2. CHALLENGES

Dee Dee Hygiene Solutions partnered with Productivity SA through the Micro Enterprises supported under the Kaizen Training Programme to enhance productivity, improve operational efficiency and strengthen the company's long-term sustainability and competitiveness.

The partnership's objective was to support the company in identifying and eliminating operational inefficiencies, reducing waste, improving workplace organisation and housekeeping standards, and enhancing

product quality. Assisting the business to standardise key processes, introduce performance measurement systems and foster a culture of continuous improvement across all levels of the organisation was a prerequisite for the development of the partnership with Productivity SA.

A key objective of the programme was to strengthen employee participation in problem-solving and improvement initiatives, thereby promoting greater ownership, accountability and teamwork in driving business performance. Through the implementation of Kaizen principles, the company aimed to build internal capabilities that would support sustainable growth, increase productivity and improve customer satisfaction.

3. PRODUCTIVITY SA'S APPROACH

Six interventions were undertaken to identify the changes required within the company.

Operational Assessment

A comprehensive Operational Assessment was conducted to establish the baseline performance and operational status of the business. The assessment identified several opportunities for improvement, particularly in workplace organisation, visual management, standard operating procedures, waste measurement and monitoring, occupational health and safety practices, KPI management and preventive maintenance systems. The findings provided a foundation for the development and implementation of targeted improvement interventions.

Capacity Building

Employees and management were equipped with practical productivity improvement tools and methodologies through a Business Performance Improvement Workshop (BPIW). The training covered key topics, including productivity improvement, waste elimination, the eight wastes, gemba walks, site mapping and continuous improvement principles.

Employees actively participated throughout the workshop and demonstrated a strong commitment to applying the knowledge and skills acquired to improve workplace performance.

Waste Analysis and Measurement

A structured Waste Analysis and Measurement assessment was undertaken to identify operational inefficiencies and quantify sources of waste in the production process. Key areas of concern identified during this assessment included storage and staging inefficiencies, limited product visibility, inventory management challenges, housekeeping deficiencies, production losses resulting from underfilled bottles, product spillages, damaged products and spoiled batches.

The assessment provided valuable insights into areas requiring corrective action and process improvement.

Root Cause Analysis

A detailed Root Cause Analysis was conducted to determine the underlying factors contributing to production losses and operational inefficiencies. Several key causes were identified. These included variability in raw material quality, weather-related changes affecting product viscosity, inconsistent process controls, inadequate quality verification procedures and limited product testing capabilities.

Based on these findings, corrective actions were developed and implemented to address the identified challenges and improve process stability.

5S Workplace Organisation Practices

The company implemented 5S Workplace Organisation practices to improve housekeeping standards, workplace organisation, visual control and overall operational discipline. In addition, standard operating procedures (SOPs) were developed and introduced for floor and furniture cleaning, shop cleaning, factory cleaning and factory floor cleaning activities.

These measures contributed to improved process standardisation, consistency, accountability and workplace efficiency.

KPI Dashboard

A comprehensive KPI Dashboard was introduced to support performance monitoring and decision-making. The dashboard incorporated key business performance areas, including quality, cost, delivery, productivity, inventory, safety, environment, morale and employee suggestions.

The implementation of the KPI Dashboard strengthened visual management practices, improved performance visibility and established a structured framework for monitoring progress and driving continuous improvement initiatives across the business.

4. RESULTS AND IMPACT

5S Workplace Organisation Practices

The implementation of 5S Workplace Organisation practices resulted in a significant improvement in housekeeping standards, workplace organisation and visual management. The baseline 5S assessment score increased from 24% to 46%, representing a 92% improvement over the intervention period. This progress reflects the company's commitment to creating a cleaner, safer and more organised working environment.

As a result of these improvements, the organisation advanced from a Basic 5S maturity level to a Developing 5S maturity level, illustrating increased workplace discipline, improved visual control and greater employee engagement in maintaining workplace standards.

The enhanced 5S performance has contributed to improved operational efficiency, better utilisation of workspace, reduced workplace clutter and the establishment of a stronger foundation for continuous improvement initiatives within the business.

Workplace Organisation

Measure	Baseline	Final
5S Score	24%	46%

Waste and Defect Reduction

The implementation of waste reduction and quality improvement initiatives resulted in measurable improvements in production performance. A twelve-week defect monitoring programme recorded a reduction in total defects from 296 to 255 units, representing a decrease of 41 defects and an overall improvement of 13.85%.

Notable improvements were achieved in key defect categories, including underfilled bottles, product spillages and spoiled batches. These improvements contributed to reduced production waste, enhanced product quality and improved process efficiency.

The reduction in defects has strengthened operational performance by minimising product losses, improving resource utilisation and supporting the company's commitment to delivering consistent, high-quality products to its customers.

