



ANNUAL REPORT 2023-24





Title: Magwa Enterprise Tea Annual Report 2023/24

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Email: Info@magwatea.com

Website: www.magwatea.com

External Auditors: Lunika Accountants Incorporated.

Bankers: ABSA and Standard Bank

Company Secretary: Marais and Smith Accountants Inc.

FOR ATTENTION:

Dr Nondumiso Maphazi

Chairperson of the Eastern Cape Rural Development Agency (ECRDA) Board of Directors

The Magwa Enterprise Tea SOC LTD (MET) Board has the honour of submitting the Annual Report of MET for the period 1 April 2023 to 31 March 2024.

Pindelwa Mda

Chairperson of the MET Board of Directors



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A woman wearing a white headscarf and a brown shirt is harvesting tea leaves in a field. She is using a pair of shears to cut the leaves. The background is a blurred green field.

**#01 ABOUT MAGWA
ENTERPRISE TEA**

Our Goals

To be the most sought out supplier of high-quality single origin tea leaves and tea bags (to tea sellers and tea lovers).

Our Mission

We produce single origin quality tea from the Wild Coast.

Our Strategic Objective

Improve the health of our tea trees in order to get the best quality tea that will deliver high revenue and profitability for a self-sustaining tea business.

Our Ambition

MET will deliver sustainable positive Operating Profit in the next 3 Years.

Legislative And Other Mandates

Magwa Enterprise Tea SOC Limited (MET) was established by the Eastern Cape Development Corporation (“ECDC”) on 3rd June 2004 to operate the tea estate located in the eastern part of the Eastern Cape (Lusikisiki area). Majola Tea (Pty) Ltd was a privately owned entity also located in the Eastern Cape (Port St Johns area) until it was liquidated and integrated to Magwa as a single company.

A Deed of Agreement was signed by former Executive Authorities of the Department of Rural Development and Agrarian Reform and Department (DRDAR) and Economic Development, Environmental Affairs and Tourism (DEDEAT), in respect of the transfer of MET shares from the ECDC to Eastern Cape Rural Development Agency (ECRDA) under the Department of Rural Development and Agrarian Reform (DRDAR) to the Eastern Cape Rural Development Agency (ECRDA). The ECRDA is the sole shareholder of MET and a conduit for funding to MET.



#02 CHAIRPERSON'S FOREWORD



Esteemed Shareholders,

I am pleased to present our Annual Report and Audited Financial Statements for the year ended March 30, 2024. Despite challenges such as increased labour costs and low bulk tea prices, we have navigated through the period with resilience.

The global shift in shipping routes due to recent events in the Red Sea has impacted tea prices positively, allowing us to negotiate higher prices with local buyers. However, geopolitical instability and global inflation have presented additional challenges, leading to the cancellation of our fertilizer procurement.

Key Developments

Our strategic review led to the enhancement of our governance with the appointment of four new directors. While our strategic initiatives since 2016 aim to achieve self-sustainability, we acknowledge the need for adjustments to reach our break-even point.

To address this, the MET Board and Management convened on June 7th to develop a more implementable turnaround strategy focused on operational efficiency, value addition, brand development, and diversification.

Operational Performance

Despite constraints such as insufficient labour, climate change, and equipment downtime, we produced 143.2 tons of bulk black tea during the review period, demonstrating our commitment to operational continuity.



Appreciation

I extend gratitude to the ECRDA board, DRDAR, MET board members, management, staff, strategic partners, stakeholders, and allies for their unwavering support and dedication.

Call to Action

United in purpose and driven by our unwavering mission, the entire MET team stands resolute in the face of adversity. With unwavering determination, we confront challenges head-on, fortified by our collective resolve and shared vision for the future.

We call upon our stakeholders to stand shoulder to shoulder with us, advocating for our cause, collaborating in our endeavours, and investing in our journey towards lasting success. Together, we are a force to be reckoned with, and together, we will achieve the extraordinary. Let's continue our journey towards a thriving and sustainable enterprise.

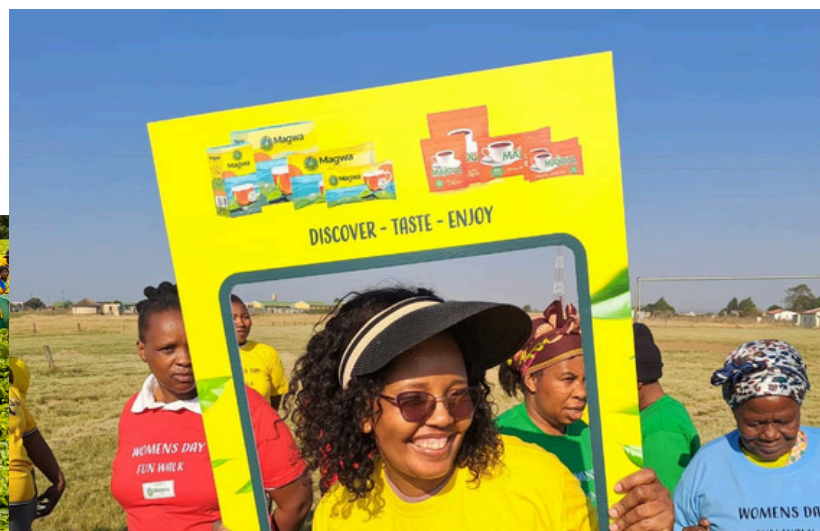
Outlook

Looking ahead, we will engage shareholders and government for capitalization to address liquidity challenges. Additionally, we will continue to seek investment from the private sector to improve operational and financial performance, aiming for profitability and sustainability.

A handwritten signature in black ink, appearing to be 'Pindelwa Mda'.

Pindelwa Mda

Chairperson of the Board



#03 GENERAL MANAGER REPORT



I am pleased to present the 2023/24 annual report of Magwa Enterprise Tea SOC Limited. Leading MET at such a transformative period for the company is a formidable assignment which requires inspired leadership acumen. Inherent in MET is an exciting socio-economic potential which should lead to revived and robust economic activity. The continued existence of both Magwa and Majola tea estates is non-negotiable, considering the remarkable socio-economic impact it has on thousands of rural people who are impacted by its operations. Being the largest tea producer in the Southern Hemisphere with a production size of 2,188 hectares (ha) across both estates, Magwa Enterprise Tea SOC Limited (MET) is well-positioned to inject the requisite buoyancy into the regional economy.

Already, MET is a significant employer in the area with more than 503 workers. The socio-economic impact of this is substantial at both Lusikisiki and Port St Johns areas. However, the continued existence of MET requires deployment of critical skills and the best talent in the sector in order to help turnaround its fortunes. Public-private partnerships and other strategic alliances will prove a central cog in a reimagined future for MET. The idea is to establish a dynamic tea estate which has the corporate fundamentals required for long-term sustainable growth prospects. As such, during the 2023/24 financial year the building blocks for the rebirth of MET were revealed with plans to transform the estate into a critical player in South Africa's agriculture and eco-tourism.

Enterprise Performance

We have achieved better results compared to the previous last five (5) years, these despite the challenges of climate change, non-application of fertilizer due to financial constraints, low number of seasonal workers, increased cost of labour, electricity, fuel and coal against global falling bulk tea prices.

Climate change is estimated to have contributed 25% to non-achievement of our tea production target and quality – thus extreme heat, winds and heavy rains affected product quality, green leaf regeneration (shoots) and the taste of tea as result of too much rain.

Machine break-down at Majola tea Estate is estimated to have contributed 5% to non-achievement of our tea production target and quality with approximately 6,000 spoiled green leaf during the period under review.

Load shedding, a continuous challenge, is estimated to have contributed to an estimated 7%

reduction of the annual target of made-tea due to spoilage and loss of quality as green leaf could not be processed timeously. Load shedding also resulted in excessive use of diesel to power back-up generators at the Majola Estate and increased cost due to unplanned overtime hours of labour.

Despite the lack of fertilizer, poor climate, insufficient field maintenance and the low labour force's contribution to the reduction in harvesting man per hectare from 6,1 in 2020/21 to 3,1 in 2023/24, the average yield per hectare has improved from 0,54 to 1,71 kilograms per person respectively.

Cost of production per kilogram decreased by R3,69 (5%) in Magwa Estate, from R73,47 (2022/23) to R69,78 (2023/24), while Majola Estate cost increased by R17,53 (15%) from R117,68 (2022/23) to R135,21 (2023/24). A positive performance considering the single highest cost of labour has increased by 9,62% during the year under review and a future 8,5 % during the month of March 2024, an effective 9,52% Increase and CPI on input cost, energy.

Diversification

The Enterprise has concluded a long-term Forest Enterprise Development Agreement with SAPPI. This will see 538HA of forestry been harvested and replanted while an addition 500HA of forestry will be developed, bringing a total of 1038HA contribution into production. This is part of the enterprise long-term diversification programme aimed at de-risking the enterprise from its over-reliance on tea production only.

Change Operating Model

We are confident through mechanisation (motorized tea harvesting equipment) of the enterprise field operations at ratio's, 30% (mechanized) and 70% (manual) and a shift from bulk tea to teabag revenue channel will boost the bottom line and gear the enterprise to a profitable and sustainable operation. A hybrid operation model will create new job opportunities for youth in engineering and mechanics, it is estimated the change will result in the attainment of 1494 jobs in the fields operation (harvesters) and sustained from the current 305 number of jobs (excluding seasonals).

Outlook

Despite our Annual Performance Plan and a minimum funding request of R95,860,599; R47,804,386 towards Business as Usual (BAU) and R48,056,213 for Project and Initiatives, Only R30,699,000 was allocated. At this funding level, management is not be able to implement the enterprise's strategic and operational plans with production in the year 2024/25 at risk. Lack of funding for additional investments estimated at R48,056,213 will delay the enterprise's turn-around plan. Both MET Board and the shareholder are carefully evaluating the lack of funding and its long-term negative impact to the enterprise.



