

KALAHARI KID CORPORATION

ANNUAL REPORT

2019/2020 FINANCIAL YEAR



Naturally Reared



KALAHARI KID CORPORATION

ANNUAL REPORT 2019/2020 FINANCIAL YEAR

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PART A:

GENERAL INFORMATION

1. PUBLIC ENTITY'S GENERAL INFORMATION

REGISTERED NAME:	KALAHARI KID CORPORATION
REGISTRATION NUMBER:	2001/023533/07
PHYSICAL ADDRESS:	13 Wessels Road Rivonia Sandton Gauteng 2196 7 Elliot Street Kimberley Northern Cape 8300
POSTAL ADDRESS:	P O Box 988 Rivonia 2128
TELEPHONE NUMBER/S:	+27 11 807 5624 +27 53 839 7832
FAX NUMBER:	+27 11 807 5325
EMAIL ADDRESS:	judith@kalaharikid.co.za admin@kalaharikid.co.za
WEBSITE ADDRESS:	www.kalaharikid.co.za
EXTERNAL AUDITORS:	ENSLINS PUBLIC AUDIT AND CONSULTING: Under the supervision of Auditor General SA – Northern Cape
BANKERS:	ABSA BANK

2. LIST OF ABBREVIATIONS/ACRONYMS

AA	ACCOUNTING AUTHORITY
AG	AUDITOR GENERAL OF SOUTH AFRICA
APP	ANNUAL PERFORMANCE PLAN
ASGISA	ACCELERATED STRATEGIC GROWTH INITIATIVE
BBBEE	BROAD-BASED BLACK ECONOMIC EMPOWERMENT
CAPEX	CAPITAL EXPENDITURE
CASP	COMPREHENSIVE RURAL DEVELOPMENT PROGRAMME
CEO	CHIEF EXECUTIVE OFFICER
CFO	CHIEF FINANCIAL OFFICER
CO-OPS	CO-OPERATIVES
COO	CHIEF OPERATING OFFICER
DALRRD	DEPARTMENT OF AGRICULTURE, LAND REFORM AND RURAL DEVELOPMENT
EA	EXECUTIVE AUTHORITY
FAO	FOOD AND AGRICULTURAL ORGANISATION
FMD	FOOT AND MOUTH DISEASE
GRAP	GENERALLY RECOGNISED ACCOUNTING PRACTICE
HR	HUMAN RESOURCES
IA	INTERNAL AUDITORS
IDC	INDUSTRIAL DEVELOPMENT CORPORATION
IT	INFORMATION TECHNOLOGY
ITCAL	INTERGOVERNMENTAL TECHNICAL COMMITTEE FOR AGRICULTURE AND LAND
KKC	KALAHARI KID CORPORATION
KT	KALAHARI TRAINING
MEC	MEMBER OF THE EXECUTIVE COUNCIL OF THE DEPT OF AGRICULTURE, LAND REFORM AND RURAL DEVELOPMENT
MTEF	MEDIUM TERM EXPENDITURE FRAMEWORK
NCPG	NORTHERN CAPE PROVINCIAL GOVERNMENT
NDP	NATIONAL DEVELOPMENT PLAN
NC-LDP	NORTHERN CAPE LIVESTOCK AND DEVELOPMENT PROGRAMME
OPEX	OPERATIONAL EXPENDITURE
PE	PUBLIC ENTITY
PFMA	PUBLIC FINANCE MANAGEMENT ACT
SCM	SUPPLY CHAIN MANAGEMENT
SLA	SERVICE LEVEL AGREEMENT
SME	SMALL AND MEDIUM ENTERPRISES
SMME	SMALL, MEDIUM AND MICRO ENTERPRISE
SOP	STANDARD OPERATING PROCEDURES
SPV	SPECIAL PURPOSE VEHICLE
TR	TREASURY REGULATIONS
WIP	WORK IN PROGRESS

3. FOREWORD BY THE ACCOUNTING AUTHORITY

Kalahari Kid Corporation (KKC) is a wholly owned Entity of the Northern Cape Provincial Government (NCPG) listed as a Public Entity 3C under the Public Finance Management Act. It was identified as a Special Purpose Vehicle to commercialise the goat industry in the Northern Cape Province, assist rural farmers to grow into commercial farmers and to become a formidable force in the goat industry in South Africa.

