msi

mpumalanga stainless initiative

ANNUAL REPORT 2022-2023

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1.0 Legal and Administrative Information

Trustees	Michael Nkosi (Chairman) Kutala Bizana (Vice Chairperson) Jomo Mnisi Freddy Mbuyane Moeketsi Mpotu Pieter Gruenbaum
Registered Name	Mpumalanga Stainless Initiative NPC
Registration Number	1999/028543/08
Physical Address	12 Dr. Mandela Drive Street, Aerorand, Middelburg, Mpumalanga 1050
Postal Address	PO Box 15154, Middelburg, Mpumalanga, 1050
Telephone Number	+27(0)13 246 1528
Fax Number	+27(0)13 246 1641
Central Email	admin@mpstainless.co.za
Website	www.mpstainless.co.za
External Auditor	**Venter De Jager (VDJ)**
Bankers	Nedbank Ltd. Nedbank Centre, 6 Or Tambo St, Middelburg, 1050
Company Secretary	Anovate Financial Services

Donors and supporters

Our achievements have been possible thanks to the generous and continued support of our donors. We are very grateful to all our corporate and individual donors for supporting us wholeheartedly in our endeavours.

Our Affiliations/Memberships:

- MCCI – Middelburg Chamber of Commerce
- SASSDA – South Africa Stainless-Steel Development Association
- SABTIA – Southern Africa Business Technology Incubation Association

We are also very grateful to the many partner organisations and individuals who support us in our work each year.

Abbreviations and Acronyms

Acronym	Description
AFS	Annual Financial Statements
MSI	Stainless Initiative
NYDA	National Youth Development Agency
SABS	South African Bureau of Standards
SAIW	Southern African Institute of Welding
SDGs	Sustainable Development Goals
SEDA	Small Enterprise Development Agency
SME	Small and Medium Enterprises
SMMEs	Small, Medium, and Micro Enterprises
TSDO	Technical SMME Development Officer
UCT	University of Cape Town
UNISA	University of South Africa
CEO	Chief Executive Officer
DEDT	Department of Economic Development and Training
ESD	Enterprise Supplier Development
FY	Financial Year
GRAP	Generally Recognised Accounting Practice
IRBA	Independent Regulatory Board for Auditors
KPI	Key Performance Indicator
MERSETA	Manufacturing, Engineering and Related Services Sector Education and Training Authority

Section A: Strategic Overview

SECTION BREAK

2.0 A Message from the Chairman

DEAR VALUED STAKEHOLDERS,

On behalf of the Board of Directors, I am so pleased to present to you the Mpumalanga Stainless Initiative's annual performance results for the financial that ended on the 31st of March 2023. Mpumalanga Stainless Initiative has turned the corner! The first half of 2022 saw major changes in the organization, structural changes, additions to the Board, writing off of some obsolete equipment and acquiring new ones.

In addition to the measures outlined above, MSI has continued to work hard to drive the implementation of its new strategy focus. This requires a fine balance between containing its cost base and simultaneously investing sufficiently in human capital, infrastructure, and systems to ensure that quality services are delivered efficiently and cost effectively to all stakeholders.

IT'S ABOUT GOVERNANCE

Despite the many challenges that the incubator faced, a consistent level of good corporate governance has been maintained, as reflected in the audit results. This includes managing operational costs at minimal levels. The Board has ensured that MSI remains financially sustainable in this unsteady economic environment. MSI complies with the Public Finance Management Act (PFMA) and the relevant corporate governance provisions expected of it as a government grant funding beneficiary. Compliant Board sub-structures have been established and roles assigned.

IT'S ABOUT LEADERSHIP

It is worth noting that both the Board of Directors and shareholders are continuing to play a critical role in ensuring the organization delivers on its mandate. Shareholders have provided both financial and non -financial support to the incubator to ensure that it continues to function in the face of difficult trading environment.

More efforts have been put into play by the leadership regime which has seen a good turnaround of the organization.

IT'S ABOUT THE EXECUTION

The Board has acknowledged that in order for MSI to execute and roll out its approved strategic plan and mandate and to be able to respond appropriately to the needs of its customers, it is necessary for the organisation's ageing equipment and machinery to be recapitalized.

IT'S ABOUT THE ENTREPRENEURS

The recapitalization of the equipment and the machinery seeks to ensure that the entrepreneurs access state of the equipment. It is thus expected of them to penetrate more market opportunities and broaden their horizon. Particularly in times of major change, the backbone of a business is its employees, shareholders, and customers. We would like to thank all these people for their loyalty and trust in the first half of 2023. Looking ahead, the steel and metal industry will continue to face a number of hurdles. Despite this, as things stand at present, MSI looks set to become a better organization in the near foreseeable future.

I THANK YOU ALL.

Mr. Michael B. Nkosi

Chairman

2.1 A Message from the Technical Head

Dear Stakeholders,

It is with great pleasure and gratitude that I address you today as the Technical Head of MSI_Mpumalanga Stainless Initiative NPC. Since my appointment in September 2022, it has been an incredibly rewarding journey filled with achievements and growth.

When I joined MSI, my primary focus was to assist the organization in stabilizing its engineering department. I am proud to share that significant progress has been made in this endeavor. Through a collaborative effort, we have successfully implemented machinery capacitation, optimizing our operational efficiency and ensuring our technical capabilities are aligned with industry standards.

One of the key accomplishments during my tenure has been the identification and disposal of redundant assets, a crucial step in streamlining our operations and maximizing resource utilization. This process has allowed us to allocate our resources more effectively, providing enhanced support to our clients and partners.

Furthermore, I am pleased to report that the relocation of MSI was executed seamlessly. This undertaking required meticulous planning and coordination, and I commend our dedicated team for their commitment to ensuring a smooth transition to our new premises. Our new location provides us with enhanced facilities and opportunities for growth, which will undoubtedly contribute to our continued success.

I am humbled and grateful to Columbus Stainless for seconding me to MSI. Their confidence in my abilities to support and stabilize the organization during this important phase is truly appreciated. The opportunity to contribute my expertise and experience to MSI has been both fulfilling and inspiring.

Throughout my career, I have developed a deep passion for engineering, and it is a privilege to bring that passion to MSI. Engineering is not just a profession but a calling, and I am dedicated to instilling that same passion in our team members. By fostering a culture of continuous learning, innovation, and collaboration, we aim to establish MSI as a leading authority in the field of engineering.

I would like to express my sincere gratitude to the entire MSI team for their unwavering commitment and support. Together, we have accomplished significant milestones, and I am confident that with our shared vision and determination, we will continue to achieve even greater success.

Lastly, I extend my gratitude to our stakeholders for their continued trust and support. Your belief in our mission and commitment to empowering SMMEs is the driving force behind our work. We remain dedicated to delivering exceptional services and making a lasting positive impact in the communities we serve.

Thank you for your ongoing support, and I look forward to the exciting journey ahead.

Warm regards,

Dries J. Nel

2.2 Statement of Responsibility and Confirmation of the Accuracy of Annual Report

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

- All information and amounts disclosed in the annual report are consistent with the Annual Financial Statements (AFS) audited by VDJ Inc.
- 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 AFS (Part E) has been prepared in accordance with Generally Recognised Accounting Practice (GRAP) standards.
- The accounting authority is responsible for the preparation of the AFS and for the judgements made in this information.
- The accounting authority is responsible for establishing and implementing a system of internal control that has been designed to provide reasonable assurance as to the integrity and reliability of the performance information, the human resources information and the AFS.
- The external auditors are engaged to express an independent opinion on the AFS.
- 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 2020.

Signed by:

……

Mr. Michael Nkosi

Board Chairperson

3.0 About the Organization

Established in 2001 and registered as a non-profit organization on December 24, 1999, MSI is located at the intersection of Mnotho and Newton Streets, Vaalbank Industrial, Middelburg, Mpumalanga, South Africa. We have positioned ourselves as the leading incubator in the steel sector, offering stainless steel knowledge exchange, shared infrastructure, and technological support services to jobless, struggling, or under-employed entrepreneurs and SMEs in a single enabling environment.

Our Vision

To become the stainless-steel hub of domestic and international quality and excellence, promoting economic growth and long-term SME development through incubation. We strive to structure business and innovative technical development processes, provide industry and market exposure, and establish strategic partnerships with corporations and governance entities.

Our Core Values

Product Innovation: We continuously implement new ideas from our staff and stakeholders that enhance our operations and service delivery.

Service Excellence: We are dedicated to delivering exceptionally high standards of work and performance to our clients and customers.

Integrity: We uphold the highest ethical standards, ensuring that everyone within the organization does what they said they would.

Our Clientele

We serve a diverse range of clients, including unemployed individuals, entrepreneurs, artisans, and small-micro and medium enterprises (SMMEs), with a focus on youth who have the potential to contribute to economic growth through steel product manufacturing and related services. Our target markets encompass construction, mining, energy, security, and engineering industries.

What We Offer

At MSI, we are proud to be the only incubator in the Steel Sector providing stainless steel and mild steel fabrication knowledge exchange. We offer our clients access to a fully equipped steel fabrication facility through shared services. Additionally, we provide infrastructure, business and technology development support, skills development programs, enterprise mentoring and coaching services, and facilitate linkages to market access opportunities wherever possible.

Through our comprehensive range of services and support, we are dedicated to empowering our clients and driving economic growth in the steel sector. Our commitment to excellence, innovation, and integrity remains unwavering as we continue to foster the development of thriving SMEs in the industry.

4.0 Strategic Identity

At MSI, we have established a strong strategic identity that guides our operations and shapes our approach to fostering growth and development in the steel sector. Our strategic identity encompasses our mission, vision, values, and key focus areas, which collectively define who we are as an organization and how we aim to make a lasting impact.

Mission:

Our mission is to empower jobless, struggling, and under-employed entrepreneurs and SMEs in the steel sector by providing them with the knowledge, resources, and support they need to succeed. We are committed to promoting economic growth, creating employment opportunities, and driving innovation in the industry.

Vision:

Our vision is to be recognized as the leading stainless steel hub, both domestically and internationally, known for our commitment to quality, excellence, and long-term SME development. We strive to be a catalyst for positive change, shaping the future of the steel sector through incubation, strategic partnerships, and industry leadership.