Ramabulana Makatu
General Manager (Acting)



#04 PERFORMANCE INFORMATION



Strategic Objectives	Key Outcome	Key Outcome Indicators	Baselines	2023/24	Actual Achievement	Deviation from Target
	Tea production estimates are met and /or exceeded	% Tons of tea produced as agreed with Board committee and Shareholder	169Tons / 2022/23 performance	50% (253Tons)	141,4 (56%)	-44% (-112Tons)
Increased tea production volume and quality	Increased Primary grades of the total tea produced: (Pekoe Fanning 1 (PF1) 58%; Pekoe Dust (PD) 12% and BP1 (10%). 1:1 coal made tea ratio; 4,75 outturn ratios; less than 0,021 man to made tea ratio; 4200kg/ha through-put.	% Quality distribution of tea produced as agreed with Board Committee and Shareholder	74%	80%	72%	-8%
<p>Comments: Target not achieved by 56% due to harvesting stopped earlier than planned in February 2024 (22 days earlier). Of the 132 planned productive days, only 81 days were achieved (-38,6%).</p> <p>Climate change, electricity load shedding and unplanned downtime or machine breakdown accounted for 25%, 7% and 5% respectively towards the missed targets while lack of fertilizer application contributed to poor quality tea.</p> <p>Corrective Measures: The Board and Management are making effort to raise funding to procure mechanisation equipment, fertilizer, and employ more field workers. Successful roll-out of mechanisation and application of fertilizer will improve both volumes and quality of the tea.</p>						

Strategic Objectives	Key Outcome	Key Outcome Indicators	Baselines	2023/24	Actual Achievement	Deviation from Target
Increased tea production volume and quality	Number of tea field Hectare pruned during the year	Number of tea fields pruned as agreed with Board Committee and Shareholder	38,5 HA	150 HA	68,3HA	-81,7HA (-54 %)
	<p>Comments: Spares unavailability at the Warehouses both in Gauteng & Durban, after the KZN flood and riots that saw warehouses burnt and equipment destroyed, these led to general price increase above our affordability even when budget was re-prioritised.</p>					
	Increased bulk tea sale 2023/24 Target adjusted in response to low closing inventory level at year-end at 98,700Kg Vs 201 048 in year ended 2021/22.	% Increase of bulk revenue	R9M	R4.3M	R6,1M	R1,76M
<p>Comments: Increase due to improved bulk tea price due to the aftermath of recent attacks in the Red Sea, with vessels opting to bypass the Suez Canal and navigate around South Africa's Cape of Good Hope. This shift has disrupted a crucial global shipping route, compelling ships to add another 15 days (4,000 miles) to their journeys, accompanied by increased costs. As a result, we could bargain with local buyers for a higher price.</p>						

Strategic Objectives	Key outcome	Key outcome indicators	Baselines	2023/24	Actual Achievement	Deviation from Target
Increased revenue and shift from bulk to teabag revenue channel	Increased teabag sales in the retail, wholesale and Informal market channels etc.	% Increase of teabag revenue	R440K	R1.3M	R756K	R544K (-42%)
	<p>Comments: The late appointment of the Marketing & Sales Manager (August 2023) resulted in slow marketing activities against the Target R544K (42%) (lower) and R112K (17%) (higher) against prior year.</p> <p>Corrective Measures: MET is a State-Owned Company (SOC). In the state facilities (government offices, prisons, hospitals, and municipalities), tea is consumed, and the bulk of consumed tea is the tea manufactured by companies competing with MET, the SOE. Civil servants as consumers can purchase tea of their choice but tea purchased with state funds should only be a SEO brand, Magwa and Majola tea in this case. For MET to fully unlock this market potential, in-house packing of tea bags is crucial in order to meet the demand and drive marketing campaigns.</p>					
	Change in revenue model from bulk to teabag	% Number of made tea production sold in teabag /value added form	4% (3520KG)	30%	17%	-13%
<p>Comments: KG of bulk tea sold decreased by 37% while teabag (value-addition) product increased by 17%</p> <p>Corrective Measures: Push for Food Safety certification, in-house packing and aggressive marketing of teabags to government and retailers to generate revenue at a higher price per kilogram than what bulk bags are fetching.</p>						

Strategic Objectives	Key outcome	Key outcome indicators	Base-lines	2023/24	Actual Achievement	Deviation from Target
Facilitate investment towards enterprise diversification in high value commodities, Eco-tourism and tea production mechanisation and value addition	Voluntary, mutual agreement entered between MET, Traditional Leaders and Communal Property Association (CPA) on the developmental path of the land.	Signed landowners and community representative compact	None	Agreement Entered sign	Land-Use Agreement with the Local Traditional Leaders Not less than 2 official stakeholder engagement with traditional leaders and CPA held during the period under review.	Nil
	Number of investments in progress i.e. Due-diligence and contracting.	Number of investment agreement	None	2	1	-1
	<p>Comments:</p> <ul style="list-style-type: none"> - Forestry Enterprise Development Agreement (FEDA) entered into with SAPPI. - BeeHive honey production contracts not concluded before year-end, negotiation on-going for finalisation in 2024/25. 					

Strategic Objectives	Key Outcome	Key Outcome Indicators	Baselines	2023/24	Actual Achievement	Deviation from Target
Develop a high performance ,diverse, agile, engaged and evolved workforce	Performance contracts entered into with all managers, supervisors and professional staff.	Reviewed and signed performance contracts and feedback in Q basis.	None	80%	33%	-47%
	Improve the engagement of the employees at all levels of the Estate/Enterprise	Employee Engagement Index score achieved based on survey from employees	None	60%	0%	-60%
	<p>Comments: Lack of internal skills and know-how to implement. No budget was allocated. Provision of internal training and coaching as well as the use ECRDA training programme and other identified interventions could not materialize. The sudden recall of the HR Manager by ECRDA without replacement was also a contributor to non-achievement of KPIs.</p> <p>Corrective Measures: MET and ECRDA are collaborating on Human capital development and shared services.</p>					

Strategic Objectives	Key outcome indicators	Baselines	2023/24	Actual Achievement	Deviation from Target	Strategic Objectives
Develop a high performance, diverse, agile, engaged and evolved workforce	Filling of managerial staff critical vacancy	% of critical and managerial position filled	50%	60%	33%	-27%
	<p>Comments: Only a budget for Marketing Manager was catered for in 2023/24, while appointment of the General and Human Resource Manager was planned from secondment from Eastern Cape Rural Development Agency (ECRDA) or to be carried by the ECRDA payroll budget (COE). This did not materialise during the year.</p>					
	Filling of professional junior staff critical vacancy (Marketing, Laboratory, Fields's and Finance SCM)	% of critical and professional Junior position filled	12.5%	50%	0%	-100%
<p>Comments: Appointments could not be made, and targets not achieved due to lack of funding.</p>						

Strategic Objectives	Key outcome	Key outcome indicators	Baselines	2023/24	Actual Achievement	Deviation from Target
Use of data within a comprehensive knowledge management framework to ensure accurate planning, integrity to drive insight and improved outcome	Collection of data from the tea fields for fields profiling with next season field activity supported by data (Historical fields performance Quality and Volume Matrix, rainfall and all other complex matters).	% of planning and decision taken based on data and recorded or documented historical events/data.	0%	50.00% standard 65.00% complex	100%	0%
<p>Comments: Fields Operational decision made based on data analytics results collected during maintenance, harvesting session.</p>						



Strategic Objectives	Key outcome	Key outcome indicators	Baselines	2023/24	Actual Achievement	Deviation from Target
Effective Stewardship of resources to ensure efficiency and effectiveness in the delivery of quality outcomes and performance excellence	Reconfigure MET cost structure towards core business of tea production and sale of teabag	Increase fields investment towards fertilizer and pruning and harvest equipment as % of total allocation	Nil	2%	-	-2
	<p>Comments: Fertilizer could not be procured in the current year due to non- availability (Tender non-responsive) while mechanisation equipment not procured due to financial constraints.</p>					
	Unqualified audit opinion received from the Auditor-General	Unqualified audit opinion	Unqualified audit opinion with findings.	Unqualified audit opinion	Unqualified audit opinion for 2022/23 FY	-

Strategic Objectives	Key outcome	Key outcome indicators	Baselines	2023/24	Actual Achievement	Deviation from Target
Effective Stewardship of resources to ensure efficiency and effectiveness in the delivery of quality outcomes and performance excellence	Demonstrate effective stewardship through the appropriate spending of the budget allocation approved by the Board Committee	% Deviation between MET spending for the year and the allocation approved by the Board Committee	11%	5%	3 425%	3420%
<p>Comments: Underspend of R438,501 vs. Planned R12,803 mainly due to:</p> <ul style="list-style-type: none"> -Revenue increased due to favourable bulk tea prices associated with global shipping challenges that resulted in favourable prices from local domestic customers. -A decision in the month of January and February 2024 to reduced harvesting days from planned 21 to 10 days, due to poor daily leaf volumes leaf leaves not sufficient to cover factory processing overheads. -Non-procurement of fertilizer as a result of commodity not available due to the Russia – Ukraine geo-politics. 						

Strategic Objectives	Key outcome	Key outcome indicators	Baselines	2023/24	Actual Achievement	Deviation from Target
Work with and through stakeholders to improve and build trust and confidence within the Lambasi and Magwa Community	Stakeholder engagement (CPA, Traditional leaders, municipality and other)	Number of stakeholder engagements held	1	2	2	-
	<p>Comments: MET Management held two Meeting with Communal Property Association (CPA) and Traditional leaders during the period under review in effort to resolve and obtain Land user Agreement signed by both parties. We also pointed to the fact that this deliverable rested with the Shareholder (ECRDA) as per 2023/24 Service Level Agreement (SLA).</p>					
	Employee opinion survey results – on level of trust and confidence in MET direction of the enterprise.	% Score per employee opinion survey	NONE	70%	0%	-100%
<p>Comments: Lack of internal skills and knowhow to implement. No budget was allocated, or provision made. Internal training and coaching and the use ECRDA training program and other identified intervention could not materialise. The sudden recall of the HR Manager by ECRDA without replacement also contributed to non-achievement of KPIs.</p>						

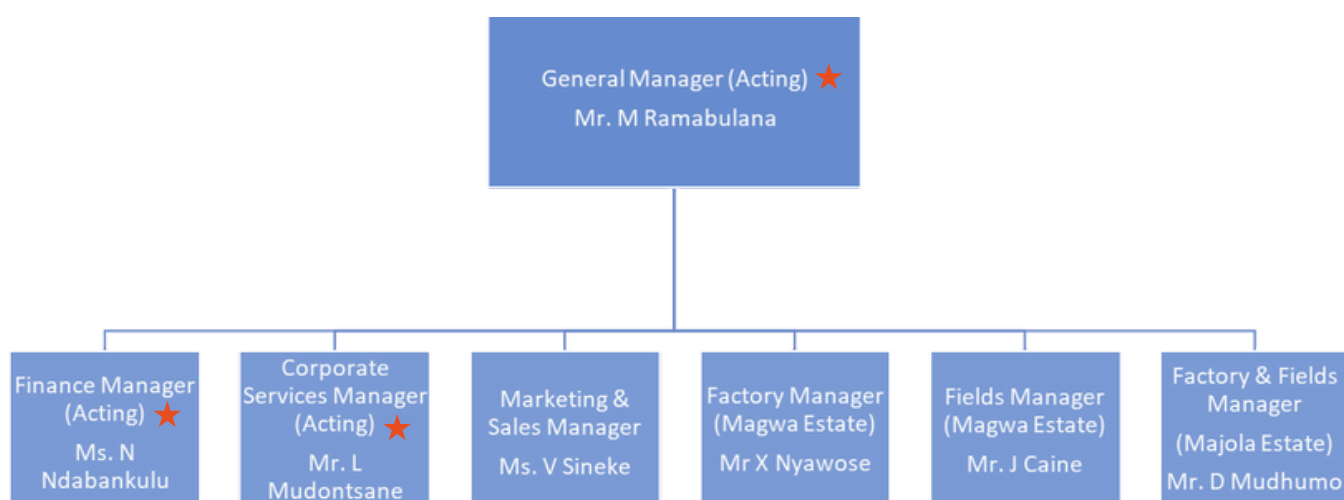
#05 HUMAN RESOURCES



Human Resources

Enterp The enterprise continues to operate with a significant number of critical vacancies, exposing it to strategic, compliance, operational, and reputational risks due to the management team's limited skills and experience.