The year under review saw some improvements in the management of the Biological Assets with the introduction of the Electronic Ear Tagging System. This area had been identified as a top risk for the Entity and was prioritised in the year under review. Although this improvement is commendable, the camp sizes are still too big to have even a better livestock management system. The subdivision of the camps remains a priority for the Entity and this area continues to receive attention in order to secure the necessary funding. The mother department had also advised the Entity to apply for conditional grant funding for infrastructural development and a successful bid was put together for funding under the Comprehensive Agricultural Support Programme for the 2020/21 financial year. This funding will allow the Entity to apply to the Veterinary Authorities for Quarantine facilities on the farms and eventually have an import permit under its own name.

The Entity also experienced changes in its governance structure as the chairperson of the board became a full Member of Parliament in the year under review. This matter is receiving attention from the Executive Authority and will hopefully be concluded in the ensuing financial year.

Although there are continued debates regarding the viability of the Entity, there is a clear agreement that the Entity has a great potential especially in achieving a key target of improving agricultural contribution to the provincial gross domestic product and reduction in unemployment. This annual report will provide a glimpse of this potential and the possibilities that exists for small, medium and micro-enterprises in the agricultural sector with the right capitalization and pulling of resources within the state. A goat remains an untapped economic resource in the hands of emerging

farmers and this resource needs to be exploited for its economic value through the commercialization project.

Yours faithfully,



Dr P Kegakilwe
Kalahari Kid Corporation
Accounting Authority
31 July 2020

4. Statement of responsibility and confirmation of accuracy for the annual report

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

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

The annual report is complete, accurate and is free from any omissions.

The annual report has been prepared in accordance with the guidelines on the annual report as issued by National Treasury.

The Annual Financial Statements (Part E) have been prepared in accordance with the Generally Recognised Accounting Practice Standards.

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

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

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

In our opinion, the annual report fairly reflects the operations, the performance information, the human resources information and the financial affairs of the public entity for the financial year ended 31 March 2020.

Yours faithfully,



Dr P Kegakilwe
Kalahari Kid Corporation
Accounting Authority
(Date)

5. STRATEGIC OVERVIEW

5.1. Vision

The vision of Kalahari Kid Corporation is to 'Formalise the Goat Industry in the Northern Cape Province and become the number one goat business in South Africa'.

5.2. Mission

Kalahari Kid Corporation as a leader in the industry, will champion the commercialisation of goats in the market, promote and facilitate increased production and provide expertise for improved livelihoods, sustainable rural economy and food security for all.

5.3. Values

Business and services will be delivered within the spirit of the Constitution of the Republic of South Africa and other enabling legislation.

- Professional services at all times and strive to improve the quality of goat genetics and outputs.
- Ensure that all efforts have a positive impact on staff members and clients, especially goat co-operatives.
- Work in partnership with the Department of Agriculture, Land Reform and Rural Development and with other role-players to improve quality and efficiency.
- Uphold the spirit of "Batho-Pele" at all times.

6. LEGISLATIVE AND OTHER MANDATES

Kalahari Kid Corporation is a wholly owned subsidiary of the Department of Agriculture, Land Reform and Rural Development and it is a Public Entity listed in Section 3 C. The Public Entity functions under several legislative mandates, which include among others the following:

