

Report by the Auditor-General to Parliament on the Agricultural Land Holdings Account (ALHA)

Report on the audit of the financial statements

Opinion

I have audited the financial statements of the Agricultural Land Holdings Account set out on pages 198 to 228, which comprise the statement of financial position as at 31 March 2018, the statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget information with actual information for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Agricultural Land Holdings Account as at 31 March 2018, and its financial performance and cash flows for the year then ended in accordance with the Standards of Generally Recognised Accounting Practice (Standards of GRAP) and the requirements of the Public Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA).

Basis for opinion

I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of this auditor's report.

I am independent of the trading entity in accordance with the International Ethics Standards Board for Accountants' Code of ethics for professional accountants (IESBA code) and the ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.

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

Emphasis of matters

I draw attention to the matters below. My opinion is not modified in respect of these matters.

Matters important to the users of the financial statements

As disclosed in note 27 to the financial statements, the Accounting Officer has approved an investigation into the Strengthening of Relative Rights (SRR) programme as well as possible irregular, fruitless and wasteful expenditure. The outcomes of this investigation were not known at year-end.

Impairment of trade receivables

As disclosed in note 7 to the financial statements, the trading entity has receivables from exchange transactions totalling R344 024 000, with an impairment provision for doubtful debts of R329 274 000 as at 31 March 2018.

Impairment of receivables from non-exchange transactions

As disclosed in note 8 to the financial statements, the trading entity has receivables from non-exchange transactions totalling R551 976 000, with an impairment provision for doubtful debts of R418 106 000 as at 31 March 2018. The receivable relates to conditional grants awarded to farmers, the outstanding amount has not been spent nor recovered from farmers to offset the receivables from non-exchange transactions.

Restatement of corresponding figures

As disclosed in note 29 to the financial statements, the corresponding figures for 31 March 2017 were restated as a result of errors in the financial statements of the trading entity for the year ended 31 March 2018.

Responsibilities of the accounting officer for the financial statements

The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with the Standards of GRAP and the requirements of the PFMA, and for such internal control as the accounting officer 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 officer is responsible for assessing the trading 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 accounting officer either intends to liquidate the trading entity or to cease operations, or has no realistic alternative but to do so.

Auditor-general's responsibilities for the audit of the financial statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the ISAs 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 my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.

Report on the audit of the annual performance report

The strategic objectives, programme outputs, indicators and targets of the trading entity are incorporated in the reported programme performance of the Department of Rural Development and Land Reform, and are reported under programme 5: land reform. As a result, findings relating to the audit of performance information are reported as part of the audit report on the Department of Rural Development and Land Reform.

Report on the audit of compliance with legislation

Introduction and scope

In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report material findings on the compliance of the trading entity with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.

I did not raise material findings on compliance with the specific matters in key legislation set out in the general notice issued in terms of the PAA.

Other information

The accounting officer is responsible for the other information. The other information comprises the information included in the annual report, which includes the accounting officer's statement of responsibility for performance information, the audit committee's report, the foreword by the minister, and the overview of the accounting officer. The other information does not include the financial statements, the auditor's report and those selected programmes presented in the annual performance report that have been specifically reported in this auditor's report.

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

In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected programmes presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude that there is a material misstatement in this other information, I am required to report that fact.

I have nothing to report in this regard.

Internal control deficiencies

I considered internal control relevant to my audit of the financial statements and compliance with applicable legislation; however, my objective was not to express any form of assurance on it. I did not identify any significant deficiencies in internal control.

Auditor-General.

Pretoria
31 July 2018



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

Annexure - Auditor-general's responsibility for the audit

5. As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements and on the trading entity's compliance with respect to the selected subject matters.

Financial statements

6. In addition to my responsibility for the audit of the financial statements as described in this auditor's report, I also: identify and assess the risks of material misstatement of the financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control 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 trading entity's internal control evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the accounting officer conclude on the appropriateness of the accounting officer's use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Agricultural Land Holding Account ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause a trading entity to cease continuing as a going concern evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Communication with those charged with governance

7. I communicate with the accounting officer regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

8. I also confirm to the accounting officer that I have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to have a bearing on my independence and, where applicable, related safeguards.

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.

General information

Country of incorporation and domicile	South Africa
Legal form of entity	Trading Account
Nature of business and principal activities	Land Acquisition and Management
Business address	No 184 Jeff Masemola Street Pretoria 0001
Postal address	Private Bag X 833 Pretoria 0001
Bankers	ABSA
Auditors	Auditor-General of South Africa

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

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The annual financial statements set out on page 198 - 228 which have been prepared on the going concern basis, were approved by the accounting officer on 31 March 2018 and were signed on its behalf by:



MM Mokono
Chief Director: PLAS Trading Account.



V. Matshidza
Acting Chief Financial Officer



R. Sadiki
Acting Director-General

Audit committee members

Mrs Z N Qunta (Chairperson)

Mr H G Hlomane

Mr A N Mhlongo

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.

Statement of Financial Position as at 31 March 2018

		2018	2017
	Note(s)	R '000	Restated* R'000
Assets			
Cash and equivalents	6	779 643	257 617
Trade and other receivables from exchange transactions	7	15 742	12 964
Trade and other receivables from non-exchange transactions	8	225 807	650 998
Prepayments	11	180 580	3 479
		1 201 772	925 058
Non-Current Assets			
Property, plant and equipment	3	12 463 668	11 973 885
Intangible assets	4	197	1 007
Other financial assets	5	307 268	311 592
		12 771 133	12 286 484
Total Assets		13 972 905	13 211 542
Liabilities			
Current Liabilities			
Trade and other payables from exchange transactions	9	33 894	59 823
Trade and other payables from non-exchange transactions	10	24	140 727
Other provisions	12	82 093	89 593
		116 011	290 143
Total Liabilities		116 011	290 143
Net Assets		13 856 894	12 921 399
Accumulated surplus		13 856 894	12 921 401

Statement of Financial Performance for the year ended 31 March 2018

	Note(s)	2018	2017
		R '000	Restated* R '000
REVENUE			
Revenue from exchange transactions			
Rental income on lease receivable		3 293	1 060
Rental income on servitude		73	266
Interest on lease receivable		24 091	25 453
Interest on servitude		12	20
Other income		161	22
Interest received	14	75 099	48 668
Total revenue from exchange transactions		102 729	75 489
Revenue from non-exchange transactions			
Transfer revenue			
Grant income - non exchange		1 348 397	1 502 117
Donation received		14 380	26 029
Total revenue from non-exchange transactions		1 362 777	1 528 146
TOTAL REVENUE	13	1 465 506	1 603 635
EXPENDITURE			
Depreciation and amortisation		(48 444)	(47 059)
Impairment	18	(180 258)	(157 314)
Interest expense		(2 430)	(3 850)
Bad debts written off	30	(12 646)	(5 382)
Grant expense farmers	17	(197 830)	(391 002)
General expenses	16	(87 447)	(68 586)
TOTAL EXPENDITURE		(529 055)	(673 193)
Operating surplus		936 451	930 442
Loss on disposal of assets		(956)	(14 746)
Surplus for the year		935 495	915 696

Statement of Changes in Net Assets for the year ended 31 March 2018

	Note(s)	2018 R '000	2017 Restated* R '000
		Accumulated surplus R '000	Total net assets R '000
Opening balance as previously reported		11 782 469	11 782 469
Adjustments		-	-
Prior year adjustments - Note 29		68 133	68 133
Balance at 01 April 2016 as restated*		11 850 602	11 850 602
Changes in net assets			
• Gains from transfer of function under common control-refer Note 34		155 103	155 103
Net income (losses) recognised directly in the net assets		155 103	155 103
Surplus for the year		915 696	915 696
Total recognised income and expenses for the year		1 070 799	1 070 799
Total changes		1 070 799	1 070 799
Restated Balance at 01 April 2017		12 921 399	12 921 399
Changes in net assets			
Surplus for the year		935 495	935 495
Total changes		935 495	935 495
Balance at 31 March 2018		13 856 894	13 856 894