Values:

1. Collaboration: We believe in the power of collaboration and actively seek partnerships with stakeholders, industry experts, and clients to foster collective growth and drive innovation in the steel sector.
2. Excellence: We are committed to delivering excellence in all aspects of our work, from the quality of our services to the outcomes we achieve for our clients. We continually strive for continuous improvement and best practices.
3. Integrity: We operate with the utmost integrity, maintaining high ethical standards, transparency, and accountability in all our interactions. We build trust and foster strong relationships with our clients, partners, and the community we serve.
4. Innovation: We embrace innovation and continuously seek new ideas, technologies, and approaches to enhance our services and deliver sustainable solutions for our clients. We encourage creativity and entrepreneurial thinking within our organization and the businesses we support.
5. Social Impact: We are driven by the desire to make a positive social impact and contribute to the overall development of our community and society. We prioritize inclusivity, diversity, and sustainability in all our endeavors.

Key Focus Areas:

1. Knowledge Exchange: We facilitate knowledge sharing and transfer within the steel sector, empowering entrepreneurs and SMEs with the technical expertise and industry insights they need to thrive.
2. Infrastructure and Support: We provide shared infrastructure, access to state-of-the-art facilities, and comprehensive support services to enhance the capabilities and efficiency of our clients' businesses.
3. Business and Technology Development: We offer targeted assistance in business planning, strategy development, market research, technology adoption, and innovation management to drive sustainable growth and competitiveness.

4. Skills Development: We prioritize skills development through training programs, workshops, and mentorship initiatives to enhance the capabilities and capacity of our clients' workforce, fostering personal and professional growth.
5. Market Access: We actively seek opportunities to connect our clients with market access, industry networks, and potential customers, facilitating their entry into new markets and supporting their business expansion.

Our strategic identity guides us in our mission to empower entrepreneurs and SMEs in the steel sector, drive economic growth, and contribute to the overall development of our community. With our collaborative approach, commitment to excellence, and focus on innovation, we are dedicated to shaping a vibrant and sustainable future for the steel industry.

5.0 Board Members

Mr. Michael Nkosi
Chairman

Ms. Kutala Bizana
Vice Chairperson

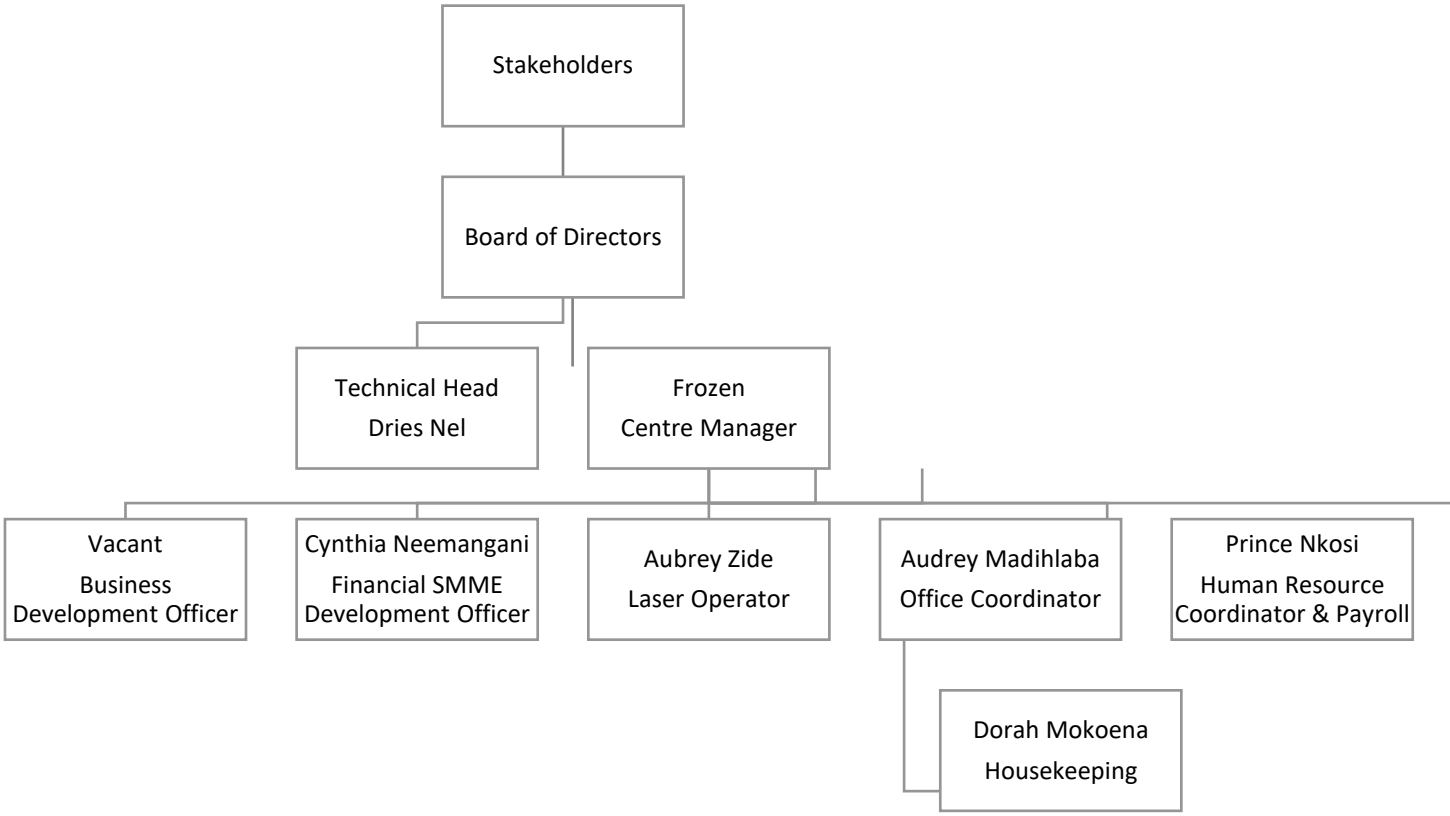
Mr. Jomo Mnisi

Mr. Freddy Mbuyane

Mr. Pieter Gruenbaum

Mr. Moeketsi Mpotu

6.0 Organisational Structure



Section B: Incubation Model

SECTION | BREAK

The Incubation Model

Phase 1: Pre-Incubation Development

During the pre-incubation phase, business cases from the identified candidates who may be unemployed artisans, youth and SMMEs are assessed and interviewed to determine the level of skilled development required. Once, approved by the selection panel, a pre-incubation development agreement is entered into between MSI and the candidate's company. It is at this stage that MSI provide the SMME with customized pre-incubation interventions as defined in our model such that the SMME can be migrated into the next phase. It is expected that the business generate revenue of at least R37 500 per month and create one (1) job for them to advance to the next incubation phase.

Phase 2: Incubation Performance Program

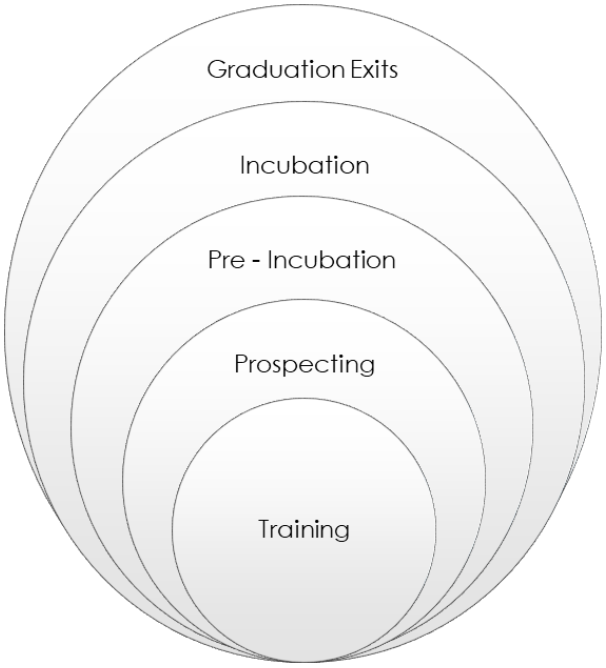
The SMMES accepted in the incubation phase would be candidates from either the pre-Incubation phase or could be start-up companies that have potential to generate consistently an annual revenue of over the R37 500 per month. Our model allows MSI to accept both onsite incubates (be tenants of the incubator) or off-site (have their own facility). At this stage, SMMEs expected to be financially liable for the service offerings they would receive from the MSI dependent on each SME's financial affordability and progressive development.

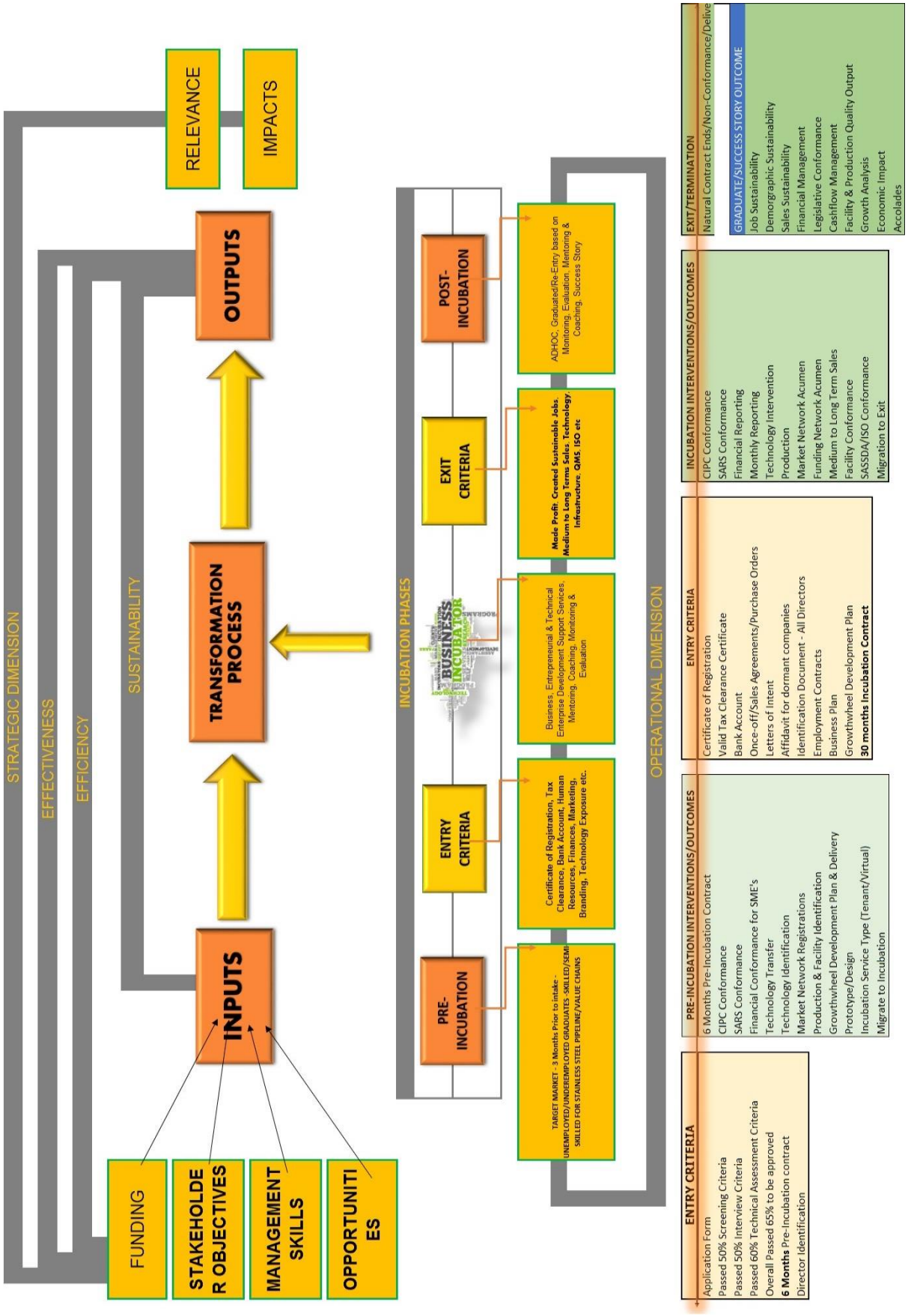
Phase 3: Graduation/Termination and/or Exit