A review of the organizational structure and design is required. MET management must establish a clear chain of command and accountability framework. The company has identified misalignments, gaps, and inconsistencies in its workflow and relationships. Management should create an optimal organizational structure that aligns human capital with the company's strategy, systems, staff, skillsets, management style, shared values (mission, objectives, and values), and standards to effectively achieve its goals.



Personnel Cost by Salary Bands

Level	Personnel expenditure	% Of personnel expenditure to total	No of employees	Average personnel cost per employee
Top Management	R2 338 285	8%	6	R389 714
Senior Management	R1 220 298	4%	11	R100 936
Professional Qualified	R1 436 841	5%	13	R110 536
Skilled	R703 496	2%	14	R50 250
Semi-Skilled	R6 886 856	23%	100	R68 869
Unskilled	R14 875 103	50%	468	R31 784
National Minimum Wage Arrears	R2 314 741	-	-	-
Total	R29 775 620	100%	612	

**538 contract, permanent and seasonal workers owed R2 314 741 of 2022/23 minimum wage increase*

Performance rewards and employee benefits

No performance rewards were awarded during the period under review, performance management system and rewards are being developed. There are no employee benefits (health insurance and retirement plans) offered due to current poor financial position. The lack of employee benefits results in inability to attract and retain top talent, as well as improve employee productivity and engagement.

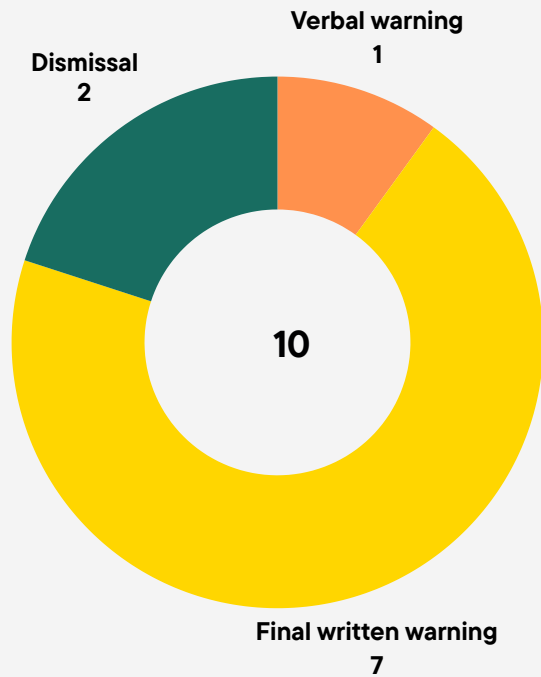
MET and its employees contribute to the Unemployment Insurance Fund (UIF), giving short-term relief to workers when they become unemployed or unable to work because of maternity, adoption and parental leave, or illness. It also provides relief to the dependants of a deceased contributor. The unemployment insurance system in South Africa is governed by the following legislation: Unemployment Insurance Act, 2001 (the UI Act) and Unemployment Insurance Contributions Act, 2002 (the UIC Act).

Training and development

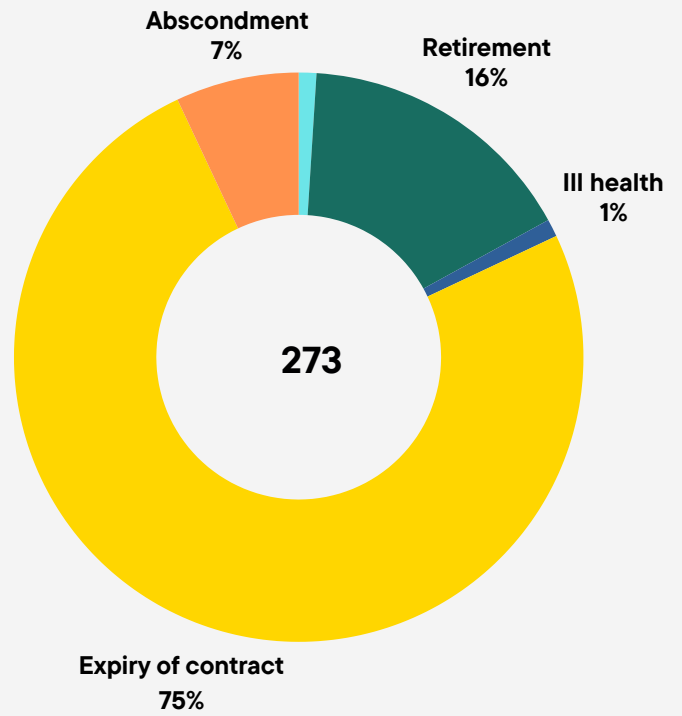
No training activities or interventions have been identified together with the shareholder (ECRDA). Areas of collaboration and extension of internal training and development programmes for MET are being identified.



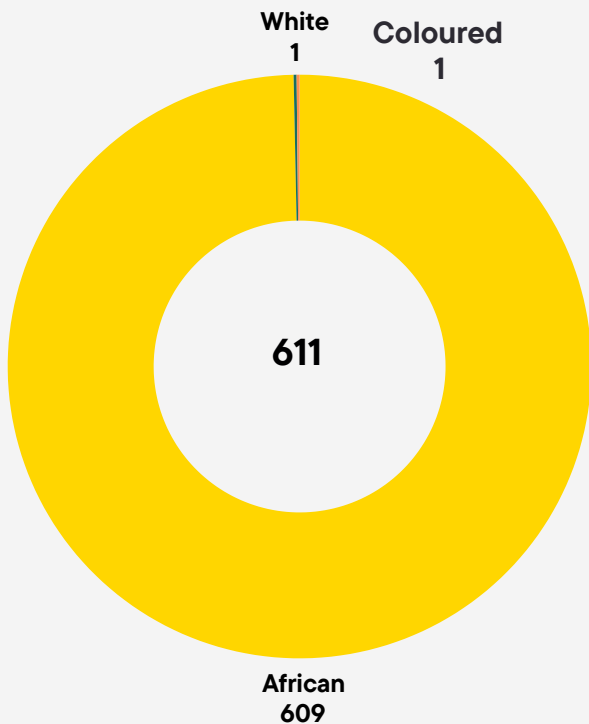
Nature of disciplinary action



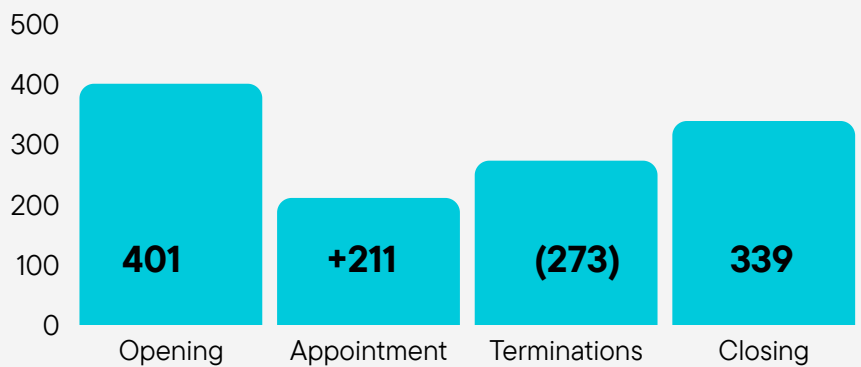
Employee reason for leaving



Employment Equity



1.1. Changes on employment and Staff Attrition



Ingquza Hill is predominantly black, hence the equity will always lean towards that. For the MTEF year, it will remain the same. However, after the approval of the organisational structure, management will design a five-year plan to address the equity and disability appointments.

#06 CORPORATE GOVERNANCE



MET endorses the code of good corporate governance practices and conduct as contained in the King Reports on Corporate Governance and affirms its commitment to comply in all material respects with the principles incorporated in these reports. The company further subscribes to the corporate governance principles set out in the Public Finance Management Act (the PFMA).

MET is committed to good corporate citizenship and organisational integrity in the running of its affairs. This commitment provides the shareholder, customers and stakeholders with the comfort that MET's affairs are being managed in an ethical and disciplined manner

Corporate Governance Framework

The Board continued to implement the Corporate Governance Framework, which consolidates the corporate governance procedures, practices and rules applied by the company. These are in line with best practice guidelines as contained in the King Reports on Corporate Governance and other good governance prescripts and guidelines.

Conflict of interest

- The company's values are entrenched through an approved Code of Ethics (Code) which guides employee behaviour in all internal and external stakeholder relations. In instances where a non-executive director has any direct or indirect personal or private business interest, he/she must withdraw from the proceedings when the matter is considered by the Board or any of its committees, unless the Board or any of its committees determines that a member's interest in the matters trivial or irrelevant.

The company requires all employees to sign 'declaration of interest' forms on an annual basis prior to the commencement of the financial year. The annual declaration of interests register for the Board is noted at the beginning of the financial year or as and when a revised declaration of interest is submitted to the Company Secretary.

Company Secretarial function

The Company Secretary is responsible to:

- Ensure that Board procedures are followed and reviewed regularly and that applicable rules and regulations for the conduct of the affairs of the Board are complied with;
- Guiding Board members as to how their responsibilities should be properly discharged in the best interests of the corporation;
- Keeping abreast of, and informing, the Board of current and new developments regarding corporate governance thinking and practice; and
- Maintaining statutory records in accordance with legal requirements.

The Board has access to the services and advice of the Company Secretary. In addition to various statutory functions, the Company Secretary provides individual non-executive directors and the Board with guidance on duties, responsibilities and powers, and the impact of regulatory developments. The Board has empowered the Company Secretary with the responsibility for advising the Board, through the Board Chairperson, on all governance matters. The Company Secretary acts as the primary point of contact between the Board and the Corporation. The Company Secretary is qualified to perform the duties in accordance with the applicable legislation and is considered by the Board to be fit and proper for the position.

Board Composition

As at 31 March 2024, MET is comprised of a seven-member Board including the Board Chairperson. The Board Chairperson and the general manager's roles and responsibilities are separate.

Board induction and information

The Company Secretary is tasked with assisting the Board with the induction of new non-executive directors and members' orientation. A formal induction programme introduces new non-executive directors to the company's business environment, risk management, regulatory environment, governance framework, sustainability issues and fiduciary duties. Non-executive members are regularly kept abreast of relevant company matters and regulatory developments.

Board and Committee Structure

Board and committees' membership and meeting attendance

The Board has delegated some of its responsibilities to committees in accordance with the approved delegation of authority. Each committee acts within the ambit of clearly defined terms of reference approved by the Board. These mandates are periodically reviewed and updated to address the recommendations of King IV and the requirements of the Public Finance Management Act including Protocol on Corporate Governance in the Public Sector.

