

**DEPARTMENT OF AGRICULTURE, LAND REFORM AND RURAL DEVELOPMENT  
VOTE 29**

**ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS  
for the year ended 31 March 2022**

Inventories for the year ended 31 March 2021	Clothing material & accessories	Farming supplies	Food and supplies	Fuel, oil and gas	Materials and supplies	Medical supplies	Medicine	Machinery and equipment	Biological Assets	Others	TOTAL
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Opening balance	-	-					-	-		-	-
Add/(Less): Adjustments to prior year balances											
Add: Additions /Purchases – Cash	1 965	358 289	1 403	1 865	4 009	1 950	9 764	48 007	-	887 816	1 315 068
Add: Additions - Non-cash											-
(Less): Disposals (Less): Issues	(1 965)	(358 289)	(1 403)	(1 865)	(4 009)	(1 950)	(9 764)	(48 007)	-	(887 816)	(1 315 068)
Add/(Less): Received current, not paid (Paid current year, received prior year)											
Add/(Less): Adjustments											
<b>Closing balance</b>	-	-	-	-	-	-	-	-		-	-



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VOTE 29**

**ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS  
for the year ended 31 March 2022**

**ANNEXURE 7  
MOVEMENT IN CAPITAL WORK IN PROGRESS**

**MOVEMENT IN CAPITAL WORK IN PROGRESS FOR THE YEAR ENDED 31 MARCH 2022**

	Opening balance	Current Year Capital WIP	Ready for use (Asset register) / Contract terminated	Closing balance
	R'000	R'000	R'000	R'000
<b>MACHINERY AND EQUIPMENT</b>	26 854	-	-	26 854
Transport assets	26 854	-	-	26 854
<b>BUILDINGS AND OTHER FIXED STRUCTURES</b>	<b>1 592 906</b>	<b>873 591</b>	<b>207 898</b>	<b>2 258 599</b>
Dwellings	306 653	88 336	-	394 989
Non-residential buildings	497 773	290 114	-	787 887
Other fixed structures	788 480	495 141	207 898	1 075 723
<b>LAND AND SUBSOIL ASSETS</b>	<b>14 927</b>	<b>432 384</b>	-	<b>447 311</b>
Land	14 927	432 384	-	447 311
<b>SOFTWARE</b>	<b>8 507</b>	<b>4 310</b>	<b>941</b>	<b>11 876</b>
Computer software	8 507	4 310	941	11 876
<b>TOTAL</b>	<b>1 643 194</b>	<b>1 310 285</b>	<b>208 839</b>	<b>2 744 640</b>

*Transport assets represent seven Mercedes mobile clinics.  
Computer Software represents the self-developed in-house systems.*

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**ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS  
for the year ended 31 March 2022**

**ANNEXURE 7  
MOVEMENT IN CAPITAL WORK IN PROGRESS**

**MOVEMENT IN CAPITAL WORK IN PROGRESS FOR THE YEAR ENDED 31 MARCH 2021**

	Opening balance	Prior period error	Current Year Capital WIP	Ready for use (Asset register) / Contract terminated	Closing balance
	R'000	R'000	R'000	R'000	R'000
<b>MACHINERY AND EQUIPMENT</b>	-	-	26 854	-	26 854
Transport assets	-	-	26 854	-	26 854
<b>BUILDINGS AND OTHER FIXED STRUCTURES</b>	-	-	1 977 111	(384 205)	1 592 906
Dwellings	-	-	306 653	-	306 653
Non-residential buildings	-	-	497 773	-	497 773
Other fixed structures	-	-	1 172 685	(384 205)	788 480
<b>LAND AND SUBSOIL ASSETS</b>	-	-	83 840	(68 913)	14 927
Land	-	-	83 840	(68 913)	14 927
<b>COMPUTER SOFTWARE</b>	-	-	8 507	-	8 507
Computer Software	-	-	8 507	-	8 507
<b>TOTAL</b>	-	-	<b>2 096 312</b>	<b>(453 118)</b>	<b>1 643 194</b>

*The prior period represents expenditure towards equipping of boreholes in NW by Service Provider, SV Bricks, this amount was omitted only in the Annexure 7.  
Transport assets represent seven Mercedes mobile clinics.  
Computer Software represents the self-developed in-house systems. The EmailFile Transfer System is deployed and ready for use.  
Other fixed structures represent different capital projects as per attached spreadsheet.*



**DEPARTMENT OF AGRICULTURE, LAND REFORM AND RURAL DEVELOPMENT  
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**ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS  
for the year ended 31 March 2022**

**ANNEXURE 8A  
INTER-ENTITY ADVANCES PAID (note 11)**

ENTITY	Confirmed balance outstanding		Unconfirmed balance outstanding		TOTAL	
	31/03/2022	31/03/2021	31/03/2022	31/03/2021	31/03/2022	31/03/2021
	R'000	R'000	R'000	R'000	R'000	R'000
<b>NATIONAL DEPARTMENTS</b>						
Government Communication (GCIS)	-	1 021	2 973	3 731	2 973	4 752
<b>Subtotal</b>	<b>-</b>	<b>1 021</b>	<b>2 973</b>	<b>3 731</b>	<b>2 973</b>	<b>4 752</b>
<b>OTHER INSTITUTIONS</b>						
Private enterprises	-	-	-	56 176	-	56 176
<b>Subtotal</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>56 176</b>	<b>-</b>	<b>56 176</b>
<b>TOTAL</b>	<b>-</b>	<b>1 021</b>	<b>2 973</b>	<b>59 907</b>	<b>2 973</b>	<b>60 928</b>



**DEPARTMENT OF AGRICULTURE, LAND REFORM AND RURAL DEVELOPMENT  
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**ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS  
for the year ended 31 March 2022**

**ANNEXURE 8B  
INTER-ENTITY ADVANCES RECEIVED (note 16)**

ENTITY	Confirmed balance outstanding		Unconfirmed balance outstanding		TOTAL	
	31/03/2022	31/03/2021	31/03/2022	31/03/2021	31/03/2022	31/03/2021
	R'000	R'000	R'000	R'000	R'000	R'000

An advance of R45,171 million was received from Department of Higher Education and Training for the Department of Agriculture, Land Reform and Rural Development's Development of Young Procedures, Enterprise and Skills Development programme to optimise the Job Opportunities and the Improve Livelihoods project. An amount of R46,280 million was set-off against the advance during the 2021/22 financial year. The balance of R1,109 million will be recovered from the April 2022 advance received. The advance is administered under the Agency Services: NSF: Growth & Strat Dev Expenditure.

ENTITY	Confirmed balance outstanding		Unconfirmed balance outstanding		TOTAL	
	31/03/2022	31/03/2021	31/03/2022	31/03/2021	31/03/2022	31/03/2021
	R'000	R'000	R'000	R'000	R'000	R'000

**OTHER INSTITUTIONS**

**Current**

PPECB	-	-	-	253	-	253
Citrus Growers Association	-	58	58	-	58	58
<b>TOTAL</b>	<b>-</b>	<b>58</b>	<b>58</b>	<b>253</b>	<b>58</b>	<b>311</b>

ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS  
for the year ended 31 March 2022

**ANNEXURE 9**  
**ADDITIONAL INFORMATION ON IMMOVABLE ASSETS**

*The detail for note 41.3 may be included in this annexure.*

Wording to suit their specific circumstances in order to comply with the Immovable Asset Guide can be inserted here.

*In addition to the detail for note 34.3 the department should address the information regarding:  
Surveyed unregistered land parcels*

*There are 1 394 land parcels that are surveyed but not yet registered at the Deeds Office.*

*State Land held in Trust*

*There are 809 land parcels that are held in Trust for communities.*

*Deemed Vested Properties*

*There are 2 450 land parcels that must still be vested.*

**DEPARTMENT OF AGRICULTURE, LAND REFORM AND RURAL DEVELOPMENT  
VOTE 29**

**ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS  
for the year ended 31 March 2022**

**ANNEXURE 11  
COVID 19 RESPONSE EXPENDITURE  
Per quarter and in total**

Expenditure per economic classification	2021/22					2020/21
	Q1	Q2	Q3	Q4	Total	Total
	R'000	R'000	R'000	R'000	R'000	R'000

**Compensation of employees**

	1 614	1 133	434	375	3 556	19 742
<b>Goods and services</b>						
<i>List all applicable SCOA level 4 items</i>						
Communication	-	-	-	-	-	4
Cons Supplies	654	787	282	154	1 877	14 514
Cons: STA, Print & Off sup	-	-	-	-	-	1
Contractors	-	-	3	-	3	43
Inv: Other Sup	-	-	-	-	-	49
Property payments	946	345	149	220	1 660	5 025
Rental & Hiring	14	-	-	-	14	106
Inv: Medical supplies	-	1	-	1	2	-
<b>TOTAL COVID 19 RESPONSE EXPENDITURE</b>	<b>1 614</b>	<b>1 133</b>	<b>434</b>	<b>375</b>	<b>3 556</b>	<b>19 742</b>

### Report on the audit of the financial statements

#### Qualified opinion

1. I have audited the financial statements of the Agricultural Land Holdings Account set out on pages 273 to 304, which comprise the statement of financial position as at 31 March 2022, the statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget and actual amounts for the year then ended, as well as notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, except for the possible effects of the matter described in the basis for qualified opinion section of this auditor's report, the financial statements present fairly, in all material respects, the financial position of the Agricultural Land Holdings Account as at 31 March 2022, and its financial performance and cash flows for the year then ended in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) and the requirements of the Public Finance Management Act 1 of 1999 (PFMA).