There are two SMMEs that could be identified in phase 3, namely (1)
Graduates: successful start-up companies that have completed all the incubation requirements and they are ready to scale-up or expand out of MSI,

Exits/Terminations: (2) SMMEs who did not complete the programme and therefore required to exit the programme. Clients that are placed in this phase would only be provided with ad-hoc service level agreements based on the support required and they would be fully self-financed by the SMME.

The post-incubation phase is designed for previous MSI incubates who may have not succeeded or require further specialised incubation services because of market challenges with their initial business plans. The services in this phase are offered as once off services which may include diversification of product lines or revenue streams through enterprise supplier development (ESD).

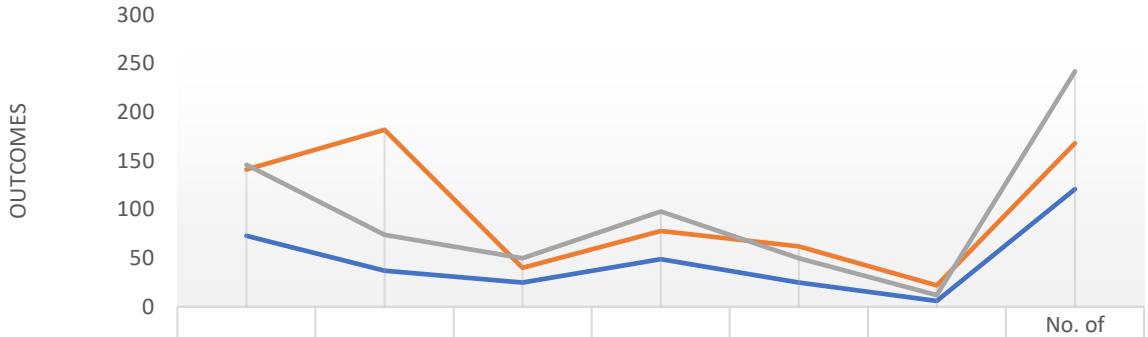



STRATEGIC DIMENSION
EFFECTIVENESS
EFFICIENCY
SUSTAINABILITY
RELEVANCE
IMPACTS
OUTPUTS
TRANSFORMATION PROCESS
INPUTS
FUNDING
STAKEHOLDER OBJECTIVES
MANAGEMENT SKILLS
OPPORTUNITIES
INCUBATION PHASES
PRE-INCUBATION
ENTRY CRITERIA
EXIT CRITERIA
POST-INCUBATION
BUSINESS INCUBATOR
TARGET MARKET - 3 Months Prior to intake - UNEMPLOYED/UNDEREMPLOYED GRADUATES -SKILLED/SEMI-SKILLED FOR STAINLESS STEEL PIPELINE/VALUE CHAINS
Certificate of Registration, Tax Clearance, Bank Account, Human Resources, Finances, Marketing, Branding, Technology Exposure etc.
Business: Entrepreneurial & Technical Enterprise Development Support Services, Mentoring, Coaching, Monitoring & Evaluation
Made Profit: Created Sustainable Jobs, Medium to Long Term Sales, Technology Infrastructure, QMS, ISO etc
ADHOC, Graduated/Re-Entry based on Monitoring, Evaluation, Mentoring & Coaching, Success Story
OPERATIONAL DIMENSION
ENTRY CRITERIA
Application Form
Passed 50% Screening Criteria
Passed 50% Interview Criteria
Passed 60% Technical Assessment Criteria
Overall Passed 65% to be approved
6 Months Pre-Incubation contract
Director Identification
PRE-INCUBATION INTERVENTIONS/OUTCOMES
6 Months Pre-Incubation Contract
CIPC Conformance
SARS Conformance
Financial Conformance for SME's
Technology Transfer
Technology Identification
Market Network Registrations
Production & Facility Identification
Growthwheel Development Plan & Delivery
Prototype/Design
Incubation Service Type (Tenant/Virtual)
Migrate to Incubation
ENTRY CRITERIA
Certificate of Registration
Valid Tax Clearance Certificate
Bank Account
Once-off/Sales Agreements/Purchase Orders
Letters of Intent
Affidavit for dormant companies
Identification Document - All Directors
Employment Contracts
Business Plan
Growthwheel Development Plan
30 months Incubation Contract
INCUBATION INTERVENTIONS/OUTCOMES
CIPC Conformance
SARS Conformance
Financial Reporting
Monthly Reporting
Technology Intervention
Production
Market Network Acumen
Funding Network Acumen
Medium to Long Term Sales
Facility Conformance
SASSDA/ISO Conformance
Migration to Exit
EXIT/TERMINATION
Natural Contract Ends/Non-Conformance/Delive
GRADUATE/SUCCESS STORY OUTCOME
Job Sustainability
Demorgraphic Sustainability
Sales Sustainability
Financial Management
Legislative Conformance
Cashflow Management
Facility & Production Quality Output
Growth Analysis
Economic Impact
Accolades

SECTION C: Performance

SECTION | BREAK

During the period under review, MSI accomplished overall performance in terms of its actuals vs targets as detailed below:



	Jobs Sustained	Clients Accessing BDS	Start-ups Supported	Permanent Jobs Created	No. of SMMEs and Cooperatives assisted with productivity improvement	% No. of Clients whose turnover increase by minimum 5%	No. of SMMEs and Cooperatives supported with training, mentorship and coaching
Variance	5	-108	10	20	-12	-10	74
Outcome	68	145	15	29	37	16	47
Target	73	37	25	49	25	6	121

The program has shown a mix of achievements and challenges in its performance. Let's provide an overview of the key outcomes based on the provided data:

1. Jobs Sustained: The program successfully sustained 68 out of the targeted 73 jobs, showcasing its positive impact on job retention. While there was a small variance of 5 jobs, the program's efforts contributed to the stability of employment for individuals.

2. Clients Accessing BDS: The program exceeded expectations by enabling access to Business Development Services (BDS) for 145 clients, surpassing the target of 37. This highlights the program's effectiveness in providing valuable support to a larger number of businesses.

3. Start-ups Supported: Although the program fell short of the target by supporting 15 start-ups instead of the planned 25, it still played a role in assisting new ventures. The program's support helped these start-ups take their initial steps towards growth and sustainability.

4. Permanent Jobs Created: While the target was to create 49 permanent jobs, the program achieved the establishment of 29 jobs. This demonstrates the program's contribution to generating employment opportunities, albeit with a variance of 20 jobs.

5. SMMEs and Cooperatives Assisted with Productivity Improvement: The program successfully assisted 37 SMMEs and cooperatives in improving their productivity, surpassing the target of 25. This highlights the program's effectiveness in enhancing the operational efficiency and competitiveness of these businesses.
6. Percentage of Clients Whose Turnover Increased by Minimum 5%: The program exceeded expectations by achieving a 16% increase in the turnover of clients, surpassing the target of 6%. This indicates the program's positive impact on the financial performance and growth of the supported businesses.
7. SMMEs and Cooperatives Supported with Training, Mentorship, and Coaching: Although the program fell short of the target by supporting 47 SMMEs and cooperatives instead of the planned 121, it still provided valuable training, mentorship, and coaching to these businesses. This support contributed to their capacity building and growth.

Overall, the program has demonstrated its commitment to supporting job sustainability, business growth, and productivity improvement. While there were challenges in meeting certain targets, the program's efforts have made a significant impact on the supported SMMEs and cooperatives. It is important to continue identifying areas for improvement and implementing strategies to enhance the program's performance and effectiveness.

For more detailed information or to provide feedback on the program's performance, please contact the program management team.

8.1 Funding Resources

During the current financial year, Mpumalanga Stainless Initiative NPC achieved a total income of R4,300,000. This income was sourced from various funding entities, with significant contributions from Small Enterprise Development Agency (SEDA) and the Mpumalanga Department of Economic Development & Tourism (MPGDEDT). SEDA provided funding amounting to R2,250,000-00, while the Mpumalanga Department of Economic Development & Tourism contributed R2,050,000-00. These funding partnerships have been instrumental in supporting MSI's initiatives and enabling the organization to carry out its mission of empowering SMMEs in the region.

While MSI appreciates the valuable financial support received from these entities, the organization aims to work towards greater self-dependence. To become 100% self-dependent, MSI estimates that a projected income of approximately R6.4 million would be necessary. In order to achieve this target, MSI has developed a strategic plan focused on attracting more quality SMMEs to utilize its services. By offering valuable services and increased client market access support from both the Public and Private Sector, MSI aims to generate additional income and reduce its reliance on external funding sources.

MSI's commitment to financial sustainability and self-dependence aligns with its broader vision of fostering economic growth and empowerment within the community. By forging stronger partnerships with SMMEs and leveraging support from the Public and Private Sector, MSI aims to create a self-sustaining ecosystem that allows the organization to continue its crucial work in supporting local businesses.

Throughout the financial year, MSI remains dedicated to maintaining financial prudence and accountability. The organization diligently assesses its operating expenses and seeks opportunities to optimize resource utilization while ensuring the quality and effectiveness of its services. By managing costs efficiently, MSI aims to maximize the impact of its funding and enhance the value it provides to its stakeholders.

