



**Magwa™**  
— ENTERPRISE TEA —

**Annual  
Report  
2024-25**



**FOR ATTENTION:**  
Phumzile Goodwin Zitumane

Chairperson of the Eastern Cape Rural Development Agency

(ECRDA) Board of Directors. The Magwa Enterprise Tea Board has the honour of submitting the Annual Report of Magwa Enterprise Tea (MET) for the period 01 April 2024 to 31 March 2025

A handwritten signature in black ink, appearing to read 'Phumezile Dinwayo'. The signature is fluid and cursive.

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Phumezile Dinwayo  
MET Board Chairperson

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A photograph of a tea plantation. The foreground is filled with rows of vibrant green tea bushes. In the background, a line of tall, slender trees stands against a clear blue sky with light, wispy clouds. A bright yellow rectangular box is overlaid on the upper portion of the image, containing the text "#01 ABOUT MAGWA ENTERPRISE TEA" in bold black font.

**#01**  
**ABOUT MAGWA**  
**ENTERPRISE TEA**

## OUR GOALS

“To be the most sought after supplier of high-quality single origin tea leaves and tea bags.

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## 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.

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## MISSION

“We produce single origin quality tea from the Wild Coast.”

## AMBITION

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

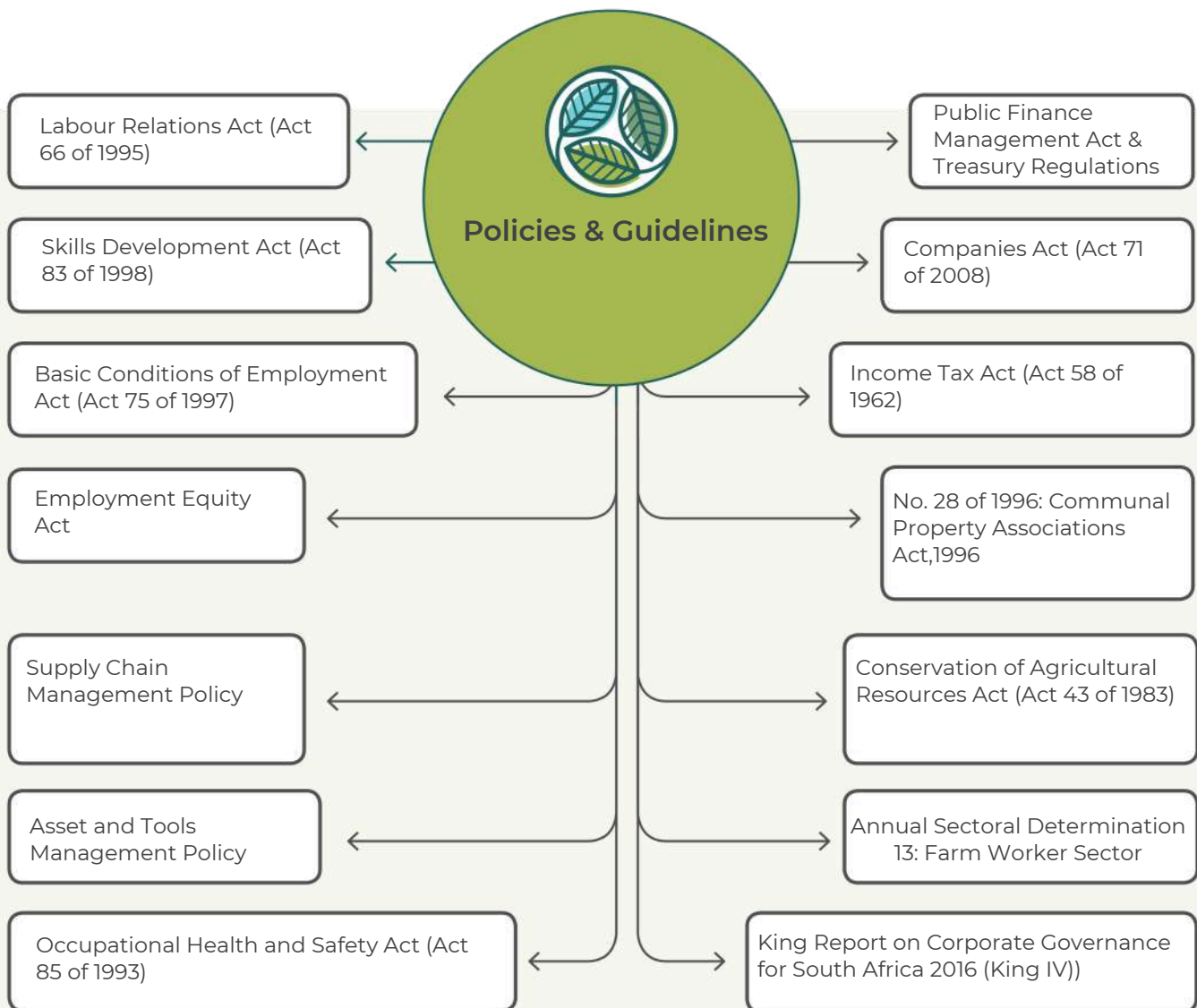
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## LEGISLATIVE AND OTHER MANDATES

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 Agriculture (DOA) previously known as Department of 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.



## STRATEGIC GOALS

Our strategic objectives are to improve the health of our tea trees to get the best quality tea that will deliver high revenue and profitability for a self-sustainability tea business.

## STRATEGIC OBJECTIVES

Our strategic objectives are to improve the health of our tea trees to get the best quality tea that will deliver high revenue and profitability for a self-sustainability tea business, The four "must-win" battles are to:

- Increase yields per hectare
- Increase total revenue
- Reduce cost of production and inventory losses
- Shift revenue model to 70:30 bulk: teabag

## statement of responsibility and confirmation of the accuracy of the annual report

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

All information and amounts disclosed in the annual report is consistent with the annual financial statements audited by the Auditor General.

The annual report is complete, accurate and is free from any omissions. The annual report has been prepared in accordance with the guidelines on the annual report as issued by National Treasury.

The Annual Financial Statements (Part E) have been prepared in accordance with the GRAP standards applicable to the public entity.

The accounting authority is responsible for the preparation of the annual financial statements and for the judgements made in this information.

The accounting authority is responsible for establishing and implementing a system of internal control has been designed to provide reasonable assurance as to the integrity and reliability of the performance information, the human resources information and the annual financial statements.

The external auditors are engaged to express an independent opinion on the annual financial statements.

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



**Estate Operations Manager (Acting)**  
M. Ramabulana



**MET Board Chairperson (Acting)**  
P. Dinwayo

A close-up photograph of tea leaves in a plantation, with a bright yellow rectangular overlay in the center containing text.

**#02**  
**CHAIRPERSON'S**  
**FOREWORD**

### Esteemed Shareholders

I am pleased to present our Annual Report and Audited Financial Statements for the year ended March 31, 2025. Despite operational and financial challenges such as increased labour costs and low bulk tea prices, we have navigated through the period with resilience.

### Operational Performance

Despite constraints such as insufficient labour, climate change, and equipment downtime, we produced 74.5 tons of bulk black tea during the review period, demonstrating our commitment to operational continuity.

### Risk and Realities

The global tea industry remains challenging. Crisis related cost escalation, Global warming is amongst the most significant threats to industry sustainability. Rising temperatures, changing rainfall patterns, and increased occurrence of extreme weather events threaten crop yields and compromise the eco-systems on which fine tea depends.

Rising labour and input costs, stagnant productivity, an aging workforce, food safety production standards, and the urgent need for industry modernisation remain core issues for our success.

Recent developments, including media reports of contaminated food and associated fatalities, highlighted critical operational risks. The continued exposure of employees and products to asbestos (banned for years) poses serious health and safety concerns. Without food certification, modern retail trade cannot be penetrated and spazas remain a key but vulnerable sales channel and significantly impact on our revenue and hinder strategic objectives and require our urgent attention.

The wider macroeconomic environment remained volatile throughout the year. Global conflicts — particularly in Eastern Europe, the Middle East, and maritime choke points such as the Red Sea — disrupted shipping routes and exerted upward pressure on freight and input costs resulting in countries directing their teas into our country, creating an oversupply and price decrease while on the other hand increasing fertiliser cost beyond our affordability, a key ingredient to the quality and quantity of our produce. We don't know how the commodity price will be when the challenges are resolved.