#### Basis for the qualified opinion

##### Trade and other receivables from non-exchange transactions

3. I was unable to obtain sufficient appropriate audit evidence for trade and other receivables from non-exchange transactions and the related provision for impairment, if any, as the trading account did not adequately assess the recapitalisation and development grants to determine the grants that had to be repaid and recognised as receivables. I could not confirm the amount of the trade and other receivables from non-exchange transactions and the resultant impact on the prior period error disclosure by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to trade and other receivables from non-exchange transactions stated at R530 043 000 (2020-21: R614 375 000) and the prior period error disclosure for the recapitalisation and development grants in notes 6 and 24 of the financial statements, respectively.

#### Context for the opinion

4. 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 my report.
5. I am independent of the trading account in accordance with the International Ethics Standards Board for Accountants' International code of ethics for professional accountants (including International Independence Standards) (IESBA code) as well as other ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.
6. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

#### Emphasis of matters

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

##### Impairment of trade receivables from exchange

8. As disclosed in note 5 to the financial statement, the trading account had trade receivables from exchange transactions of R591 753 000 (2020-21: R514 087 000), with an impairment provision for doubtful debts of R582 083 000 (2020-21: R507 584 000) as at 31 March 2022. The receivables relate to operating leases on farms leased out to beneficiaries.

#### Responsibilities of the accounting officer for the financial statements

9. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with the GRAP and the requirements of the PFMA, and for such internal control as the

## Report of the auditor-general to Parliament on the Agricultural Land Holdings Account

accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

11. 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.
12. 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

13. Section 40(3) (a) of the PFMA for departments, trading entities and constitutional institutions requires the trading entity to prepare an annual performance report. The trading entity's performance information was reported in the annual performance report of the Department of Agriculture, Land Reform and Rural Development. The usefulness and reliability of the reported performance information was tested as part of the audit of the Department of Agriculture, Land Reform and Rural Development and any audit findings are included in the management and auditor's report of the Department of Agriculture, Land Reform and Rural Development.

### Report on the audit of compliance with legislation

#### Introduction and scope

14. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the trading account's compliance with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.
15. The material findings on compliance with specific matters in key legislation are as follows:

#### Annual financial statements

16. The financial statements submitted for auditing were not supported by full and proper records as required by section 40(1) (a) of the PFMA.
17. Material misstatements identified by the auditors in the submitted financial statements were not adequately corrected and supporting records could not be subsequently provided, which resulted in the financial statements receiving a qualified opinion.

#### Expenditure management

18. Effective and appropriate steps were not taken to prevent irregular expenditure of R9 089 000, as disclosed in note 22 to the annual financial statements, as required by section 38(1) (c) (ii) of the PFMA and treasury regulation 9.1.1. The irregular expenditure was caused by non-compliance with supply chain management processes.

## Report of the auditor-general to Parliament on the Agricultural Land Holdings Account

### Other information

19. The accounting officer is responsible for the other information. The other information comprises the information included in the annual report. The other information does not include the financial statements and the auditor's report.
20. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion on it.
21. 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, or my knowledge obtained in the audit or otherwise appears to be materially misstated.
22. If, based on the work I have performed, I conclude that there is a material misstatement in the other information, I am required to report that fact.
23. I did not receive the other information prior to the date of this auditor's report. When I do receive and read this information, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

### Internal control deficiencies

24. 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. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for the qualified opinion and the findings on compliance with legislation included in this report.
25. Compliance with legislation was not properly reviewed and monitored, resulting in financial statements that were not prepared in accordance with the prescribed reporting framework of the entity.
26. Monitoring and oversight were not adequate to ensure compliance with legislation to prevent the irregular expenditure incurred by the trading entity and to ensure that the money due to the entity was collected.
27. Management has no effective controls in place to detect and correct errors to ensure that accurate and complete financial statements are prepared in accordance with GRAP reporting requirements. Trade receivables non-exchange in the financial statements were misstated.

Auditor-General

Pretoria

31 July 2022



## Annexure - Auditor-general's responsibility for the audit

1. 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 account's compliance with respect to the selected subject matters.

### Financial statements

2. 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 account'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 relating to events or conditions that may cast significant doubt on the ability of the Agricultural Land Holdings Account 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 my 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 account to cease operating as a going concern.
  - Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

### Communication with those charged with governance

3. 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.
4. I also provide the accounting officer with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence and, where applicable, actions taken to eliminate threats or safeguards applied.



**AGRICULTURAL LAND HOLDINGS ACCOUNT**  
Annual Financial Statements for the year ended 31 March 2022

**General information**

**Country of incorporation and domicile** South Africa

**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



## AGRICULTURAL LAND HOLDINGS ACCOUNT

### Annual Financial Statements for the year ended 31 March 2022

#### Index

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

Report of the auditor-general  
Audit Committee Report  
Statement of Financial Position  
Statement of Financial Performance  
Statement of Changes in Net Assets  
Cash Flow Statement  
Statement of Comparison of Budget and Actual Amounts  
Accounting Policies  
Notes to the Annual Financial Statements

The annual financial statements set out on pages 273 to 304, which have been prepared on the going concern basis, were approved by the accounting authority on 31 July 2022 and were signed on its behalf by:



**MM Mokono**  
Chief Director: PLAS



**F Ndove**  
Deputy Director General: LRTR



**R Sadiki**  
Chief Financial Officer



**M Ramasodi**  
Director General



## **AGRICULTURAL LAND HOLDINGS ACCOUNT**

Annual Financial Statements for the year ended 31 March 2022

### **Audit committee members:**

Ms SP Mzizi (Chairperson)  
Ms SJ Sekgobela  
Ms AMM Badimo  
Ms MK Mbonambi

### 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.

**AGRICULTURAL LAND HOLDINGS ACCOUNT**  
Annual Financial Statements for the year ended 31 March 2022

**Statement of Financial Position as at 31 March 2022**

	Note(s)	2022 R'000	2021 Restated* R'000
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents	4	682 077	375 506
Trade and other receivables from exchange transactions	5	104 366	99 819
Trade and other receivables from non-exchange transactions	6	530 043	614 375
Prepayments	8	11 740	6 240
		<b>1 328 226</b>	<b>1 095 940</b>
<b>Non-Current Assets</b>			
Property, plant and equipment	3	14 268 569	13 987 962
<b>Total Assets</b>		<b>15 596 795</b>	<b>15 083 902</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Trade and other payables from exchange transactions	7	65 370	97 445
Other Provisions	9	696 886	624 710
		<b>762 256</b>	<b>722 155</b>
<b>Total Liabilities</b>		<b>762 256</b>	<b>722 155</b>
<b>Net Assets</b>		<b>14 834 539</b>	<b>14 361 747</b>
Accumulated surplus		14 834 539	14 361 747

\* See Note 24

**AGRICULTURAL LAND HOLDINGS ACCOUNT**  
Annual Financial Statements for the year ended 31 March 2022

**Statement of Financial Performance**

	Note(s)	2022 R'000	2021 Restated* R'000
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Rental income on lease receivable	10	69 455	71 947
Interest on lease receivable	10	21 172	21 636
Interest on servitude	10	-	1
Interest income	10	16 237	26 297
<b>Total revenue from exchange transactions</b>		<b>106 864</b>	<b>119 881</b>
<b>Revenue from non-exchange transactions</b>			
<b>Transfer revenue</b>			
Grant income – non-exchange	10	937 986	448 040
Donation received	10	3 922	6 062
Other revenue		29 605	6 629
<b>Total revenue from non-exchange transactions</b>		<b>971 513</b>	<b>460 731</b>
<b>Total revenue</b>	10	<b>1 078 377</b>	<b>580 612</b>
<b>Expenditure</b>			
Depreciation and amortisation		(81 752)	(82 090)
Impairment	13	(142 709)	(97 376)
Interest expense		(1 892)	(4 672)
Grant expense farmers	12	(185 431)	(859 012)
General Expenses	11	(181 799)	(219 442)
<b>Total expenditure</b>		<b>(593 583)</b>	<b>(1 262 592)</b>
<b>Operating surplus (deficit)</b>		<b>484 794</b>	<b>(681 980)</b>
Gain/Loss on disposal of assets		(12 003)	(6 071)
<b>Surplus (deficit) for the year</b>		<b>472 791</b>	<b>(688 051)</b>