Defect monitoring over a twelve-week period demonstrated a consistent reduction in losses.

Measure	Baseline	Final
Total Defects	296	255

The intervention improved workplace discipline, increased employee involvement, strengthened quality awareness and process standardisation, and enhanced operational visibility. It also contributed to the development of a culture of continuous improvement within the organisation.

5. CONCLUSION

The Micro Kaizen Programme successfully supported Dee Dee Hygiene Solutions in improving workplace organisation, reducing operational waste, standardising processes and implementing performance measurement systems. The intervention delivered measurable improvements in productivity, product quality, housekeeping standards and operational control, while fostering a culture of continuous improvement.

The programme has established a solid foundation for sustainable growth and enhanced competitiveness. As a result, the company is better positioned to strengthen its quality management systems, expand visual management practices, improve testing capabilities and pursue ongoing operational excellence.

REGION 3

BT&R CASE STUDY

ENVIROSAN SANITATION AND SOLUTIONS

1. COMPANY PROFILE



Envirosan Sanitation Solutions operates in the manufacturing sector, specialising in plastic injection moulded sanitation systems. Its head office is in New Germany, KwaZulu-Natal. The company employed 29 employees at the end of the latest financial year.

The business has been operating since 2006 and is well established in the market. The company works closely with local and international organisations (such as the Bill and Melinda Gates Foundation), NGOs such as UNICEF and World Vision, municipalities and other stakeholders to provide safe, sustainable and dignified toilets, polymer doors, handwashing facilities and related products to users.

The company needed support for elements of its business and assistance with boosting the business revenue by attracting more clientele and improving its operations. As a result, support from Productivity SA was enlisted. Envirosan was accepted on the programme in November 2022.

2. CHALLENGES

Productivity SA's in-depth assessment identified the following challenges:

- No marketing plan;
- Absence of standard operating procedures;
- Slow turnaround;
- Processes were not streamlined.

3. PRODUCTIVITY SA'S APPROACH

An in-depth assessment and review of the company's operations and interviews with management and key staff members were done to identify the company's weaknesses and strengths.

A Future Forum was developed. This is a collaborative structure representing management and employees to actively involve management and labour in the phases of the programme. Future Forum members were enrolled in the Productivity SA training and formalisation of an early warning system (EWS).

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

To mitigate some of the challenges identified during the financial and in-depth assessment, the following interventions were implemented:

1. **Marketing and sales:** A marketing plan and strategies were developed.
2. **Operational efficiency:** A process and activity analysis was conducted.
3. **A website** was developed.

4. RESULTS AND IMPACT

The project deliverables were completed in the prescribed timeline and the following deliverable results and outcomes achieved:

Marketing: EnviroSan now has a detailed marketing plan and strategy showing dates of planned targets as well as responsible people. Detailed sales projections and targets showing the number of chambers to be sold along with the caps were set. This will allow for monthly monitoring and tracking to ensure the annual sales targets are achieved. Other anticipated impacts of the marketing plan and strategy are:

- Understanding the importance of marketing;
- Adjusting to be a marketing orientated business;
- Realising the importance of acquiring "real" marketing information regarding potential clients, competitors, and direct market;
- Clear understanding of staying in tune with the market and its frequent changes; and
- The establishment of a plan and a direction in which to move.

EnviroSan sold over 15 000 units of Eazisoak in two months before the project was closed.

Process activity analysis: The process was studied at EnviroSan, with an objective of understanding the existing process flow for the manufacture of toilets, doors, and Eazysoak products, and identifying areas for improvement. The approaches used for data collection were interviews, observations, and review of process documentation. The process was mapped and detailed process flow diagrams were created. Employees at various levels were engaged to gain insights into process bottlenecks and inefficiencies.

Website: The EnviroSan website was given a new look and feel. The business has developed new product offerings, and the website reflects this in a more compelling way than previously. The website, <https://envirosan.co.za>, will provide EnviroSan with a strong platform to promote its products across various online channels. This will give the products renewed appeal in the market and reach a new demographic.

Impact of Business Turnaround and Recovery implementation:

- Total number of jobs sustained: 29
- Total number of jobs anticipated to be created: 5

REGION 3

CIS CASE STUDY

AKILI TIMBER

1. COMPANY PROFILE

Akili Timber is a 100% black women-owned wood processing company based in Richmond in the uMgungundlovu District of KwaZulu-Natal. The business is owned and managed by Ms Pindiwe Filtane and employs 27 people in its sawmill, manufacturing and workshop divisions.

The company is a viable enterprise with a functional organisational structure and divisional leadership, while strategic decision

making remains centralised under the Managing Director. Akili Timber specialises in the manufacture of cradles and skids for the shipping industry, pallets, and other wood-based products, serving a range of industrial and commercial customers.