### Sustainability

Important for MAGWA future is our alignment of quality, manufacturing standards, genuine innovation, pricing and positioning in market will allows us to preserve quality at every stage of our business, maintaining our Rainforest Alliance (RA) and Organic production certification is vital although this comes at a cost.

We need to resolve both magwa and majola tea estate land tenure issues together with the community, traditional leadership and government and enter into long-term land use lease agreement to enable us to partner with both public and private development and funding institution and raise the necessary capital for investment in:

- Field restoration
- Replacement of obsolete machinery
- Asbestos removal
- Food safety compliance and certification
- In-house tea bag packing
- Renewable energy integration
- Fire extinguishing capabilities
- Employee development and leadership capacity building to ensure future generations of excellence

These commitments were formed before board.

**Outlook**

MET will pursue a growth path focused on fixing business fundamentals which include, intensification of stakeholder management / partnerships, restoration of the fields which is critical for improving harvests and yields, reducing operating costs, generating revenue and profits. This strategy will require investment in operational improvements, and human resources to enhance production efficiencies.

**Appreciation**

I thank all our management staff for their hard work and dedication during this difficult period where cash, capital and allocation of resources became even extremely harder to manage.

My sincere thanks to my board colleagues for their continued guidance, stewardship, and wise counsel through what has been another year of challenge and opportunity. Their support has been instrumental in enabling the Company to navigate complexity.


To our shareholders, stakeholders (communities and traditional leaders), I express my sincere thanks for their continued confidence as we navigate these dynamic times. I also remain indebted to former board Chairperson, Ms Pindelwa Mda for her devotion and courage that have given us a firm foundation and a powerful cause to work towards.



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Phumezile Dinwayo  
MET Board Chairperson (Acting)



A person wearing a bright yellow raincoat and blue rubber boots is shown from the side, reaching down to touch the leaves of a tea bush in a plantation. The background is a dense field of tea plants under a bright, slightly hazy sky. A dark green rectangular box is overlaid on the image, containing white text.

**#03**  
**GENERAL**  
**MANAGER REPORT**

I am pleased to present the 2024/25 annual report of Magwa Enterprise Tea (MET). Leading Magwa at such a challenging 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 this tea estate is of significance important considering the remarkable socio-economic impact it has on thousands of rural community 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 its Magwa and Majola estates, 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 655 workers. The socio-economic impact of this is substantial and it lessens the dependency burden on the state. However, the continued existence of MET requires the 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 objective is to establish a dynamic tea estate which has the corporate fundamentals required for long-term sustainable growth prospects.

**303 workers employed fulltime and 352 seasonally by MET**



**Largest tea producer in the Southern Hemisphere**

### **Risk and Realities**

The global tea industry remains challenging. Crisis related cost escalation, Global warming is amongst the most significant threats to industry sustainability. Rising temperatures, changing rainfall patterns, and increased occurrence of extreme weather events threaten crop yields and compromise the ecosystems on which fine tea depends.

Rising labour costs, stagnant productivity, an aging workforce, food safety production standards, and the urgent need for industry modernisation remain core issues for our success.

Shipping disruptions and cost escalation, exacerbated by ongoing global conflicts, remain ongoing operational challenges, making agile procurement and supply chain management more important have resulted in global black teas been rerouted to RSA, creating an oversupply and price decrease

### **Sustainability**

Important for MET future is our alignment of quality, manufacturing standards, genuine innovation, pricing and positioning in market will allows us to preserve quality at every stage of our business, maintaining our Rainforest Alliance (RA) and Organic production certification is vital although this comes at a cost.

We need to resolve both Magwa and Majola tea estate land tenure issues together with the community, traditional leadership and government and enter into long-term land use lease agreement to enable us to partner with both public and private development and funding institution and raise the necessary capital for investment in:

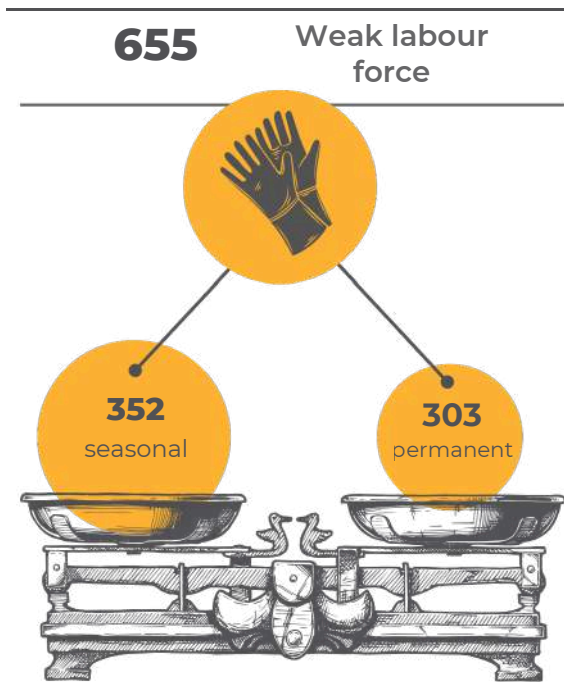
- Food safety systems standards
- Sustainable Agricultural Standards - Ethical, traceable, and transparent sourcing and production.
- Climate resilience and biodiversity protection through reforestation and conservation science
- Employee development and leadership capacity building to ensure future generations of excellence

**These commitments were formed before board**

**Global Economic and Geopolitical**

The wider macroeconomic environment remained volatile throughout the year. Global conflicts — particularly in Eastern Europe, the Middle East, and maritime choke points such as the Red Sea — disrupted shipping routes and exerted upward pressure on freight and input costs resulting in countries directing their teas into our country, creating an oversupply and price decrease. We don't know how the commodity price will be when the challenges are resolved.

**Human resources**



**People Capabilities:**

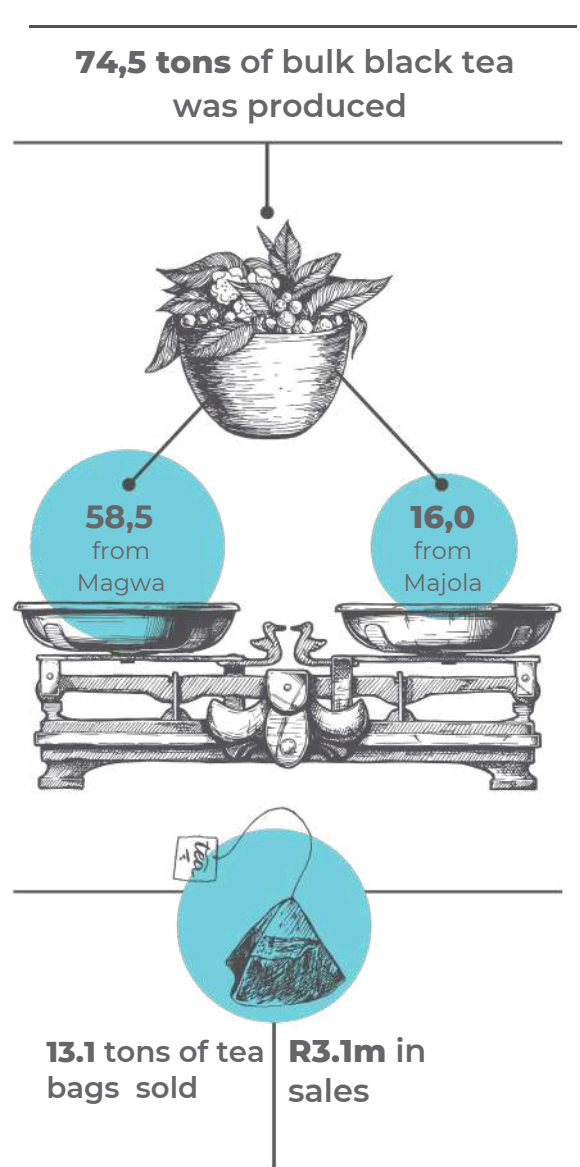
Critical executive-level vacancies and significant skills gaps in management and administration are causing operational inefficiencies, delays in decision-making, and non-implementation of the turnaround strategy. There are huge skills gaps in cost accounting, management reporting, procurement, performance management and Human Resources.

Management is developing a talent acquisition strategy and succession plan to also Position MET as a Workplace Centre offering work experience to recent trainees or graduates. Collaborate with colleges, universities, and skills development centres to recruit individuals educated in fields where we have skills gaps, enabling them to gain experience while providing valuable services.

**Operational Performance**

I am also pleased that despite prevailing challenges, MET continued to discharge its operations in a fiscal responsible manner despite limited financial resources and growth challenges. A total of 74,5 tons of bulk black tea was produced which was comprised of 58,5 tons from Magwa and 16 tons from Majola in the 2024/25 review period.