**AGRICULTURAL LAND HOLDINGS ACCOUNT**  
Annual Financial Statements for the year ended 31 March 2022

**Statement of Changes in Net Assets**

	Accumulated surplus R'000	Total net assets R'000
Opening balance as previously reported	15 437 519	15 437 519
Adjustments		
Prior year adjustments - Note 24	(33 426)	(33 426)
<b>Balance at 01 April 2020 as restated*</b>	<b>15 404 093</b>	<b>15 404 093</b>
Changes in net assets		
Gains/(Losses) from transfer of function under common control - Ref Note 26	(354 295)	(354 295)
Net income (losses) recognised directly in net assets	(354 295)	(354 295)
Surplus for the year	(688 051)	(688 051)
Total recognised income and expenses for the year	(1 042 346)	(1 042 346)
Total changes	(1 042 346)	(1 042 346)
<b>Restated* Balance at 01 April 2021</b>	<b>14 361 748</b>	<b>14 361 748</b>
Changes in net assets		
Surplus/ (deficit) for the year	472 791	472 791
Total changes	472 791	472 791
<b>Balance at 31 March 2022</b>	<b>14 834 539</b>	<b>14 834 539</b>

**AGRICULTURAL LAND HOLDINGS ACCOUNT**  
Annual Financial Statements for the year ended 31 March 2022

**Cash Flow Statement**

		2022	2021
	Note(s)	R'000	Restated* R'000
<b>Cash flows from operating activities</b>			
<b>Cash receipts</b>			
Sale of goods and services		18 714	16 126
Grant income		937 986	448 040
Interest income		15 876	20 262
Other operating revenue		-	-
		<u>972 576</u>	<u>484 428</u>
<b>Cash paid to suppliers and employees</b>			
Suppliers and other payables		(290 685)	(1 330 985)
<b>Net cash flows from operating activities</b>	14	<u><b>681 891</b></u>	<u><b>(846 557)</b></u>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	3	(387 880)	(250 910)
Proceeds from sale of assets	3	12 559	-
<b>Net cash flows from investing activities</b>		<u><b>(375 321)</b></u>	<u><b>(250 910)</b></u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>306 570</b>	<b>(1 097 467)</b>
Cash and cash equivalents at the beginning of the year		375 506	1 472 973
<b>Cash and cash equivalents at the end of the year</b>	4	<u><b>682 076</b></u>	<u><b>375 506</b></u>

**AGRICULTURAL LAND HOLDINGS ACCOUNT**  
**Annual Financial Statements for the year ended 31 March 2022**  
**Statement of Comparison of Budget and Actual Amounts**

Budget on Accrual Basis						
	Approved budget	Adjustments	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R'000	R'000	R'000	R'000	R'000	
<b>Statement of Financial Performance</b>						
<b>Revenue</b>						
<b>Revenue from exchange transactions</b>						
Rental income on lease receivable	88 777	(37 565)	51 212	69 455	18 243	36% - 1
Interest (outstanding debtors)	27 676	(4 260)	23 416	21 172	(2 244)	(10%) - 2
Interest income	31 779	-	31 779	16 237	(15 542)	(49%) - 3
<b>Total revenue from exchange transactions</b>	<b>148 232</b>	<b>(41 825)</b>	<b>106 407</b>	<b>106 864</b>	<b>457</b>	
<b>Revenue from non-exchange transactions</b>						
<b>Transfer revenue</b>						
Government grants & subsidies	937 986	-	937 986	937 986	-	0%
Donation received	4 202	2 760	6 962	3 922	(3 040)	(43%) - 4
Other revenue	-	71 673	71 673	29 605	(42 068)	(59%) - 5
<b>Total revenue from non-exchange transactions</b>	<b>942 188</b>	<b>74 433</b>	<b>1 016 621</b>	<b>971 513</b>	<b>(45 108)</b>	
<b>Total revenue</b>	<b>1 090 420</b>	<b>32 608</b>	<b>1 123 028</b>	<b>1 078 377</b>	<b>(44 651)</b>	
<b>Expenditure</b>						
Depreciation and amortisation	(77 261)	(3 331)	(80 592)	(81 752)	(1 160)	(1%)
Impairment	(56 578)	27 609	(28 969)	(142 709)	(113 740)	393% - 6
Interest expense	-	-	-	(1 892)	(1 892)	(100%) - 7
Bad Debts Written Off	(24 364)	(1 350)	(25 714)	-	25 714	100% - 8
Grant expense farmers	(749 632)	275 719	(473 913)	(185 431)	288 482	61% - 9
General expense	(148 899)	(104 061)	(252 960)	(181 799)	71 161	28% - 10
<b>Total expenditure</b>	<b>(1 056 734)</b>	<b>194 586</b>	<b>(862 148)</b>	<b>(593 583)</b>	<b>268 565</b>	
<b>Operating surplus</b>	<b>33 686</b>	<b>227 194</b>	<b>260 880</b>	<b>484 794</b>	<b>223 914</b>	
Gain/Loss on disposal of assets	(20 000)	15 000	(5 000)	(12 003)	(7 003)	140% - 11
<b>Surplus before taxation</b>	<b>13 686</b>	<b>242 194</b>	<b>255 880</b>	<b>472 791</b>	<b>216 911</b>	
<b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b>	<b>13 686</b>	<b>242 194</b>	<b>255 880</b>	<b>472 791</b>	<b>216 911</b>	



**AGRICULTURAL LAND HOLDINGS ACCOUNT**  
**Annual Financial Statements for the year ended 31 March 2022**  
**Statement of Comparison of Budget and Actual Amounts**

Budget on Accrual Basis						
	Approved budget	Adjustments	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R'000	R'000	R'000	R'000	R'000	

1. **Rental income on lease receivable – 36%** variance is as a result of lease contracts that were not concluded as anticipated which resulted to under performance.
2. **Interest on Outstanding lease debt – (10%)** variance is as a result of an improvement in collection that resulted into an improvement in the interest charged.
3. **Interest income – (49%)** variance is as a result of low cash balance at the beginning of the financial year compared to previous financial year which resulted into low interest income.
4. **Donation received - (43%)** variance is as a result of anticipated donations that were not realised due to some properties sale agreements not concluded within the financial year. The donation budgeted, relates to movable properties charged at nominal value by the seller during the procurement of property, plant and equipment.
5. **Other revenue - (59%)** low variance is as a result of anticipated billing for recovery of water rights levies from lessees after settlement of water rights levies account by the entity. The entity has the right to recover such costs as per signed lease agreement with the lessees.
6. **Impairment – 393%** variance on over expenditure is as a result of an increase in impairment of receivable from non-exchange (other debtors) that were not initially budgeted for.
7. **Interest expense – (100%)** variance is due to interest expense and provision on rates and taxes that was not budgeted for, as the entity targets to settle all outstanding invoices within the prescribed period to avoid interest charges.
8. **Bad debts written off – 100%** no write off of debts was done in the current financial year.
9. **Grant expense farmers – 61%** variance is as a result of low grant expenditure by beneficiaries which is attributable to late approval and transfer of grant funds to beneficiaries.
10. **General expense - 28%** the variance relates to rates and taxes actual expense calculated based on acquired portfolio against the budget.
11. **Gain/Loss on disposal of assets – 140%** variance is as a result of an increase in disposal of properties to farm labourers.