The financial section of the annual report provides a comprehensive overview of MSI's financial performance, including detailed financial statements and a breakdown of funding sources. It highlights the organization's progress towards self-dependence, the partnerships that have contributed to its success, and the strategies being implemented to achieve greater financial sustainability. Stakeholders are encouraged to review this section to gain a deeper understanding of MSI's financial position and its commitment to attaining long-term self-dependence.

8.2 Disposal of Redundant Equipment and Investment in Workshop Sustainability

As part of our ongoing efforts to optimize our operations and ensure long-term sustainability, we have successfully disposed of redundant equipment that had an average lifespan of 20 years. Through various channels such as auctions, scrapping, and donations to SMMEs, we have responsibly managed the disposal of these assets in line with our policies and principles.

The replacement of outdated machinery, including the shear and bending press, marks a significant investment in our workshop's infrastructure, guaranteeing its functionality for at least another two decades. This strategic decision aligns with our sustainability plan, which aims to maintain a lean and efficient equipment inventory, enabling us to achieve self-sufficiency in the long run.

To support this initiative and further enhance the capabilities of our workshop, we have successfully raised R4.5 million through a combination of budget savings and fundraising efforts. However, recognizing the need for additional funding to fully capacitate the workshop, we are actively seeking support from stakeholders. Based on our research and estimations, we aim to secure an additional R2 million, which will enable MSI to expand its market reach and broaden the scope of our services.

Technologies	Estimated Cost	Status
1. Press Brake 6mm	**R 425 000 – 00**	Critical / Achieved
2. Hydraulic Plate Shear/ Guillotine 6mm	**R 335 000 – 00**	Critical / Achieved
3. Laser Fiber Cutting System	**R 3 593 750 – 00**	Critical / Achieved
4. Laser Compressor	**R 223 000 – 00**	Critical / Achieved
Additional fund raising achieved so far **R 4 576 750 – 00**		

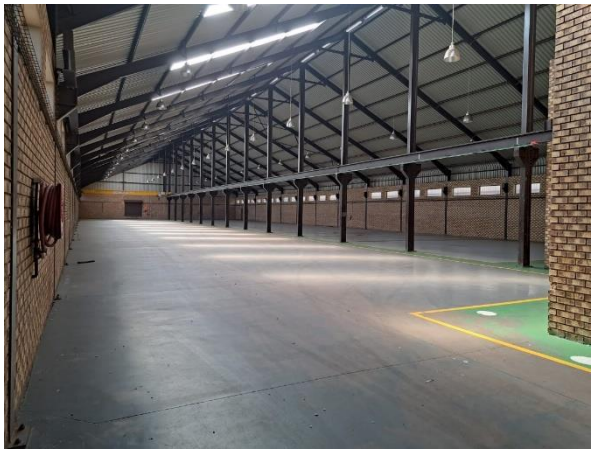
8.3 Infrastructure - The relocation of MSI

MSI's recent relocation to a new premises represents a strategic decision driven by the need to reduce costs and enhance operational efficiency. The primary driver for the move was the escalating rental costs at the previous location, 19 Mnotho Street, Vaalbank, Industria. By transitioning to the new address at 12 Mandela Drive, Middelburg, Mpumalanga, the company has realized significant cost savings. MSI has achieved a yearly percentage saving of approximately 24.79% by moving to the new premises. This significant cost reduction enables the company to allocate those saved funds towards other business priorities, foster growth, and strengthen its financial position.

The new premises offer a notable advantage through enhanced security. Located in a gated complex of workshops, the property provides a secure environment for MSI's operations, offering peace of mind and protection for its valuable assets. As part of the lease agreement, the responsibility for maintenance and security is delegated to the owner of the premises. This arrangement allows MSI to concentrate on its core operations and allocate resources more efficiently, without the burden of managing maintenance and security independently.

Since the relocation took place in March 2023, the company has already started experiencing the positive outcomes of this strategic move. The cost savings resulting from the relocation have been substantial, significantly reducing expenses for MSI. These savings have a direct impact on the company's financial health and contribute to its overall profitability.

In summary, MSI's strategic relocation to the new premises has yielded significant benefits. These include enhanced security, cost savings, improved working conditions, and the acquisition of state-of-the-art machinery. This strategic move showcases MSI's commitment to operational excellence, cost optimization, and creating a conducive work environment for SMMEs and employees.



SECTION C: HUMAN CAPITAL

SECTION | BREAK

Human Capital Statement

We, as the organs of MSI strive towards our mission and practise our values:

- ☺ To build professional relationships of empowerment with our clients and each other
- ☺ To align our individual visions with our incubator vision
- ☺ To strive in being the best incubator knowledge resource
- ☺ To develop from our past setbacks
- ☺ To duplicate our positive experiences
- ☺ To strive towards quality impacts constantly and consistently with our clients and each other
- ☺ To be broad minded and self-motivated to uplift one another
- ☺ To work with a spirit of sincerity, integrity, trust, respect and transparent verbal or written communication in all our interactions with all persons as enshrined within the Constitution of South Africa and the Code of Business Practices.

During the year under review, we have successfully retained a majority of our staff members, with a retention rate of 62.5%. This represents a significant achievement considering the changes in our staffing levels throughout the year. At the beginning of the year, we had eight staff members, and as of now, we have six remaining.

While we bid farewell to some team members, it is important to acknowledge their contributions to MSI. We express our gratitude to Mr. Donald Mushet, who served as the Technical SMME Development Officer, Mr. Sipho Mkhwebane, who served as the Technical SMME Developer, and Ms Hazel Mamba, who served as the Business SMME Development Officer.

In the case of Mr. Sipho Mkhwebane, it is necessary to mention that he was dismissed from his position due to various misconducts. An independent chairperson investigated, which found him guilty of 3 out of 5 misconducts. We emphasize that MSI holds high standards of professionalism and ethical conduct, and we take appropriate actions to maintain a positive work environment.

Considering the recent departures and the financial constraints faced by the organization, we have taken measures to streamline our structure. This decision was made to ensure that our organogram remains financially sustainable and aligned with our current operational needs. We understand the importance of maintaining an efficient and cost-effective organization while optimizing our resources to continue delivering quality services to our clients.

The adjustments to our structure are part of our ongoing commitment to responsible resource management and sustainable operations. We remain dedicated to

fostering a supportive and agile work environment that enables our talented staff to thrive and achieve their full potential.

We appreciate the efforts of our remaining staff members, who continue to demonstrate resilience, adaptability, and dedication to our mission. Their commitment and contributions are vital to the success of MSI, and we are confident that, together, we will navigate any challenges and continue to make a positive impact on the SMME sector.

Reason for Leaving	**Number**	**Percentage of total staff leaving**
Death	0	0%
Dismissal	1	12.5%
Contract terminated	0	0%
Resignation	2	25%
Retirement	0	0%
Health Issues	0	0%
Contract Expired	0	0%
Total	**3**	**-37.5%**

SECTION D: SUCCESS AND IMPACT STORIES

SECTION | BREAK

10.0 Success Story

Shocky Nengovhela

Incubatee 2022, founder of Tembo Engineering Services

Business Type	Engineering
Province:	Mpumalanga
No. of Permanent Jobs Created:	14
Where to find Tembo Engineering:	Unit 6, 1 Joule Street Middelburg 1050
Connect:	E: info@temboeng.co.za W:www.temboeng.co.za 013 246 1149

TEMBO

ENGINEERING

Establishment and Early Challenges:

Tembo Engineering Services, a 100% Black Youth Women-owned mechanical engineering services company, was founded in 2016 by Shocky Nengovhela, the current Managing Director. With a dream to lead a successful mechanical engineering company, Shocky embarked on an entrepreneurial journey that would bring both triumphs and challenges.

In the early years, Tembo Engineering faced numerous hurdles common to small businesses. Limited market access and a small customer base posed significant obstacles to their growth. The high costs associated with renting workshop space further strained their resources, making it challenging to establish a stable operational base. Cash flow constraints were a constant concern, with increasing demands requiring additional financial resources. As a new player in the industry, Tembo Engineering also faced the challenge of building trust and credibility with potential clients and partners.

Intervention and Solutions:

To address these challenges and pave the way for success, Tembo Engineering seized the opportunity presented by the Mpumalanga Stainless Initiative (MSI). They joined the MSI incubation program, which provided access to a subsidized workshop and office space. This intervention significantly alleviated the financial burden of workshop rental fees, enabling the company to establish a stable operational base and focus on their core activities.

Through the support of MSI, Tembo Engineering also benefited from business coaching and government training programs. These initiatives enhanced their knowledge and skills in various areas, including export and imports, enabling them to explore new markets and expand their business horizons. The interventions provided by MSI positioned Tembo Engineering for future growth and success.

Market Access Opportunity and Strategic Partnerships:

One of the turning points for Tembo Engineering came through a market access opportunity facilitated by MSI. They were awarded a 30% share in a three-year steel fabrication contract with Thungela, a prominent mining company. This opportunity opened doors to the mining sector market, providing a significant breakthrough for the company in a highly competitive industry. It not only offered financial growth but also created opportunities for skills transfer and collaboration with an established engineering company.

Additionally, Tembo Engineering established a strategic partnership with GK Steel, a leading supplier in the area. This partnership enabled them to access high-quality steel materials and expanded project opportunities. The strong supplier relationship developed with GK Steel instilled trust and credibility in the supply chain, enhancing Tembo Engineering's reputation in the industry.

Outcome and Results:

As a result of the interventions and strategic partnerships, Tembo

Engineering experienced notable outcomes and results. Their market access significantly expanded, leading to a broader customer base and increased business opportunities. The access to a subsidized workshop reduced overhead costs, improving cash flow and financial stability. With the successful execution of projects outside the Thungela scope, Tembo Engineering achieved a turnover value of almost R1,200,000, demonstrating their capabilities and expertise in the field.

Furthermore, the collaboration with established engineering companies, including Thungela and GK Steel, facilitated skills transfer and knowledge exchange. This not only enhanced the capabilities of Tembo Engineering's team but also contributed to their professional growth and development. The improved trust and credibility within the industry established Tembo Engineering as a reputable and trusted provider in the mechanical engineering sector.

The journey of Tembo Engineering Services showcases the transformative power of government interventions and strategic partnerships. Through resilience, determination, and the support received, Tembo Engineering has overcome challenges, expanded their capabilities, and establish themselves as a prominent player in the mechanical engineering industry. Looking ahead, they are poised for continued success and are well-positioned to seize future opportunities within the steel sector.

We invite all stakeholders and readers of this annual report to join us in supporting the growth and development of small-micro and medium enterprises (SMMEs) within the steel sector. By investing in these SMMEs, we can collectively contribute to job creation, economic growth, and the overall development of our community.