Cash Flow Statement

for the year ended 31 March 2018

	Note(s)	2018	2017
		R '000	Restated* R '000
Cash flows from operating activities			
Cash receipts			
Sale of goods and services		9 134	8 671
Grant income		1 348 397	1 502 117
Interest income		55 314	29 798
Other operating revenue		148	244
		1 412 993	1 540 830
Cash paid to suppliers and employees			
Suppliers and other payables		(313 764)	(751 770)
Net cash flows from operating activities	19	1 099 229	789 060
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(577 204)	(712 693)
Net cash flows from investing activities		(577 204)	(712 691)
Net increase/(decrease) in cash and cash equivalents			
Cash and cash equivalents at the beginning of the year		257 617	181 248
Cash and cash equivalents at the end of the year	6	779 642	257 617

Statement of Comparison of Budget and Actual Amounts Budget on Accrual Basis

	Approved budget	Adjustment	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Variations
	R '000	R '000	R '000	R '000	R '000	%
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Rental income on lease receivable	8 406	(3 818)	4 588	3 293	(1 295)	(28%)-1
Rental income on servitude	-	-	-	73	73	100%
Interest (outstanding debtors)	22 065	2 705	24 770	24 091	(679)	(3%)
Interest on servitude	-	-	-	12	12	0%
Other income	40	-	40	161	121	302%-2
Interest received	46 717	-	46 717	75 099	28 382	60%-3
Total revenue from exchange transactions	77 228	(1 113)	76 115	102 729	26 614	
Revenue from non-exchange transactions						
Transfer revenue						
Government grants & subsidies	1 419 601	(71 204)	1 348 937	1 348 397	-	0%
Donation received	-	-	-	14 380	14 380	100%-4
Total revenue from non-exchange transactions	1 419 601	(71 204)	1 348 397	1 362 777	14 380	
Total revenue	1 496 829	(72 317)	1 424 512	1 465 506	40 994	
Expenditure						
Depreciation and amortisation	50 415	(1 136)	49 279	(48 444)	(835)	(1%)
Impairment	217 046	(71 829)	145 217	(180 258)	(35 041)	(24%)-5
Interest Expense	-	-	-	(2 430)	(2 430)	0%
Bad debts written off	-	17 963	17 963	(12 646)	(5 317)	29%-6
Grant expense farmers	327 882	6 784	334 666	(197 830)	(136 836)	(40%)-7
General expense	146 318	(8 663)	137 655	(87 447)	(50 208)	(36%)-8
Total expenditure	741 661	(56 881)	684 780	(529 055)	(230 667)	
Operating surplus	2 238 490	(129 198)	2 109 292	936 451	(1 172 841)	
Loss on disposal of assets	-	21 755	21 755	(956)	(20 799)	(95%)-9
Surplus before taxation	2 238 490	(107 443)	2 131 047	935 495	(1 195 552)	
Actual Amount on Comparable Basis as presented in the Budget and Actual Comparative Statement	2 238 490	(107 443)	2 131 047	935 495	(1 195 552)	

- Rental income on lease receivable - (28%)** variance is as a result of non-billing for 2017/18 due to lease agreements received that did not qualify for billing as per State Land Lease and Disposal policy. The rest of lease agreements were not received due to the process of compiling new business plans that is still in progress. Approval has been granted to suspend billing until lease agreements have been signed.
- Other income - 302%** variance is due money received from lawyers for funds held under trust for property transfer.
- Interest received - 60%** variance relates to interest received on the current account due to slow spending from primary account and also interest received from Land Bank. The other interest is as a result of fund received by ALHA agent for SRR programme. The interest from agent was not budgeted for.
- Donation - 100%** variance relates to a donation of PPE assets that were recovered through asset forfeiture unit. The timing of transfer impacted on the variance.
- Impairment - 24%** variance is as the result a number of asset condition being in poor or very poor condition.
- Bad debts written off - 29%** variances relates to the lease debt written off during the current financial year against the budget. The extensive debt process resulted in identification of more debtors.
- Grant expense - (40%)** relates to submission of valid invoices and report for accounting of grant funding advanced to farmers. The budget expenditure further included other farmer grants which were transferred at year end to farmers.
- General expense - (36%)** relates to under performance on valuation expense as a results of valuations for 2018/19 projects, professional fees were further anticipated to be high and travel expense for PMU was strictly managed.
- Loss on Disposal of asset - (95%)** variance is as a result of non PLAS assets that were anticipated to be disposed during the current financial year, the said assets were not disposal at the end of the reporting period not included in the financial year.

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustment	Final Budget	Actual amounts on comparable basis	Difference be- tween final budget and ac- tual	Variances
	R '000	R '000	R '000	R '000	R '000	%
Statement of Financial Position						
ASSETS						
Current Assets						
Trade and other receivables from exchange transactions	65 902	(61 314)	4 588	15 742	11 154	243%-10
Trade and other receivables from non-exchange transactions	247 213	424 138	671 351	225 807	(445 544)	(66%)-11
Prepayments	-	-	-	180 580	180 580	100%-12
Cash and cash equivalents	78 390	52 693	131 083	779 644	648 561	494%-13
	391 505	415 517	807 022	1 201 773	394 751	
Non-Current Assets						
Property, plant and equipment	14 009 555	(2 131 898)	11 877 657	12 463 668	586 011	4%
Intangible assets	-	-	-	197	197	100%-14
Other financial assets	306 181	10 432	316 613	307 268	(9 345)	2%
	14 315 736	(2 121 466)	12 194 270	12 771 133	576 863	
Total assets	14 707 241	(1 705 949)	13 001 292	13 972 906	971 614	
Liabilities						
Current Liabilities						
Trade and other payables from exchange transactions	23 300	-	23 300	33 894	10 594	45%-15
Trade and other payables non- exchange transactions	-	-	-	24	24	100%-16
Other provisions	-	-	-	82 093	82 093	100%-17
	23 300	-	23 300	116 011	92 711	
Total liabilities	23 300	-	23 300	116 011	92 711	
Net assets	14 683 941	(1 705 949)	12 977 992	13 856 895	878 903	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	14 683 941	(1 705 949)	12 977 992	13 856 895	878 903	

10. **Trade and other receivables from exchange transactions - (243%)** variance is as a result of lower expenditure to clear outstanding balances. Low collection of the long outstanding debt.
11. **Trade and other receivables from non-exchange transactions – (66%)** variance is as a result of slower invoices and reports from farmer accounting for grant advanced to farm.
12. **Prepayments - 100%** variance relates to money transferred to lawyers for the acquisition of property that was not budgeted for and also rates and taxes invoices.
13. **Cash and cash equivalent - 494%** variance is as a result of lower spending during the year than anticipated.
14. **Intangible assets - 100%** is due to planned transfer of share packaging rights to farmers.
15. **Trade and other payables from exchange transactions - 45%** variance is mainly due to rates and taxes, planning invoices that were outstanding at year end.
16. **Trade and other payables from non-exchange transactions - 100%** variance relates to deposits due to DRDLR that were deposited into ALHA bank account and were not budgeted for.
17. **Other provision -100%** variance relates to farmers invoices for the current year that was not budgeted for.

Accounting Policies for the year ended 31 March 2018

1. Presentation of Annual Financial Statements

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

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

In the absence of an issued and effective Standard of GRAP, accounting policies for material transactions, events or conditions were developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 as read with Directive 5.

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

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

1.1 Presentation currency

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

1.2 Rounding

Unless otherwise stated all financial figures have been rounded off to the nearest one thousand rand (R'000).

1.3. Prior year comparatives

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are also reclassified and restated, unless such comparative reclassification is not required by a Standard of GRAP. The nature and reasons for such reclassification and restatement are also disclosed.

Where material accounting errors, which relate to prior periods, have been identified in the current year, the correction is made retrospectively as far as practicable and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable and the prior year comparatives are restated accordingly.

Presentation and classification of its in the current year are consistent with prior periods.