**AGRICULTURAL LAND HOLDINGS ACCOUNT**  
Annual Financial Statements for the year ended 31 March 2022  
**Statement of Comparison of Budget and Actual Amounts**

Budget on Accrual Basis						
	Approved budget	Adjustments	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R'000	R'000	R'000	R'000	R'000	

**Statement of Financial Position**

**Assets**

**Current Assets**

Trade and other receivables from exchange transactions	153 064	(42 005)	<b>111 059</b>	104 366	<b>(6 693)</b>	6% - 12
Trade and other receivables from non-exchange transactions	436 567	68 387	<b>504 954</b>	530 043	<b>25 089</b>	5% - 13
Prepayments	-	-	-	11 740	<b>11 740</b>	100% - 14
Cash and cash equivalents	290 915	27 370	<b>318 285</b>	682 077	<b>363 792</b>	114% - 15
	<b>880 546</b>	<b>53 752</b>	<b>934 298</b>	<b>1 328 226</b>	<b>393 928</b>	

**Non-Current Assets**

Property, plant and equipment	13 834 951	51 717	<b>13 886 668</b>	14 268 569	<b>381 901</b>	3%
Other financial assets	200 901	(200 901)	-	-	-	
	<b>14 035 852</b>	<b>(149 184)</b>	<b>13 886 668</b>	<b>14 268 569</b>	<b>381 901</b>	
<b>Total Assets</b>	<b>14 916 398</b>	<b>(95 432)</b>	<b>14 820 966</b>	<b>15 596 795</b>	<b>775 829</b>	

**Liabilities**

**Current Liabilities**

Trade and other payables from exchange transactions	32 163	-	<b>32 163</b>	65 370	<b>33 207</b>	103% - 16
Other Provisions	-	601 204	<b>601 204</b>	696 886	<b>95 682</b>	16% - 17
	<b>32 163</b>	<b>601 204</b>	<b>633 367</b>	<b>762 256</b>	<b>128 889</b>	
<b>Total Liabilities</b>	<b>32 163</b>	<b>601 204</b>	<b>633 367</b>	<b>762 256</b>	<b>128 889</b>	
<b>Net Assets</b>	<b>14 884 235</b>	<b>(696 636)</b>	<b>14 187 599</b>	<b>14 834 539</b>	<b>646 940</b>	

**Net Assets**

**Net Assets Attributable to Owners of Controlling Entity Reserves**

Accumulated surplus	14 884 235	(696 636)	<b>14 187 599</b>	14 834 539	<b>646 940</b>	
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Additional text

12. **Trade and other receivables from exchange transactions - 6%** variance is as a result of anticipated increase in the number of contracts concluded for billing. The process of concluding contracts for unallocated property was not completed.
13. **Trade and other receivables from non-exchange transactions - 5%** variance is as a result of underspending on land development support programme attributable to late approval and transfer of grant funds as well as low expenditure on infrastructure development component of the grant.
14. **Prepayments - 100%** variance is due to the anticipation of completion of all prepayments on land development support made during interim disbursement model, where agents were appointed to procure and develop infrastructure for beneficiaries.
15. **Cash and cash equivalent - 114%** variance is due to the slow spending of budget during the current financial year.
16. **Trade and other payables from exchange transactions – 103%** variance is as a result of high outstanding invoices received than anticipated.
17. **Other Provision - 16%** variance relates to slow spending on payments of arrears on rates and taxes than anticipated. The entity only pays for rates and taxes upon receipt of invoices and statements of account from municipalities.

# AGRICULTURAL LAND HOLDINGS ACCOUNT

## Annual Financial Statements for the year ended 31 March 2022

### Accounting Policies

#### 1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 91(1) of the Public Finance Management Act (Act No. 1 of 1999).

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

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

##### 1.1 Presentation currency

These 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 interim 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 items 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 parliament. The Trading Entity has elected to make their approved budget available. ALHA presents separate statement of comparison of budget in the annual financial statements.

##### 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 trade receivable

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.

## **AGRICULTURAL LAND HOLDINGS ACCOUNT**

### Annual Financial Statements for the year ended 31 March 2022

#### **Accounting Policies**

#### **1.5 Significant judgements and estimates (continued)**

##### **Impairment of trade receivable**

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 circumstances which warrants a specific sub - grouping to be justifiable. Those debtors are classified according to those underlying circumstances for the purpose of compilation of an allowance for doubtful debts.

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

Category

Debt acknowledged/Entity/Commercial

Debt acknowledged/Entity/Limited Operation

Debt acknowledged/Entity/No Operation/Not Categorised

Debt acknowledged/Entity/Recapitalisation/Land Development Support

Debt acknowledged/Individual/Commercial

Debt acknowledged/Individual/Limited Operation

Debt acknowledged/Individual/No Operation/Not Categorised

Debt acknowledged/Individual/Recapitalisation/Land Development Support

Debt not acknowledged

Refusal to pay

Debt not assessed

Deceased

Debt acknowledged or not/Intergovernmental debt

Debt acknowledged or not/Other debt Individual/Entity

##### **Impairment of non-financial assets**

The carrying value less impairment provision of trade receivables 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 instruments.

##### **Value in use of non-cash generating assets**

The Trading Entity reviews and tests the carrying value of the 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 depreciated 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 assets 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.

## **AGRICULTURAL LAND HOLDINGS ACCOUNT**

### **Annual Financial Statements for the year ended 31 March 2022**

#### **Accounting Policies**

#### **1.5 Significant judgements and estimates (continued)**

##### **Provisions**

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included for rates and taxes where average of payment was made for properties owned.

##### **Budget information**

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

##### **Impairment of other financial asset**

The impairment loss on financial asset 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 asset 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, rental to others, or for administrative purposes, and are expected to be used during more than one period.

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

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

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the estimated cost of dismantling the asset and restoring the site on which it's operated.

Where an asset is acquired through a non-exchange 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 a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's 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 costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

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

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.

**AGRICULTURAL LAND HOLDINGS ACCOUNT**  
**Annual Financial Statements for the year ended 31 March 2022**  
**Accounting Policies**

**1.6 Property, plant and equipment (continued)**

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

Subsequent expenditure including major spare parts and servicing 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. Components 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 the 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 cost less accumulated depreciation and any impairment losses.

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

Item	Depreciation method	Average useful life
Agricultural land	Straight line	Unlimited
Infrastructure - Production facility - e.g. Broilers	Straight line	40 - 50
Infrastructure - Production infrastructure – e.g. kraal	Straight line	30 - 50
Buildings - Farm dwellings/buildings	Straight line	5 - 10
Agricultural Equipment - No Moving parts e.g. Ploughs	Straight line	20 - 30
Agricultural Equipment - High intensity moving parts e.g. Chain Saws	Straight line	5 - 7
Agricultural Equipment - Mechanical e.g. Tractors	Straight line	10 - 15
Agricultural Equipment - Water low intensity – non-electrical	Straight line	30
Agricultural Equipment - Water low intensity - electrical	Straight line	15 - 20
Electrical	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 is depreciated separately.

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

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

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

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

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in trading 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.



**AGRICULTURAL LAND HOLDINGS ACCOUNT**  
**Annual Financial Statements for the year ended 31 March 2022**  
**Accounting Policies**

**1.7 Intangible assets**

An asset is identifiable if it either:  
 is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, 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 attributable 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 using reasonable and supportable assumptions that represent management’s best estimate of the set of economic conditions that will exist over the useful life of the asset.

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

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

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result, the asset is tested for impairment and the remaining carrying amount is amortised over its useful life. 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 to the Statement of Financial Performance.

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

Item	Depreciation method	Average useful life
Share packaging rights	Straight line	finite/indefinite

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

Intangible assets are derecognised:  
 on disposal; or  
 when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an intangible assets is included in 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 and Expenditure**

**1.8.1 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.

## AGRICULTURAL LAND HOLDINGS ACCOUNT

### Annual Financial Statements for the year ended 31 March 2022

#### Accounting Policies

#### 1.8 Revenue and Expenditure (continued)

##### 1.8.2 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.

##### 1.8.3 Expenditure

The trading entity recognises expenses on transactions that result in a decrease in the net financial position of the entity, other than decreases arising from ownership distributions.

#### 1.9 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.

#### 1.10 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 prices or rates, 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 types of contracts that would be expected to have a similar response to changes in 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 a 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 the 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 points paid or received between parties to the contract that are an integral part of the effective interest rate

**AGRICULTURAL LAND HOLDINGS ACCOUNT**  
Annual Financial Statements for the year ended 31 March 2022  
**Accounting Policies**

**1.10 Financial instruments (continued)**

(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 flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably 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 specified 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 potentially 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 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.

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 or 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 past 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 unutilised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, 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.



## AGRICULTURAL LAND HOLDINGS ACCOUNT

### Annual Financial Statements for the year ended 31 March 2022

#### Accounting Policies

##### 1.10 Financial instruments (continued)

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a 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 of the 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 instruments that:

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

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

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

- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  - on initial recognition it is part of a portfolio of identified financial instruments that are managed 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 instruments 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 the financial instruments 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 asset or a residual interest.

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

##### Subsequent measurement

All 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.

## **AGRICULTURAL LAND HOLDINGS ACCOUNT**

### Annual Financial Statements for the year ended 31 March 2022

#### **Accounting Policies**

##### **1.10 Financial instruments (continued)**

###### **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 is impaired.

For amounts due to the Trading Entity, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default on payments are all considered indications 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 not the impairment 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.