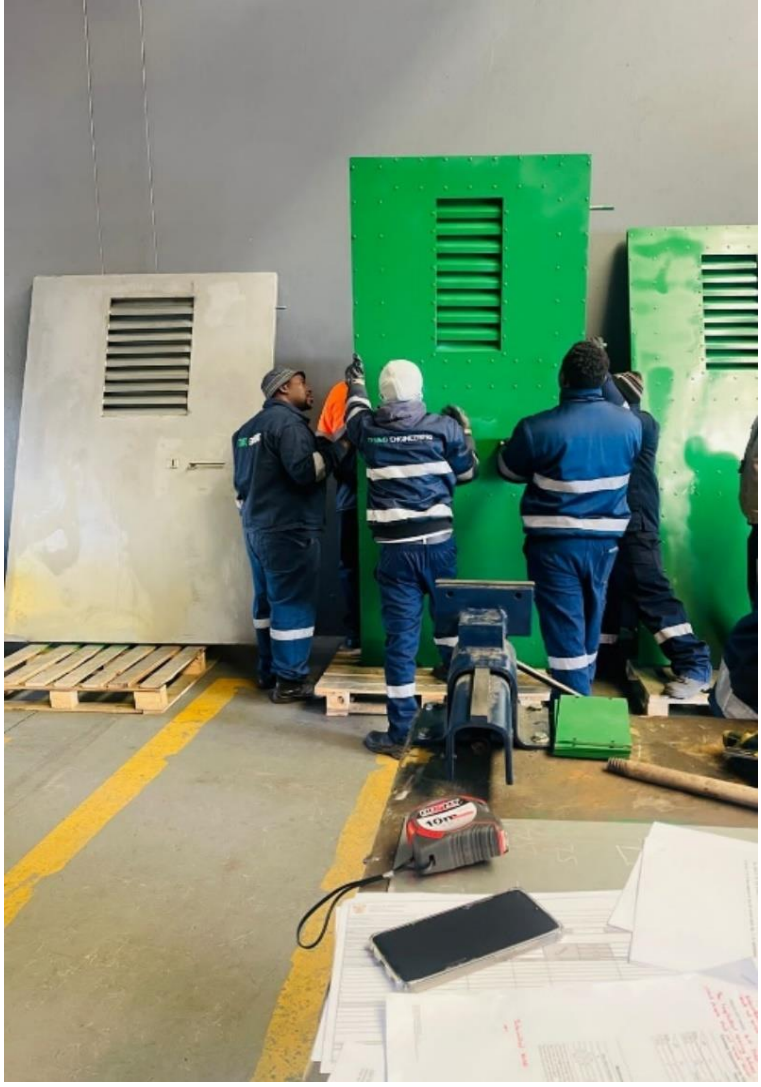
At MSI, we believe in the power of collaboration and partnership. We have witnessed firsthand the transformative impact that strategic interventions, such as market access opportunities and incubation programs, can have on the success of SMMEs. By providing access to resources, knowledge, and support, we empower entrepreneurs and SMMEs to thrive and make a meaningful impact in their respective industries.

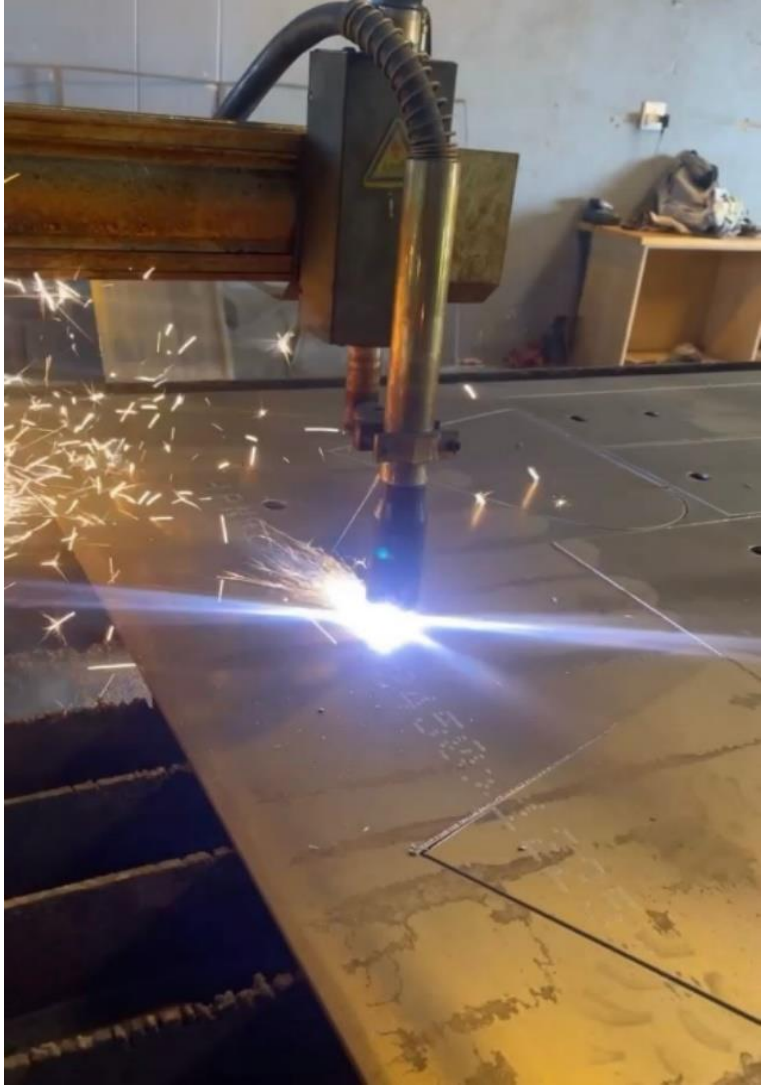
We encourage all stakeholders to explore avenues for collaboration and support with our SMMEs. Whether it be through mentorship, procurement opportunities, or fostering business relationships, your involvement can make a significant difference in the growth and sustainability of these enterprises. Together, we can create a thriving ecosystem that nurtures innovation, job creation, and economic prosperity.

For more information on how you can support our SMMEs or explore partnership opportunities, please contact us at:

- Email: admin@mpstainless.co.za
- Phone: +2713246-1528
- Website: www.mpstainless.co,za

Thank you for your commitment to fostering economic growth and supporting the aspirations of our SMMEs. Together, we can build a brighter future for all.





Let's grow South Africa together
NDP
TEMBO
ENGINEERING SERVICES
METAL SOLUTIONS TO YOUR INDUSTRY

10.1 Start-up to Watch: Lizwile Engineering

Nomagugu Mvelase

Incubatee 2021, Founder of
Lizwile Engineering Services

Business Type	Engineering
Province:	Mpumalanga
No. of Permanent Jobs Created:	7
Where to find Lizwile Engineering:	24 Highveld Industrial Park, Old Pretoria Road, Emalahleni

LIZWILE
ENGINEERING [PTY] LTD
EXCELLENT ENGINEERING SOLUTIONS

Background Information: Lizwile Engineering Pty Ltd, established in October 2019, is a promising engineering services company located in the Highveld Industrial Park, Witbank. Led by the dynamic entrepreneur, Nomagugu Nokukhanya Mvelase, the company specializes in valves and pumps, steel fabrication, and HDPE piping and fittings. With a dedicated team and a strong focus on customer satisfaction, Lizwile Engineering sets itself apart from competitors through exceptional service, agility, and a commitment to quality.

Unique Selling Points and Innovative Approaches: Lizwile Engineering differentiates itself by not only providing solutions to customers but also offering knowledge and training. Their expertise in reverse engineering allows them to deconstruct and re-engineer structures and machines, providing innovative solutions. Additionally, the company offers plant system retrofitting to optimize operations and enhance efficiency. Through these unique services, Lizwile Engineering delivers value beyond traditional engineering offerings.

Growth and Expansion: Since its establishment, Lizwile Engineering has experienced significant growth. The company has expanded its customer base by over 50%, securing new markets while retaining existing clients. With an increase in revenue of 80%, Lizwile Engineering has demonstrated its viability and sustainability. The company's positive cash flow and expansion in the number of employees by 30% further solidify its growth trajectory.

Overcoming Challenges: Lizwile Engineering has faced various challenges, including financing purchase orders, limited equipment and machinery, and inadequate human resources. However, through strategic approaches such as sourcing purchase order funding, outsourcing certain services, and hiring temporary employees and consultants, they have effectively addressed these obstacles. Their resilience, problem-solving skills, and adaptability have been instrumental in overcoming adversities.

Impact and Recognition: Lizwile Engineering has made a notable impact in the engineering sector. Through job creation and subcontracting opportunities, they have contributed to local economic growth. While the company is yet to receive awards, certificates for participating in training programs and collaborations with recognized institutions, such as the GIZ manager training, showcase their commitment to continuous learning and development.

Future Plans and Vision: With a clear vision for the future, Lizwile Engineering aims to increase revenue by 80% and expand its customer base by 120%. They plan to secure contracts from prominent mining companies, acquire essential equipment and machinery, and increase their staff complement. Looking ahead, Lizwile Engineering envisions entering new market segments in the SADC region, fostering international strategic partnerships, and collaborating with research institutions for innovation and diversification.

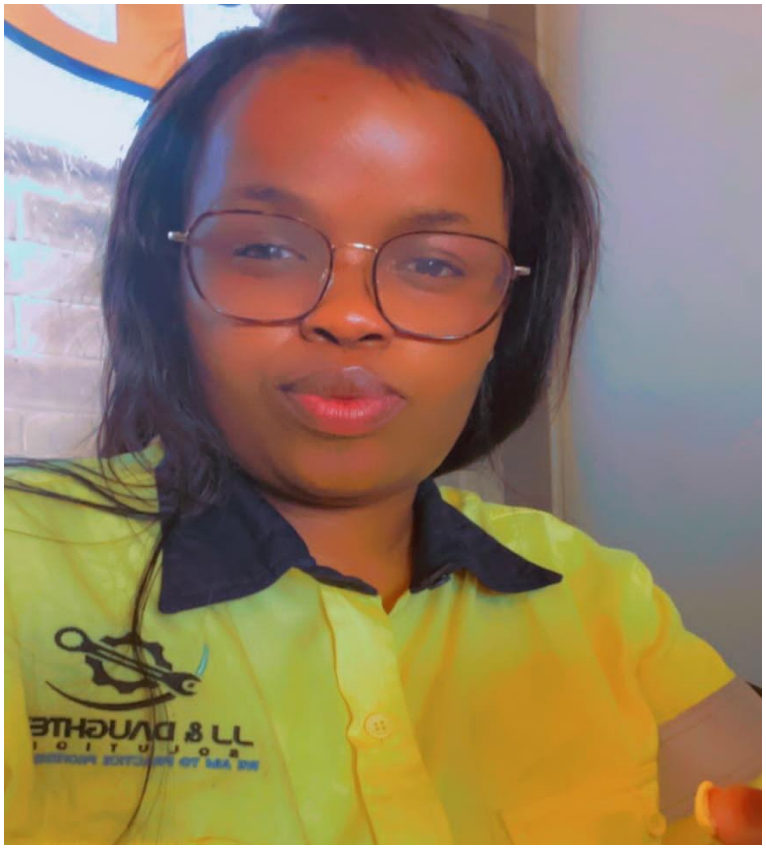
Conclusion: Lizwile Engineering Pty Ltd is an emerging player in the engineering services sector with a strong foundation for growth and success. Their dedication to customer satisfaction, unique service offerings, and commitment to quality position

them as one of the SMEs to watch. As Lizwile Engineering continues to thrive, their impact on the industry and local community will undoubtedly be significant.