1.4 Budget

Budget information has been provided in a separate disclosure note in accordance with GRAP 1 and 24. GRAP 24 is applicable to all entities preparing their financial statements on accrual basis of accounting and is also applicable to all entities that are required or elect to make their approved budget publicly available.

ALHA budget does not meet the scope of GRAP 24 because its budget is not approved by council. The trading account has elected to make their approved budget publicly available. ALHA has presented separate statement of comparison of budget and actual amount that is not on the same accounting basis as the rest of the financial statements. The annual financial statements were presented using accrual basis of accounting while the budget information is presented using cash basis of accounting.

1.5 Significant judgements and estimates

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Impairment of receivable from exchange transactions

The entity assesses its trade receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the Trading Entity makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired.

Debtors are assessed on an individual basis; however groups of debtors could be affected by the same evident circumstance which warrants a specific sub - grouping to be justifiable. Those debtors are classified according to those underlying circumstances considered for the purpose of compilation of an allowance for doubtful debts.

Impairment of receivable from exchange transactions (continued)

The following are some of the factors that should be considered, but the list is not exhaustive.

Category	% impairment
Debt acknowledgement/ Valid ID/ Limited Operation	75%
Debt acknowledgement/ Business Reg / Recapitalisation	80%
Debt acknowledgement/ Valid ID / Recapitalisation	85%
Debt acknowledgement/ Business Reg / Limited Operation	92%
Debt acknowledgement/ Business Reg / No Operation / not categorised	92%
Debt acknowledgement/ Valid ID/ No Operation / not categorised	92%
Debt acknowledgement/ Valid ID / Commercial	94%
Debt acknowledgement/ Trust Reg / Limited Operation	96%
Debt acknowledgement / Business Reg / Commercial	98%
Debt acknowledgement / Cooperative, NPO and Trust	99%
Debt not Acknowledged	100%
Refusal to pay	100%

Impairment of non-financial assets

The carrying value less impairment provision of trade receivable and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the entity for similar financial instrument.

Value in use of non-cash generating assets

The Trading Entity reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. If there are indicators that impairment may have occurred, the remaining service potential of the asset is determined.

This estimate is based on the availability of information to determine the remaining service potential of the asset.

Remaining useful lives of property, plant and equipment

The Trading Entity's management determines the estimated remaining useful lives and related depreciation charges for property, plant and equipment. This estimate is based on management's judgement, farming activities and operational factors. These estimates are based on the pattern in which an asset's future economic benefits or service potential is expected to be consumed by the Trading Entity.

Depreciation

Depreciation is recognised on property, plant and equipment and is determined with reference to the useful lives of the underlying items. The useful lives of the assets are based on management's estimation of the asset's condition at the end of the period of use, its current use and expected future use.

Replacements costs

Replacement costs is calculated using the average price asset purchased within ALHA, since a willing buyer willing seller market is used for acquisition of ALHA property , plant and equipment.

Impairment of trade receivables non-exchange

The Trading Entity provides estimate for calculation of impairment for deferred expenses as the difference between the deferred asset (Receivable non-exchange transaction) and invoice receipts provision.

Considering the nature of the deferred expenditure, the Trading Entity provides for an allowance of the estimated non-submission of spending reports by farmers at year end and between for 3 and 4 months, 50% of deferred expenditure outstanding between 5-9 months, 75% of deferred expenditure outstanding between 10-11 months and 100% of deferred expenditure outstanding for more than 12 months that has been handed over.

Budget information

Variance between budget and actual amount are regarded as material when a 5% variance exists. All material differences are explained in the notes to the annual financial statement.

Operating lease commitments - ALHA as lessor.

Lease where risk and rewards of ownership are not transferred to the lessee are classified as operating lease. Payments received under operating lease are recognised understatement of performance.

Lease payments are not straight lined over the period of the lease as a result of them not being fixed in amount but is based on the future amount of the projected net cash flow to be derived by the lessee.

There has been a change in Government policy in leasing of state land where determination of rental payable has changed from fixed rate to projected net cash flow.

Operating lease commitments - ALHA as lessor. (continued)

Lessees who had contractual lease agreements with initial lease rentals based on fixed percentage prior to the approval of new policy are recognised as and when the current business plans indicating projected net cash flows are received and approved by the department. The approval for migrating lease agreements into new lease agreements aligned to the new policy for implantation within a period of 5 years from the dated of policy approval has been granted by National Treasury.

Impairment of other financial asset

The impairment loss on financial assets measured at amortised cost is calculated as the difference between the asset carrying amount and the present value of the estimated future cash flow discounted at the financial assets original interest rate.

The present value of the future cash flows is determined based on the budgeted percentage performance achieved by entities that have been advanced concessionary loans.

1.6. Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the management. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the estimated costs of dismantling the asset and restoring the site on which it's operated. Where an asset is acquired through a non-exchanged transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for non-monetary asset or monetary assets, or a combination of monetary and non-monetary asset, the asset acquired is initially measured at fair value (the cost). If the acquired item's value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

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

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

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

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the Trading Entity replaces part of an asset, it derecognised part of an asset being replaced and capitalises the new component.

Subsequent expenditure including major spare parts and serving equipment qualify as property, plant and equipment if the recognition criteria is met.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives. Component of assets that are significant in relation to the whole assets and that have different useful lives are depreciated separately. The Trading Entity maintains and acquires assets to provide a social service to the community with no intention to dispose of assets for any economic gain.

The assets residual values, useful lives and depreciation methods are reviewed at each financial year end and adjusted prospectively, if appropriate.

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

The annual depreciation of items of property, plant and equipment have been assessed and based on estimated asset useful lives as follows:

1.6. Property, plant and equipment (continued)**Subsequent measurement**

Item	Depreciation method	Average useful life
Agricultural land	Straight line	Unlimited
Infrastructure – production facility	Straight line	40-50
infrastructure – production infrastructure	Straight line	30-50
Building – farm dwellings	Straight line	40-50
Building – farm buildings	Straight line	40-50
Agricultural equipment- No moving parts e.g Ploughs	Straight line	20-30
Agricultural equipment- High intensity moving parts e.g Chain Saws		5-7
Agricultural equipment- Mechanical e.g Tractors	Straight line	10-15
Agricultural equipment- Water low intensity e.g irrigation pipes	Straight line	30
Agricultural equipment- Water low intensity e.g Movable irrigation pumps	Straight line	15-20
Electrical e.g butchery equipment	Straight line	15
Office equipment	Straight line	5-10
Motor Vehicles	Straight line	5-10

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

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

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

The entity assesses at each reporting date whether there is any indication that the entity expectations about the residual value and the useful life of and assets have change the preceding reporting date. If any such indication exists, the entity revises the expected useful life and /or residual value accordingly. The change is accounted for as a change in an accounting estimate.

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

In terms of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the recognition of an item of property, plant and equipment is included in the trading of entity or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

1.7 Intangible assets

An asset is identifiable if it either:

- Is separable , i.e. is capable of being separated or divide from the entity and sold , transferred, licenced, rented or exchanged, either individually or together with a related contract , identifiable assets or liability, regardless of whether the entity intends to do so; or
- Arises from binding arrangements (including rights from contracts) regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

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

The entity assesses the probability of expected future economic benefits or service potential suing reasonable and supportable assumptions that represent management's best estimate of the set of economic condition that will exist over the useful life of the asset.

Where an intangible assets is acquired through a non-exchanged transaction, its initial cost at the dated of acquisition is measured at its fair value as at that date.

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

1.7 Intangible assets (continued)

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

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

Reassessing the useful life of intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charge Statement of Financial Performance.

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

Item	Depreciation Method	Average useful life
Share packaging rights	straight line	indefinite

The entity discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see notes).

Intangible assets are derecognised:

- On disposal; or
- When no future no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from derecognition of an intangible assets is included in the trading entity or deficit when the asset is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback) and is recognised in the Statement of Financial Performance.