##### **1.11 Services in kind**

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

##### **1.12 Commitments**

No provision is made for projects approved for Grant farmers 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 commitment in the notes of the annual financial statements.

##### **1.13 Irregular, fruitless and wasteful expenditure**

Fruitless 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.

## **AGRICULTURAL LAND HOLDINGS ACCOUNT**

### **Annual Financial Statements for the year ended 31 March 2022**

#### **Accounting Policies**

##### **1.14 Irregular expenditure**

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including: this Act; or the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or any provincial legislation providing for procurement procedures in that provincial government.

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.

##### **1.15 Related parties**

The Trading Entity has controls in place to aid in the identification of the 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).

##### **1.16 Accounting by principals and agents**

###### **Identification**

An agent is an entity that has been directed by another entity (a principal), through a binding arrangement, to undertake transactions with third parties on behalf of the principal and for the benefit of the principal.

A principal is an entity that directs another entity (an agent), through a binding arrangement, to undertake transactions with third parties on its behalf and for its own benefit.

A principal-agent arrangement results from a binding arrangement in which one entity (an agent), undertakes transactions with third parties on behalf, and for the benefit of, another entity (the principal).

###### **Recognition**

The entity, as a principal, recognises revenue and expenses that arise from transactions with third parties in a principal-agent arrangement in accordance with the requirements of the relevant Standards of GRAP.

The entity, as an agent, recognises only that portion of the revenue and expenses it receives or incurs in executing the transactions on behalf of the principal in accordance with the requirements of the relevant Standards of GRAP.

The entity recognises assets and liabilities arising from principal-agent arrangements in accordance with the requirements of the relevant Standards of GRAP.

## **AGRICULTURAL LAND HOLDINGS ACCOUNT**

### **Annual Financial Statements for the year ended 31 March 2022**

#### **Accounting Policies**

##### **1.17 Going concern assumption**

These annual financial statements have been prepared based on the expectation that the entity will continue to operate as a going concern for at least the next 12 months.

##### **1.18 Other non-exchange receivables**

###### **1.18.1 Unspent Grant Farmers**

Trade and other non-exchange receivables arising from the trading entity unconditional right to the return of the funds from the beneficiaries in cases of default, breach and or termination of the contractual arrangement. Any contractual party that determines a default, breach and or termination must communicate through a written notice to the party that is in default. The legal remedies available in a situation of default, breach and or termination as well as subsequent recovery of the funds will be dictated by various agreement signed by all parties.

All contractual agreements are assessed to determine the unconditional right for the return of the funds at initial recognition and subsequent measurement. In case of subsequent measurement whereby a receivable is recognised, the receivable will be dealt with in line with policy on other debtors.

###### **1.18.2 Trade and Other Receivables from other debtors**

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.

Assessment of impairment of non-exchange receivable shall be done in line with policy of impairment of receivable non exchange par 1.5.

##### **1.19 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.

##### **1.20 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 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.

##### **1.21 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.

##### **1.22 Leasehold improvements**

A leasehold improvement is an improvement made to a leased building/structure 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.

**AGRICULTURAL LAND HOLDINGS ACCOUNT**  
Annual Financial Statements for the year ended 31 March 2022  
**Accounting Policies**

**1.23 Adoption of new GRAP standard**

In the current year the trading entity has adopted all new and revised standards 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 disclosures than would have provided in the interim financial statements.

## AGRICULTURAL LAND HOLDINGS ACCOUNT

Annual Financial Statements for the year ended 31 March 2022

### Notes to the Annual Financial Statements

2022	2021
R'000	R'000

#### 2. New standards and interpretations

##### 2.1 Standards and interpretations not yet effective or relevant

The following standards and interpretations have been approved but not yet effective and have not been adopted by the Entity:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
GRAP 104: Financial Instruments		



**AGRICULTURAL LAND HOLDINGS ACCOUNT**  
Annual Financial Statements for the year ended 31 March 2022  
**Notes to the Annual Financial Statements**

	2022 R'000	2021 R'000
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Figures in Rand

**3. Property, plant and equipment**

	2022			2021		
	Cost/ Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost/ Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Agricultural land	12 137 824	-	12 137 824	11 829 584	-	11 829 584
Buildings	1 534 863	(344 975)	1 189 888	1 516 125	(309 517)	1 206 608
Motor vehicles	15 572	(14 064)	1 508	15 572	(13 454)	2 118
Infrastructure	889 680	(229 301)	660 379	856 774	(206 088)	650 686
Work in progress	104 476	-	104 476	99 292	-	99 292
Agricultural equipment	345 241	(170 747)	174 494	344 743	(145 069)	199 674
<b>Total</b>	<b>15 027 656</b>	<b>(759 087)</b>	<b>14 268 569</b>	<b>14 662 090</b>	<b>(674 128)</b>	<b>13 987 962</b>

**Reconciliation of property, plant and equipment – 2022**

	Opening balance	Additions	Additions through donations	Disposals	Depreciation	Impairment loss	Total
Agricultural land	11 829 584	325 710	-	(17 470)	-	-	-12 137 824
Buildings	1 206 608	21 700	1 781	(4 110)	(32 688)	(3 403)	1 189 888
Motor vehicles	2 118	-	-	-	(610)	-	1 508
Infrastructure	650 686	31 363	1 964	(296)	(22 060)	(1 278)	660 379
Work in progress	99 292	5 184	-	-	-	-	104 476
Agricultural equipment	199 674	3 923	176	(2 687)	(26 395)	(197)	174 494
	<b>13 987 962</b>	<b>387 880</b>	<b>3 921</b>	<b>(24 563)</b>	<b>(81 753)</b>	<b>(4 878)</b>	<b>14 268 569</b>

**Reconciliation of property, plant and equipment – 2021**

	Opening balance	Additions	Additions through donations	Disposals	WIP Movement	Depreciation	Impairment loss	Total
Agricultural land	11 645 328	184 256	-	-	-	-	-	-11 829 584
Buildings	1 229 416	26 793	1 599	-	-	(32 910)	(18 290)	1 206 608
Motor vehicles	886	1 969	-	(117)	-	(620)	-	2 118
Infrastructure	659 320	19 774	3 175	(1 656)	-	(21 980)	(7 947)	650 686
Work in progress	100 394	2 985	-	-	(4 087)	-	-	99 292
Agricultural equipment	212 780	19 220	1 287	(4 298)	-	(26 579)	(2 736)	199 674
	<b>13 848 124</b>	<b>254 997</b>	<b>6 061</b>	<b>(6 071)</b>	<b>(4 087)</b>	<b>(82 089)</b>	<b>(28 973)</b>	<b>13 987 962</b>

**Additional information**

**AGRICULTURAL LAND HOLDINGS ACCOUNT**  
 Annual Financial Statements for the year ended 31 March 2022  
**Notes to the Annual Financial Statements**

	2022 R'000	2021 R'000
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**Property, plant and equipment (continued)**

**3.1. Property, Plant and Equipment**

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

Net carrying value for PPE amounts to R14,269billion (2021: R13,988billion) after depreciation of R81,752million and Impairment of R4,877million.

**3.2. Gain /Loss on disposal of assets**

Total disposal for the year amounts to R24,563million of which R12,560million relates to a sale on land whereby R3,572million was a gain on the sale. Furthermore R12,003million relates to the transfer of Land Development Support Machinery and Equipment under LDS programme.

**4. Cash and cash equivalents**

Cash and cash equivalents consist of:

Cash at bank	682 077	375 506
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The increase in cash and cash equivalent 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.

**5. Trade and other receivables from exchange transactions**

Deferred lease assets	94 127	93 153
Operating lease rentals	9 587	6 376
Accrued interest - from bank	524	163
Operating lease receivables: servitude	128	127
	<b>104 366</b>	<b>99 819</b>

**Credit quality of trade and other receivables**

**5.1. Operating lease receivable**

The carrying value for operating lease receivable and servitude of R9,715million (2021: R6,503million) after impairments.

**The ageing of amounts impaired is as follows:**

**Reconciliation of the allowance**

Balance at the beginning of the year	507 584	440 127
Contributions to provision	74 454	67 457
	<b>582 038</b>	<b>507 584</b>

**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	445	315
3 to 6 months	276	338
6 to 12 months	904	675
Over 12 months	8 090	5 175
	<b>9 715</b>	<b>6 503</b>

**Trade and other receivables before impairment**

Trade and other receivables of R591,753million (2021: R514,087million).