The business is focused on strengthening operational efficiency, improving profitability, and supporting sustainable growth in the wood processing sector.

Akili Timber products



Akili Timber partnered with Productivity SA due to persistent low production levels that affected the company's ability to meet customer demand. The intervention programme commenced in October 2024. Implementation was delayed and only progressed at a later stage. The programme ended in June 2025.

Following a diagnostic assessment, key operational challenges were identified in the sawmill division. In consultation with management, it was agreed that this area would be prioritised as the primary focus of the improvement intervention to address production constraints and enhance overall operational performance.

Three specific interventions were identified.

Baseline assessment

This was conducted at the sawmill to evaluate operational performance, with low productivity identified as the primary challenge. A two-week production study was undertaken to establish the current output levels, which served as the baseline for improvement planning.

The assessment established an average production output of 4.75 stacks of lumber per day. This was measured against a previously defined target of six stacks per day, which was used as the performance benchmark.

This baseline provided the foundation for identifying gaps and guiding subsequent interventions aimed at increasing production efficiency.

2. CAPACITY BUILDING

Capacity building training for 27 employees and management was conducted in October 2025. The training introduced the Kaizen Principles, focusing on 5S methodology, Muda elimination (waste reduction), and structured problem-solving techniques to support continuous improvement and operational efficiency.

3. PROCESS FLOW

A process walk-through of the sawmill was conducted to assess current operational performance and identify inefficiencies. This included a 5S assessment and Muda (waste) evaluation to better understand workflow constraints and areas requiring improvement in the production process.

Receiving and recoveries on offcuts were noted as areas with the highest waste rates.

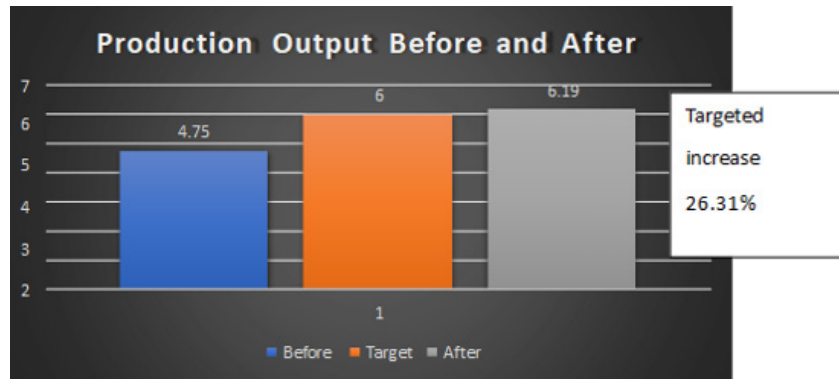
A brainstorming exercise revealed that low productivity is caused by downtime and low log turnover. An observation of four weeks was done to measure the extent of a downtime challenge. The results reflected that there was a 54% downtime experienced.

An implementation plan was established as a countermeasure to challenges identified. Challenges identified were labour productivity, low orders, shortage of logs and machine breakdown.

The initial improvement target was set to increase production output from 4.75 stacks to six stacks of lumber per day. However, this target was later identified as potentially insufficient for achieving breakeven performance, necessitating a further review of the basis used to determine production targets.

It is also important to note that one stack consists of 470 individual lumber units, providing a clearer reference for production measurement and performance tracking.

Production output results after implementation



Results

Although the initial implementation of the Kaizen project was delayed, it has recorded measurable successes. Employees demonstrated an improved understanding of the importance of productivity and housekeeping and showed strong commitment to updating and maintaining the shared worksheets. This reflects the organisation's commitment to embedding lessons learned and fostering a culture of continuous improvement in pursuit of productivity enhancement and sustainable growth.

Despite these achievements, there remain opportunities for improvement in the overall facility layout, production flow, workspace utilisation, and optimisation of offcuts.

The deliverables implemented through the Kaizen initiative have provided a valuable roadmap for addressing existing operational weaknesses and strengthening organisational capabilities, with a specific focus on improving operational efficiency.



COLLABORATE



LEAD

NOTES



INNOVATE



IMPROVE

MIDRAND

International Business Gateway,
Cnr New Road and Sixth Road, Midrand
Tel: +27 11 848 5300,
info@productivitysa.co.za

CAPE TOWN

Office 202, Edward III Building, 70 Edward Street,
Tyger Valley
Tel: +27 21 910 1591

DURBAN

Suite 201, Cowey Office Park, 91-123 Problem Mkhize Road,
Essenwood,
Tel: +27 31 268 9770
Email: info@productivitysa.co.za

Website: www.productivitysa.co.za

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