1.8 Revenue

Revenue from non-exchange transactions:

Revenue from non-exchange transactions refers to transactions where the trading entity received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Revenue from non-exchange transactions is measured at the amount of the increase in net assets recognised by the Trading Entity.

Revenue from exchange transactions:

Revenue from exchange transactions is measured at the fair value of the consideration received or receivable taking into account the amount of any discounts allowed by the Trading Entity, for goods and services provided in the normal course of business.

Revenue from the sale of farms is recognised when all the following conditions have been satisfied:

- The entity has transferred to the purchaser the significant risks and rewards of ownership of the property.
- The entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the property sold.
- 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 Trading Entity and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Rental revenue arising from operating leases is accounted for on a straight line basis over the lease terms.

1.9 Investments in controlled entities

The transfer from the Department of Rural Development and Land Reform is recognised when it is appropriated and probable that future economic benefits will flow to the Trading Entity and the amount can be measured reliably. A transfer is recognised as revenue to the extent that there is no corresponding liability arising from the receipt of the transfer payment.

Where conditions are attached to the transfer that gives rise to a corresponding liability, the corresponding amount is recognised as non-exchange revenue as and when the related liability is discharged.

1.10 Interest in joint ventures

The Trading Entity as a lessor

Classification

A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset. An operating lease is a lease other than a finance lease.

The Trading Entity classifies its leases as operating leases. The classification of the leases is based on the extent that the Trading Entity does not transfer substantially all the risks and rewards incidental to ownership of the assets to the lease.

Measurement

- Lease income from operating leases is recognised in income on a straight-line basis over the lease term.
- Lease income is disclosed in the Statement of Financial Performance.
- Any contingent rental income is recognised as surplus or deficit in the period in which it is receivable.

1.11 Financial instruments

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of price or rate, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the underlying).
- It requires no initial net investment or an initial net investment that is smaller than would be required for other type of contracts that would be expected to have a similar response to changes in the market factors.
- It is settled at a future date.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and pints paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs and all other premiums or discounts. There is a presumption that the cash flow and the expected life of a group of similar financial instrument can be estimated reliably. However, in those rare cases when it is not possible to reliably to estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:

- Cash;
- A residual interest of another entity; or
- A contractual right to:
 - Receive cash or another financial asset from another entity; or
 - Exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial guarantee contract is a contract that requires the issuer to make specific payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

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

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potential unfavourable to the entity.

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

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

Loan commitment is a firm commitment to provide credit under pre specified terms and conditions.

Loans payable are financial liabilities, other than short term payables on normal credit terms.

1.11 Financial instruments (continued)

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk, and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk of currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is passed due when a counterparty has failed to make a payment when contractually due.

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the party to the transaction as forming part of the entity's net asset, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed a financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instrument that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instrument at cost are investment in residual interest that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instrument at a fair value comprise financial assets or financial liabilities that are:

- derivatives;
- combined instrument that are designated at fair value;
- instrument held for trading. A financial instrument is held for trading if:
 - it is acquired or incurred principally for the selling or repurchasing it in the near term; or
 - on initial recognition, it is part of a portfolio of identified financial instrument that are management together and for which there is evidence of a recent actual pattern of short term profit taking;
 - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
 - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instrument at cost.

Classification

The Trading Entity classifies its financial instruments at amortised cost i.e. non-derivative financial assets or non-derivative financial liabilities that have a fixed or determined payments, excluding instruments that:

- the Trading Entity designates at fair value at initial recognition; or
- Are held for Trading.

The classification depends on the purpose for which financial instrument were obtained or incurred and takes place at initial recognition. Classification is reassessed on an annual basis.

Initial recognition

Financial instruments are recognised initially when the Trading Entity becomes a party to the contractual provisions of the instruments.

The Trading Entity classifies financial instruments, or their component parts on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and to the extent that the instrument satisfies the definition of a financial liability, a financial assets or a residual interest.

Initial measurement

Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost.

For financial instruments which are not at fair value, transaction costs are included in the initial measurement of the instrument.

1.11 Financial instruments (continued)**Subsequent measurement**

Financial assets at amortised cost are subsequently measured at amortised cost, using the effective interest rate method, less accumulated impairment losses.

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest rate method.

Impairment of financial assets

The entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets has been impaired.

For amounts due to the Trading Entity, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

If there is objective evidence that an impairment loss on financial assets measured at amortised costs have been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the loss is reduced through the use of an allowance amount. The amount of the loss is recognised in surplus or deficit.

Impairment deficits are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Where financial assets are impaired through use of an allowance account, the amount of the deficit is recognised in surplus or deficit within operating expenses. When such assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

Trade and other receivables

The Trade receivables are initially recognised at fair value and are subsequently stated at amortised costs less provision for impairment.

Trade and other payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and are subject to an insignificant risk of changes in value. These are classified as financial assets at amortised cost.

Other financial assets

Other financial assets represent financial guarantees to land bank, Concessioners loan made to Farmers National Empowerment Fund are classified as other financial assets at amortised cost.

1.12 Services in kind

The trading Entity does not recognise services in kind as revenue. Services in kind are disclosed under related parties.

1.13 Commitments

No provision is made for projects approved for recapitalisation at year-end, unless the service in terms of the contract has been delivered or the contract is of an onerous nature. Where a project has been approved and the contract has been awarded at reporting date, but no expenditure has accrued it is disclosed as commitments in the notes to the financial statements.

1.14 Irregular, fruitless and wasteful expenditure

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

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial 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.

1.15 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 the requirement of any applicable legislation, including-

- a) the Act, or
- b) the State Tender Board Act, 1968 (Act No.88 of 1986), or any regulations made in terms of that Act; or
- c) any provincial legislation providing for procurement procedures in that provincial government.

1.15 Irregular expenditure (continued)

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

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

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

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

1.16 Related parties

The Trading Entity has controls in place to aid in the identification of related parties. The Trading Entity provides information on transactions with related parties in its financial statements. Disclosure of transactions with other government entities is only provided to the extent that the transaction was not on normal terms (not at arm's length).

1.17 Unauthorised Expenditure

Unauthorised expenditure means:

- overspending of a vote or main division within a vote; and
- expenditure not in accordance with the purpose of the vote or in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised 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.

1.18 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 statement are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that arose after the reporting date (non-adjusting events after the reporting date); and
- those that are indicative of condition that arose after the reporting date (non-adjusting events after the reporting date)

The entity will adjust the amount recognised in the financial statement to reflect adjusting events after the reporting date once the event occurred.

The entity will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statement.

1.19 Transfer of functions between entities under common control**Accounting by the entity as acquirer****Initial recognition and measurement**

As of the transfer date, the entity recognises the purchase consideration paid to the transferor and all the assets acquired and liabilities assumed in the transfer of functions. The assets acquired and liabilities assumed are measured at their carrying amounts.

If, prior to the transfer of functions, the transferor was not applying the accrual basis of accounting, the transferor changes its basis of accounting to the accrual basis of accounting prior to the transfer.

1.19 Transfer of functions between entities under common control (continued)

The consideration paid by the entity can be in the form of cash, cash equivalents or other assets. If the consideration paid is in the form of other assets, the entity derecognises such assets on the transfer date at their carrying amounts.

The difference between the carrying amounts of the assets acquired, the liabilities assumed and the consideration paid to the transferor, is recognised in accumulated surplus or deficit.

Measurement period

If the initial accounting for a transfer of functions is incomplete by the end of the reporting period in which the transfer occurs, the entity reports in its annual financial statements provisional amounts for the item for which the accounting is incomplete. During the measurement period, the entity retrospectively adjust the provisional amount recognised at the transfer date to reflect new information obtained about facts and circumstances that existed as of the transfer date and, if known, would have affected the measurement of the amounts recognised as of that date. The measurement period ends as soon as the entity receives the information it was seeking about facts and circumstances that existed as of the transfer date or learns that more information is not obtainable. However, the measurement period does not exceed two years from the transfer date.