The ageing of the impairment loss is as follows:

Current to 6 months	40 106	36 111
6 to 12 months	50 259	48 236
Over 12 months	501 388	429 740
	<b>591 753</b>	<b>514 087</b>



## AGRICULTURAL LAND HOLDINGS ACCOUNT

Annual Financial Statements for the year ended 31 March 2022

### Notes to the Annual Financial Statements

	2022 R'000	2021 R'000
<b>6. Trade and other receivables from non-exchange transactions</b>		
Unspent conditional grant farmers - LDS	485 535	531 905
Other debtors	44 508	79 809
Inter-departmental debtors (DALRRD)	-	2 661
	<b>530 043</b>	<b>614 375</b>

#### **Unspent conditional grant farmers - Land development Support**

Conditional grants given to farmers of which the farmers bank accounts are controlled by the department and participating Financial Institutions. The balance relates to the difference between payments made by the department into individual beneficiaries' bank accounts and payments from the same bank accounts.

#### **Other debtors**

The net carrying value for other debtors amounts to R44,508million after impairment of R63,378million. Other debtors raised relate to COVID-19 programme and RADP as a result of a breach of grant rules and contracts.

#### **7. Trade and other payables from exchange transactions**

Trade payables	52 170	85 733
Rental received in advance	13 200	11 712
	<b>65 370</b>	<b>97 445</b>

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

#### **8. Prepayments**

Prepayments amounting to R11,740million (2022) and R6,240million (2021) relates to the following:

R591thousand on acquisition of property, R5,508million for rates and taxes, infrastructure development amounting to R99thousand and Land Development Support expenditure amounting to R5,641million for items procured and paid but not yet delivered.

#### **9. Other Provisions**

##### **Reconciliation of other provisions – 2022**

	Opening Balance	Additions	Utilised during the year	Total
Other provisions	624 710	137 060	(64 884)	696 886

##### **Reconciliation of other provisions - 2021**

	Opening Balance	Additions	Utilised during the year	Total
Other provisions	591 435	141 623	(108 348)	624 710

Provision for rates and taxes has been provided as a result of an entity having a legal obligation to pay rates and taxes of properties owned. A reliable estimate for the provision was calculated using available historical data per municipalities.

No reliable estimate could be calculated for payment of rates and taxes between the period of 2007/08 to 2013/14 as a result of initial government properties initially being paid at Department of Public Works and Infrastructure.

## AGRICULTURAL LAND HOLDINGS ACCOUNT

Annual Financial Statements for the year ended 31 March 2022

### Notes to the Annual Financial Statements

	2022 R'000	2021 R'000
<b>10. Revenue</b>		
Rental income on lease receivable	69 455	71 947
Interest on lease receivable	21 172	21 636
Interest on servitude	-	1
Interest received	16 237	26 297
Grant income - non exchange	937 986	448 040
Donation received - non exchange	3 922	6 062
Other revenue - non exchange	29 605	6 629
	<b>1 078 377</b>	<b>580 612</b>

### 11. General expenses

Advertising	348	36
Bank charges	45	69
Feasibility Study	-	945
Valuation	235	1 169
Professional fees	250	5 747
Water and electricity	348	1 436
Consumables	-	909
Tools and kit	-	36
Other operating expenditure	2	-
Levies	1 018	3 496
License fees	360	340
Rates and taxes	173 148	175 899
Security expenses	3 821	5 373
Business planning	91	26
Legal fees	-	95
COVID-19 consumable supplies medical supplies	-	15 200
COVID-19 consumable house supplies toiletries	-	4 660
Management fees	2 133	4 006
	<b>181 799</b>	<b>219 442</b>

### 12. Grant expense farmers

COVID-19 consumable: Seeds/Feeds/Medicine/Fertiliser/Livestock	-	551 307
Biological assets	9 052	12 269
Land development support programme	176 226	291 136
Recapitalisation and development support programme	153	4 300
	<b>185 431</b>	<b>859 012</b>

#### 12.1 COVID-19 consumable: Seeds/Feeds/Medicine/Fertiliser/Livestock

As a result of the impact on COVID-19 pandemic on food security, the department approved farmers under COVID-19 Relief Fund implemented within the Trading Entity, the funds provided qualifying smallholder farmers with vouchers for production inputs.

#### 12.2 Biological assets

Biological assets acquired and donated to beneficiaries upon allocation of land.

#### 12.3. Land development support

Land Development Support programme is a programme where farmers are assisted with infrastructure development, production inputs and working capital for the objective of commercialisation of farmers, for the objective of commercialisation of previously disadvantaged.

#### 12.4 Recapitalisation and Development Support Programme (RADP)

Relates to invoices that were paid during the current year for Recapitalisation and Development Support Programme (RADP) support.



**AGRICULTURAL LAND HOLDINGS ACCOUNT**  
Annual Financial Statements for the year ended 31 March 2022  
**Notes to the Annual Financial Statements**

	2022 R'000	2021 R'000
<b>13. Impairment</b>		
Property, plant and equipment	4 877	28 973
Lease debtors and other debtors	137 832	67 457
Reversal of impairment - Other financial asset	-	946
	<b>142 709</b>	<b>97 376</b>
<b>14. Cash generated from operations</b>		
Surplus (deficit)	472 791	(688 051)
<b>Adjustments for:</b>		
Depreciation and amortisation	81 753	82 089
Interest - land bank	-	-
Gain/Loss on disposal of asset	12 003	6 071
Adjust for Donations received	(3 921)	(6 061)
Impairment of assets	4 878	28 973
Additions in provisions	137 059	141 623
Interest receivable	-	(7 078)
<b>Changes in working capital:</b>		
Trade and other receivables from exchange transactions	(4 546)	(15 827)
Trade and receivables from non-exchange transactions	84 332	(200 353)
Prepayments	(5 500)	6 681
Movement in provisions	(64 883)	(108 350)
Trade and other payables from exchange transactions	(32 077)	(86 274)
Trade and other payables from non-exchange	2	-
	<b>681 891</b>	<b>(846 557)</b>
<b>15. Financial instruments disclosure</b>		
<b>Categories of financial instruments</b>		
<b>2022</b>		
<b>Financial asset by category</b>		
	<b>At amortised cost</b>	<b>Total</b>
Trade and other receivables from exchange transactions	9 715	9 715
Cash and cash equivalents	682 077	682 077
	<b>691 792</b>	<b>691 792</b>
<b>Financial liability by category</b>		
	<b>At amortised cost</b>	<b>Total</b>
Trade and other payables from exchange transactions	52 170	52 170
<b>2021</b>		
<b>Financial asset by category</b>		
	<b>At amortised cost</b>	<b>Total</b>
Trade and other receivables from exchange transactions	6 503	6 503
Cash and cash equivalents	375 506	375 506
	<b>382 009</b>	<b>382 009</b>
<b>Financial liabilities</b>		
	<b>At amortised cost</b>	<b>Total</b>
Trade and other payables from exchange transactions	85 732	85 732

**AGRICULTURAL LAND HOLDINGS ACCOUNT**  
Annual Financial Statements for the year ended 31 March 2022  
**Notes to the Annual Financial Statements**

	2022 R'000	2021 R'000
<b>16. Related parties</b>		
<b>Related party balances</b>		
<b>Inter-departmental receivable</b>		
Department: Agriculture, Land Reform and Rural Development: Receivable	-	2 661
<b>Inter-departmental payables</b>		
Department: Agriculture, Land Reform and Rural Development: Payable	2	-
<b>Related party transactions</b>		
Department: Agriculture, Land Reform and Rural Development: Receivable	937 986	448 040

No executive emoluments are paid by the Trading Entity as executives are remunerated by the Department of Agriculture, Land Reform and Rural Development (DALRRD).

The DALRRD 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 18.

**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 performance. Risk management is carried out by management committee of the department under the risk management framework approved by the Audit Committee.

**Liquidity risk**

**At 31 March 2022**

	Less than 3 months R'000	Between 3 to 6 months R'000	Between 6 months and 1 year R'000	Total
Trade and other payables from exchange transactions	661	50 490	1 019	52 170

**At 31 March 2021**

	Less than 3 months R'000	Between 3 to 6 months R'000	Between 6 months and 1 year R'000	Total
Trade and other payables from exchange transactions	74 000	11 732	-	85 732

The table above analyses the Trading Entity's financial liabilities into relevant maturity groups based on the remaining 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 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:

<b>Financial instrument</b>	<b>2022</b>	<b>2021</b>
Cash and Cash equivalents	682 077	375 506
Trade and other receivables from exchange transactions	9 715	6 503

## AGRICULTURAL LAND HOLDINGS ACCOUNT

Annual Financial Statements for the year ended 31 March 2022

### Notes to the Annual Financial Statements

2022	2021
R'000	R'000

#### 17. Risk management (continued)

##### 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.

#### 18. Services in kind

The Trading Entity falls under the Administration of the Department of Agriculture, Land Reform and Rural Development (DALRRD). The Executives, Provincial, District and National officials of the DALRRD spent some of their time on the affairs of the Trading Entity. Furthermore, the DALRRD provides the services of internal audit function, information technology, staff training, salaries, accommodation, furniture and equipment. There is no cost charged by the DALRRD in this regard.