Name	Designation	Qualification	Date of Appointment	Date Ended
Mr. Simphiwe Thobela (Board Chairperson) *Until 31 March 2024	Chairperson	<ul style="list-style-type: none"> Master's degree - Town and Regional planning - University of Kwazulu-Natal, Chartered Director of Southern African - CS(SA), Corporate Governance - IoDSA 	01-Apr-21	31-Mar-24
Mrs. Ngcane Madikizela-Renene	Deputy Chairperson	<ul style="list-style-type: none"> Bachelor's degree - Social Work Honours degree - Psychology 	01-Apr-21	31-Mar-24

Name	Designation	Qualification	Date of Appointment	Date Ended
Mr. Bongo Qina	Member	<ul style="list-style-type: none"> • Masters of Science (MSc), Finance and Financial Law • Masters of Laws (LLM) International Trade Law, Comparative Labour Law and Tax law - University of Cape Town • Bachelor of Law (LLB Hons) - university of Staffordshire 	01-Apr-21	26-Oct-23
Mr. Yongama Madolo (ARC Chairperson)	Member	<ul style="list-style-type: none"> • Master of Business Leadership (MBL) • Bachelor of Commerce in Accounting • Bachelor of Commerce in Accounting (Hons/CTA) • Chartered Accountant CA (SA) 	01-Feb-23	-
Ms. Nqobile Nxumalo	Member	<ul style="list-style-type: none"> • MSc Human Genetics- University of Stellenbosch • BSc Honours – Biochemistry- University of Fort Hare • BSc - Biochemistry and Microbiology-University of Fort Hare 	01-Feb-23	-

Name	Designation	Qualification	Date of Appointment	Date Ended
<p>Ms. Pindelwa Mda (Board Chairperson) *Effective 1 April 2024</p>	<p>Member</p>	<ul style="list-style-type: none"> • PED, IMD Business School, Switzerland; 2003 – 2004 • BA (Hons) Industrial Psychology, Wits University; 1986 • BA (Economics and Industrial Psychology majors), Wits University; 1983 – 1985 	<p>01-Feb-23</p>	<p>-</p>
<p>Mr. Phumezile Dinwayo</p>	<p>Member</p>	<ul style="list-style-type: none"> • B Admin: Public Administration (UWC) • B Admin Honours (UWC) • M Phil: People Management (UCT) * 	<p>01-Feb-23</p>	<p>-</p>

Delegation of Authority

The Board has delegated to the General Manager the day today running of the business within the approved Delegation of Authority Framework. The Delegation of Authority Framework applies to all employees of the company.

Matters reserved for Board decision

- a) Approving the Corporate Plan, annual budgets and any subsequent material changes in strategic direction.
- b) Approving annual financial statements, as well as the declaration of dividends. Approving any significant changes in accounting policies or practices.
- c) Recommending the acquisition or disposal of a significant shareholding in the Corporation for the Shareholder's approval.
- d) Recommending the acquisition or disposal of a significant asset for the Shareholder's approval.
- e) Entering into a Compact with the Shareholder.
- f) Approving terms and conditions of the Corporation's rights issues, public officers, capital issues or issues of convertible securities, including shares or convertible securities issued for acquisitions.
- g) Recommending the approval of any ordinary or special resolutions in respect of the Corporation to the Shareholder.
- h) Appointments and changes in the composition of the Board Committees, as the Board may elect from time to time.
- i) Effecting any changes in directors' fees and benefits as recommended by the Human Resources and Remuneration Committee and approved by the Shareholder.
- j) Any amendment to such rules as recommended by the Human Resources and Remuneration Committee.

Board members remuneration

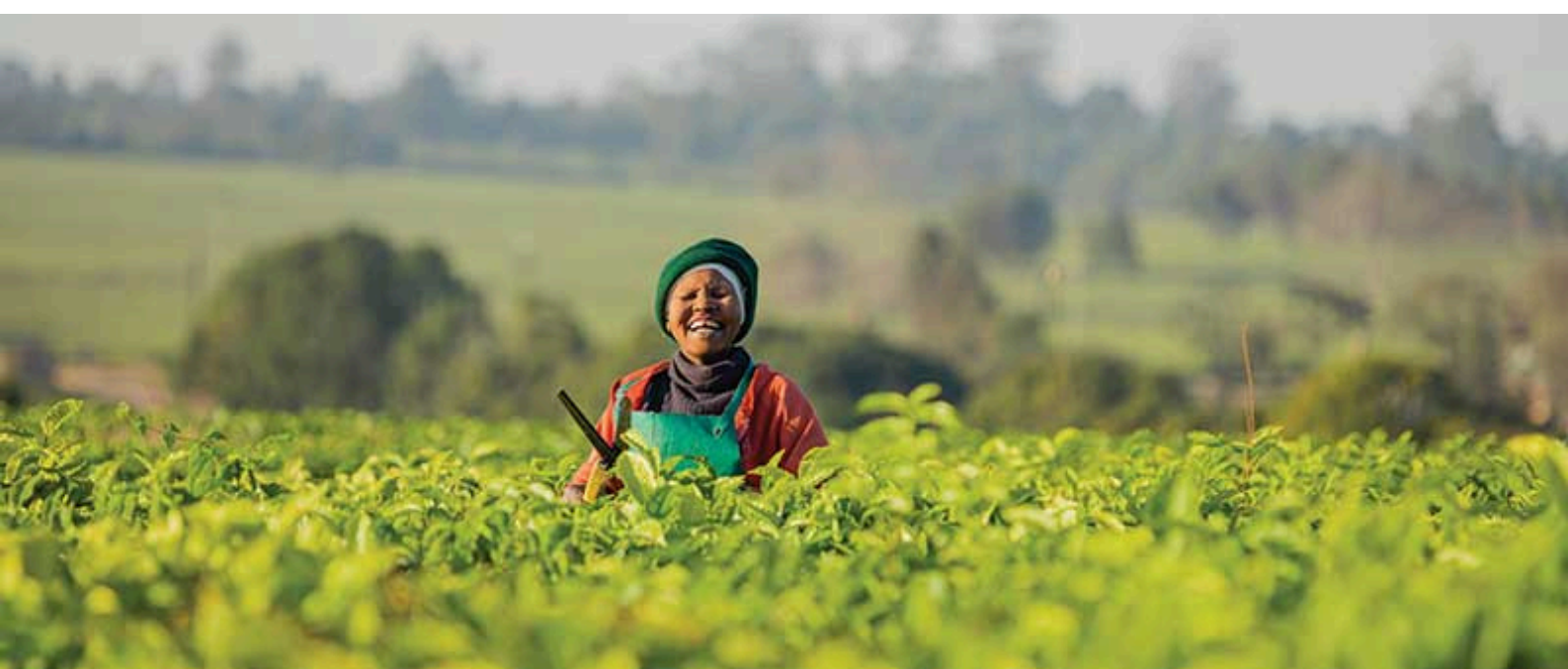
Board remuneration is determined by the parent entity (ECRDA), the Board determines the remuneration of the General and the Finance Manager who are the only two executive directors of the entity.



#07 FINANCIAL INFORMATION

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

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Accounting Authority's Responsibility and Approval

The members are required by the Public Finance Management Act (Act 1 of 1999) (PFMA), to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the members to ensure that the annual financial statements fairly present the state of affairs of the entity as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board (ASB).

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The members acknowledge that they are ultimately responsible for the system of internal financial control established by the entity and place considerable importance on maintaining a strong control environment. To enable the members to meet these responsibilities, the Accounting Authority sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the entity and all employees are required to maintain the highest ethical standards in ensuring the entity's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the entity is on identifying, assessing, managing and monitoring all known forms of risk across the entity. While operating risk cannot be fully eliminated, the entity endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The members are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The members have reviewed the entity's cash flow forecast for the year to 31 March 2025 and, in the light of this review and the current financial position, they are satisfied that the entity has or has access to adequate resources to continue in operational existence for the foreseeable future.

The Available financial reserves and future government funding is not sufficient to finance labour and input required to produce tea economically for the year 2024/25. This event would have ripple negative effect going forward as less or no revenue will be generated in the future worsened by indicative government grant for 2024/25 and outer years that does not cover the enterprise's required generic growth and CPI on goods and services. The lack of capital towards refreshment of old equipment, modernisation/mechanisation and funding for change in revenue from bulk to teabag is a huge contribution to the business's lack of progress.

Accounting Authority's Responsibility and Approval

On June 7, 2023, the MET Board and Management met to review previous plans and strategies, identify key gaps, and develop a more actionable turnaround strategy. This revised strategy aims to enhance operational efficiency, adopt a revised business model, and achieve break-even, paving the way for long-term sustainable profitability.

The annual financial statements set out on page 6, which have been prepared on the going concern basis, were approved by the Accounting Authority on May 30, 2024 and were signed on their behalf by:



Ms Pindelwa Mda

Chairperson of the Board



Audit Committee Report

We are pleased to present our report for the financial year ended 1 March 31, 2024.

Audit committee members and attendance

The audit committee consists of the members listed hereunder and should meet 4 times per annum as per its approved terms of reference. During the current year 4 number of meetings were held.

Audit committee responsibility

The audit committee reports that it has complied with its responsibilities arising from section 38(10)(1) of the PFMA and Treasury Regulation 3.1.

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

The effectiveness of internal control

The system of internal controls applied by the entity over financial and risk management is effective, efficient and transparent. In line with the PFMA and the King IV Report on Corporate Governance requirements, Internal Audit provides the audit committee and management with assurance that the internal controls are appropriate and effective. This is achieved by means of the risk management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes. From the various reports of, the Audit Report on the annual financial statements, and the management report of the External Audit, it was noted that no matters were reported that indicate any material deficiencies in the system of internal control or any deviations therefrom. Accordingly, we can report that the system of internal control over financial reporting for the period under review was efficient and effective. The quality of in year management and monthly/quarterly reports submitted in terms of the PFMA.

Evaluation of annual financial statements

The audit committee has:

- reviewed and discussed the audited annual financial statements to be included in the annual report, with the External
- and the board of members;
- reviewed the External Auditor of South Africa's management report and management's response thereto;
- reviewed changes in accounting policies and practices (delete if not applicable);
- reviewed the entities compliance with legal and regulatory provisions;
- reviewed significant adjustments resulting from the audit.

The audit committee concur with and accept the External Auditor's report the annual financial statements, and are of the opinion that the audited annual financial statements should be accepted and read together with the report of the External Auditor.

External Auditor

The audit committee has met with the External Auditor to ensure that audit finding are resolved.




Mr Yongama Madolo

Chairperson of the Audit and Risk Committee

Company Secretary's Certification

Declaration by the company secretary in respect of Section 88(2)(e) of the Companies Act

In terms of Section 88(2)(e) of the Companies Act 71 of 2008, as amended, I certify that the company has lodged with the Commissioner all such returns as are required of a public company in terms of the Companies Act and that all such returns are true, correct and up to date.

A handwritten signature in black ink, appearing to read 'Loren Smith', with a large, stylized initial 'L' and 'S'.

Ms Loren Smith

Marais and Smith Chartered Accountants
Company Secretary

Independent Auditor's Report - Lunika Chartered Accountants and Auditors Incorporated

To the Board of Magwa Enterprise Tea SOC Ltd

Report on the audit of Financial Statements

Opinion

I have audited the financial statements of Magwa Enterprise Tea SOC Ltd set out on pages 44 to 75, which comprise the statement of financial position, 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 31 March 2024, and notes to the financial statements, including summary of significant accounting policies.

In my opinion, the financial statements present fairly, in all material respects, the financial position of Magwa Enterprise Tea SOC Ltd as at 31 March 2024, and its financial performance and cash flows for the year then ended 31 March 2024 in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No.1 of 1999) (PFMA).