The entity considers all relevant factors in determining whether information obtained after the transfer date should result in an adjustment to the provisional amounts recognised or whether that information results from events that occurred after the transfer date.

The entity recognises an increase (decrease) in the provisional amount recognised for an asset (liability) by means of decreasing (increasing) the excess of the purchase consideration paid over the carrying amount of the assets acquired and liabilities assumed previously recognised in accumulated surplus or deficit.

However, new information obtained during the measurement period may sometimes result in an adjustment to the provincial amount of more than one asset or liability.

During the measurement period, the entity recognises adjustments to the provincial amounts as if the accounting for the transfer of functions had been completed at the transfer date. Thus, the entity revises comparative information for prior periods presented in annual financial statement as needed, including making any change in depreciation, amortisation or other income effects recognised in completing the initial accounting.

After the measurement period ends, the entity revises the accounting for transfer of functions only to correct an error in accordance with the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

Subsequent measurement

The entity subsequently measure any assets acquired and any liabilities assumed in the transfer of functions in accordance with the applicable Standard of GRAP.

At the transfer date, the entity classifies or designates the assets acquired and liabilities assumed as necessary to apply other Standards of GRAP subsequently. The entity makes those classification, or designations on the basis of the terms of the binding arrangement, economic condition, its operating or accounting policies and other relevant conditions that exists at the transfer date. An exception is that the entity classifies the following contracts on the basis of contractual terms and other factors at inception of the contract (or, if the terms of the contract have been modified in a manner that would change its classification, at the date of that modification, which might be the transfer date):

- classification of a lease contract as either an operating lease or a finance lease in accordance with the Standard of GRAP on leases ; and
- classification of contracts as an insurance contract in accordance with the International Financial Reporting Standard on Insurance Contracts.

1.20 Other non-exchange receivable**Recognition and measurements**

Trade and other receivables are categorised as financial assets and are initially recognised at fair value and subsequently carried at amortised cost. Amortised cost refers to initial carrying amount plus interest less repayments and impairments. Other non-exchange receivable consists of funds transferred to farmers for recapitalisation and developments of farms and it's recognised as deferred expenses. Expenditure is recognised by the Trading Entity upon receiving of spending reports from farmers.

Allowance and impairment

Considering the nature of the deferred expenditure, the Trading Entity provides for an allowance of the estimated non-submission of spending reports by farmers at year end and between for 3 to 4 months, 50% of deferred expenditure outstanding between 5 - 9 months, 75% of deferred expenditure outstanding between 10 - 11 months and 100% of deferred expenditure outstanding for more than 12 months that has been handed over.

At each reporting date the Trading Entity shall assess its current obligation in relation to it receiving invoices expended by Farmers in terms of Recapitalisation and Development.

The Trading Entity shall calculate a provision in terms of the standard of GRAP 19 as the timing and receiving of invoices is uncertain.

1.21 Contingent Asset

A contingent asset is disclosed by the trading entity where there 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 Trading Entity.

1.22 Contingent Liability

A contingent liability is disclosed by the Trading Entity where there is a possible obligation arising 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 ALHA ; OR where there is a present obligation arising from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

1.23 Prepayments

Prepaid expenses are amounts paid for by the Trading Entity representing costs incurred from which services or benefits are expected to be derived in the future.

The future write-off period of the incurred cost will normally be determined by the period of benefit covered by the prepayment. When the period arrives to which a prepaid cost relates the costs will be treated as a period cost for the period in question. Normally such prepaid costs will be written off based on the elapse of time.

Prepaid expenses should be classified as current assets unless a portion of the prepayment covers a period longer than 12-months. If there are prepayment costs with a benefit beyond 12-months, they should be classified as deferred charges in the Statement of Financial Position.

Prepaid expenses will be measured at the value of the services or goods to be received/receivable in the future.

1.24 Leasehold improvements

A leasehold improvement is an improvement made to a leased building by a department that has the right to use this leasehold improvement over the term of the lease. This improvement will revert to the lessor in the event that the lease is terminated as a consequence of actions and omissions of the lessee.

1.25 Adoption of the new GRAP standard

In the current year the trading entity has adopted all new and revised standard and interpretations issued by the ASB that are relevant to its operations and are effective.

The trading entity has early adopted the standard of GRAP 105 for the first time when the minister of finance sets the effective dates for the trading entity as 01 April 2019.

The adoption of the standard has not had a material impact on the result of the trading entity that has resulted in more disclosure that would have provided in the annual financial statements.

Notes to the Annual Financial Statements for the year ended 31 March 2018

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective or relevant

The following Standards and interpretation have been published and are mandatory for the entity's accounting periods beginning on or after 01 April 2018 or later periods but are not relevant to its operations:

Standard/ Interpretation	Effective date: Years beginning on or after
GRAP 20: Related parties	01 April 2019
GRAP 108: Statutory Receivables	01 April 2019
GRAP32: Service Concession Arrangements: Grantor	01 April 2019
IGRAP 17: Service Concession Arrangements where a Granter Controls a Significant Residual Interest in an Asset	01 April 2019
GRAP 109: Accounting by Principals and Agents	01 April 2019
GRAP36: Investments in Associates and Joint Ventures	No effective date
GRAP37: Joint Arrangements	No effective date
GRAP38: Disclosure of Interests in Other Entities GRAP34: Separate Financial Statements	No effective date

3. Property, plant and equipment

	2018 R'000			2017 R'000		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Agricultural land	10 984 392	-	10 984 392	10 492 718	-	10 492 718
Buildings	1 068 131	(168 721)	899 410	1 009 616	(111 062)	898 554
Motor vehicles	15 291	(12 137)	3 154	15 331	(10 892)	4 439
Infrastructure	591 950	(114 981)	476 969	556 914	(88 136)	468 778
Agricultural equipment	169 105	(69 362)	99 743	164 341	(54 945)	109 396
TOTAL	12 828 869	(365 201)	12 463 668	12 238 920	(265 035)	11 973 885

Reconciliation of property, plant and equipment – 2018

	Opening balance	Additions	Additions through donations	Disposals	Depreciation	Impairment losses	Total
Agricultural land	10 492 718	477 294	14 380	-	-	-	10 984 392
Buildings	898 554	58 516	-	-	(20 630)	(37 030)	899 410
Motor vehicles	4 439	101	-	(7)	(1 311)	(68)	3 154
Infrastructure	468 778	35 226	-	(132)	(12 012)	(14 891)	476 969
Agricultural equipment	109 396	6 067	-	(237)	(14 261)	(1 222)	99 743
	11 973 885	577 204	14 380	(376)	(48 214)	(53 211)	12 463 668

Reconciliation of property, plant and equipment – 2017

	Opening balance	Additions	Additions through donations	Disposals	Depreciation	Impairment losses	Total
Agricultural land	9 881 012	596 239	26 023	(10 556)	-	-	10 492 718
Buildings	852 750	73 754	-	(1 833)	(18 828)	(7 289)	898 554
Motor vehicles	6 313	887	-	(103)	(2 609)	(49)	4 439
Infrastructure	473 673	28 223	-	(267)	(11 450)	(21 401)	468 778
Agricultural equipment	111 452	13 590	-	(1 989)	(13 768)	111	109 396
	11 325 200	712 693	26 023	(14 748)	(46 655)	(28 628)	11 973 885

Property, Plant and Equipment is carried at cost less accumulated depreciation and impairment losses. The net carrying amount of Property, Plant and Equipment is R12 463 668 billion (2017: R11 973 885 billion) after depreciation and impairment of R48 214 million and impairment R53 211 million respectively.

Assets acquired through assumption of function in 2016/17 amounts to R32 370 million, refer to note 34.

Opening balance on PPE have been restated, refer to note 29.