Legislative mandates

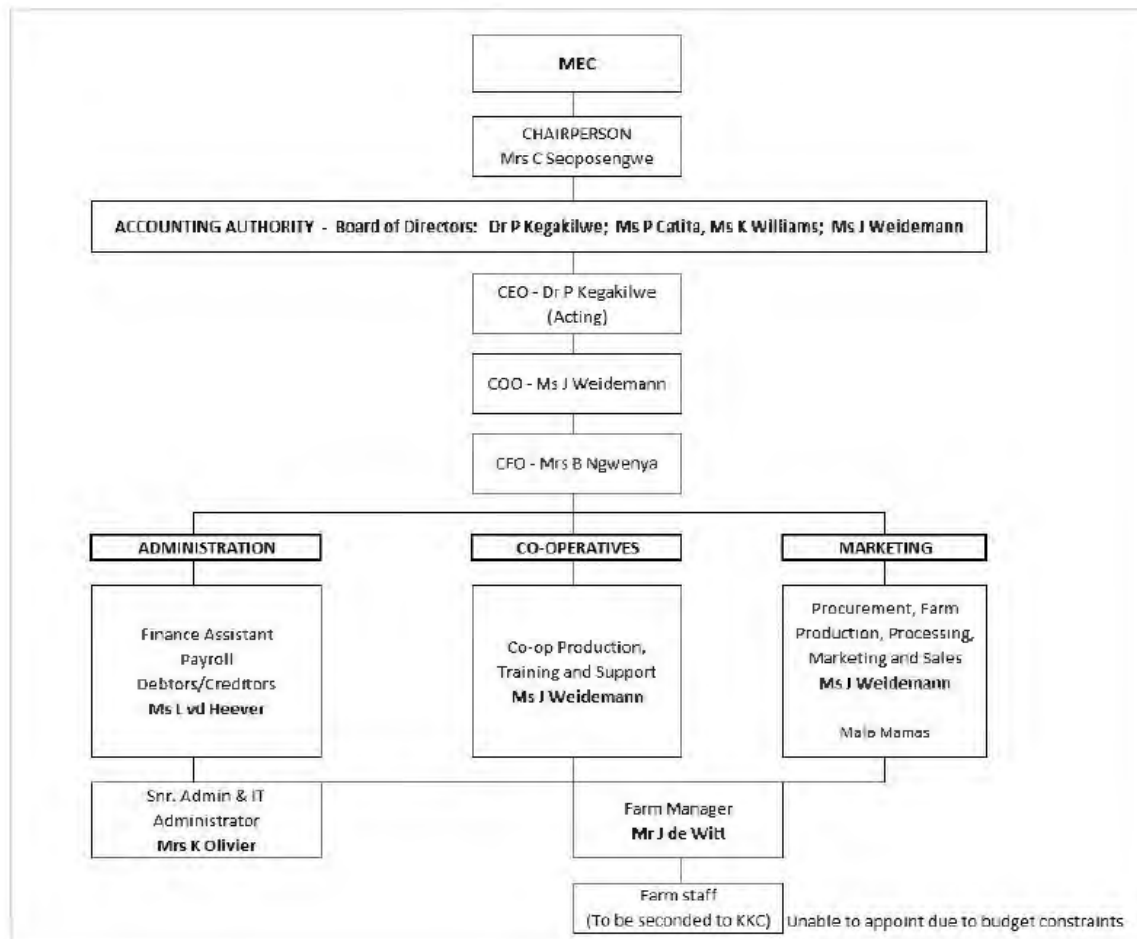
- Agricultural Black Economic Empowerment
- Agricultural Development Fund Act, 1993 (Act No 175 of 1993)
- Agricultural Product Standards Act, 1990 (Act No 119 of 1990)
- Agricultural Research Act, 1990 (Act No 86 of 1990)
- Animal Diseases Amendment Act, 1991 (Act 18 of 1984)
- Animal Identification Act, 2002 (Act No 6 of 2002)
- Animal Improvement Act, 1998 (Act 62 of 1998)
- Basic Conditions of Employment Act (Act 75 of 1997)
- Broad Based Black Economic Empowerment Act, 2003 (Act No 53 of 2003)
- Codex Alimentarius of the World Health Organization (WHO) and Food and Agricultural Organization (FAO) (International Code on Food Safety)
- Communal Land Rights Act, 2004
- Conservation of Agricultural Resources Act, 1983 (Act 43 of 1983)
- Constitution of the Republic of South Africa, 1996 (Act 108 of 1996)
- Consumer Protection Act (Act 68 of 2008)
- Disaster Management Act, 2002 (Act No 57 of 2002)
- Employment Equity Act (Act 55 of 1998)
- Fencing Act, 1963 (Act No 31 of 1963)
- Fertilisers, Farm Feeds, Agricultural Remedies and Stock Remedies Act, 1947 (Act 36 of 1947)
- Food Safety Act (No. 40 of 2000)
- Generally Recognised Accounting Practice
- Genetically Modified Organisms Act, 1997 (Act No 15 of 1997)
- Labour Relations Act (Act 66 of 1995)