To support Lizwile Engineering and explore potential partnerships, please contact:

Name:	Nomagugu Nokukhanya Mvelase
Position:	Managing Director
Email:	sales@lizwile.co.za
Phone:	066 173 2856
	076 981 6188
Website:	www.lizwile.co.za

Join us in recognizing and supporting this promising SME as they shape the future of the engineering services industry.



Tebogo Mathebula

Incubatee 2021, Founder of JJ Daughters & Solutions

Business Type:	Engineering
Province:	Mpumalanga
No. of Permanent Jobs Created:	4
Where to find Tembo Engineering:	136 Brettenwood, Dixion Road, Emalahleni

Background Information: JJ and Daughters Solutions, established in 2019, is a dynamic player in the mining and engineering sector based in Mpumalanga. Founded by Tebogo Mathebula, a mechanical engineering enthusiast with a passion for steel fabrication and welding, the company offers a range of services including steel fabrication and welding, mechanical engineering and machining, plant maintenance and repairs, pipe lining installation and fabrication, and more.

Unique Selling Points and Innovative Approaches: JJ and Daughters Solutions sets itself apart from competitors through its unwavering commitment to customer satisfaction. The company's consistency, dedication, and strong focus on client needs make it a trusted partner in the industry. Offering a generous 60-day warranty on services, they demonstrate their confidence in the quality of their work and prioritize long-term customer relationships.

Growth and Expansion: Since its establishment, JJ and Daughters Solutions has made significant strides in growth and expansion. The company has created around 23 temporary jobs and three permanent positions, contributing to local employment opportunities. With a focus on mining, construction, and both private and public sectors, they have diversified their customer base and expanded into new markets.

Success Factors: The growth and success of JJ and Daughters Solutions can be attributed to several factors. These include a strong commitment to customer satisfaction, consistent delivery of services that meet client requirements, and a focus on product and service quality. By adopting these strategies, the company has built trust and loyalty among its clients.

Challenges and Overcoming Adversities: As an SME, JJ and Daughters Solutions faced challenges in gaining the trust of potential clients, particularly as a woman-owned business in a male-dominated industry. However, by prioritizing service delivery and consistently meeting client requirements, they have overcome these challenges and built a reputation for excellence.

Impact and Recognition: JJ and Daughters Solutions has made a positive impact in the industry by offering quality services and contributing to local job creation. Their dedication to empowering youth and young women through skills training showcases their commitment to community development. The company has been recognized as the "2022 Best Developing Woman Company in the Steel Fabrication Industry," further highlighting their achievements.

Future Plans and Vision: In the next few years, JJ and Daughters Solutions envisions further growth and expansion. They aim to solidify their position in the industry, increase their customer base, and explore new opportunities in diverse sectors. With a focus on innovation, they plan to leverage new technologies to enhance their operations and improve efficiency.

Conclusion: JJ and Daughters Solutions is a rising star in the mining and engineering sector. As an SME to watch, their commitment to customer satisfaction, dedication to quality, and focus on community development set them apart. With a clear vision for the future and a drive for growth, JJ and Daughters Solutions is poised to make a lasting impact in the industry.

To support JJ and Daughters Solutions and explore potential collaborations, please contact:

Name:	Tebogo Mathebula
Position:	Managing Director
Email:	admin@jjdaughters.co.za
Phone:	0814177473

Join us in recognizing and supporting this promising SME as they shape the future of the mining and engineering sector.

10.3 Start-up to Watch: OPS Engineering

Oupa Mosia

Incubatee 2021, Founder of
OPS Engineering

Business Type	Engineering
Province:	Mpumalanga
No. of Permanent Jobs Created:	7
Where to find OPSEngineering:	12 Cornell street,Evander 2280

OPS
ENGINEERING AND CONSTRUCTION (PTY) LTD
Together We Can

In the vast landscape of small and medium-sized enterprises (SMEs), there are stories of determination, resilience, and entrepreneurial spirit that deserve recognition. One such story is that of OPS Engineering (Pty) Ltd, a general steel fabrication company based in Evander, Mpumalanga.

Established in 2017, OPS Engineering has quickly made its mark in the industry. With a team of seven dedicated employees, the company specializes in the creation, design, and assembly of various steel products and structures, along with mechanical work. Their expertise lies in producing high-quality fittings, flanges, forgings, pipes, plates, and sheets.

Led by a passionate and driven entrepreneur, OPS Engineering has been steadily building a reputation for delivering exceptional workmanship and meeting client expectations. Despite being a relatively young company, they have successfully completed a number of relevant past projects, showcasing their capabilities and commitment to excellence.

However, like many SMEs, OPS Engineering faces several challenges on its path to growth. One of the immediate needs identified is the requirement for an accountant to assist with the preparation of Annual Financial Statements (AFS). AFS play a crucial role when tendering for work, ensuring financial transparency and credibility.

Additionally, the company recognizes the importance of marketing materials, such as banners, to enhance their visibility and reach a wider audience. They understand that effective marketing strategies are vital for attracting new clients and establishing long-term relationships.

OPS Engineering and Construction also faces hurdles in obtaining necessary accreditations and certifications, particularly when seeking opportunities in the mining sector. Accreditation and certification can serve as a significant barrier to expansion, making it essential for the company to navigate the complex processes and meet the stringent requirements in their industry. They aspire to achieve ISO9001 and ISO3836 accreditation, which would not only enhance their credibility but also open doors to new opportunities.

Despite these challenges, OPS Engineering and Construction remains undeterred, fueled by a vision of growth and success. Their dedication to delivering quality work, combined with their commitment to overcoming obstacles, positions them as an SME to watch in the evolving landscape of the steel fabrication industry.

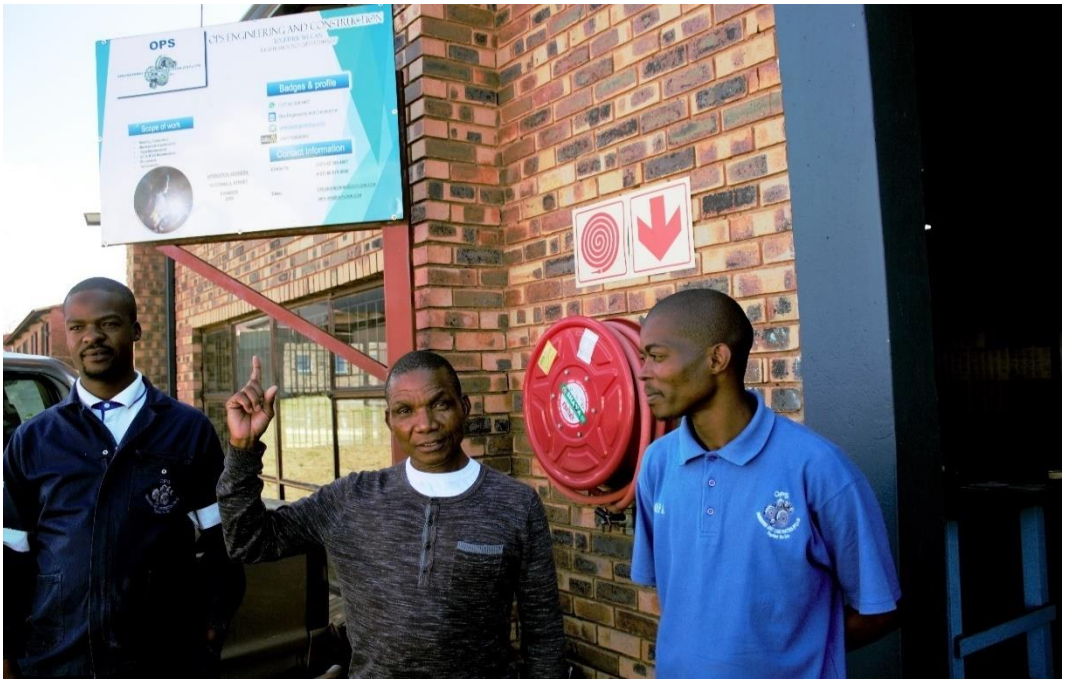
As OPS Engineering and Construction continues to make strides in their field, they exemplify the spirit of entrepreneurship, innovation, and perseverance. Through their unwavering determination, they are carving a niche for themselves and contributing to the economic development of the region.

Stay tuned as OPS Engineering and Construction embarks on an exciting journey, leveraging their expertise and embracing new opportunities to make a lasting impact in the steel fabrication industry and beyond.

To support OPS Engineering and explore potential collaborations, please contact:

Name:	Oupa Mosia
Position:	Managing Director
Email:	ops.engineering@outlook.com
Phone:	0658180146

Join us in recognizing and supporting this promising SME as they shape the future of the mining and engineering sector.



SECTION | BREAK

SECTION E: FINANCIAL REVIEW

11.0 Auditor's Report

Dear Shareholders and Stakeholders,

We are delighted to present the audited annual financial statements of Mpumalanga Stainless Initiative NPC for the year ended 31 March 2023. These financial statements have undergone a thorough audit conducted by an independent auditing firm, and we are pleased to share the positive outcome with you.

We are proud to announce that the audit has resulted in an unqualified opinion, also known as a clean audit opinion. The auditors have expressed their professional judgment that the annual financial statements present fairly, in all material respects, the financial position of Mpumalanga Stainless Initiative NPC as at 31 March 2023. Furthermore, the financial performance and cash flows for the year ended 31 March 2023 have been presented in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities and the requirements of the Companies Act of South Africa.