Basis for opinion

I conducted my audit in accordance with International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the company in accordance with the Independent Regulatory Board for Auditors Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. I have fulfilled my other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa.

The IRBA Code is consistent with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B).

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of matter

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

Going Concern

Note 1.17 to the financial statements of Magwa Enterprise Tea indicates challenges that threaten the financial viability and going concern status as the entity has suffered losses from operations in the current financial year of R3 206 165. However, Management's evaluation of the events and conditions affecting the operating loss and management's plans to mitigate those matters are adequately disclosed in Note 1.17. Our opinion is not modified with respect to this matter.

Prior period error

As disclosed in note 25 to the financial statements, the corresponding figures for 31 March 2023 were restated as a result of errors in the financial statements at, and for the year ended 31 March 2024.

Irregular expenditure

Irregular expenditure of R 484 468 (2022-23: R 700 000) disclosed in note 20 to the consolidated financial statements was incurred due to non-compliance with SCM legislation.

Independent Auditor's Report

Other Matters

The accounting authority is responsible for the other information. The other information comprises of the Accounting Authority's Responsibility and Approvals which we obtained prior to the date of this report. Other information does not include the financial statements and my auditor's report thereon.

My opinion on the financial statements does not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or my knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Responsibilities of the accounting authority for the financial statements

The accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with Standards of Generally Recognised Accounting Practices (GRAP) and the Public Finance Management Act. No. 1 of 1999, and for such internal controls as the directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the director either intends to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

As part of an audit in accordance with International Standards on Auditing, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtained 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 company's internal control.
- Evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

Independent Auditor's Report

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicated with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identified during my audit.

Report on the audit of the Annual Performance Report

I have a responsibility to report on the usefulness and reliability of the reported performance information against predetermined objectives for selected key performance indicators presented in the annual performance report. I performed procedures to identify material findings but not to gather evidence to express assurance.

My procedures address the usefulness and reliability of the reported performance information, which must be based on the entity's approved performance planning documents. I have not evaluated the appropriateness of the performance indicators included in the planning documents. My procedures do not examine whether the actions taken by the entity enable it to deliver on its objectives.

I evaluated the usefulness and reliability of the performance information in accordance with the criteria developed from the performance management and reporting framework as issued by National Treasury, for the following strategic objectives:

- Strategic Objective 1- Increased tea production volumes and quality.
- Strategic Objective 2- Increased revenue and shift from bulk and tea bag revenue channel.
- Strategic Objective 3- Facilitate investment towards enterprise.

I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved planning documents. I performed further procedures to determine whether the indicators and relevant targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

The material findings on the usefulness and reliability of the performance information of the selected strategic objectives are as follows:

Independent Auditor's Report

Strategic Objective 1 - Increased tea production volumes and quality.

- Indicator not consistent with the reported performance unit of measure.

The indicator measures the performance as percentage of tons however the reported performance is in tons.

Key Outcome	Indicator Description	Planned Annual Target	Report Performance
Tea production estimates are met and /or exceeded	% Tons of tea produced as agreed with Board Committee and Shareholder	50% (253 Tons)	141,4

Strategic Objective 2 - Increased revenue and shift from bulk and tea bag revenue channel.

- Indicator not consistent with the reported performance unit of measure.

Key Outcome	Indicator Description	Planned Annual Target	Report Performance
Increased bulk tea sale	% Increase in revenue	R4 300 000,00	R6.1 million
Increased teabag sales in the using retail, wholesale and Informal market channels etc.	% Increase in revenue	R1 300 000,00	R756 000

Other Matters

I draw attention to the matters below

Achievement of planned targets

Refer to the annual performance report on pages x to xx for information on the achievement of planned targets for the year and management's explanations provided for the under/overachievement of targets. This information should be considered in context of the of the findings on usefulness of the reported performance information in this report.

Independent Auditor's Report

Report on the audit of compliance with legislation

I have a responsibility to report on material findings on the entity's compliance with specific matters in key legislation. I performed procedures to identify material findings but not to gather evidence to express assurance.

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

Internal Audit

The entity does not have an internal audit unit as required by S55(1)(a)(ii) of the PFMA.

Expenditure

Reasonable steps were not taken to prevent irregular expenditure amounting to R 484 468 (2022/23 R700 000) as required by 51(1)(b)(ii) of the PFMA.

Annual financial statements, performance and annual reports

The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework and supported by full and proper records, as required by section 55(1)(a) and (b) of the PFMA. Material misstatements of Irregular expenditure, and statement of comparison of budget and actual amounts identified by the auditors in the submitted financial statements were corrected and the supporting records were provided subsequently, resulting in the financial statements receiving an unqualified audit opinion.



Lunika Chartered Accountants and Auditors Incorporated

IRBA Practice No: 945350

Courage Shumba (CA) SA

Registered Auditor

10 June 2024

Lonehill Office Park

Sandton

Johannesburg

 LUNIKA

Magwa Enterprise Tea SOC Limited
 Registration number 2004/014891/30
 Annual Financial Statements for the year ended March 31,2024

Corporate Information

Country of incorporation and domicile	South Africa
Nature of business and principal activities	Agriculture and Manufacturing
Directors	<p>Mr Simpiwe Thobela (Chairperson - ended on 31st March 2024)</p> <p>Ms Pindelwa Mda (Chairperson - effective 1st April 2024)</p> <p>Mrs Ngcane Madikizela-Renene (Until 31 March 2024)</p> <p>Mr Bongo Qina (Until 26 October 2023)</p> <p>Mr Yongama Madolo (ARC Chairman)</p> <p>Ms Nqobile Nxumalo</p> <p>Mr Phumzile Dinwayo</p>
Registered office	1 Main Road, Lusiki Rural District Eastern Cape,4820
Postal address	P/Bag X1 1003,,Lusikiisiki, Eastern Cape,4820
Bankers	ABSA and Standard Bank
Auditors	Lunika Incorporate Chartered Accountants (SA) Registered Auditors
Company registration number	2004/014891/30
Tax reference number	9052915163
Level of assurance	These annual financial statements have been audited in compliance with the applicable requirements of the Public Finance Management Act (Act 1 of 1999) (PFMA),.

Statement of Financial Position as at March 31, 2024

	Note(s)	2024	2023 Restated*
Assets			
Non-Current Assets			
Property, Plant and equipment	4	4 011 201	5 817 195
Biological assets	5	3 083 948	3 083 948
Deferred tax	6	6 531 220	5 330 657
		13 626 369	14 231 800
Current Assets			
Inventories	9	5 031 908	6 458 981
Receivables from Exchange Transactions	6	4 927 577	4 073 841
Receivables from Non Exchange Transactions		23 386	88 687
Cash and cash equivalents	10	857 400	421 712
		10 840 271	11 043 221
Total Assets		24 466 640	25 275 021
Equity and Liabilities			
Equity			
Share capital		100	100
Retained income		20 859 085	24 066 608
		20 859 185	24 066 708
Liabilities			
Non-Current Liabilities			
Deferred tax		832 666	832 666
Current Liabilities			
Trade and other payables	13	2 774 789	375 647
Total Liabilities		3 607 455	1 208 313
Total Equity and Liabilities		24 466 640	25 275 021

Statement of Financial Performance as at March 31,2024

Figures in Rands	Note(s)	2024	2023 Restated*
Other Income - SAPPI Forestry Sales		1 552 061	-
Revenue from Exchange Transaction		771 747	647 334
Sale of logs, firewood and other small items		755 543	643 502
Teabag Sales		6 060 866	9 632 049
Bulk Sales		74 617	54 962
Interest received			
	14	9 214 834	10 977 847
Cost of sales			
Opening Stock - Tea		(6 458 981)	(10 753 366)
Production of Tea		(7 957 177)	(7 804 401)
Cost of sales - Timber Logs		(858 034)	-
Closing stock - Tea		5 031 908	6 458 981
		(10 242 284)	(12 098 786)
Gross Loss		(1 027 450)	(1 120 939)
Revenue from Non-Exchange transactions			
Donation Received		-	1 696 273
Government grants		29 380 000	28 115 000
		29 380 000	29 811 273
Other operating expenses			
Administrative cost		852 028	1 282 550
Board Remuneration		488 220	458 529
Depreciation		1 992 654	2 298 576
Impairment PPE		21 398	538 294
Impairment / Inventory write off		4 334 416	7 772 281
Inventory Write off		206 132	161 508
Legal Fees		51 604	52 500
Operating Expenses		6 847 284	7 142 877
Salary and Wages		17 966 842	16 541 319
		32 760 578	36 248 434
Loss before taxation		(4 408 028)	(7 558 100)
Taxation		1 200 505	(108 360 408)
Taxation		(3 207 523)	(115 918 508)

Statement of Changes in Net Assets as at March 31, 2024

Figures in Rands	2024		2023 Restated*
Restated * Balance at April 1,2022	100	140 653 035	140 653 135
Total comprehensive Loss for the year	-	2 005 516	2 005 516
Opening balance as previously reported	100	142 658 551	142 658 551
Adjustment of prior period errors	-	(118 591 943)	(118 591 943)
Balance at April 1,2023 as restated	100	24 066 608	24 066 708
Total comprehensive Loss for the year	-	(3 207 523)	(3 207 523)
Balance at March 31, 2024	100	20 859 085	20 859 185

Statement of Cash Flows as at March 31,2024

Figures in Rands	Note(s)	2024	2023 Restated*
Cash flow from operating activities			
Cash receipts from customers			
Cash receipts from customers		8 445 404	28 114 250
Grant received		29 380 00	12 744 537
	19	37 825 404	40 858 787
Receipts			
Interest Income		74 617	5 665
Other receipts		-	2 720 515
Employee cost		(17 697 290)	(31 485 954)
Board remuneration		-	(360 924)
VAT Payments		-	(2 562 813)
Payments to supplier		(19 558 927)	(8 831 133)
Cash generated from operations		643 804	344 143
Cash flows from investing activities			
Purchases of property, plant and equipment	4	(208 058)	(228 033)
Cash flow form financing activities			
Finance cost		-	(252 042)
Total cash movement for the year		435 746	(135 932)
Cash and cash equivalents at the beginning of the year	10	421 712	557 643
Cash and cash equivalent at the end of the year		857 458	421 711

Accounting Policies

General Information

Magwa Enterprise Tea is a State Owned Company and is listed under Schedule 3C of the Public Finance Management Act (Act 1 of 1999), as amended (PFMA), as a Public Entity. The Entity is a Subsidiary of the Eastern Cape Rural Development Agency is a schedule 3C entity in terms of the Public Entity. Magwa Enterprise Tea SOC Ltd was incorporated in South Africa with interests in the Manufacturing industry. The Entity operates in South Africa.

1. Significant accounting policies

Principal 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 on the going concern basis in accordance with, and in compliance with, Generally Recognized Accounting Practice ("GRAP") including any interpretations, guidelines and directives issued by the Accounting Standards Board, in accordance with section 55 of the Public Finance management Act, Act no 29 of 1999 (amended act). The annual financial statements have been prepared on accrual basis of accounting as required by GRAP and incorporate the principal accounting policies set out below.