- Land Reform Act, 1997 (Act 3 of 1997)
- Marketing of Agricultural Produce Act, 1996 (Act 47 of 1996)
- Meat Safety Act, 2000 (Act 40 of 2000)
- National Credit Act (Act 34 of 2005)
- Natural Sciences Profession Act 2003
- Occupational Health and Safety Act (Act 85 of 1993)
- Pension Funds Act (Act 24 of 1956)
- Perishable Product Export Control Act, 1983 (Act 9 of 1983)
- Preferential Procurement Policy Framework Act, 2000 (Act 5 of 2000)
- Preferential Procurement Regulations of August 2001
- Promotion of Access to Information Act (Act 2 of 2000)
- Provincial Supply Chain Management Policy (April 2006)
- Public Finance Management Act, 1999 (PFMA) Act 1 of 1999 as amended by Act 29 of 1999
- Public Institutions listed in PFMA Schedule 1, 2, 3A, 3B, 3C and 3D as at 31 December 2010
- Risk Management Act
- Skills Development Act (Act 9 of 1999)
- South African Abattoir Corporation Act, 2005 Repeal (Act 27 of 2005)
- The Employment Equity Act (No 55 of 1998)
- The International Animal Health Code of the World Organization for Animal Health (OIE – Office International des Epizooties)
- The international Code for Laboratory Diagnostic Procedure for Animal Diseases of the World Organization for Animal Health
- The Sanitary and Phyto-sanitary Agreement of the World Trade Organization (WTO)
- Treasury Regulations for Departments, constitutional institutions and public entities issued in March 2005 in terms of the PFMA
- Water Act 1998.

7. ORGANISATIONAL STRUCTURE

Kalahari Kid Corporation is a listed Public Entity under Section 3 (C) which reports to the MEC of the Department of Agriculture, Land Reform and Rural Development. The Entity operates according to the priorities set by the Office of the MEC which emanates from the policy directives, policy speech and public statements. Therefore the Entity participates in facilitating interventions aimed at fast tracking delivery of certain key programmes such as the Commercialisation of Goats Programme in the Northern Cape Province. A summarised structure in terms of reporting is outlined below.

The current staff establishment is 5 permanent staff members, 2 casuals have become permanent staff and are paid by KKC and 6 farm workers employed by the Mother Department, of which 6 are women and 7 are males.



The Entity is finding it challenging to achieve optimal levels of segregation of duties. The size and the nature of the Entity also make it difficult for the Entity to follow ideal processes in certain administrative duties, such as Supply Chain Management and conducting Consequence Management processes. The Entity is attempting with its limited resources and assistance from the Mother Department and Provincial Treasury to comply with regulations and adhere to required processes.

KKC require the co-operation of the Departmental Extension Officers to assist with supporting co-operatives. KKC only have 7 staff employees and cannot cover the whole Province with 1 person allocated to Marketing, Sales, Production and Co-operative production, training and support. KKC previously had a person fulfilling the position of Co-operative support and production, however we do not have the funds to employ such a person presently and have to rely on Extension Officers for support. Co-operatives have approached KKC to assist, even if they are not goat co-operatives, as they are finding that the Extension Officers are not willing to support them. The matter was referred to the responsible Director within the Department in December 2019 and the Entity is awaiting the Director's response.

The Entity's budget is not sufficient as the recapitalisation of the Entity has not taken place. This prohibits programmes 2 and 3 from achieving their targets. The Entity's Act has also not been promulgated,- leading to other administrative challenges. The Entity was advised by the Audit Committee and Portfolio Committee to revise its Annual Performance Plan to reflect realistic and attainable targets in line with the budget and cash flow.