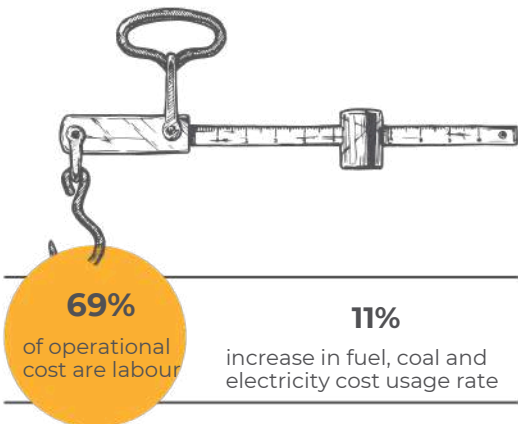
A total of 67.5 tons of bulk black tea were sold which was made up of 49.5 tons from Magwa and 17.9 tons from Majola. A total of 13.1 tons of tea bags were sold. Total rand value of bulk black tea and tea bag sales was R3.1million



### Spending Trends

Labour costs constitute 69% of the total operational cost and they remain high at R26,6million. This is made up of R10,2 million in direct production and R16,4 million in non-production. Increased minimum wages remains a drag, and it is only managed by reducing seasonal labourers hence an urgent need for mechanisation to control the cost.

The current high labour (minimum wage) meant Magwa cannot compete fairly against its peers while paying 3,1 times compared to the rest in the industry. This has resulted in job losses from estimated 4,100 employees three decade ago, 2,000 employees in 2018 and currently less than 655 full time employees in 2025. Low labour resulted in low yields and quality crop due to less maintenance and consequently a negative EBITAD over the year as overhead and fixed cost are not absorbed by revenue.



**Estate Operations Manager (Acting)**  
Makatu Ramabulana

### Forestry Operations

Our diversification into forestry operations is starting to yield gains and de-risk our exposure to tea commodity price fluctuations, R1 862 755 Revenue, 52 hectorage harvested and planted, A total of four independent contractors and 54 job opportunities created and maintained.

### Outlook

The future of MET is at risk due to the persistent lack of resolution on fundamental business challenges.

Critical for our success is our ability to raise capital or Investment we desperately need fix basic business fundamental.

- Tea fields restoration
- Mechanisation and Automation of our fields operations and factory processing
- Replacement of the factory obsolete machinery
- Asbestos removal
- Food safety compliance and certification
- In-house tea bag packing
- Renewable energy integration
- Fire extinguishing capabilities

Rehabilitation of tea fields (especially fertilising and pruning), improving yields per hectare and changing business model from bulk bag to tea bag are the key game changers that will result to profitability.



A woman wearing a bright yellow raincoat is harvesting tea leaves in a lush green field. She is carrying a large, yellow, perforated basket on her back. In the background, another person is visible, also working in the field. The scene is set in a tea plantation with rows of tea bushes.

**#04**  
**PERFORMANCE**  
**INFORMATION**

### Strategic Objective 1 : Increased tea production volumes and quality

Strategic outcome	Annual targets	Actual Achievement	Deviation from Target
Yield per hectare (kg's)	600	258,69	-57%
Weeding in # of hectares	90	556,17	-38%
Pruning in # of hectares	300	66,79	-78%
Tabling & skiffing in # of hectares	300	468,71	56%
Harvesting in kg	1800	1 293	-28%
Tea processing in tons	346,5	74,5	-78%
Productive # of hectares	450	288	-36%
Planned maintenance	100%	69%	-31%
Fertilizer application in # of hectares	900	Nil	100%

#### Corrective Measures

Management and Board committee and ECRDA planning to conducting investment promotions to attract capital from both public and private sector. The dual approach to leverage public and private capital is being persuaded, targeting Development Finance Institution (DFI) The approach entails unbundling primary and secondary processing activities to make the offer relevant and focused on core competencies of investors. Land resolution and institutional arrangement with the land owners is vital for a successfully partnership with private institutions..

#### Reasons for variance

The planned activities and output has been missed due to lack of adequate funding, our plans to raise funding from both public and private capital have not been successful during the year under review and consequently we were unable to implement our fields operation plan to restore and improve the health of our tea bushes, threatening the sustainability of the enterprise. The plan included critical activities of pruning and fertiliser application.

Enterprise has operated with insufficient resources and facing unrealistic targets, and gradual drift away from the organization's long-term strategic goals forcing management to focus on short-term objective and overshadow the need for strategic and long-term planning.

Overachievement on tabling & skiffing is due to consolidation of resources (people and funds) to increase the available hectorage for production on fields that required lesser effort however compromising the quality and yield after we could not secure additional funding from Treasury and shareholder.



**Strategic Objective 2** : Increased revenue and shift from bulk to teabag revenue channel

Strategic outcome	Annual targets	Actual Achievement	Deviation from Target
Increase total revenue by 45%	R9 883 792	R3 064 696	-69%
Reduce inventory losses by 50%	R103 066	R22 913	-78%
Shift model to 70:30 bulk/teabag revenue	70:30	68:32	2%
Reduce input cost by 30% and profit losses by 20%	Magwa(R51,43); Majola(R82,38)	Magwa(R110,17); Majola(R241,57)	Magwa(114%); Majola(193%)

**Reasons for variance**

Targets could not be achieved due to inadequate funding to fix basic business fundamental necessary for enterprise profitability and sustainable as follows:

- Tea fields restoration for improved quantity and quality of tea to increase revenue.
- Replacement of the factor obsolete machinery to efficiency that will result in cost reduction and increased profitability.
- Asbestos removal, Food safety compliance and certification, In-house teabag packing for access to retail channel and revenue channel shift.

**Corrective Measures**

mobilize both public and private funding, resolving land tenure issues creating an environment conducive for private sector participation for investing towards procurement of teabag machine.



**Strategic Objective 3** : Fill vacancies critical to implementation of strategy and efficient operations.

Strategic outcome	Annual targets	Actual Achievement	Deviation from Target
All critical vacancies filled before the end of the Financial period	100%	Nil	-100%

#### Reasons for variance

Target not achieved due lack of budget to recruit and hire as a result the Enterprise operate with **76.92%** critical staff vacancy rate. Request for secondment of staff on permanent and part-time basis has been made to the ECRDA and Department of Agriculture.

Critical executive-level vacancies and significant skills gaps in management and administration are causing operational inefficiencies, delays in decision-making, and non-implementation of the turnaround strategy.

#### Corrective Measures

Board and management to draft a proposal requesting special funding for filling of critical vacancies including appointing of interim executives whilst search for permanents is ongoing.

Management is developing a robust policies and procedures to provide a foundation for consistent, efficient and compliant operations to foster a positive work environment and enhance overall organisational performance.

- **Short-Term 3 – 6 months** : Management to develop a talent acquisition strategy and succession plan.
- **Position** MET as a Workplace Centre offering work experience to recent trainees or graduates. Collaborate with colleges, universities, and skills development centers to recruit individuals educated in fields where we have skills gaps, enabling them to gain experience while providing valuable services.
- **Long-term 6 – 12 months** : Develop and continuously refine training programs, including structured mentoring and coaching, and regularly review talent and operational processes.
- **Ongoing**: For training that cannot be provided by the shareholder or MET, Management and employees to invest in self-development, empower themselves by reading self-help books / materials and enrolling themselves in free or affordable training programs.

**Strategic Objective 4** : Resolve land tenure.

Strategic outcome	Annual targets	Actual Achievement	Deviation from Target
Sign MOU with CPA to remove uncertainty around Land ownership that hinders investment.	100%	Nil	-100%

#### Reasons for variance

Unresolved land tenure could deter potential investors resulting in loss of revenue and profitability, threatening the business's long-term sustainability.

#### Corrective Measures

Engagements on-going between the Magwa Tea, Traditional council and representative of the Communal Property Association to :

- a) Establish the level and stage of the title deed process and the transfer of land
- b) Workshop the establishment of a Community Trust.
- c) Survey the Magwa Land to be leased (Magwa and Majola) and determine lease value.
- d) Established Community Trust
- e) To facilitate the signing and registration of the lease agreement.