The annual financial statements have been prepared on the historic cost convention, unless otherwise stated in the accounting policies which follow and incorporate the principal accounting policies set out below. They are presented in Rands, which is the company's functional currency. These accounting policies are consistent with the previous period.

1.2 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make judgements, 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 when estimates are utilised. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements and key sources of estimation uncertainty include:

Useful lives and residual values of property, plant and equipment and intangible assets. All classes of property, plant and equipment are depreciated on a straight-line basis over the asset's expected useful life to their estimated residual value. The Magwa reviews the estimated useful lives and residual values of property, plant and equipment at the end of each annual reporting period to ascertain if there is an indication that the useful lives or residual values may have changed. Refer to the note for the carrying values of property, plant and equipment

1.3 Biological assets

An entity shall recognise a biological asset or agricultural produce when, and only when:

- the entity controls the asset as a result of past events;
- it is probable that future economic benefits associated with the asset will flow to the entity; and
- the fair value or cost of the asset can be measured reliably.

.Biological assets are measured at their fair value less costs to sell

The fair value of the pine plantations is based on the combined fair value of the land and the pine trees. The fair value of the raw land and land improvements is then deducted from the combined fair value to determine the fair value of the pine trees. A gain or loss arising on initial recognition of agricultural produce at fair value less costs to sell is included in profit or loss for the period in which it arises.

1.3 Biological assets (continued)

Where market determined prices or values are not available, the present value of the expected net cash inflows from the asset, discounted at a current market-determined rate is used to determine fair value.

An unconditional government grant related to a biological asset measured at its fair value less costs to sell is recognised as income when the government grant becomes receivable.

Item	Depreciation Method	Average useful life
Trees in a plantation forest	Straight line	Indefinite

1.4 Property, plant and equipment

Property, plant and equipment are tangible assets which the company holds for its own use or for rental to others and which are expected to be used for more than one year.

An item of property, plant and equipment is recognised as an asset when it is probable that future economic benefits associated with the item will flow to the company, and the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost. Cost includes all of the expenditure which is directly attributable to the acquisition or construction of the asset, including the capitalisation of borrowing costs on qualifying assets and adjustments in respect of hedge accounting, where appropriate.

Expenditure incurred subsequently for major services, additions to or replacements of parts of property, plant and equipment are capitalised if it is probable that future economic benefits associated with the expenditure will flow to the company and the cost can be measured reliably. Day to day servicing costs are included in profit or loss in the year in which they are incurred.

Depreciation of an asset commences when the asset is available for use as intended by management. Depreciation is charged to write off the asset's carrying amount over its estimated useful life to its estimated residual value, using a method that best reflects the pattern in which the asset's economic benefits are consumed by the company. Leased assets are depreciated in a consistent manner over the shorter of their expected useful lives and the lease term. Depreciation is not charged to an asset if its estimated residual value exceeds or is equal to its carrying amount. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale or derecognised.

1.4 Property, plant and equipment (continue)

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

Item	Depreciation Method	Average useful life
Buildings	Straight line	5
Plant and machinery	Straight line	10
Furniture and fixtures	Straight line	5
Motor vehicles	Straight line	5
IT equipment	Straight line	5
Leasehold improvements	Straight line	5
Tools and Implements	Straight line	5

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting year. If the expectations differ from previous estimates, the change is accounted for prospectively as a change in accounting estimate. 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 charge for each year is recognised in profit or loss unless it is included in the carrying amount of another asset.

Impairment tests are performed on property, plant and equipment when there is an indicator that they may be impaired. When the carrying amount of an item of property, plant and equipment is assessed to be higher than the estimated recoverable amount, an impairment loss is recognised immediately in profit or loss to bring the carrying amount in line with the recoverable amount.



1.4 Property, plant and equipment (continued)

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its continued use or disposal. Any gain or loss arising from the derecognition of an item of property, plant and equipment, determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, is included in profit or loss when the item is derecognised.

1.5 Related Parties

Related party transactions are defined as the transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged. Magwa is exempted from disclosure of related party transactions as all the entity's transactions and dealings with its related parties occurs within:

(a) 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

(b) terms and conditions within the normal operating parameters established by that reporting entity's legal mandate.

Management are all persons responsible for planning, directing and controlling the activities of the Magwa, including those charged with governance. Magwa discloses the amount of remuneration per person for the following classes of Management: Executive Managers; and Members of the Accounting Authority

1.6 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:

(i) those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and

(ii) those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

Magwa has adjusted the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred. Magwa discloses the nature of the event and an estimate of its financial effect; or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

1.7 Financial instruments

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

A financial asset is:

- (i) cash;
- (ii) a residual interest of another entity; or
- (iii) a contractual right to:
- (iv) receive cash or another financial asset from another entity; or

1) receive cash or another financial asset from another entity; or

2) exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

1.7 Financial instruments (continued)

A financial liability is any liability that is a contractual obligation to:

- (i) deliver cash or another financial asset to another entity; or
- (ii) exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Initial recognition

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

Financial assets

All financial assets of the entity are categorised at fair value or amortised cost. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Cash and cash equivalents

Cash and cash equivalents comprise balances held at banks and short-term investments and are at amortised cost, which due to their short-term nature, closely approximates their fair value.

Initial measurement

When a financial asset or financial liability is recognised initially, Magwa measures it at its fair value plus, in the case of a financial asset or a financial liability not subsequently measured at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Financial assets at amortised cost

Magwa classifies its receivables from exchange and non-exchange transactions as financial assets at amortised cost and measures these using the effective interest method. These financial assets are not quoted in an active market and have fixed or determinable payments as defined in GRAP.

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

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument, or, where appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

Impairment of financial assets

Financial assets are assessed for impairment at each reporting period.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flow of the investment has been impacted. For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

1.7 Financial instruments (continued)

The carrying amount of the financial asset is reduced by the impairment loss recognised during the financial period. The financial assets' carrying amount is reduced through the use of an allowance account/ provision for doubtful debt account. When a receivable is uncollectable, it is written off against the allowance account/ provision for doubtful debt. Subsequent recoveries of amounts previously written off are recognised in surplus or deficit for the year.

In assessing whether the entity's financial asset or group of financial assets is impaired at the end of the reporting period, Magwa considers the following, amongst others:

- significant financial difficulty of the issuer or obligor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- the lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- it is probable that the borrower will enter sequestration or other financial reorganisation;
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including adverse changes in the payment status of borrowers in the group (e.g. an increased number of delayed payments); or national or local economic conditions that correlate with defaults on the assets in the group (e.g. an increase in the unemployment rate in the geographical area of the borrowers, or adverse changes in market conditions that affect the borrowers in the group); and
- other circumstances and considerations which in Management's view will have a negative impact on the recoverability of the financial asset or group of financial assets (for example the passing of prescription period as determined in the Prescription Act).

Financial liabilities

All financial liabilities of the entity are classified as financial liabilities at amortised cost. The classification depends on the nature and purpose of the financial liabilities and is determined at the time of initial recognition.

Cash and cash equivalents

Cash and cash equivalents are stated at carrying amount which is deemed to be fair value.

1.8 Tax

Current tax assets and liabilities

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

1.8 Tax (continued)

Deferred tax assets and liabilities

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. A deferred tax asset is not recognised when it arises from the initial recognition of an asset or liability in a transaction at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for the carry forward of unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Tax expenses

Current and deferred taxes are recognised as income or an expense and included in profit or loss for the period, except to the extent that the tax arises from:

- a transaction or event which is recognised, in the same or a different period, to other comprehensive income, or
- a business combination.

Current tax and deferred taxes are charged or credited to other comprehensive income if the tax relates to items that are credited or charged, in the same or a different period, to other comprehensive income. Current tax and deferred taxes are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly in equity.

1.9 Leases

The company assesses whether a contract is, or contains a lease, at the inception of the contract. A contract is, or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

In order to assess whether a contract is, or contains a lease, management determine whether the asset under consideration is "identified", which means that the asset is either explicitly or implicitly specified in the contract and that the supplier does not have a substantial right of substitution throughout the period of use. Once management has concluded that the contract deals with an identified asset, the right to control the use thereof is considered. To this end, control over the use of an identified asset only exists when the company has the right to substantially all of the economic benefits from the use of the asset as well as the right to direct the use of the asset.

In circumstances where the determination of whether the contract is or contains a lease requires significant judgement, the relevant disclosures are provided in the significant judgments and sources of estimation uncertainty section of these accounting policies.

1.10 Inventories

Inventories are measured at the lower of cost and net realisable value on the first-in-first-out basis. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs. The cost of inventories is assigned using the formula. The same cost formula is used for all inventories having a similar nature and use to the entity.

When inventories are sold, the carrying amount of those inventories are recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Inventories includes a "right to returned goods asset" which represents the company right to recover products from customers where customers exercise their right of return under the company returns policy. The company uses its accumulated historical experience to estimate the number of returns on a portfolio level using the expected value method. A corresponding adjustment is recognised against cost of sales.

In accordance with GRAP 27, inventories comprising agricultural produce that an entity has harvested from its biological assets shall be measured on initial recognition at their fair value less costs to sell at the point of harvest. This is the cost of the inventories at that date for application of this Standard.

1.11 Impairment of assets

The company assesses at each end of the reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the company estimates the recoverable amount of the asset. If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined. The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss. An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated. The increased carrying amount of an asset other than goodwill attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods. A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation other than goodwill is recognised immediately in profit or loss. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

1.12 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The expected cost of profit sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Employee benefits

(a) short-term employee benefits, such as wages, salaries and social security contributions, paid annual leave and paid sick leave, bonus, incentive and performance related payments (if payable within twelve months of the end of the reporting period) and non-monetary benefits (such as medical care, housing, cars and free or subsidised goods or services) for current employees;

(b) post-employment benefits such as pensions, other retirement benefits, post-employment life insurance and postemployment medical care;

(c) other long-term employee benefits, which may include long-service leave or sabbatical leave, other long-service benefits, long-term disability benefits and, if they are not payable wholly within twelve months after the end of the reporting period, bonus, incentive and performance related payments, as well as deferred compensation; and termination benefits.

1.13 Provisions and contingencies

Provisions are recognised when:

- the company has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

None of the entity's provisions are expected to be partially or fully reimbursed by another entity. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense. A provision is used only for expenditures for which the provision was originally recognised. Provisions are not recognised for future operating surplus (deficit). If the entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

1.13 Provisions and contingencies (continued)

Contingencies

A contingent liability is:

- (a) a possible obligation that arises from past events, and whose existence will be confirmed only by the occurrence or nonoccurrence of one or more uncertain future events not wholly within the control of the entity; or
- (b) a present obligation that arises from past events but is not recognised because:
 - (i) it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; or
 - (ii) the amount of the obligation cannot be measured with sufficient reliability.

Unless the possibility of any outflow in settlement is remote, Magwa discloses for each class of contingent liability at the reporting date a brief description of the nature of the contingent liability and, where practicable:

- (a) an estimate of its financial effect
- (b) an indication of the uncertainties relating to the amount or timing of any outflow; and
- (c) the possibility of any reimbursement.