This unqualified opinion reinforces our commitment to transparency, accuracy, and adherence to international financial reporting standards. It affirms the integrity of our financial reporting processes and reflects the meticulous efforts of our dedicated team.

The audit was conducted in accordance with the International Standards on Auditing, ensuring that the highest professional standards were followed. The auditors obtained sufficient and appropriate audit evidence to support their opinion, exercising professional judgment and maintaining professional skepticism throughout the audit process.

We extend our gratitude to the auditors for their diligent work and their thorough evaluation of our financial statements. Their expertise and independent assessment have provided valuable assurance to our shareholders, stakeholders, and the broader community.

The clean audit opinion demonstrates our commitment to accountability, sound financial management, and adherence to legal and regulatory requirements. We assure you that we will continue to prioritize financial transparency, maintain robust internal control systems, and uphold the highest standards of corporate governance.

We encourage you to review the complete audited financial statements and the accompanying auditors' report, which provide a comprehensive overview of Mpumalanga Stainless Initiative NPC's financial performance and position.

We extend our sincere appreciation to our shareholders, stakeholders, and dedicated employees for their continued trust and support. Together, we look forward to a prosperous future.

Sincerely,

MSI_Mpumalanga Stainless Initiative NPC
(Registration number 1999/028543/08)
Annual Financial Statements
for the year ended 31 March 2023

Venter de Jager
Chartered Accountants (SA)
Registered Auditors

These annual financial statements have been audited in compliance with the applicable requirements of the Companies Act of South Africa.

Issued 20 June 2023

General Information

Country of incorporation and domicile	South Africa
Nature of business and principal activities	To structure business and innovative technical development processes, industry and market exposure and strategic partnerships with corporate governance to be the stainless-steel hub of domestic and international quality and excellence that stimulates economic growth and sustainable SME development through incubation.
Directors	Mr. MB Nkosi- Chairperson Ms. K Bizana Mr. F Mbuyane Mr. P Gruenbaum Mr. M Mpotu Mr. JM Mnisi Mr. MMC Mphekgo
Registered office	12 Mandela Drive SAE Business Park Middelburg 1050
Auditors	Venter de Jager Chartered Accountants (SA) Registered Auditors 1 Van Ryneveld Avenue Extension 5 Emalahleni 1035 PO Box 1376 Witbank 1035
Level of assurance	These annual financial statements have been audited in compliance with the applicable requirements of the Companies Act of South Africa.

Index

The reports and statements set out below comprise the annual financial statements presented to the board of directors:

	Page
Directors' Responsibilities and Approval	3
Independent Auditor's Report	4 - 5
Statement of Financial Position	6
Statement of Comprehensive Income	7
Statement of Changes in Equity	8
Statement of Cash Flows	9
Accounting Policies	10 - 12
Notes to the Annual Financial Statements	13 - 14
The following supplementary information does not form part of the annual financial statements and is unaudited:	
Detailed Income Statement	15 - 16

Directors' Responsibilities and Approval

The directors are required by the Companies Act of South Africa, 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 their responsibility to ensure that the annual financial statements fairly present the state of affairs of the company as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with the International Financial Reporting Standard for Small and Medium-sized Entities. The external auditors are engaged to express an independent opinion on the annual financial statements.

The annual financial statements are prepared in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the company and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the directors set standards for internal control aimed at reducing the risk of error or loss 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 company and all employees are required to maintain the highest ethical standards in ensuring the company's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the company is on identifying, assessing, managing and monitoring all known forms of risk across the company. While operating risk cannot be fully eliminated, the company endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

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

The directors have reviewed the company's cash flow forecast for the year to 31 March 2024 and, in the light of this review and the current financial position, they are satisfied that the company has or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently auditing and reporting on the company's annual financial statements. The annual financial statements have been examined by the company's external auditors and their report is presented on page 4 - 5.

The annual financial statements set out on pages 6 to 14, which have been prepared on the going concern basis, were approved by the board of directors on 20 July 2023 and were signed on its behalf by:

Approval of annual financial statements

Mr. MB Nkosi- Chairperson

Independent Auditor's Report

To the Board of directors of MSI_Mpumalanga Stainless Initiative NPC

Opinion

We have audited the annual financial statements of MSI_Mpumalanga Stainless Initiative NPC (the company) set out on pages 6 to 14, which comprise the statement of financial position as at 31 March 2023, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and the notes to the annual financial statements, including a summary of significant accounting policies.

In our opinion, the annual financial statements present fairly, in all material respects, the financial position of MSI_Mpumalanga Stainless Initiative NPC as at 31 March 2023, and its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities and the requirements of the Companies Act of South Africa.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Annual Financial Statements section of our report. We are independent of the company in accordance with the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of annual financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Directors for the Annual Financial Statements

The directors are responsible for the preparation and fair presentation of the annual financial statements in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Annual Financial Statements

Our objectives are to obtain reasonable assurance about whether the annual 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual financial statements.

As part of an audit in accordance with International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

Independent Auditor's Report

- Identify and assess the risks of material misstatement of the annual financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

20 June 2023
Emalahleni

Venter de Jager
Chartered Accountants (SA)
Registered Auditors
Per: J.A. Booysen (CA)(S.A.)

MSI_Mpumalanga Stainless Initiative NPC

(Registration number: 1999/028543/08)
Annual Financial Statements for the year ended 31 March 2023

Statement of Financial Position as at 31 March 2023

Figures in Rand	Note(s)	2023	2022
Assets			
Non-Current Assets			
Property, plant and equipment	2	2 119 357	859 139
Current Assets			
Trade and other receivables	3	839 407	316 049
Cash and cash equivalents	4	1 785 552	1 431 186
		2 624 959	**1 747 235**
Total Assets		**4 744 316**	**2 606 374**
Equity and Liabilities			
Equity			
Capital funds		5 123 945	5 123 945
Accumulated loss		(444 902)	(2 773 785)
		4 679 043	**2 350 160**
Liabilities			
Current Liabilities			
Trade and other payables	5	65 273	256 214
Total Equity and Liabilities		**4 744 316**	**2 606 374**

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MSI_Mpumalanga Stainless Initiative NPC

(Registration number: 1999/028543/08)
Annual Financial Statements for the year ended 31 March 2023

Statement of Comprehensive Income

Figures in Rand	Note(s)	2023	2022
Revenue	6	300 913	146 455
Cost of sales		(57 336)	(73 769)
Gross surplus		**243 577**	**72 686**
Other income		6 900 489	5 188 218
Operating expenses		(4 882 449)	(5 217 223)
Operating surplus		**2 261 617**	**43 681**
Investment revenue	8	67 266	16 703
Surplus for the year		**2 328 883**	**60 384**

MSI_Mpumalanga Stainless Initiative NPC

(Registration number: 1999/028543/08)
Annual Financial Statements for the year ended 31 March 2023

Statement of Changes in Equity

Figures in Rand	Capital funds	Accumulated loss	Total equity
Balance at 01 April 2021	**5 123 945**	**(2 834 169)**	**2 289 776**
Surplus/(deficit)	**-**	**60 384**	**60 384**
Balance at 01 April 2022	**5 123 945**	**(2 773 785)**	**2 350 160**
Surplus/(deficit)	**-**	**2 328 883**	**2 328 883**
Balance at 31 March 2023	**5 123 945**	**(444 902)**	**4 679 043**

MSI_Mpumalanga Stainless Initiative NPC

(Registration number: 1999/028543/08)
Annual Financial Statements for the year ended 31 March 2023

Statement of Cash Flows

Figures in Rand	Note(s)	2023	2022
Cash flows from operating activities			
Cash generated from operations		2 267 482	664 548
Interest income		67 266	16 703
Net cash from operating activities		**2 334 748**	**681 251**
Cash flows from investing activities			
Purchase of property, plant and equipment	2	(2 305 349)	(3 421)
Proceeds from sale of property, plant and equipment	2	324 967	-
Net cash from investing activities		**(1 980 382)**	**(3 421)**
Total cash movement for the year		**354 366**	**677 830**
Cash and cash equivalents at the beginning of the year		1 431 186	753 356
Total cash at end of the year	4	**1 785 552**	**1 431 186**

Accounting Policies

1. Basis of preparation and summary of significant accounting policies

The annual financial statements have been prepared on a going concern basis in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities, and the Companies Act of South Africa. The annual financial statements have been prepared on the historical cost basis, except for biological assets at fair value less point of sale costs, and incorporate the principal accounting policies set out below. They are presented in South African Rands.

These accounting policies are consistent with the previous period.

1.1 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 period.

Property, plant and equipment is initially measured at cost.

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

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 period in which they are incurred.

Property, plant and equipment is subsequently stated at cost less accumulated depreciation and any accumulated impairment losses, except for land which is stated at cost less any accumulated impairment losses.

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.

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

Item	Depreciation method	Average useful life
Plant and machinery	Straight line	10 years
Furniture and fixtures	Straight line	6 years
Motor vehicles	Straight line	5 years
Office equipment	Straight line	6 years
Computer equipment	Straight line	3 years
Computer software	Straight line	3 years

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

When indicators are present that the useful lives and residual values of items of property, plant and equipment have changed since the most recent annual reporting date, they are reassessed. Any changes are accounted for prospectively as a change in accounting estimate.

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.

Accounting Policies

1.2 Financial instruments

Initial measurement

Financial instruments are initially measured at the transaction price (including transaction costs except in the initial measurement of financial assets and liabilities that are measured at fair value through profit or loss) unless the arrangement constitutes, in effect, a financing transaction in which case it is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial instruments at amortised cost

These include loans, trade receivables and trade payables. They are subsequently measured at amortised cost using the effective interest method. Debt instruments which are classified as current assets or current liabilities are measured at the undiscounted amount of the cash expected to be received or paid, unless the arrangement effectively constitutes a financing transaction.

At each reporting date, the carrying amounts of assets held in this category are reviewed to determine whether there is any objective evidence of impairment. If there is objective evidence, the recoverable amount is estimated and compared with the carrying amount. If the estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in profit or loss.

1.3 Impairment of assets

The company assesses at each reporting date whether there is any indication that property, plant and equipment or intangible assets or goodwill or investment property on the cost model may be impaired.

If there is any such indication, the recoverable amount of any affected asset (or group of related assets) is estimated and compared with its carrying amount. If the estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in profit or loss.

If an impairment loss subsequently reverses, the carrying amount of the asset (or group of related assets) is increased to the revised estimate of its recoverable amount, but not in excess of the amount that would have been determined had no impairment loss been recognised for the asset (or group of assets) in prior years. A reversal of impairment is recognised immediately in profit or loss.