2018
R'000

2017
R'000

4. Intangible assets

	2018 R'000			2017 R'000		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Accumulated Amortisation and Impairment	-	(783)	(783)	-	(998)	(998)
Intangible assets	980	-	980	2 005	-	2 005
TOTAL	980	(783)	197	2 005	(998)	1 007

Reconciliation of property, plant and equipment – 2018

	Opening balance	Disposal	Amortisation	Total
Amortisation	(998)	445	(230)	(783)
Share on packaging houses	2 005	(1 025)	-	980
	1 007	(580)	(230)	197

Reconciliation of property, plant and equipment – 2017

	Opening balance	Disposal	Amortisation	Total
Amortisation	(597)	-	(401)	(998)
Share on packaging houses	2 005	-	-	2 005
	1 408	-	(401)	1 007

5. Other information assets

	Financial assistance R'000	Total
Opening balance at 01 April 2017	311 592	311 592
Interest earned for the year - Land Bank	19 785	19 785
National Empowerment Fund – SRR- Interest free concessionary loan	40 296	40 296
Loan Repayment	(130)	(130)
SRR – impairment	(64 275)	(64 275)
	307 268	307 268

Land Bank

Land bank relates to financial assistance to Land Bank as for farms in distress. No assets were held as collaterals. No portion of the financial assistance has passed the due date therefore there were no impairment indicators. The carrying value of is R304 080 million (2017: R284 295 million) after the interest received during the current financial year amounting to R19 785 million.

Interest free concessionary loan

The concessionary loan relates to loan transferred by NEF to projects to projects under the Strengthening of relative rights programme. The carrying value of the loan is R67 463 million (2017: R27 298 million) after providing for an impairment loss and repayments during the year of R64 275 million (2017: R0) and R130 thousand (2017: R0) repetitively.

In the opening balance there's R16 189million transfer of function, refer to Note 34

307 268 311 592

	2018	2017
	R'000	R'000

6. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash at Bank	779 643	257 617
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Cash and deposits are held with a registered banking institution which is subjected to insignificant credit risk. The maximum exposure to credit risk at reporting date is the fair value of cash and cash equivalents mentioned above.

7. Trade and other receivables from exchange transactions

Operating lease receivables	14 682	12 124
Accrued interest	933	436
Operating lease receivables: servitude	127	404
	15 742	12 964

Credit quality of trade and other receivables

The carrying value of the operating lease receivables of R 14 809 million (2017: R 12 528 million) after restatement as per note 29, is stated after an allowance for impairment of R 329, 342 million (2017: R 325 326 million). The gross operating receivables value is R 344 024 million (2017: R 337 450 million).

The ageing of amounts impaired is as follows :

Reconciliation of the allowance

Balance at the beginning of the year	325 326	316 308
Contribution to provisions	16 662	13 861
Reversal of provision- lease debt write off	(12 646)	(4 843)
	329 342	325 326

Trade and other receivables past due but not impaired

The ageing of amounts past due but not impaired is as follows:

Less than 3 months	1 367	1 090
3 to 6 months	577	237
6 to 12 months	2 216	828
Over 12 months	10 649	10 373
	14 809	12 528

Trade and other receivables impaired

As of 31 March 2018, trade and other receivables of R325 342 million (2017: R325 326 million) were impaired.

The ageing of these loans is as follows:

3 to 6 months	12 857	11 942
6 to 12 months	11 674	14 107
Over 12 months	304 811	299 277
	329 342	325 326

	2018 R'000	2017 R'000
8. Trade and other receivables from non-exchange transactions		
Unspent conditional grant farmers	133 869	272 124
Unspent conditional grant-SRR	91 482	364 736
Other debtors	456	443
Interdepartmental debtors	-	13 695
	225 807	650 998

Deferred expenses relates to recapitalisation and development funds transferred to Farmers. The carrying value of the deferred expenses is R133,869 million (2017: R272,124 million) after providing for an impairment loss R418,106 million (2017: R359,351 million).

An allowance for impairment of deferred expenses is assessed at the end year end. The gross deferred expense value is R 551 976 million (2017: R 631 475 million).

A take on balance of R62,326million as a result of a transfer of function was bought in refer to note 34.

9. Trade and other payables from exchange transactions

Trade payables	26 632	53 781
Rental received in advanced	7 094	5 989
Deposits received	168	53
	33 894	59 823

Trade payables relate to rates and taxes invoices from municipalities, valuations and other expenditure that was due to be paid at the end of the reporting date.

10. Trade and other payables from non-exchange transactions

Inter-departmental creditors	24	140 727
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A total amount of R 24thousand relates to rental payments for other state projects that were incorrectly deposited into ALHA's bank account. A transfer to the Department of Rural development and Land Reform will be done during the 2018/19 financial year.

11. Prepayments

R180 580 million relates to the following:

Rates and Taxes amounting to R4 128 million that was made to various municipalities for expenditure relating to 2017/18 and 2018/19 financial year.

Total amount of R176 452 million for the acquisition of SRR properties and equity under SRR to attorneys and IDC. Asset and equity will be recognised at the transfer of the property and registration of the new legal entities.

12 Other Provisions

Reconciliation of other provisions - 2018

	Opening Balance	Additions	Unutilised during the year	Total
Other provisions	89 593	26 474	(33 974)	82 093

Reconciliation of other provisions - 2017

	Opening Balance	Additions	Reversed	Total
Other provisions	-	90 429	(836)	89 593

Other provision farmer is in compliance to GRAP 19 which has been done due to uncertainties with regards to farmers spending and submission of reports. A methodology thereof was done with clear criteria on spending trends and timing of farmers' expenditure /spending.

The change in accounting policy resulted into a decrease (2017) R 835 thousand in the provision for farmers invoices of farmers' debt made.

	2018 R'000	2017 R'000
13. Revenue		
Rental income on lease receivable	3 293	1 060
Rental income on servitude	73	266
Interest on lease receivable	24 091	25 453
Interest on servitude	12	20
Other income	161	22
Interest received	75 099	48 668
Grant income – non-exchange	1 348 397	1 502 117
Donation received- non-exchange	14 380	26 029
	1 465 506	1 603 635

14. Interest income

Interest received	75 099	48 668
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15. Other income

Other income	161	22
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The total amount of R161 thousand for other income relates to unallocated deposits over 365 days and refunds from attorneys.

Total amount of R75 099 million relates to interest earned from current account amounting to R36 767 million, land bank amounting to R19 875 million and NEF amounting to R18 457 million.

16. General expenses

Bank charges	59	53
Feasible Study	120	303
Travel and accommodation	5 182	-
Valuation	65	2 921
Professional fees	51 172	16 431
Levies	685	1 155
Rates and Taxes	25 153	27 912
Business planning	831	8 081
Legal fees	2 159	7 201
Management fees	2 021	4 529
	87 447	68 586

17. Grant expense farmers

Consumables	-	60
Animal feeds	-	740
Grant SRR	30 452	46 951
Security expense	2 065	2 252
Transport	38	-
Water and electricity	1 422	2 854
Fertilizer	778	-
Machinery and equipment	87	98
Biological Assets	13 329	22 132
Road grading and other repairs	75	-
Recapitalisation and development expenditure	149 186	315 509
Seeds	398	333
Repairs and maintenance	-	73
	197 830	391 002

	2018 R'000	2017 R'000
18. Impairment		
Property, plant and equipment	53 211	28 627
Lease debtors	16 662	14 276
Deferred expenditure	58 755	119 793
Other financial Asset-SRR	64 276	-
	192 904	162 696
Reversal of impairments		
Lease debtors	(12 646)	(5 382)
The reversal of impairment is as a result of bad debt written off for lease debt that is no longer economical for the Trading Entity to pursue, the write off was approved during the 2017/18 financial year . Events after balance was disclosed. Refer to note 31		
Total impairment losses (recognised) reversed	180 258	157 314
19. Cash generated from operations		
Surplus	935 495	915 696
Adjustments for:		
Depreciation and amortisation	48 214	46 656
Interest - Land Bank	(38 242)	(29 980)
Loss on disposal of asset	956	14 748
Adjust for Donations received	(14 380)	(26 023)
Impairment of assets	53 212	28 628
Bad debt written off	12 646	5 382
Movements in provisions	(7 500)	89 593
Other non-cash items	-	155 103
Changes in working capital:		
Trade and receivables from exchange transactions	(2 778)	(5 435)
Bad debts written off	(12 646)	(5 382)
Trade and receivables from non- exchange transactions	467 985	(452 865)
Prepayments	(177 101)	(3 479)
Trade and other payables from exchange transactions	(25 929)	(84 245)
Trade and other payables from non-exchange transactions	(140 703)	140 663
	1 099 229	789 060