A contingent asset is a possible asset that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

Where an inflow of economic benefits or service potential is probable, Magwa discloses a brief description of the nature of the contingent assets at the reporting date, and, where practicable, an estimate of their financial effect, measured using the principles set out for provisions.

1.14 Government grants

Government grants are recognised when there is reasonable assurance that:

- the company will comply with the conditions attaching to them; and
- the grants will be received.

Government grants are recognised as income over the periods necessary to match them with the related costs that they are intended to compensate.

An inflow of resources from a non-exchange transaction recognised as an asset shall be recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As an 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 shall reduce the carrying amount of the liability recognised and recognise an amount of revenue equal to that reduction.

1.15 Revenue from Exchange Transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an entity either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange..

1.15 Revenue from Exchange Transactions (continue)

Recognition criteria

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

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

Rendering of services

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

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

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

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

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 income

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions, and is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the Magwa, and
- The amount of the revenue can be measured reliably.

Interest is recognised using the effective interest rate method for financial instruments and using the nominal interest rate method for statutory receivables. Interest levied on transactions arising from exchange or non-exchange transactions is classified based on the nature of the underlying transaction.

1.16 Turnover

Turnover comprises of sales to customers and service rendered to customers. Turnover is stated at the invoice amount and is exclusive of value added taxation.

1.17 Cost of sales

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs. The related cost of providing services recognised as revenue in the current period is included in cost of sales.

Contract costs comprise:

- costs that relate directly to the specific contract;
- costs that are attributable to contract activity in general and can be allocated to the contract; and
- such other costs as are specifically chargeable to the customer under the terms of the contract.

Cost of sales is reduced by the amount recognised in inventory as a "right to returned goods asset" which represents the company right to recover products from customers where customers exercise their right of return under the company returns policy.

1.18 Irregular Expenditure

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

- (a) The PFMA; or
- (a) The State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act.

In application of the National Treasury Instruction No. 4 of 2022/2023: PFMA Compliance and Reporting Framework, MET applies the following (effective from 03 January 2023)

- Irregular expenditure that was incurred and identified during the current financial year and which was condoned before year-end and/or before finalisation of the financial statements is disclosed in the financial statements.
- Irregular expenditure that was incurred and identified during the current financial year and for which confinement is being awaited at year-end is disclosed in the financial statements.
- Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the amount condoned is disclosed in the financial statements.
- If liability for the irregular expenditure can be attributed to a person, a debt account is created if such a person is liable in law.

1.19 Fruitless and Waste full Expenditure

Fruitless and wasteful expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

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 that was incurred and identified during the current financial year is disclosed in the financial statements

1.20 Comparative Figures

Current year comparatives (Budget)

Budget information in accordance with GRAP 1 and 24, has been provided in these annual financial statements.

Prior year comparatives

Where necessary comparative figures have been adjusted to conform to the changes in presentation in the current year. Prior period errors are omissions from, and misstatements in the entity's financial statements for one or more prior periods arising from a failure to use, or misuse reliable information that:

- (a) was available when financial statements for those periods were authorised for issue; and
- (b) could reasonably be expected to have been obtained and taken into account in the preparation and presentation of those financial statements.

Such errors include the effects of mathematical mistakes, mistakes in applying accounting policies, oversights or misinterpretations of facts and fraud.

Where necessary, comparative figures have been restated to correct prior period errors or reclassified to conform to changes in presentation in the current year.

1.21 Going Concern Assumption

As at 31 March 2024, Magwa has conducted a going concern assessment and concluded the following:

- The entity is in a net asset position at year-end, and it is expected to continue for the foreseeable future;
- The entity has sufficient cash resources to honour all commitments and payables that exist as at the reporting date;
- The Entity will continue to receive funding in the next financial cycle.

Based on the above assessment, the annual financial statements have thus been prepared based on the expectation that Magwa will continue to operate as a going concern for the foreseeable future and there are no significant circumstances that cast doubt on the going concern assumption.



Notes to the Annual Financial Statements

2. Guideline on the application of materiality to financial statements

The objective of this Guideline is to provide guidance that will assist entities to apply the concept of materiality when preparing financial statements in accordance with Standards of GRAP. Since MET has historically applied the principles in the Guideline, it does not have a material impact on the financial statements of MET.

3. Standards Issued but not yet Effective

At the time of authorisation of these financial statements, there were no GRAP Standards, Guidelines and Directives issued but not yet effective as per Directive 5 issued by the Accounting Standards Board. Thus there are no standards, guidelines and directives that have not yet been implemented by Magwa and there is no estimation of impact on Magwa of standards issued but not yet effective.

4. Property, plant and equipment

Item	2024			2023		
	Cost or Revaluation	Accumulated Depreciation	Carrying Value	Cost or Revaluation	Accumulated Depreciation	Carrying Value
Buildings	992 367	(682 080)	310 287	992 367	(604 509)	387 858
Plant and machinery	14 019 579	(11 126 571)	2 893 008	14 019 576	(9 827 339)	4 192 237
Furniture and fixtures	669 146	(572 816)	96 330	664 435	(484 274)	180 161
Motor vehicles	3 255 243	(2 956 389)	289 854	3 145 674	(2 702 827)	442 847
IT equipment	1 223 405	(1 082 033)	141 372	1 202 624	(1 015 628)	186 996
Leasehold improvements	148 208	(96 033)	52 175	148 208	(58 642)	89 566
Tools and Implements	1 589 704	(1 370 529)	219 175	1 530 861	(1 193 331)	337 530
Total	21,897,653	(17 886 451)	4 011 201	21 703 745	(15 886 550)	5 817 195

Reconciliation of property, plant and equipment - 2024

Item	Opening Balance	Additions	Depreciation	Impairment	Total
Buildings	387 858	-	(77 571)	-	310 287
Plant and machinery	4 192 237	-	(1 299 229)	-	2 893 008
Furniture and fixtures	180 161	4 711	(88 542)	-	96 330
Motor vehicles	442 847	109 997	(253 990)	-	298 854
IT equipment	186 996	21 650	(66 521)	(753)	141 372
Leasehold improvements	89 566	-	(29 646)	(7 745)	52 175
Tools and Implements	337 530	71 700	(177 155)	(12 900)	219 175
Total	5 817 195	208 058	(1 992 654)	(21 398)	4 011 201

Reconciliation of property, plant and equipment - 2023

Item	Opening Balance	Additions	Disposals	Depreciation	Impairment	Total
Buildings	-	992 310	-	(66 158)	(538 294)	387 858
Plant and machinery	5 584 066	-	-	(1 391 829)	-	4 192 237
Furniture and fixtures	291 337	-	-	(111 176)	-	180 161
Motor vehicles	840 078	-	-	(397 231)	-	442 847
IT equipment	180 160	115 447	-	(108 611)	-	186 996
Leasehold improvements	119 206	-	-	(29 640)	-	89 566
Tools and Implements	531 461	-	-	(193 931)	-	337 530
Capital- Work-in-progress	965 274	27 094	(992 368)	-	-	-
Total	8 511 582	1 134 851	(992 368)	2 298 576	(538 294)	5 817 195

5. Biological assets

Item	2024			2023		
	Cost or Revaluation	Accumulated Depreciation	Carrying Value	Cost or Revaluation	Accumulated Depreciation	Carrying Value
Tea bushes	3 083 948	-	3 083 948	3 083 948	-	3 083 948

Reconciliation of biological assets - 2024

Item	Opening balance	Total
Tea bushes	3 083 948	3 083 948

Reconciliation of biological assets - 2023

Item	Opening balance	Total
Tea bushes	3 083 948	3 083 948

2024

2023

5. Biological assets (continued)

Other Notes

The entity is exposed to financial risks arising from changes in commodity prices. The entity does not anticipate that commodity prices will decline significantly in the foreseeable future and, therefore, has not entered into derivative or other contracts to manage the risk of a decline in commodity prices. The entity reviews its outlook for commodity prices regularly in considering the need for active financial risk management.

Tea bushes are valued at cost, although the exposure to financial risks arising from changes in commodity prices, The entity has assessed the risk as not significant and as a result has not entered into derivative or other contracts to manage the risk of a decline in commodity prices. The entity however reviews its outlook for commodity prices regularly in considering the need for active financial risk management.

During the dry season the risk of tea bushes damages from fire is significant. The entity reduces this risk in the best possible manner by implementing appropriate fire prevention measures such as clearing underbrush ahead of the dry season, constructing fire breaks and surveillance. To manage the risk of climate and weather changes that pose the risk of damage and affect productivity and quality of tea, we have planted over 3 127 wind breakers planted.

6. Receivables from Exchange Transactions

Financial Instruments

Trade receivables	4 927 577	4 073 841
Total trade and other receivables	4 927 577	4 073 841

Exposure to credit risk

Trade receivables inherently expose the company to credit risk, being the risk that the company will incur financial loss if customers fail to make payments as they fall due.

The company's historical credit loss experience does not show significantly different loss patterns for different customer segments. The provision for credit losses is therefore based on past due status without disaggregating into further risk profiles. The loss allowance provision is determined as follows:

Fair value of trade and other receivables

Trade receivable is from sale of tea to bulk buyers (R3,5million) with a 60 days average collection cycle collection period, while the balance is from sale teabag to retailer, hospitality and government sector.

Customer credit risk is remain high, policy, procedures and control relating to customer credit risk management are constantly assessed. An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customers with similar loss patterns

2024

2023

7. Receivables from Non Exchange Transactions

VAT	23 386	88 687
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8. Deffered Tax**Deferred tax assets**

Tax Losses available for set off against future taxable income	6 531 220	5 330 657
----------------------------------------------------------------	-----------	-----------

The deferred tax assets and the deferred tax liability relate to income tax in the same jurisdiction, and the law allows net settlement. Therefore, they have been offset in the statement of financial position as follows:

The tax expense comprises current and deferred tax. Tax is recognised in the statement of comprehensive income except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the statement of financial position date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

MET has previously exempted grant income from taxable income however deducted the corresponding expenses resulting in non-compliance with s12P of the income tax Act and double-dipping. This necessitated a review of the tax assets/liabilities balances for tax period 2017/2018 to 2022/23. As a result prior year tax assets balance have been reinstated from R123 237 555 to R5 330 715. Future plans to mechanise operations and enter new teabag markets will generate future taxable profits that will be set-off against the tax assets.

Biological assets (tea bushes), present a permanent tax difference due to differences between the tax base and carrying amount of the liabilities

	2024	2023
8. Deferred Tax (continue)		
Deferred tax assets		
Reconciliation of deferred tax assets/ (liability)	6 531 220	5 330 657
At beginning of year	5 330 657	113 673 844
Increase (decrease) in tax loss available for set off against future taxable income-gross of valuation allowance	1 200 563	10 248 757
Prior year corrections	-	(118 591 911)
	6 531 220	5 330 657
9. Inventories		
Finished goods	5 031 908	6 458 981

Inventories Inventory is stated at the lower of cost or net realisable value. The cost of the finished goods and work in progress comprises raw materials, direct labour, and other direct costs related production overheads. Net realisable value is the estimated selling price in the ordinary course of business, less selling expenses.