#### 19. Fruitless and wasteful expenditure

Opening Balance	100 586	95 675
Prior period error adjustment	-	4 904
Add: Current Year - Fruitless and Wasteful expenditure	1 867	7
Less: Condoned - Fruitless and Wasteful expenditure	(84)	-
	<u>102 369</u>	<u>100 586</u>

##### 19.1 SRR projects

Fruitless and wasteful expenditure on SRR projects relates to the transfers of development funds on non-viable entities acquired. Grants amounting to R94,838million was provided to rescue the projects. An investigation by Forensic Investigation Unit (FIU) was conducted on Strengthening Relative Rights (SRR). The recommendation of the forensic audit is currently underway through a legal process.

##### 19.2 Other Fruitless and Wasteful Expenditure

A total amount of R7,498million relates to Interest paid on late payment of water rights and rates and taxes and during the current year.

#### 20. Future minimum lease receivable

4 363 884	4 251 501
-	-
<u>4 363 884</u>	<u>4 251 501</u>

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 is based on 2% of the 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 billable 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.

#### 21. Commitments

##### Already contracted for but not provided for

Guarantees land acquisition	102 058	4
One Hectare One Household - Grant Farmers	26 882	27 926
Open orders	2 551	2 135
Project management	1 710	2 187
Land Development Support - Grant Farmers	200 286	214 673
	<u>333 487</u>	<u>246 925</u>

Opening balances for Land Development Support - grant farmers have been restated.



## AGRICULTURAL LAND HOLDINGS ACCOUNT

Annual Financial Statements for the year ended 31 March 2022

### Notes to the Annual Financial Statements

	2022 R'000	2021 R'000
<b>22. Irregular expenditure</b>		
Opening balance	317 873	304 006
Add: Irregular Expenditure - current year	9 089	13 867
	<u>326 962</u>	<u>317 873</u>

#### **22.1 Irregular expenditure was incurred as a result of contravention of Supply Chain Policy Regulations Policy**

##### **Management fee – SRR**

SRR management fees amount to R41,805million, an appointment of business practitioner amounting to R1,120million and grant expenditure amounting to R37,508million. SRR forensic investigation has been completed and the process of recovery is underway.

##### Land development support (LDS)

Land development support program implementing agents procured goods and services of R235, 530million (inclusive of previous financial years) without following supply chain management prescripts. The current financial year irregular amounts to R9,089million is as a result of the finalisation of work in progress and procurement commitments already issued to third parties.

##### Recapitalisation and Development – Drought

Expenditure amounting to R11,000million was incurred during 2016/17 financial year through emergency deviation but work has not yet been completed.

A forensic investigation has been concluded and the process of implementing the recommendation is underway.

#### **23. Contingent asset and liabilities**

##### **23.1 Contingent Asset**

##### **23.1.2 Claims instituted by the department against third parties in relation to Grant funding programmes**

##### **23.1.2.1 Recapitalisation and Development (RADP)**

The department has instituted legal proceedings against beneficiaries to recover the losses suffered by the department due to mismanagement of RADP funds. The total amount of the claims instituted is R3,755million.

##### **23.1.2.2 Strengthening of Relative Rights (SRR)**

The department instituted legal proceedings against third parties for the mismanagement of funds that were allocated to one of the SRR projects. The total amount of the claim instituted is R65,000million.

##### **23.1.3 Leasehold Improvements**

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

Certain lessee has 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 will instead flow to be state (Agricultural Land Holdings 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 improvements. Lessees that have breached the contract have been 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.



## **23. Contingent asset and liabilities (continued)**

### **23.2 Contingent Liability**

#### **23.2.1 Rates and Taxes**

Subsequent to the rates and taxes assessment and communication with municipalities, the Trading Entity has at the end of the current financial year not received invoices for some accounts. The extent of the liability unknown relates to the period of 2007 to 2014 period as the municipalities are required to submit invoices together with statements for proper reconciliation, therefore the amount and the timing is uncertain, but it is probable that the proceedings will result in cash outflows to the municipalities.

#### **23.2.2 Other contingent liabilities**

Other litigation in process against the department relates to fire losses claim against properties held under the Trading Entity. The total claim instituted amounts R10,319million.

## **24. Disclosure of prior period errors**

The Trading Entity identified the following prior period errors during the 2021/22 financial year and all the corrections have been done from the beginning of 2019/20 financial year accordingly as follows:

### **24.1 Property, Plant and Equipment (PPE)**

During the current financial year errors were discovered in relation to cost, depreciation, impairment of certain assets in the asset register and disposal of assets. The errors resulted into an understatement of property, plant and equipment of R144thousand. The errors were further corrected in the statement of financial performance on depreciation and impairments.

### **24.2 Trade and other receivable non exchange:**

#### **24.2.1 Unspent Grant Land Development Support**

During the current financial year an error which resulted into an overstatement of unspent grant during the previous financial year was discovered. The recognition of such grant expense farmers omitted, resulted in an understatement of R7,734million. The statement of financial performance was further corrected.

#### **24.2.1 Other Debtors**

During the current financial year an understatement of receivable as a result of an omission of billing for debtors relating to beneficiaries who did not qualify for COVID-19 relief vouchers. The error resulted in an increase of receivable by R1,810million.

### **24.3 Trade and other payable - Exchange**

During the current financial year an error amounting to R42,802million relates to general expenditure invoices not accrued at year end. The error was correctly adjusted in the correct financial periods.

### **24.4 Prepayments**

The total amount of R3,489million relates land development support expenditure and Rates and taxes that were incorrectly allocated as prepayment during the previous financial year, an adjustment against grant farmer expenditure was done accordingly.

### **24.5 Trade and other receivable exchange**

During the current financial year an understatement of receivable was discovered as a result of an error in billing and interest charged of a lease contract, which resulted to an overstatement of receivable by R313thousand. The error was corrected accordingly.



**AGRICULTURAL LAND HOLDINGS ACCOUNT**  
 Annual Financial Statements for the year ended 31 March 2022  
**Notes to the Annual Financial Statements**

2022	2021
R'000	R'000

**24. Disclosure of prior period errors (continued)**

**24.6 Other Provision**

During the current financial year an understatement of interest expense of R2thousand was discovered, which resulted into an over expenditure on other provision for the current financial year. The adjustment has been done correctly.

**24.7 Commitments**

**24.7.1 Land Development Support**

During the current financial year, an error amounting to R728thousand was discovered as a result of grant farmers expenditure incurred in the previous financial year but not recorded. The error was corrected accordingly.

**24.8 Other reclassification**

**24.8.1 Unspent Grant Land Development Support**

Grant farmer expenditure amounting to R584thousand was incorrectly classified in the 2020/21 financial year as Recapitalisation and development support programme expenditure. A reclassification has been done accordingly.

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

**Statement of financial position**

Property, plant and equipment	(144)
Trade and other receivable non exchange	5 926
Trade and other payables exchange	42 802
Prepayments	3 489
Trade and other receivable exchange	313
Other provision	2
Accumulated surplus	(33 426)
	<u>(18 962)</u>

**Statement of financial performance**

Depreciation and Impairment	(2 177)
General expenses	(11 492)
Grant expense farmers	(4 820)
Rental income on lease receivable	(36)
Interest received	50
Donation received	225
Gain/Loss on disposal of assets	(1 823)
Other revenue	1 113
Interest expense	(2)
	<u>18 962</u>

From the beginning of 2019/20 financial year, the effect on retained earnings has been restated by R33,426million.

**25. Change in Accounting Estimates**

The annual review of useful life of assets resulted in a decrease of R121thousand in the depreciation charge to the Statement of Financial Performance.



**AGRICULTURAL LAND HOLDINGS ACCOUNT**  
 Annual Financial Statements for the year ended 31 March 2022  
**Notes to the Annual Financial Statements**

2022	2021
R'000	R'000

**26. Transfer of functions between entities under common control**

**Transfer of functions between entities under common control occurred during the previous financial year**

Entities involved in the transfer of functions were:

The entities involved are the Agricultural Land Holdings (ALHA), as the Trading Entity established and the Department of Agriculture Land Reform and Rural Development (DALRRD).