	2018 R'000	2017 R'000
20. Financial instruments disclosure		
Categories of financial instruments		
2018		
Financial asset by category		
	At amortised cost	Total
Other financial assets	307 268	307 268
Trade and other receivables from exchange transactions	14 809	14 809
Cash and cash equivalents	779 643	779 643
	1 101 720	1 101 720
Financial liability by category		
	At amortised cost	Total
Trade and other payables from exchange transaction	26 782	26 782
2017		
Financial asset by category		
	At amortised cost	Total
Other financial assets	311 592	311 592
Trade and other receivables from exchange transactions	12 528	12 528
Cash and cash equivalents	257 617	257 617
	581 737	581 737
Financial liabilities		
	At amortised cost	Total
Trade and other payables from exchange transaction	53 781	53 781

21. Related parties

Related party balances

Inter-departmental payables

Department: Rural Development and Land reform: Payables	24	140 727
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Inter-departmental receivables

Department: Rural Development and Land reform: Receivables	-	13 695
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Management fees

National Empowerment Fund	17 145	1 536
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Related party transactions

Related party transaction

Department: Rural Development Programme: Grant	1 348 397	1 502 117
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No executive emoluments are paid by the Trading Entity, as they are remunerated by the Department of Rural Development and Land Reform.

The Department: Rural Development and Land Reform also provides administrative services to the Trading Entity at no cost. These are not accounted for but disclosed as services in kind. Refer to note 23

NEF acts as an agent to Department of Rural Development and Land Reform on strengthening of relative rights programme

2018	2017
R'000	R'000

22. Risk management

Financial risk management

The Trading Entity's activities expose it to a variety of financial risks including credit risk and liquidity risk.

The Trading Entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Trading Entity's financial performance. Risk management is carried out by a management committee of the department under the risk management framework approved by the Audit Committee.

Liquidity risk

At 31 March 2018	Less than 3 months R'000	Between 3 and 6 months R'000	Between 6 months and 1 year R'000	Total R'000
Trade and other receivables from exchange transactions	1 367	577	12 865	14 809
Trade and other payables from exchange transactions	17 995	-	8 787	26 782
At 31 March 2017				
Trade and other receivables from exchange transactions	1 090	237	11 201	12 528
Trade and other payables from exchange transactions	36 507	2 847	14 427	53 781

The table above analysis the Trading Entity's financial liabilities into relevant maturity groups based on the remarking period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are contractual undiscounted cash flows.

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The entity only deposits cash with major banks and service providers with high quality credit standing and limits exposure to any one counter-party.

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

Financial instrument

Cash and cash equivalents	779 643	257 617
Trade and other receivables from exchange transactions	14 809	12 528
Other financial assets	307 268	311 592

Interest rate risk

As the Trading Entity has no significant interest-bearing assets, the entity's income and operating cash flows are substantially independent of changes in market interest rates.

23. Services in kind

The Trading Entity falls under the administration of the Department of Rural Development and Land Reform. The executives of the DRDLR spend some of their time on the affairs of the Trading Entity. Furthermore, the DRDLR provides the services of internal audit function, information technology and staff training. There is no cost charged by the department in this regard.

	2018 R'000	2017 R'000
24. Fruitless and wasteful expenditure		
Opening Balance	1 113	1 031
Less: Condoned	(1 018)	-
Add: Fruitless and wasteful expenditure - Current year	802	82
	897	1 113

25. Future minimum lease receivable

Lease revenue – contingent rent	2 282
Within 1 year	2 282

The Trading entity leases farms to farmers for short to long term periods. The total lease payments for short term is based on 5% of the projected net income calculated using the approved business plan per financial year and long term based on 2% of land price escalated using CPIX price. Farmers that are assisted by the trading entity through recapitalisation and development are exempted from paying rental for a period lesser than 5 years in which they are being assisted. All old lease contracts are not liable due to the implementation of the State land and lease disposal policy.

Medium to large-scale commercial farmers who have already been farming commercially at various scales are allocated long term leases with the option to purchase after five years from the effective date of the lease. In the event of the option to purchase being exercised within the lease period, the value of the Leasehold improvement done by the lessee shall be deducted from the sale price.

Included in revenue from exchange transactions is an amount of R2,282million (rental income on lease receivable- agricultural lease) that were recognised as a portion of contingent rent because the lease payments are not fixed and are based on CPI that changes with passage of time. The entire amount has been recognised as revenue in the statement of financial performance.

26. Commitments

• Contracted recapitalisation projects-Grant farmers	198 871	246 447
• Guarantees land acquisition	26 621	17 485
• 1 Hector 1 Household- Grant farmers	43 237	-
• Open orders	6 587	10 012
• Project management	90 754	142 528
	366 070	416 472

During the current financial year it was realised that Land guarantees and contracted recapitalisation projects for (2017) were over stated. An adjustment of 11, 491 million (Land guarantees) and R14, 351million (Contracted recapitalisation projects) has been done.

27. Unauthorised and irregular expenditure

Opening balance	170	-
Add: irregular Expenditure-current year	31 688	170
	31 858	170

Irregular expenditure has incurred as a result of contravention of supply chain policy regulations.

The department has approved investigation of possible irregular, fruitless and wasteful expenditure for programme of strengthening relative rights amounting to R144, 997million.

28. Contingent asset**Unlawful removal of departmental asset**

During the previous financial year, the Trading Entity determined that a farmer had unlawfully removed movable assets to the value of R 1 596million from the farm. As a result the Trading Entity took legal action against the farmer to recover the loss of assets. The matter is still in the court of law.

Leasehold improvements

The department has entered into a lease agreement which allowed the lessee to effect leasehold improvement. The contract indicates that the lease shall forfeit compensation for his/her improvements on the property in the case where the farmer of the agreement is terminated.

Certain lessee have breached the agreement and the process of finalising whether the breach will result in the termination of the state land and disposal policy indicates once the agreement is terminated then the farmer loses his future economic benefit and instead flow to be (Agricultural Land Holding Account Trading Entity).

In the event the lease is terminated as a consequence of the actions or omissions of the lessee, the improvement shall become the property of the department and no compensation shall be paid to the lessee for such improvement. Lessees that have breached the contract have are being taken through legal eviction process.

It is not practical for the trading entity to estimate the value of the improvements since the lessees were not able to keep proper supporting documents and in such case a detail valuation of property will be conducted upon the cases being settled.

29. Disclosure of prior period errors

The trading entity identified the following prior period errors during the 2017/2018 financial year and all the corrections have been done from the beginning of 2015/2016 financial year accordingly, as follows:

Property, Plant and Equipment (PPE)

During the current financial land verification process it was discovered that Property donated to the state by AFU during the 2009/10 financial year was not recognised. An adjustment of R13, 906million has been adjusted accordingly with an increase against the cost of Land.

During the current financial year it was also identified that assets donated by AFU to the state for 2015/16 financial year were not recognised. An adjustment of R124, 877million has been done with an increase against PPE from the beginning of 2015/16 financial year.

The total amount of R4, 706million relates to a property that was acquired during the 2009/10 that was previously omitted from the Asset register. Recognition of Land and improvements was done with an increase against PPE from the beginning of 2015/16 financial year.

Total amount of R2, 204million relates to derecognition and recognition of donation conveyancing fees respectively that was previously done and the correction has been done accordingly.

Total amount of R11,482million relates write off of lost assets, unverified, derecognition of tools that were previously recognised as PPE. The adjustment has been done with a decrease against balance sheet-PPE.