**Strategic Objective 5** : Implement planned maintenance to reduce machine breakdown & install a packaging machine to improve profitability

Strategic outcome	Annual targets	Actual Achievement	Deviation from Target
Planned Factory maintenance	100%	20%	-80%
# of T/bag machines commissioned	1	Nil	-100%
% completion of factory upgrades	25%	Nil	-100%

#### Reasons for variance

Maintenance plan cannot be implemented as planned due to a lack of funding with preventative maintenance not performed. A "Run to failure" (RTF) maintenance strategy has been adopted where equipment is deliberately used until it breaks down, requiring repair or replacement. This reactive approach, meaning maintenance is only performed after a failure occurs has increased the risk of unplanned downtime.

Investment in teabag machine and factory upgrade could not be achieved due to inadequate financial resources

#### Corrective Measures

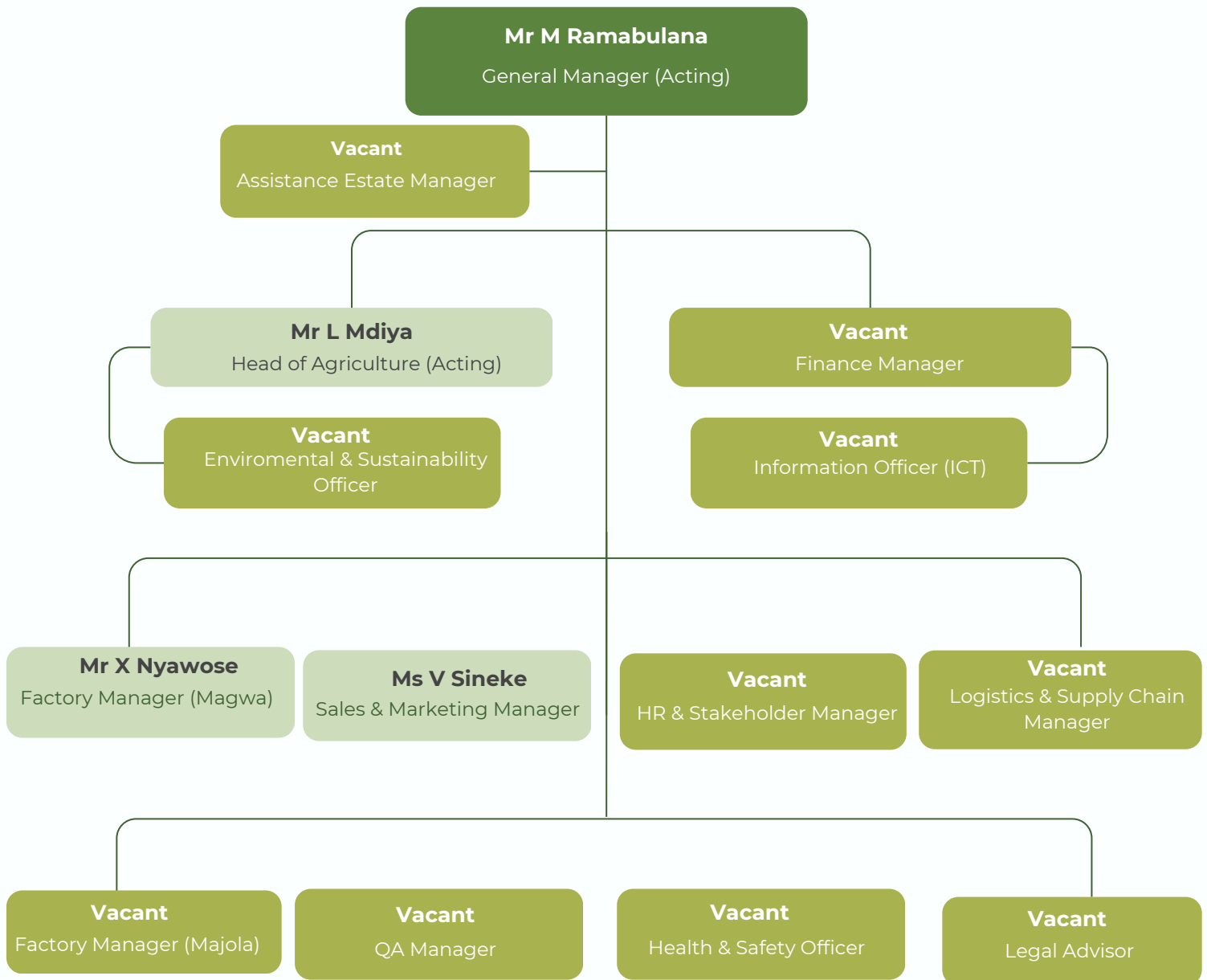
Recapitalize Magwa-Majola tea estate (R478million) through mobilization of both public and private capital, channelling the funds towards implementation of key elements of the enterprise turnaround strategy that ensure alignment across all level of business.



# **#05 HUMAN RESOURCES**



## High level Organization Chart



The enterprise operates with a 76%.92 critical vacancies rate, exposing the enterprise to strategic, compliance, operational, and reputational risks due to the management team's limited skills and experience.

- Efficiency and Quality will only be delivered if there are skilled workers to perform tasks more efficiently and with higher quality, reducing wastage and increasing productivity.
- Skilled workers, knowledgeable about best practices will handle equipment and tools correctly and enhance overall productivity.

## HUMAN RESOURCES STATISTICS

### Personnel cost by salary band

Level	Personnel expenditure	% Of personnel expenditure to total personnel cost	No of employees	Average Annual cost per employee
Top Management	R2 696 202	10%	6	R449 367
Senior Management	R1 105 986	4%	10	R110 599
Professional qualified	R776 176	3%	11	R70 561
Trainees	R117 959	0%	4	R29 490
Skilled	R836 364	3%	13	R64 336
Semi-Skilled	R6 208 392	23%	91	R68 224
Unskilled	R14 843 607	56%	361	R41 118
<b>Total</b>	<b>R26 584 686</b>	<b>100%</b>	<b>496</b>	<b>R53 598</b>

### Employment

Level	No of employees Beginning of period	Appointment	Terminations	Employment at end of period
<b>Top Management</b>	5	1	3	3
<b>Senior Management</b>	8	3	3	8
<b>Professional qualified</b>	11	1	2	10
<b>Trainees</b>	0	6	2	4
<b>Skilled</b>	9	1	1	9
<b>Semi-Skilled</b>	86	0	5	81
<b>Unskilled</b>	218	354	375	197
<b>Total</b>	<b>337</b>	<b>366</b>	<b>391</b>	<b>312</b>

MET has seen significant losses of staff over the last 4 years without replacement. Resignations are due to employee looking for Job security, better remuneration and lifestyle.

Fields and Factory staff are critical limited resources and not readily available off the shelves but are acquired in-house over a period of time.

Recruitment and retention of appropriate skilled people to deliver on specific strategic goal and growth – Considering current enterprise remuneration level, Job security and the geographical location and other factors.

Implement a performance bonus / reward system to be developed, implemented, and put in place to encourage performance at all levels of staff and improve reward system.

A photograph of two people working in a tea plantation. A woman on the left is wearing a white shirt and a green apron, and a man on the right is wearing a blue jacket and a white hat. They are both focused on picking tea leaves from the bushes. A green plastic basket is visible near the woman. The background shows a vast field of tea plants under a cloudy sky.

**#06**  
**CORPORATE**  
**GOVERNANCE**

## Introduction

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 2025, MET is comprised of three-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 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.

## Board and Committee Structure

Name	Qualification	Date of Appointment
Mr. Yongama Madolo (ARC Chairperson)	<ul style="list-style-type: none"> <li>Master of Business Leadership (MBL)</li> <li>Bachelor of Commerce in Accounting</li> <li>Bachelor of Commerce in Accounting (Hons/CTA)</li> <li>Chartered Accountant CA (SA)</li> </ul>	01-Feb-23
Ms. Nqobile Nxumalo - Member	<ul style="list-style-type: none"> <li>MSc Human Genetics-University of Stellenbosch</li> <li>BSc Honours – Biochemistry- University of Fort Hare</li> <li>BSc - Biochemistry and Microbiology-University of Fort Hare</li> </ul>	01-Feb-23
Mr. Phumezile Dinwayo (Board Chairperson *Effective 1 March 2025)	<ul style="list-style-type: none"> <li>B Admin: Public Administration (UWC)</li> <li>B Admin Honours (UWC)</li> <li>M Phil: People Management (UCT) *</li> </ul>	01-Feb-23 (Until 28 Feb 2025)
Ms. Pindelwa Mda (Board Chairperson) *Effective 1 April 2024	<ul style="list-style-type: none"> <li>PED, IMD Business School, Switzerland; 2003 – 2004</li> <li>BA (Hons) Industrial Psychology, Wits University; 1986</li> <li>BA (Economics and Industrial Psychology majors), Wits University; 1983 – 1985</li> </ul>	01-Feb-23

### **Board 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.

### **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.

### **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 offerings, 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.
- k) Approval of capital expenditure above R5 000 000.
- l) Write-off of bad debts above R200 000.
- m) Changes to the MET organogram, the establishment of existing grading systems and/ or the creation of new positions in the MET



## BOARD MEETING ATTENDANCE

Member	Board	Audit and Risk	Other (Ad-hoc)	Total
Pindelwa Mda (Chairperson - ended 28 February 2025)	4	3	9	16
Nqobile Nxumalo	4	2	21	27
Phumezile Dinwayo (Chairperson - effective 1 April 2025)	4	4	13	21
Yongama Madolo (ARC Chairperson)	4	4	1	9

Over the past two years, we have developed a robust strategy that we believe has the potential to propel MET forward. Board members also worked closely with management, offering guidance across various areas and stepping in directly to address skill gaps where necessary. However the persistent lack of essential funding or investment and unresolved foundational issues highlighted since the business reopened have severely constrained board ability to drive progress.