Bulk Tea

Current year production cost per KG of made tea is at R69,78 (Magwa Estate) and R135,21 (Majola Estate). Average selling price for the R33,85 (Magwa Estate) and R30,25 (Majola Estate), an increase from R29,63 and R26,12 per KG respectively.

Price increase is due to the aftermath of recent attacks in the Red Sea, with vessels opting to bypass the Suez Canal and navigate around South Africa's Cape of Good Hope. This shift has disrupted a crucial global shipping route, compelling ships to add another 15 days (4,000 miles) to their journeys, accompanied by increased costs. As a results we could bargain with local buyers for a higher price.

2024

2023

10. Cash and cash equivalents

Cash and cash equivalents consist of :

Cash on hand

Bank balances

7 435

23 070

849 965

398 642

 857 400

 421 712

11. Irregular Expenditure

A R 700 000 Irregular Expenditure related to Expenses in the prior year. The Merchandiser and Distribution expenses was investigated and with corrective measures being implemented. The board has concluded on the matter and resolved it should be removed from the report.

Significant improvement have been made in the SCM environment and compliance with the BID Evaluation and Adjudication Committee constituted albeit the limited knowledge and experience. Staff is being educated on SCM rules and regulations and zero tolerance on non-compliance without hindering business process.

Irregular expenditure relating to good and services in the period

484 468

700 000

Irregular expenditure condoned and to be removed

-

(700 000)

 484 468

 -

2024

2023

12. Fruitless and Wasteful Expenditure

Fines and Penalties

	23 202	210 818
SARS -VAT	10 875	33 352
SARS-PAYE	3 390	5 915
Eskom	-	1 957
Car Track		
	<hr/>	<hr/>
	37 467	252 042
	<hr/>	<hr/>

Materialise in the main on tax liabilities administered by South Africa Revenue Services and accrues in instances where MET is in poor financial position to honour and pay the taxes due on time. The control environment was further strengthened and staff educated on the importance of cashflow management to align with Government support and possible delays so to honour tax liabilities as they become due .

13. Trade and other payables

Financial instruments:

Accruals	181 165	3 739
Other payables	2 477 451	349 357
Income received in advance	116 173	22 551
	<hr/>	<hr/>
	2 774 789	375 647
	<hr/>	<hr/>

Fair value of trade and other payables

Other payable include R2 314 742 due to employees for the 2023/24 minimum wage effective 1st March 2023 that was partially implemented, The entity applied to Department of Labour for exemption. An settlement and payment plan has been reached with workers representatives and Labour Union.

2024

2023

14. Revenue**Revenue from contracts with customers**

	1 552 061	-
Sale of goods	771 747	647 334
Other Income	74 617	74 996
Interest received	755 543	691 260
Tea bag sales		
	<hr/>	<hr/>
	3 153 968	1 413 590
	<hr/>	<hr/>

Revenue other than from contracts with customers

Bulk tea sales	6 060 866	9 632 049
	<hr/>	<hr/>
	9 214 834	11 045 639
	<hr/>	<hr/>

15. Operating profit (loss)

Operating loss for the year is stated after charging (crediting) the following, amongst others:

Remuneration, other than to employees

Administrative and managerial services	852 028	1 280 050
	<hr/>	<hr/>

Employee cost

Salaries and wages	17 966 842	16 541 319
	<hr/>	<hr/>

Depreciation and amortisation

Depreciation of property, plant and equipment	1 992 654	2 298 576
	<hr/>	<hr/>

2024

2023

16. Taxation**Major components of the tax income**

Current		
Local income tax - current period	(1 200 505)	108 360 408

Reconciliation of the tax expense

Reconciliation between applicable tax rate and average effective tax rate	27.00%	27.00%
---------------------------------------------------------------------------	--------	--------

17. Employee cost**Employee cost**

Basic	17 966 842	16 541 319
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In 2023 the national minimum wage was revised from R23,19 per hour to R25,42 per hour with effect from 1st March 2023. MET could not afford the full implementation of the increase. MET offered 90% of the minimum wage at R22,88 and started a process of exemption with the Department of Labour. The Department of Labour did not approve the request for exemption and consequently the 2023-24 should be implemented in full retrospectively, thus the 10% not effected in March 2023. The liability has been accrued for in the 2023/24 financial year and payable in 2024/25 financial year.

MET and its employees contribute to the Unemployment Insurance Fund (UIF) which gives short-term relief to workers when they become unemployed or are unable to work because of maternity, adoption and parental leave, or illness. It also provides relief to the dependants of a deceased contributor. The unemployment insurance system in South Africa is governed by the following legislation: Unemployment Insurance Act, 2001 (the UI Act) and Unemployment Insurance Contributions Act, 2002 (the UIC Act).

There are no employee benefits packages offered due to current poor financial position i.e. health insurance and retirement plans, the lack of employee benefits results in inability to attract and retain top talent, as well as improve employee productivity and engagement.

	2024	2023
18. Depreciation, amortisation and impairment losses		
Depreciation		
Property, plant and equipment	1 992 654	2 298 576
	<hr/>	
Impairment losses		
Property, plant and equipment	21 398	538 294
	<hr/>	
Total depreciation, amortisation and impairment		
Depreciation	1 992 654	2 298 576
Impairment losses	21 398	538 294
	<hr/>	
	2 014 052	2 836 870
	<hr/>	
19. Cash generated from /(use in)operations		
Loss before taxation	(4 408 028)	(8 125 581)
Adjustments for non-cash items		
Depreciation, amortisation ,impairment and reversal of impairments	2 014 052	2 836 870
Adjustments for items which are presented separately		
Bulk Sales	-	(9 632 049)
Change in Working Capital:		
(Increase) decrease in inventories	1 427 073	4 638 778
(Increase) decrease in Non Exchange transactions	65 301	106 875
(Increase) decrease from Exchange transactions	(853 736)	1 827 540
Increase (decrease) in payables in exchange transactions	2 399 142	(1 171 008)
	<hr/>	
	643 804	(9 518 575)
	<hr/>	

2024

2023

20. Contingencies

An estimated R 1 703 552 COIDA liability from period 2010 Financial Year before Magwa entered a business rescue process, due to missing historical information on people cost (destroyed during the labour unrest) , we are unable to reasonably quantify the liability with certainty. We are engaging with Labour Department on the way forward and cover the exiting labour force in the event of injury.

21 . Related parties

Relationships

Directors

Holding company

Key Management

Refer to Note 18

Eastern Cape Rural Development Agency

Refer to Note 18

Related party transactions

Grants Received from related parties

Eastern Cape Rural Development Agency

29 380 000

28 115 000

19. Cash generated from /(use in)operations

Loss before taxation	(4 408 028)	(8 125 581)
Adjustments for non-cash items		
Depreciation, amortisation ,impairment and reversal of impairments	2 014 052	2 836 870
Adjustments for items which are presented separately		
Bulk Sales	-	(9 632 049)
Change in Working Capital:		
(Increase) decrease in inventories	1 427 073	4 638 778
(Increase) decrease in Non Exchange transactions	65 301	106 875
(Increase) decrease from Exchange transactions	(853 736)	1 827 540
Increase (decrease) in payables in exchange transactions	2 399 142	(1 171 008)
	<hr/>	<hr/>
	643 804	(9 518 575)
	<hr/>	<hr/>

22. Directors' emoluments	2024	2023
Services as directors		
Mr Simphiwe Thobela (Chairperson- ended on 31st March 2024)	85 620	94 090
Ms Pindelwa Mda (Chairperson - effective 1st April 2024)	85 400	16 200
Mrs Ngcane Madikizela-Renene (Until 31 March 2024)	61 300	102 532
Mr Bongo Qina (Until 26 October 2023)	48 100	119 896
Mr Yongama Madolo (ARC Chairman)	67 500	18 958
Ms Nqobile Nxumalo	64 200	16 212
Mr Phumezile Dinwayo	76 100	19 777
	488 220	387 665

Senior Management Remuneration

Ramabulana M- Finance manager (Acting General manager - 15 Dec 2022)	900 000	679 545
Nyawose Mr - Factory Manager	540000	554 631
Mudhumo D Mr - Factory Manager	432 000	300 354
Johnson C, Mr - Field Manager	156 000	163 021
Ndabankulu N, Accountant (Acting Finance Manager - 21 March 2023)	360 000	-
Sineke V, Marketing Manager (Appointed 21 August 2023)	364 285	-
	2 752 285	1 697 551

23. Prior period errors

MET has previously exempted grant income from taxable income however deducted the corresponding expenses resulting in non-compliance with s12P of the income tax Act and double-dipping. This necessitated a review of the tax assets/liabilities balances for tax period 2017/2018 to 2022/23. As a result prior year tax assets balance have been reinstated from R123 237 555 to R5 330 715

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

Statement of financial position		5 330
Deferred tax	-	715
Statement of financial position		108 360
Taxation	-	408

24. Financial instruments and risk management

Financial Assets

2024	Note (s)	Amortised Cost	Total	Fair Value
Trade and other receivables	6	4 927 577	4 927 577	4 927 577
Cash and cash equivalents	10	857 400	857 400	857 400
		<hr/>	<hr/>	<hr/>
		5 784 977	5 784 977	5 784 977

2023	Note (s)	Amortised Cost	Total	Fair Value
Trade and other receivables	6	4 154 968	4 154 968	4 154 968
Cash and cash equivalents	10	421 712	421 712	-
		<hr/>	<hr/>	<hr/>
		4 576 680	4 576 680	4 154 968

Financial Liabilities

2024	Note (s)	Amortised Cost	Total	Fair Value
Trade and other payables	13	2 774 789	2 774 789	-

2023	Note (s)	Amortised Cost	Total	Fair Value
Trade and other payables	13	109 229	109 229	-

2024

2023

24. Financial instruments and risk management (continue)

Capital risk management

The company's objective when managing capital (which includes share capital, borrowings, working capital and cash and cash equivalents) is to maintain a flexible capital structure that reduces the cost of capital to an acceptable level of risk and to safeguard the company's ability to continue as a going concern while taking advantage of strategic opportunities in order to maximise stakeholder returns sustainably.

The company manages capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain the capital structure, the company may adjust the amount of dividends paid to the shareholder, return capital to the shareholder, repurchase shares currently issued, issue new shares, issue new debt, issue new debt to replace existing debt with different characteristics and/or sell assets to reduce debt.

The capital structure and gearing ratio of the company at the reporting date was as follows

	Note (s)		
Trade and other receivables	13	2 774 789	109 220
Cash and cash equivalents	10	(857 400)	(421 712)
		1 917 389	312 483
Equity		20 859 183	24 414 290
Gearing ratio		9%	(1%)

Financial risk management

Overview

The company is exposed to the following risks from its use of financial instruments:

- Credit risk;
- Liquidity risk; and
- Market risk (currency risk, interest rate risk and price risk).

Credit risk

Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

The maximum exposure to credit risk is presented in the table below:

24. Financial instruments and risk management (continue)

Liquidity risk

The maturity profile of contractual cash flows of non-derivative financial liabilities, and financial assets held to mitigate the risk, are presented in the following table. The cash flows are undiscounted contractual amounts.

2024	Carrying amount
Current Liabilities	
Trade and other payables	2 774 789



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