Total amount of R1, 842million adjusted on accumulated depreciation relates to accumulated depreciation that was previously not recognised and write off of donated assets that were not recognised. An adjustment has been made accordingly with a decrease in the accumulated depreciation.

Total amounts of R437thousand adjusted on accumulated depreciation relates to a reversal of impairment that was done during the 2015/2016 financial year.

Total amount of R12, 146million relates to the reclassification within PPE classes of account and the adjustment has no financial impact.

Receivable Exchange - Rental Receivable - Operating lease receivable

During the current financial year the Trading Entity received a contract that was previously not recognised. The error amounting to R 1, 084million (revenue rental amounting to R1 064million and interest received rental amounting to R20thousand) has been correctly adjusted retrospectively from the beginning of 2016/17 financial year, with an adjustment against balance sheet (Operating Lease Receivable).

Total amount of R3, 948million relates to the restatement of Lease Debtors Provision/Impairment due to change of methodology. An adjustment has been done accordingly with a decrease in the Provision for doubtful Debts.

Trade Payables Exchange - Operating expenditure

A total amount of R 43, 764million relates the following:

1. Rates and Taxes invoices amounting to R31, 026million from Municipalities that were received in the current financial year and the expenditure relates to the previous financial years.
2. Other operating expenditure amounting to R12, 738million for invoices that belong in the previous financial year.

The recognition adjustment of the expenditure has been done in the correct financial year.

During the current financial year audit committee requested the Trading Entity to unbundle the expenditure accounts, the correction was done which resulted to some of the accounts that were previously bundled together to be unbundled, refer to Note 16 and 17

Receivables Non Exchange - deferred expenditure - Grant Farmers

The total amount of R43,797million related to farmers expenditure for previous financial years, the expenditure (invoices) were received during the current financial year. An adjustment has been done retrospectively in the correct financial period.

The total amount of R2, 551million relates to equity for payment for SRR programme that was previously not recognised and the correction has been done accordingly with an increase in farmer’s expenditure and a decrease on deferred SRR.

Other debtors

During the current financial year it has been identified that special fees amounting to R260thousand on curatorship was not supposed to have been paid and therefore a debtor has been raised with a decrease against the income statement (Legal fees) from the beginning of 2015/16 financial year.

Transfer of function under common control

In the previous financial year the DRDLR transferred land and also transferred the SRR programme for implementation by the trading entity. The trading entity recognised the donation received and resumed prospective implementation of the programme. During the 2017/18 financial year the trading entity and early adopted GRAP 105 standard that deals with the transfer of function under common control.

The standard indicates that all liabilities and assets incurred should be assumed by the acquirer which will impact in a net loss or gain on transfer of function that must be recorded in the accumulated surplus directly.

Therefore the date of transfer was assessed to be in 2016/17 financial year even though the detail approval letter with transfer of all transactions was done in 2017/18 financial year.

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

Statement of financial position

Property, plant and equipment – Cost	(129 504)
Property, plant and equipment - Accumulated depreciation	(1 842)
Property, plant and equipment - Accumulated impairment	(437)
Receivable exchange – Revenue Receivable	(5 033)
Other debtors	(261)
Trade payable exchange –Operating expenditure	43 764
Receivable non- exchange – deferred expenditure-SRR	2 551
Receivable non-exchange – deferred expenditure	43 797
Gain on transfer of function under common control	76 588
Accumulated surplus	68 133
	97 756

Statement of financial performance

Expenditure - Depreciation – PPE	(152)
Expenditure - Impairment - PPE	(1 165)
Donation	26 029
Expenditure – loss on disposal of asset	(3 888)
Revenue - Revenue rental	1 220
Expenditure- Impairment- Lease Debtors	3 948
Expenditure - Other operating expenditure	(27 428)
Expenditure – Farmers Operating expenditure	(21 401)
SRR reversal of donation	(30 700)
SRR expenditure (other income, management fees and grant expense)	(44 218)
	(97 756)

From the beginning of 2015/16 financial year the effect on retained earnings has been restated by R 68, 133million

Reclassification

During the 2017/18 financial recapitalisation and development invoice assessment was done and a new methodology needed to be done. It was then realised that (2016) was not provided for.

A reclassification of R21, 860million has been re classified from (2017) to (2016) financial year.

30. Change in accounting estimates

The annual review of useful life of assets resulted in a decrease of R7,147 million in the depreciation charge to the Statement of Financial Performance.

31. Change in accounting policy**Lease impairment**

During the year the entity change its accounting policy with respect to the treatment of lease impairments. The change of the policy was a result of lease debtors been taken to extensive debt collection process, the result of it revealed additional data used for classification of impairment.

The change in accounting policy resulted into a decrease of (2018) R16, 652million (2017) R3, 948million in the provision for impairment of lease receivable made.

A retrospective adjustment of (2016) R56, 335million against surplus has been done.

Deferred recapitalisation invoices

During the year, the entity changed its accounting policy with respect the treatment of Farmers impairment. The change of the policy as a result of recoverability rate that was assessed based on the receipt of invoices during the current financial year.

The change in accounting policy resulted into an increase of (2018) R24,475million and a decrease (2017) R835 thousand in the provision for farmers invoices of farmers debt made.

32. Events after the reporting date**Bad debts written off**

An approval for lease debtors whose ability to pay off the debts was approved. The approval was done after the balance date. The event resulted in an adjustment in the annual financial statements as the condition at year end indicated that the debts are irrecoverable. The total write off amounted to R12, 646million.

33. Other significant disclosure

On all the forensic audit within the Trading Entity that were concluded during the 2016/17 financial year were assessed and had no potential fruitless and wasteful expenditure, unauthorised and irregular expenditure. The department is currently pursuing criminal changes on all the affected projects.

Possible fruitless and wasteful expenditure

The irregular expenditure has incurred as a result of contravention of supply chain policy principles which were developed in line with the constitution and also the breach of SRR policy principles which were approved in line with the provision of land assistant act no 126 of 1993, section 10(1).

An investigation of a possible irregular, fruitless and wasteful expenditure for programme of strengthening relative rights amounting to R144, 997million earmarked to be undertaken in 2018 financial year.

34. Transfer of function between entities under common control

The names of the entities involved:

The entities involved are the Agricultural Land Holding (ALHA), as the Trading Entity established and department of Rural Development and Land Reform.

Brief description of the function transferred and the reasons for the transferred.

The Department of Rural Development and Land Reform (transferer) has transferred the programme called Strengthening of Relative Rights to the Agricultural Land Holdings Account (acquirer) in the 2016/17 financial year but the official transfer documents were concluded in the current financial year. The trading entity resumed the implementation with available information as submitted by the department. The trading entity subsequently received additional information relating to assets and liabilities balances as at end of 2016/17 financial year. A retrospective adjustment was done to adjust the balances previously recognised. The measurement period from the transfer date ends in the 2018/19 financial year.

The Agricultural Land Holdings Account is the trading account operating within the Department of Rural Development and Land Reform which is the same economic cluster of government

The 50/50 model is essentially, a joint venture capital sponsored by the government on behalf of farm workers, on the one hand, and private owner of the farm so acquired, on the other. The latter bring in the business, entrepreneurial knowhow and the market: and, the workers bring in their labour power and raw skill which is sponsored by the government. The land sold to the government, either fully for partially and is thereafter lease backed by the new company.

Value of the assets acquired and liabilities amounting to R111,885million assumed at transfer of function are as follows:

Property plant and equipment – R32, 370million

Loan component for working capital recognised as other financial assets- R16, 189million

Unspent SRR funds transferred to NEF –R62,326million

SRR related expenses

Total of R44, 218million are expenses relating to SRR transactions not recognised in the previous financial year. The amount affects the balance sheeting as unspent grant as disclosed as deferred asset SRR. The correction of the expenses were done in terms of GRAP 3 standard and was retrospectively adjusted as follows:

Equity component transferred in the form of Grant –R42, 700million

Management of fees for NEF- R1, 536million

Other income_R18thousand

Lease rentals – R0

The net asset resulting into a gain on transfer of function under common control –R155,103million.