Ms. Pindelwa Mda (Chairperson - ended 28 February 2025)



Ms. Nqobile Nxumalo



Mr. Phumezile Dinwayo  
(Chairperson - effective 1 April 2025)



Mr. Yongama Madolo (ARC  
Chairperson)

# #07 FINANCIAL INFORMATION

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

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Statement of financial performance	39
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**Magwa Enterprise Tea (SOC) Ltd**  
**Registration number 2004/014891/30**  
**Annual Financial Statements for year**  
**ended 31 March 2025**

Country of incorporation and domicile Directors	South Africa
Holding Entity	Eastern Cape Rural Development Agency
Directors	Ms. Pindelwa Mda (Chairperson - ended 28 February 2025) Mr. Phumezile Dinwayo (Chairperson - effective 1 April 2025) Mr. Yongama Madolo (ARC Chairperson) Ms.Nqobile Nxumalo
Audit Committees	Mr. Yongama Madolo (ARC Chairperson) Mr. Phumezile Dinwayo (Chairperson - effective 1 April 2025) Ms.Nqobile Nxumalo
Business Address	1 Main Rad, Lusikisiki Rural District Eastern Cape, 4820
Postal Adress	P/Bag X 1003, Lusikisiki, 4820
Bankers	ABSA Bank and Standard Bank
Auditors	Lunika Incorporated Chartered Accountants (SA) Registered Auditors
Tax Reference number	9052/915/16/3
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).

## Board Responsibility and Approval

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

The Board has reviewed the entity's cash flow forecast for the year to 31 March 2026 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 2025/26. 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 2025/26 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 lack of progress.

MET Board and Management have reviewed 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 from page 36, which have been prepared on the going concern basis, were approved by the Accounting Authority on 3rd of June , 2025 and were signed on their behalf by:



Phumezile Dinwayo  
**MET Board Chairperson (Acting)**

## Audit Committee Report

We are pleased to present our report for the financial year ended March 31, 2025.

### 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 thereof. 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 horizontal line extending from the end of the signature.

**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

We have audited the financial statements of the Magwa Enterprise Tea SOC Ltd set out on pages 38 to 57, which comprise the statement of financial position as at 31 March 2025, statement of Statement of Profit or Loss and Other Comprehensive Income, statement of changes in equity, cash flow statement and statement of comparison of budget and actual amounts for the year then ended, as well as notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Magwa Enterprise Tea SOC Ltd as at 31 March 2025 and its financial performance and cash flows for the year then ended in accordance with the South African Standards of Generally Recognised Accounting Practice and the requirements of the Public Finance Management Act (PFMA).

##### Basis for opinion

We conducted our audit in accordance with the International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the responsibilities of the Lunika Inc for the audit of the financial statements section of our report.

We are independent of the public entity in accordance with the International Ethics Standards Board for Accountants' International code of ethics for professional accountants (including International Independence Standards) (IESBA code) as well as other ethical requirements that are relevant to our audit in South Africa. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

##### Other matters

We draw attention to the matter below. Our opinion is not modified in respect of this matter.

The supplementary information set out in page 60 does not form part of the financial statements and is presented as additional information. We have not audited these schedules and, accordingly, we do not express an opinion on them.

##### 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 the GRAP and the requirements of the PFMA; and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

##### Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is included in the annexure to this auditor's report. This description, which is located at page 9 to 10, forms part of our auditor's report.

## Independent Auditor's Report

### Report on the audit of the annual performance report

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

We selected the following material performance indicators related to Objective 2: Prune, fertilize and harvest 300 hectares to improve yield per hectare and generate more revenue presented in the annual performance report for the year ended 31 March 2025. We selected those indicators that measure the public entity's performance on its primary mandated functions and that are of significant national, community or public interest.

- Weeding in # of hectares
- Pruning in # of hectares
- Tabling & skiffing in # of hectares
- Harvesting in kgs
- Tea processing in tons

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

#### We performed procedures to test whether:

- the indicators used for planning and reporting on performance can be linked directly to the public entity's mandate and the achievement of its planned objectives
- all the indicators relevant for measuring the public entity's performance against its primary mandated and prioritised functions and planned objectives are included
- the indicators are well defined to ensure that they are easy to understand and can be applied consistently, as well as verifiable so that we can confirm the methods and processes to be used for measuring achievements
- the targets can be linked directly to the achievement of the indicators and are specific, time bound and measurable to ensure that it is easy to understand what should be delivered and by when, the required level of performance as well as how performance will be evaluated
- the indicators and targets reported on in the annual performance report are the same as those committed to in the approved initial or revised planning documents
- the reported performance information is presented in the annual performance report in the prescribed manner
- there is adequate supporting evidence for the achievements reported and for the reasons provided for any over- or underachievement of targets.

We performed the procedures to report material findings only; and not to express an assurance opinion or conclusion.

We did not identify any material findings on the reported performance information for the selected indicators.

### Report on compliance with legislation

In accordance with the PAA and the general notice issued in terms thereof, we must audit and report on compliance with applicable legislation relating to financial matters, financial management and other related matters. The Accounting Authority is responsible for the Magwa Enterprise Tea SOC Ltd compliance with legislation.

We performed procedures to test compliance with selected requirements in key legislation.

We identified material non-compliance with the selected legislative requirements.

## Independent Auditor's Report

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

### Expenditure management

Effective and appropriate steps were not taken to prevent irregular expenditure as disclosed in note 22 to the annual financial statements, as required by section 51(1)(b)(ii) of the PFMA. The majority of the irregular expenditure was caused by non-compliance with Treasury Regulation 16A6.1 and paragraph 3.2.1 of SCM instruction note 2 of 2021/22, National Treasury Regulations 8.2 and Instruction Note 31 dated 31 May 2012.

Effective steps were not taken to prevent fruitless and wasteful expenditure, as disclosed in note 21 to the annual financial statements, as required by section 51(1)(b)(ii) of the PFMA. The majority of the fruitless and wasteful expenditure was caused by fines and penalties.

### Consequence management

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

We were unable to obtain sufficient appropriate audit evidence that disciplinary steps were taken against officials who had incurred fruitless and wasteful expenditure as required by section 51(1)(e)(iii) of the PFMA. This was because investigations into fruitless and wasteful expenditure were not performed.

### Other information in the annual report

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

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

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

We did not receive the other information prior to the date of this auditor's report. When we do receive and read this information, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, we may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

### Internal control deficiencies

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

The matters reported below are limited to the significant internal control deficiencies that resulted in the findings on the procurement and contract management and the material findings on compliance with legislation included in this report.

The accounting authority did not implement adequate internal controls over policy review processes. The Supply Chain Management Policy was not reviewed within the required timeframes and omitted key components. These shortcomings reflect weak oversight by the accounting authority and has resulted non-compliance with relevant laws and regulations.

## Independent Auditor's Report

The matters reported below are limited to the significant internal control deficiencies that resulted in the findings on the procurement and contract management and the material findings on compliance with legislation included in this report.

The accounting authority did not implement adequate internal controls over policy review processes. The Supply Chain Management Policy was not reviewed within the required timeframes and omitted key components. These shortcomings reflect weak oversight by the accounting authority and has resulted non-compliance with relevant laws and regulations.