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

Blended Finance Programme

The former Department of Land Reform and Rural Development and Department of Agriculture, Forestry and Fisheries implemented Blended Finance in their respective departments. Upon the merger a transfer of the Blended Finance Programme under the Entity is transferred to the Department of Agriculture, Land Reform and Rural Development (DALRRD) for the full implementation of the programme.

Emerging Farmer Support Facility

The Agricultural Land Holdings Trading Entity (ALHA) has transferred an Emerging Farmer Support Facility that is managed by Land Bank as a developmental programme in the event that the emerging farmers owe Land Bank for production loans as curator guarantee. A total amount of R190, 811million was transferred inclusive of the interest receivable for the current financial year amounting to R7,078million.

The transfer of function took place during the 2020/21 financial year. The transfer was finalised on.

**Value of assets**

**Assets transferred**

Blended Finance Programme	-	163 484
Emerging Farmer Support Facility	-	190 811
	-	<u>354 295</u>
<b>Difference between the carrying amounts of the assets transferred, the liabilities relinquished and adjustments required to the basis of accounting</b>	-	<u>354 295</u>
<b>Difference between net assets and the consideration paid</b>	-	<u>354 295</u>

**27. Accounting by Agent and Principal**

In 2018/19 financial year a service level agreement was entered with National Emergent Red Meat Producers (NERPO) and Grain Farmers Development Association (GFDA) commodity organisation whose responsibility was to procure goods and services for farmers under the Land Development Support Programme under the DALRRD.

A total of R14,195million was remitted to National Emergent Red Meat Producers (NERPO) of which R6,275million was incurred during the current financial year for third party payments. All the funds were paid to third parties and no resources remained.

A further R2,853million was paid to National Emergent Red Meat Producers (NERPO) as management fees as at 31 March 2022.

Significant risk that arose in the financial year related to compliance with Supply Chain management prescripts as well as communication with affected farmers concerned. The risk has been mitigated through cancellation of the procurement of services by National Emergent Red Meat Producers NERPO and only agreeing in providing technical agricultural services to farmers. The procurement agreement has since been stopped only prior commitments are currently being implemented by NERPO.

## AGRICULTURAL LAND HOLDINGS ACCOUNT

Annual Financial Statements for the year ended 31 March 2022

### Notes to the Annual Financial Statements

2022	2021
R'000	R'000

#### 28. Other important disclosure

##### Lease rental discounts

During 2017/18 financial year State Land and Lease Disposal policy was amended to include an incentive in a form of a discount to lessees the full impact of the discount has not yet been effected as a result of the outstanding approval processes as per National Treasury Regulations. The full impact of the discount amounts to R87,972million and will be effected upon conclusion.

##### **28.2 Forensic and litigation for unaccounted fund under - recapitalisation and development programme (RADP)**

The department has approved forensic investigations and/or legal assessment for the projects funded with grants under recapitalisation and development program as a result of beneficiaries breach in submission of valid reconciliations and financial records to assess if funds were used for the intended purpose and/or if cash balances after the expiry of contract are realised, where funds are mismanaged and not expended or committed at expiry of the contract, such funds are to be returned to the entity.

Each case of breach is assessed on its merits, each merit has resulted in cases being at different stages on recovery. Stages of recovery includes forensic investigations where allegations of misappropriation or irregularities are found, pre-litigation process of claiming for specific performance, issuing letters of demand and/or for claiming for damages/losses.



### Report on the audit of the financial statements

#### Opinion

1. I have audited the financial statements of the Deeds Registration Trading Entity set out on pages 311 to 365, which comprise the statement of financial position as at 31 March 2022, the statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget and actual amounts for the year then ended, as well as notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Deeds Registration Trading Entity as at 31 March 2022, and its financial performance and cash flows for the year then ended in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) and the requirements of the Public Finance Management Act 1 of 1999 (PFMA).

#### Basis for opinion

3. 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 my report.
4. I am independent of the trading entity in accordance with the International Ethics Standards Board for Accountants' *International code of ethics for professional accountants (including International Independence Standards)* (IESBA code) as well as other ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

#### Emphasis of matters

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

#### Restatement of corresponding figures

7. As disclosed in note 27 to the financial statements, the corresponding figures for 31 March 2021 were restated as a result of an error in the financial statements of the trading entity at, and for the year ended, 31 March 2022.

#### An uncertainty relating to the future outcome of exceptional litigation

8. As disclosed in note 25 to the financial statements, litigation processes against the trading entity were underway relating to disputes on the registration of property and other legal matters. The total litigation before the courts is R317,732 million (2020-21: R305,558 million) and the remainder of the litigation could not be quantitatively measured for financial impact.

#### Underspending of conditional grant

9. As disclosed in note 35.5 to the financial statements, the non-augmentation of the budgeted amount of R138,2 million from the deferred revenue liability was due to underspending and delays on awarding of contract.

#### Responsibilities of the accounting officer for the financial statements

10. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with the GRAP and the requirements of the PFMA, and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
11. 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 appropriate governance structure either intends to liquidate the trading entity or to cease operations, or has no realistic alternative but to do so.



## Report of the auditor-general to Parliament on the Deeds Registration Trading Entity

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

12. 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.
13. 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

14. In terms of section 40(3) (a) of the PFMA, the trading entity is required to prepare an annual performance report. The performance information of the trading entity was reported in the annual performance report of the Department of Agriculture, Land Reform and Rural Development. The usefulness and reliability of the reported performance information was tested as part of the audit of the Department of Agriculture, Land Reform and Rural Development and any audit findings are included in the management and auditor's report of the Department of Agriculture, Land Reform and Rural Development.

### Report on the audit of compliance with legislation

#### Introduction and scope

15. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the trading entity's compliance with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.
16. The material findings on compliance with specific matters in key legislation are as follows:

#### Irregular expenditure

17. Effective and appropriate steps were not taken to prevent irregular expenditure of R4 843 000, as disclosed in note 30 to the annual financial statements, as required by section 38(1) (c) (ii) of the PFMA and treasury regulation 9.1.1. The irregular expenditure disclosed in the financial statements resulted from expenditure incurred on information technology expenses without the necessary approval.

### Other information

18. The accounting officer is responsible for the other information. The other information comprises the information included in the annual report. The other information does not include the financial statements and the auditor's report.
19. 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 on it.
20. 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, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
21. I did not receive the other information prior to the date of this auditor's report. When I do receive and read the information, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract the auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

### Internal control deficiencies

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

## Report of the auditor-general to Parliament on the Deeds Registration Trading Entity

23. There is no proper and regular review of monitoring compliance with legislation. Irregular expenditure was incurred, in contravention of the PFMA section 38(1)(c)(ii) and treasury regulation 9.1.1.

*Auditor - General*

Pretoria  
31 July 2022



AUDITOR - GENERAL  
SOUTH AFRICA

*Auditing to build public confidence*

## Annexure – Auditor-general’s responsibility for the audit

1. 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 the procedures performed on the trading entity’s compliance with respect to the selected subject matters.

### Financial statements

2. 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 relating to events or conditions that may cast significant doubt on the ability of the Deeds Registration Trading Entity 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 my 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 operating as a going concern.
  - evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

### Communication with those charged with governance

3. 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.
4. I also provide the accounting officer with a statement that I have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to bear on my independence and, where applicable, actions taken to eliminate threats or safeguards applied.



**Deeds Registration Trading Entity**  
**Audited Annual Financial Statements for the year ended 31 March 2022**

**General Information**

**Country of incorporation and domicile** South Africa

**Nature of business and principal activities** Registration of Deeds

**Business address** 219 Bosman Street  
Rentmeester Building  
Pretoria  
0001

**Bankers** Standard Bank

**Auditors** Auditor-General of South Africa

## Deeds Registration Trading Entity Audited Annual Financial Statements for the year ended 31 March 2022

### Index

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

Report of the auditor-general  
Audit Committee Report  
Statement of Financial Position  
Statement of Financial Performance  
Statement of Changes in Net Assets  
Cash Flow Statement  
Statement of Comparison of Budget and Actual Amounts  
Accounting Policies  
Notes to the Annual Financial Statements

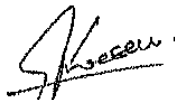
The audited annual financial statements set out on pages 311 to 365, which have been prepared on the going concern basis, were approved by the accounting authority on 31 July 2022 and were signed on its behalf by:



CC Swart  
**Director: Financial Management and Accounting**



MF Mogoba  
**Senior Financial Officer**



CCE Knoesen  
**Chief Registrar of Deeds**



R Sadiki  
**Chief Financial Officer**



M Ramasodi  
**Director general**