1.4 Share capital and equity

If the company reacquires its own equity instruments, those instruments are deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the company's own equity instruments. Consideration paid or received shall be recognised directly in equity.

1.5 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 leave pay 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.

1.6 Government grants

Grants that do not impose specified future performance conditions are recognised in income when the grant proceeds are receivable.

Grants that impose specified future performance conditions are recognised in income only when the performance conditions are met.

Grants received before the revenue recognition criteria are satisfied are recognised as a liability.

Grants are measured at the fair value of the asset received or receivable.

Accounting Policies

1.7 Revenue

Revenue is recognised to the extent that the company has transferred the significant risks and rewards of ownership of goods to the buyer, or has rendered services under an agreement provided the amount of revenue can be measured reliably and it is probable that economic benefits associated with the transaction will flow to the company. Revenue is measured at the fair value of the consideration received or receivable, excluding sales taxes and discounts.

Interest is recognised, in profit or loss, using the effective interest rate method.

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

2. Property, plant and equipment

	2023			2022		
	Cost or revaluation	**Accumulated depreciation and impairment**	**Carrying value**	**Cost or revaluation**	**Accumulated depreciation and impairment**	**Carrying value**
Plant and machinery	2 584 176	(499 614)	2 084 562	5 435 371	(4 637 519)	797 852
Motor vehicles	228 617	(228 617)	-	228 617	(228 617)	-
Office equipment	238 139	(212 134)	26 005	433 765	(381 833)	51 932
Computer equipment	138 653	(132 143)	6 510	420 475	(414 540)	5 935
Computer software	3 420	(1 140)	2 280	3 420	-	3 420
Total	**3 193 005**	**(1 073 648)**	**2 119 357**	**6 521 648**	**(5 662 509)**	**859 139**

Reconciliation of property, plant and equipment - 2023

	Opening balance	**Additions**	**Disposals**	**Depreciation**	**Closing balance**
Plant and machinery	797 852	2 295 350	(491 862)	(516 778)	2 084 562
Office equipment	51 932	5 000	(1 727)	(29 200)	26 005
Computer equipment	5 935	4 999	-	(4 424)	6 510
Computer software	3 420	-	-	(1 140)	2 280
	859 139	**2 305 349**	**(493 589)**	**(551 542)**	**2 119 357**

Reconciliation of property, plant and equipment - 2022

	Opening balance	**Additions**	**Depreciation**	**Closing balance**
Plant and machinery	1 116 618	-	(318 766)	797 852
Office equipment	86 205	-	(34 273)	51 932
Computer equipment	18 023	-	(12 088)	5 935
Computer software	-	3 420	-	3 420
	1 220 846	**3 420**	**(365 127)**	**859 139**

3. Trade and other receivables

Trade receivables	107 100	12 885
Deposits	558 674	160 446
VAT	173 633	142 718
	839 407	**316 049**

4. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	319	1 634
Bank balances	1 785 233	1 429 552
	1 785 552	**1 431 186**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

5. Trade and other payables

Accrued expenses	57 797	60 576
Staff loans	-	300
Trade payables	7 476	195 338
	65 273	**256 214**

6. Revenue

Rendering of services	300 913	146 455

7. Employee cost

Employee costs		
Basic	1 361 722	1 467 534
Bonus	68 643	176 913
UIF	24 411	22 758
WCA	15 101	9 868
SDL	17 160	18 723
Other payroll levies	351 361	355 669
	1 838 398	**2 051 465**

8. Investment revenue

Interest revenue		
Bank	67 266	16 703

9. Grants received

SEDA	2 250 000	2 859 650
Mpumalanga Provincial Government	2 010 000	2 009 000
MERSETA	345 427	310 591
Utilisation:		
Operating expenses (excluding depreciation)	(4 330 907)	(4 902 344)
Funding surplus/(deficit) for the year	**274 520**	**276 897**

10. Donations received

Donation received	2 287 350	-

A donation to the value of R 2 287 350 was granted by Thungela Resources Limited Group for the purchase of a Leiming fibre laser cutting machine.

MSI_Mpumalanga Stainless Initiative NPC

(Registration number: 1999/028543/08)
Annual Financial Statements for the year ended 31 March 2023

Detailed Income Statement

Figures in Rand	Note(s)	2023	2022
Revenue			
Rendering of services		300 913	146 455
Cost of sales			
Purchases		(57 336)	(73 769)
Gross profit		**243 577**	**72 686**
Other income			
Donations received	10	2 287 350	-
Government grants	9	4 605 427	5 179 241
Insurance claims received		7 712	8 977
		6 900 489	**5 188 218**
Expenses (Refer to page 16)		**(4 882 449)**	**(5 217 223)**
Operating surplus		**2 261 617**	**43 681**
Investment income	8	67 266	16 703
Surplus/(deficit)		**2 328 883**	**60 384**

The supplementary information presented does not form part of the annual financial statements and is unaudited

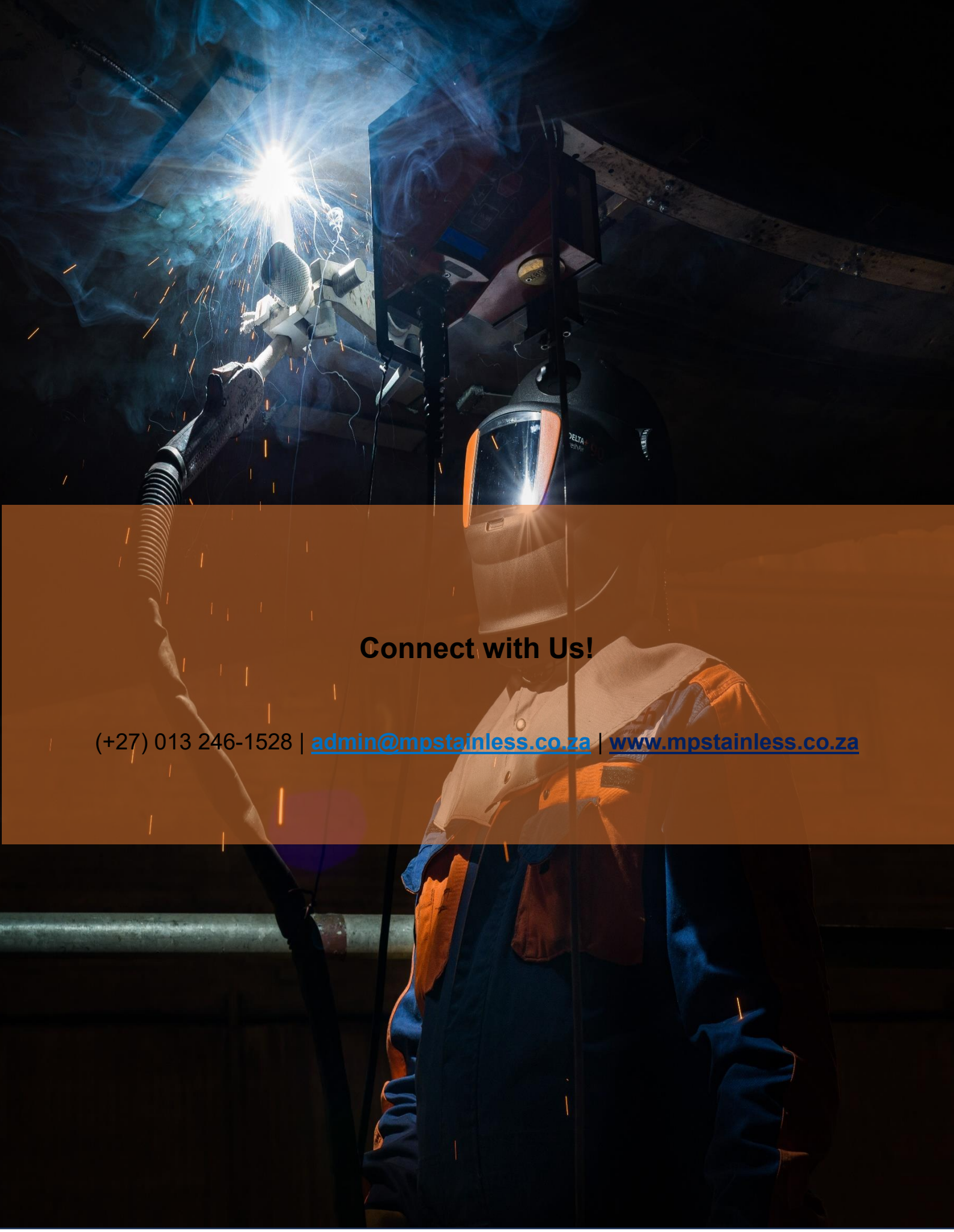
MSI_Mpumalanga Stainless Initiative NPC

(Registration number: 1999/028543/08)
Annual Financial Statements for the year ended 31 March 2023

Detailed Income Statement

Figures in Rand	Note(s)	2023	2022
Operating expenses			
Accounting fees		(69 956)	(83 364)
Advertising		(8 883)	(15 659)
Auditors remuneration		(20 990)	(41 025)
Bad debts		-	(3 636)
Bank charges		(10 857)	(12 208)
Cleaning		(8 741)	(16 204)
Computer expenses		(130 092)	(121 431)
Consulting fees		(31 956)	-
Consumables		(9 438)	(7 764)
Delivery expenses		(1 240)	(320)
Depreciation, amortisation and impairments		(551 542)	(365 127)
Discount allowed		(500)	-
Employee costs		(1 838 398)	(2 051 465)
Entertainment		(25 836)	(1 208)
Fines and penalties		(1 505)	-
Flowers		-	(77)
Insurance		(56 667)	(67 718)
Legal expenses		(7 573)	(5 027)
Licenses		(8 667)	-
Motor vehicle expenses		(43 201)	(9 983)
Municipal charges		(137 462)	(130 857)
Operating lease - premises		(1 347 610)	(1 275 629)
Printing and stationery		(11 869)	(12 651)
Profit and loss on sale of assets and liabilities		(168 622)	-
Protective clothing		(2 399)	(5 914)
Rental - office equipment		(63 961)	(66 448)
Repairs and maintenance		(177 672)	(43 145)
Security		(94 415)	(43 412)
Staff welfare		(4 784)	(32 346)
Subscriptions		(4 330)	(15 341)
Telephone and fax		(16 892)	(16 771)
Training		(1 606)	(759 470)
Travel and accommodation		(24 785)	(13 023)
		(4 882 449)	**(5 217 223)**

The supplementary information presented does not form part of the annual financial statements and is unaudited



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