*Lunika Inc.*

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Lunika Chartered Accountants and Auditors  
Incorporated  
IRBA Practice No: 945350  
Courage Shumba (CA) SA  
Registered Auditor  
21 July 2025  
Lonehill Office Park  
Sandton  
Johannesburg

 LUNIKA

## STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2025

	Note (s)	2025	2024 As Restated
<b>ASSETS</b>			
<b>Non-current Assets</b>			
Property, plant and equipment	4	2 820 661	4 011 201
Biological assets	5	3 038 948	3 038 948
Deferred tax assets	21	6 475 314	5 698 554
<b>Total non-current assets</b>		<b>12 379 923</b>	<b>12 793 703</b>
<b>Current Assets</b>			
Inventories	6	4 439 687	5 031 908
Receivables from exchange transactions	7.1	2 414 735	4 927 577
Receivables from non-exchange transactions	7.1	78 110	23 386
Cash and cash equivalents	8	430 725	857 400
<b>Total current assets</b>		<b>7 363 257</b>	<b>10 840 271</b>
<b>Total Assets</b>		<b>19 743 180</b>	<b>23 633 974</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share Capital	9	100	100
Retained Income		18 906 140	20 859 085
<b>Total Equity</b>		<b>18 906 240</b>	<b>20 859 185</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Payable from exchange transactions	10	836 940	2 774 789
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>19 743 180</b>	<b>23 633 974</b>

## STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 31 MARCH 2025

	Note (s)	2025	2024 As Restated
<b>Revenue from exchange transactions</b>			
Sale of goods	12	3 667 604	7 588 155
Income from forestry operations	13.2	289 294	694 027
Interest income on cash and investments	18	66 106	74 617
<b>Total Revenue from exchange transactions</b>		<b>4 023 004</b>	<b>8 356 799</b>
<b>Revenue from Non-Exchange transactions</b>			
Government Grants	27	30 699 000	29 380 000
<b>Total Revenue</b>		<b>34 722 004</b>	<b>37 736 799</b>
<b>Expenditure</b>			
Cost of sales	6	(3 673 040)	(9 013 820)
Employee Related Cost	16	(16 361 543)	(17 966 842)
Remuneration of Board Members	21	(399 700)	(488 220)
Administrative Expenses	14	(1 176 095)	(852 028)
Depreciation	4	(1 806 549)	(1 992 654)
Impairment and loss of assets (PPE)		(10 053)	(21 399)
Legal fees		-	(51 604)
Inventory Write-down	6	(7 429 216)	(4 334 416)
Inventory Write-off		(22 913)	(206 132)
Operating expenses	15	(6 782 615)	(7 217 714)
<b>Total Expenditure</b>		<b>(37 661 725)</b>	<b>(42 144 829)</b>
<b>(Deficit)/Surplus before taxation</b>		<b>(2 939 721)</b>	<b>(3 408 030)</b>
<b>Taxation</b>	20	776 760	1200 505
<b>(Deficit)/Surplus for the year</b>		<b>(2 162 961)</b>	<b>(3 207 525)</b>

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2025

	Share Capital	Accumulated Surplus/(Deficit)	Total Equity
<b>Balance at 1 April 2023</b>	<b>100</b>	<b>24 066 608</b>	<b>24 066 708</b>
Changes in Equity	-	-	-
Loss for the year	-	(3 207 523)	(3 207 523)
Total comprehensive income for the year		<b>20 859 085</b>	<b>20 859 185</b>
<b>Balance - 31 March 2024 as restated)</b>	<b>100</b>	<b>20 859 085</b>	<b>20 859 185</b>
<b>Balance 1 April 2024</b>	<b>100</b>	<b>20 859 085</b>	<b>20 859 185</b>
Changes in equity	-	209 916	209 916
Loss for the year	-	(2 162 961)	(2 162 961)
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>18 906 040</b>	<b>18 906 140</b>
<b>Balance at 31 March 2025</b>	<b>100</b>	<b>18 906 040</b>	<b>18 906 140</b>

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED MARCH 31,2025

	Note (s)	2025	2024 As Restated
<b>Cash flows from operation activities</b>			
<b>Cash receipts from customers</b>			
Receipts from sales of goods and rendering of services		7 570 362	8 445 404
Receipts from government grants		30 699 000	20 380 800
<b>Cash paid to supplier and employees</b>			
Payments to suppliers for goods and rendering of services		(8 684 437)	(8 776 473)
Interest Income		66 106	74 617
Penalties and Interest paid		(62 832)	-
Payments to and on behalf of employees		(28 501 047)	(27 281 154)
Board remuneration		(454 039)	(561 052)
VAT Payments		(434 744)	(637 537)
<b>Net cash from operations</b>		<b>198 369</b>	<b>643 805</b>
<b>Cash flow used in investing activities</b>			
Purchase of property, plant and equipment	3	(625 043)	(208 058)
Cash flows used in investing activities		(625 043)	(208 058)
<b>Net (decrease)/Increase in cash and cash equivalents</b>		<b>(426 674)</b>	<b>435 747</b>
Cash and cash equivalent at beginning of the year		857 400	421 654
<b>Cash and cash equivalent at end of the year</b>	10	<b>430 725</b>	<b>857 400</b>

## Statement of Comparison of Budget and Actual Amounts On a Cash basis

Effect on the statement of financial position	Approved Budget	Adjustment	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Ref
<b>Revenue from exchange transactions</b>						
Sale of tea bags - produce	6 916 000	-	6 916 000	983 041	(5 932 959)	1
Sale of bulk tea - produce	2 964 000	-	2 964 000	2 081 655	(882 346)	1
Other Income(logs, firewood and rental)	962 098	-	962 098	602 908	(359 190)	2
Interest income on cash and investments	108 755	-	108 755	66 106	(42 649)	
Income from Forestry Operations	1 560 290	-	1 560 290	1 862 756	302 466	5
<b>Total revenue from exchange items</b>	<b>12 511 143</b>	<b>-</b>	<b>12 511 143</b>	<b>5 596 465</b>	<b>(6 914 678)</b>	
<b>Revenue from Non-Exchange transactions</b>						
Government grant	30 699 000	-	30 699 000	30 699 000	-	
<b>Total Revenue</b>	<b>43 210 143</b>	<b>-</b>	<b>43 210 143</b>	<b>36 295 465</b>	<b>(6 914 678)</b>	
<b>Expenditure</b>						
Cost of sales	(138 320)	-	(138 320)	(42 507)	95 813	
Salaries and related cost	(31 956 911)	-	(31 956 911)	(28 410 877)	3 546 034	6
Board remuneration	(485 000)	-	(485 000)	(399 700)	85 300	
Administrative Expenses	(1 468 295)	-	(1 468 295)	(815 120)	653 175	6
Operating expenses	(6 587 351)	-	(6 587 351)	(4 811 835)	1 775 517	6
Forestry Expenses	(1 875 365)	-	(1 875 365)	(1 562 102)	313 263	5
Capital expenditure	(680 000)	-	(680 000)	(680 000)	-	
<b>Total Expenditure</b>	<b>-43 191 243</b>	<b>-</b>	<b>-43 191 243</b>	<b>(36 722 141)</b>	<b>6 469 102</b>	
<b>Deficit/Surplus</b>	<b>18 900</b>	<b>-</b>	<b>18 900</b>	<b>(426 675)</b>	<b>(445 576)</b>	

Ref No.	
1	Variance due to a dropped in tea prices as more teas from Africa and particularly Kenya are re-routed to South Africa at cheaper price creating an oversupply. The bad weather and long period of no fertiliser reduced the yield and quality of the tea and the price thereof.
2	Not realised due to billing disputes with SANRAL for use of electricity and outstanding rental from tenants – teashop and residence
3	Agreement with a transport company for hauling our timber to Sappi KZN resulted in more tonnage been sold on time at the right quality and weight.
4	Energy and personal protective equipment cost lower than planned due to lower production level driven by a poor season start that affected cash flows and funding of labour for the season.
5	Forestry activities are ring-fenced and treated as a separate cash generating unit and self-funded and subsidises the tea operations. Variance is a saving from favourable rates from our contractors.
6	Lower than planned due poor working capital and cashflow as a results of lower production levels from poor weather and low maintenance of fields .

## 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 and 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.

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.

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.

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.

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.

**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

**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. MET 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.

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MET has adjusted the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred. MET 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.

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.

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).

## 1.7 Financial instruments (continued)

### 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 Taxation

#### 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.

#### 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.

#### 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.

#### 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.

#### 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;

#### 1.15 Revenue from Exchange Transactions (continue)

- 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 2025, 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

#### 4.1 Balances at year end and movement for the year

Reconciliation for the year ended 31 March 2025	Furniture and Fixtures	IT Equipment	Motor Vehicle	Leasehold Improvements	Plant & Machinery	Tools & Implement	Building	Total
<b>Balance 1 April 2024</b>								
At cost or Revaluation	669 146	1 224 274	3 255 239	148 208	14 019 576	1 602 604	992 367	21 911 414
Accumulated depreciation	(572 816)	(1 081 279)	(2 956 389)	(88 288)	(11 126 571)	1 383 429	(143 721)	(17 352 493)
Accumulated Impairment	-	(753)	-	(7 746)	-	-	(538 351)	(546 850)
<b>Carrying Amount</b>	<b>96 330</b>	<b>142 242</b>	<b>298 850</b>	<b>52 174</b>	<b>2 893 005</b>	<b>219 175</b>	<b>310 295</b>	<b>4 012 071</b>
<b>Movement for the year ended 31 March 2025</b>								
Additions	15 128	48 016	537 726	-	-	24 174	-	625 044
Disposal	-	-	-	-	-	-	-	-
Depreciation	(82 131)	(62 138)	(324 308)	(24 993)	(1 109 244)	(112 932)	(90 803)	(1 806 549)
Impairment loss recognised in profit or loss	(9 112)	(941)	-	-	-	-	-	(10 053)
<b>Closing balance at 31 March 2025</b>								
At cost or revaluation	682 274	1 271 421	3 792 969	148 208	14 019 579	1 613 878	992 367	22 522 696
Accumulated depreciation	(664 059)	(1 144 359)	(3 280 697)	(113 281)	(12 235 815)	(1 483 461)	(234 532)	(19 703 054)
Accumulated Impairment	-	(753)	-	(7 746)	-	-	(538 351)	(546 850)
<b>Carrying Amount</b>	<b>20 215</b>	<b>126 309</b>	<b>512 272</b>	<b>27 181</b>	<b>1 783 764</b>	<b>130 417</b>	<b>219 484</b>	<b>2 820 661</b>

Reconciliation for the year ended 31 March 2024	Furniture and Fixtures	IT Equipment	Motor Vehicle	Leasehold Improvements	Plant & Machinery	Tools & Implement	Building	Total
<b>Balance 1 April 2023</b>								
At cost or Revaluation	664 435	1 202 624	3 145 674	148 208	14 019 576	1 530 904	992 367	21 703 788
Accumulated depreciation	(484 274)	(1 015 628)	(2 702 827)	(58 642)	(9 826 079)	(1 193 331)	(66 158)	(15 346 939)
Accumulated Impairment	-	-	-	-	-	-	(538 351)	(538 351)
<b>Carrying Amount</b>	<b>180 161</b>	<b>186 996</b>	<b>442 847</b>	<b>89 566</b>	<b>4 193 497</b>	<b>337 573</b>	<b>387 858</b>	<b>5 818 498</b>
<b>Movement for the year ended 31 March 2024</b>								
Additions	4 711	21 650	109 565	-	-	71 700	-	207 626
Disposal	-	-	-	-	-	-	-	-
Depreciation	(88 542)	(65 651)	(253 562)	(29 646)	(1 300 492)	(177 198)	(77 563)	-1 992 655
Impairment loss recognised in profit or loss	-	(753)	-	(7 746)	-	(12 900)	-	-21 398
<b>Closing balance at 31 March 2024</b>								
At cost or revaluation	669 146	1 224 274	3 255 239	148 208	14 019 576	1 602 604	992 367	21 911 414
Accumulated depreciation	(572 816)	(1 081 279)	(2 956 389)	(88 288)	(11 126 571)	1 383 429	(143 721)	(17 352 493)
Accumulated Impairment	-	(753)	-	(7 746)	-	-	(538 351)	(546 850)
<b>Carrying Amount</b>	<b>96 330</b>	<b>142 242</b>	<b>298 850</b>	<b>52 174</b>	<b>2 893 005</b>	<b>219 175</b>	<b>310 295</b>	<b>4 012 071</b>

## 5. Biological assets

Item	2025			2024		
	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 - 2025

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

### Reconciliation of biological assets - 2024

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

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 9 685 wind breakers planted and a total of 12 812 since 2022/23 financial period.



**6 Inventories**

<b>Made Tea</b>	<b>2025</b>	<b>2024</b>
Opening	3 690 942	5 006 333
C/Y Production	10 598 879	12 312 177
Sold /Used	(3 673 040)	(9 013 820)
Promotion & Staff & Donation	(7 104)	(19 200)
Inventory write-off	(22 913)	(260 133)
<b>At cost</b>	<b>10 586 764</b>	<b>8 025 358</b>
Impairment / Inventory write down (I/S)	(7 429 216)	(4 334 416)
<b>Net realizable value (B/S)</b>	<b>3 157 547</b>	<b>3 690 942</b>

**Tea packaging material**

Opening	1 340 966	1 452 648
Purchases	100 835	143 678
Used	(159 662)	(255 359)
<b>Closing balance</b>	<b>1 282 140</b>	<b>1 340 966</b>
<b>Total</b>	<b>4 439 687</b>	<b>5 031 908</b>

**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 R110,00 (Magwa Estate) and R241,00 (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.

<b>7 Trade and other receivables</b>	<b>2 025</b>	<b>2 024</b>
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**7.1 Receivable Form Exchange transactions**

Trade receivables	1 192 983	3 699 309
Deposit with Eskom	1 079 632	1 019 005
Other receivables - Prepayments	142 120	209 264
	<b>2 414 735</b>	<b>4 927 578</b>

Trade receivable is from sale of tea to bulk buyers (R1,2million) 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

<b>7.2 Receivables from Non-Exchange Transactions</b>	<b>2 025</b>	<b>2 024</b>
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VAT Refunds	78 110	23 386
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<b>8</b>	<b>Cash and cash equivalent</b>	<b>2025</b>	<b>2024</b>
	<b>Cash and cash equivalent consist of:</b>		
	Cash on current accounts at commercial banks	427 794	849 965
	Cash on hand	2 931	7 435
		<b>430 725</b>	<b>857 400</b>

<b>9</b>	<b>Share capital</b>		
	<b>Authorized</b>		
	1,000 ordinary shares of R1 each	<b>1 000</b>	<b>1 000</b>
	<b>Issued</b>		
	<b>Ordinary</b>	100	100

<b>10</b>	<b>Trade and other payables</b>		
	<b>Payables from exchange transactions</b>		
	Accruals	438 614	181 165
	Other Payables	397 727	2 477 451
	Receipts in advanced	700	116 173
		<b>837 042</b>	<b>2 774 789</b>

Change in Other payable is due to settlement of R2 314 742 due to employees for the 20223/24 minimum wage effective 1st March 2023 that was partially implemented.

## **11** Commitments and Contingencies

An estimated R200,000 COIDA liability from period 2010 Financial Year before Magwa entered business rescue process, due to missing historical information on people cost (destroyed during the labour unrest), we are unable to reasonable quantify the liability with certainty. We are engaging with Labour Department on way forward and cover for the exiting labour force in the event of injury.

<b>12</b>	<b>Revenue from exchange transactions</b>	<b>2 025</b>	<b>2 024</b>
	Sale of goods - Bulk Tea	2 081 655	6 060 866
	Sale of goods - Tea bag	983 041	755 543
	Other Income - SAPPI Forestry	1 862 756	1 552 061
	Sundry income - sale of firewood and other	602 908	771 747
		<b>5 530 359</b>	<b>9 140 216</b>

<b>13.1</b>	<b>Other Income</b>		
	Grant Income	30 699 000	29 380 000
	Interest Income	(66 106)	(74 617)
		<b>30 632 894</b>	<b>29 305 383</b>

<b>13.2</b>	<b>Forestry Activities</b>		
	Income from Forestry Operations	1 862 756	1 552 061
	Timber Harvesting expenses	<b>(1 573 462)</b>	<b>(858 034)</b>
		<b>289 294</b>	<b>694 027</b>

**14. Administrative expenses**

	2025	2024
Bank Charges	43 521	38 275
Subsistence & Travel Allowance	122 235	-
General Expenses	274 820	-
Insurance	53 631	-
Cleaning	18 107	18 739
Consumables	80 893	114 707
Discount Allowed for Cash	19 480	2 920
Motor Vehicle Expenses	55 387	83 911
Penalties and Interest	62 832	37 467
Recruitment	8 946	-
Staff Training	18 238	7 687
Staff Welfare	147 545	186 845
Courier & Postage	17 799	27 609
Subscriptions	42 816	27 467
Distribution cost	42 507	70 000
Commission of sale of tea	28 439	120 581
Telephone & Fax	138 900	115 820
<b>Total Administrative Expenses</b>	<b>1 176 095</b>	<b>852 028</b>

**15. Operating Expenses**

	2025	2024
Advertising & Promotions	138 308	37 104
Audit fees	252 000	281 786
Bad Debts	165 637	1 811
Professional Fees	357 308	398 020
Computer Expenses	13 716	16 769
Consulting Fees	220 744	654 198
Diesel, Petrol and Oil	558 373	1 021 702
Electricity	2 307 465	2 597 250
Production cost - Coal	638 364	370 430
Printing & Stationery	23 984	68 467
Personal Protective Equipment	294 030	214 416
Chemicals & Water Treatment	512 346	395 764
Repairs and Maintenance	807 122	569 490
Small Tools not Capitalised	127 575	157 418
Storage of goods (Tea)	-	77 112
Travel & Accommodation	365 643	355 977
<b>Total Administrative Expenses</b>	<b>6 782 615</b>	<b>7 217 714</b>

16 Employee Cost	2 025	2 024
Skills Development Levy	271 322	269 552
Salaries & Wages	16 090 221	17 697 290
Salaries & Wages - Extra Ordinary	-	-
	16 361 543	17 966 842
Direct employee cost - booked to Inventory	10 223 143	11 808 778
	<b>26 584 686</b>	<b>29 775 620</b>

MET and its employees contribute to the Unemployment Insurance Fund (UIF) 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 dependents 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 package 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.

**17 Operating profit for the year is stated after accounting for the following:**

Loss /Profit on sale of assets	-	-
Depreciation on PPE	1 806 549	2 298 613
Employee cost	16 361 543	16 079 796
<b>18 Interest received</b>		
Bank	5 478	9 228
Deposits	60 628	65 389
	<b>66 106</b>	<b>74 617</b>

<b>19</b>	<b>Finance Charges</b>	-	-
<b>20</b>	<b>Taxation</b>		
	<b>Current income tax</b>		
	Accounting profit	(2 939 722)	(4 408 030)
	Charge for the year @27%	(793 725)	(1 190 168)
	Adjustment - Non deductible expenses	16 965	10 483
	Adjustment - Non taxable expenses	-	(20 820)
		<b>(776 760)</b>	<b>(1 200 505)</b>
<b>21</b>	<b>Deferred tax assets /Liabilities</b>		
	<b>Deferred tax liability</b>		
	Opening balance	832 666	832 666
	Permanent difference on biological assets	<b>832 666</b>	<b>832 666</b>
	<b>Deferred tax assets</b>		
	At beginning of the year - Deferred tax assets	6 531 220	5 330 657
	Assets (disposal) / addition expensed for tax purpose	-	-
	Assessed loss relating to prior years not previously recognised	-	-
	Decrease /(Increase) in assessed loss available for set-off in future period	776 760	1 200 563
		<b>7 307 980</b>	<b>6 531 220</b>

22

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.

<b>23</b>	<b>Fruitless and Wasteful Expenditure</b>	<b>2 025</b>	<b>2 024</b>
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**Fines and Penalties**

SARS - VAT	61 249	23 202
SARS - PAYE	-	10 875
Traffic fines (Department of transport)	400	-
Eskom	1 183	3 390

<b>62 832</b>	<b>37 467</b>
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24 **Irregular Expenditure**

Irregular expenditure relating to good and services in the period	391 204	484 468
Irregular expenditure condoned and to be removed	-	(484 468)

**Closing balance**

-	-
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A R484 468K Irregular Expenditure related to expenses incurred in the prior year to due challenges with service providers not willing to conduct business with MET withing the SCM framework due to historical profile and the remote location of MET, forcing management to transact with less compliant service provider to ensure business continuity. The board has conclude on the matter and resolve that it 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 been educated on SCM rules and regulation and the zero tolerance on non-compliance without hindering business operations.

25	<b>Board members remuneration</b>	2 025	2 024	27	<b>Related Party Transactions</b>	2 025	2 024
	Mrs. Ngcane Madikizela-Renene *Until 31 March 2024	-	61 300		<b>Relationships</b>		
	Mr. Bongo Qina	-	48 100		Directors		See note 21- Board remuneration
	Mr. Simphiwe Thobela (Board Chairperson) *Until 31 March 2024	-	85 620		Controlling entity		Eastern Cape Rural Development Agency
	Mr. Yongama Madolo (ARC Chairperson)	55 600	67 500		Members of key management		See note 22- Senior management remuneration
	Ms.Nqobile Nxumalo	111 900	64 200		<b>Related party transactions</b>		
	Ms.Pindelwa Mda (Board Chairperson) *Until 28 February 2025	93 450	85 400		<b>Grants received</b>		
	Mr. Phumezile Dinwayo (Board Chairperson) *effective 1 April 2025	103 750	76 100		Department of Rural Development and Agrarian Reform	<b><u>30 699 000</u></b>	<b><u>29 380 000</u></b>
	Ms. Nontuthuzelo Mbiko (Ex-officio)	35 000	-		The entity received (and accrued) a grant of R30 966 000 (2024: R29 380 000) from the Eastern Cape Department of Agriculture (DOA) during the year for operating		
		<b>399 700</b>	<b>488 220</b>				
26	<b>Senior Management Remuneration</b>						
	Ramabulana M, - Finance Manager (Acting General Manager - 15 December 2022)	900 000	900 000				
	Sineke V, Marketing Manager (Appointed 21 August 2023)	650 202	364 285				
	Nyawose Mr. - Factory Manager	540 000	540 000				
	Mudhumo D,Mr - Factory Manager	432 000	432 000				
	Johnson C,Mr - Field Manager (Retired 20 March 2025)	156 000	156 000				
	Ndabankulu N, Accountant (Acting Finance Manager from 21 March 2023 - 20 June 2025)	90 000	360 000				
		<b>2 768 202</b>	<b>2 752 285</b>				

## 27 Cash generated from/use in operations

Effect on the statement of financial position	As restated 2025	As restated 2024
<b>Cashflow Reconciliation</b>		
Loss before taxation	(2 939 722)	(4 408 028)
<b>Adjustments for non-cash items</b>		
Depreciation, amortisation, impairment and bad debts, discount	2 054 749	2 014 052
<b>Adjustments for items which are presented separately</b>		
Bulk Sales	-	-
<b>Change in Working Capital:</b>		
(Increase) decrease in inventories	592 221	1 427 073
(Increase) decrease in Non Exchange transactions	(54 724)	65 301
(Increase) decrease from Exchange transactions	2 506 605	(853 736)
Increase (decrease) in payables in exchange transactions	(1 937 747)	2 399 142
	<b>198 369</b>	<b>643 804</b>

## 28 Prior Year Errors

Retrospective application of the costs of prior year accounting errors:

Effect on the statement of financial position	Total	As restated 2024	As restated 2023
Value Added Tax (VAT) expense claims not accepted by receivers of revenue due to tax invoice validity.	368 012	-	368 012
PAYE refund from SARS for over provision	(530 388)	(179 090)	-
Inventory packaging incorrectly accounted - overstating Assets and Cost of sales	(47 640)	(47 640)	-
	<b>(210 016)</b>	<b>(226 730)</b>	<b>368 012</b>

## Income Statement

Effect on the statement of financial position	As restated 2025	As restated 2024
Loss from operating activities	(3 004 827)	(4 482 645)
Loss before taxation	(2 939 721)	(4 408 028)
Loss for the year	(2 162 962)	(3 207 523)

## Ration Analysis

Effect on the statement of financial position	As restated 2025	As restated 2024
<b>Liquidity Ratios</b>		
Current Ratio	8.80	3.91
Acid Test Ratio	3.49	2.09
<b>Assets Management Ratio</b>		
<b>The Assets management analysis consist of the calculation of five ratios:</b>		
Receivables Turnover - Collection period	10.05	15.92
Days sales in receivables	24.08	45.85
Inventory turnover	2.87	6.39
Days cost of sales in inventory	119.04	114.33
Days purchase in creditors	6.58	2.52
<b>Profit Ratios</b>		
Gross profit margin	61.79%	57.44%
Return on operating assets	(32.30%)	(59.18%)
Loss for the year	(2 162 961)	(3 207 525)



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