The Entity has had a meeting with the Executive Authority in which the challenges were communicated to her. The Entity requested that it be changed from a 3 C listing to that of a 3 D in order that it can operate effectively and trade. Listed as a 3 C, the Entity cannot trade properly due to the stringent requirements of a 3 C. It was never intended that the Entity be a 3 C and it was incorrectly listed by Treasury. It cannot enter into fruitful trade relationships as a 3 C and cannot trade on a business related platform with the present listing. This listing also precludes the Entity from entering into long term contracts with suppliers and buyers.

If listed correctly, the Entity could have been self- sustainable. It must also be noted that only 4 years ago the Entity started off on the farms with only 84 breeding stock and has built up the farm to a present stockholding of over 1300 breeding stock.

PART B: PERFORMANCE INFORMATION



1. AUDITOR'S REPORT: PREDETERMINED OBJECTIVES

ENSLINS PUBLIC AUDIT AND CONSULTING AUDITOR'S REPORT: PREDETERMINED OBJECTIVES

The AGSA/auditor currently performs the necessary audit procedures on the performance information to provide reasonable assurance in the form of an audit conclusion. The audit conclusion on the performance against predetermined objectives is included in the report to management, with material findings being reported under the *Predetermined Objectives* heading in the *Report on other legal and regulatory requirements* section of the auditor's report.

Refer to page 68 of the Report of the Auditors Report, published as Part E: Financial Information.

2. SITUATIONAL ANALYSIS

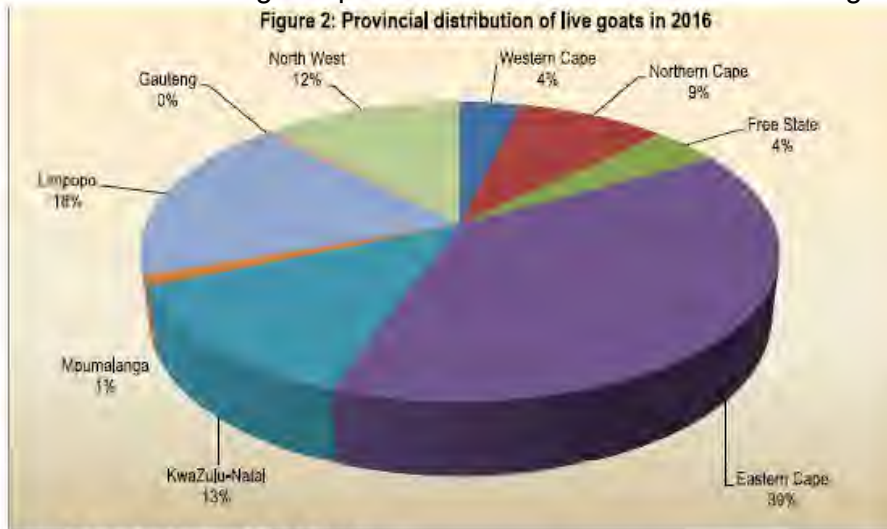
Kalahari Kid Corporation (KKC) developed the Annual Performance Plan in response to Department of Agriculture, Land Reform and Rural Development's (DALRRD) aim to use KKC as the Special Purpose Vehicle to commercialise the goat industry in the Province. The Entity envisages that through this plan they will develop Emerging Farmers through training, supply of stock, mentoring and market access. This will have a significant impact on job creation and contribute toward poverty alleviation and eradication while becoming the leading goat meat supplier in the country. KKC has a well-recognised brand both locally and abroad.

Performance Environment

Animal Production is the largest agricultural industry in South Africa. The red meat industry combined is estimated at over R6 billion per annum. Domestic demand for meat is increasing and estimated at 2 million tons. This exceeds local production of 1.86 million tons. Increasing real disposable income levels supports this demand to maximise the output of stock held by Emerging Farmers grouped into Co-ops therefore maximising the beneficiation and participation of rural farmers in the value added chain and food safety. - Taking Emerging Farmers to commercial status through the total value added chain, including exports.

Goats are found throughout the country with a large amount being traded out of the Northern Cape. To date KKC is the most active in selling goat meat in the country. Most competitors in the goat market are speculators and not industries that breed for slaughter, breeding and trading stock.

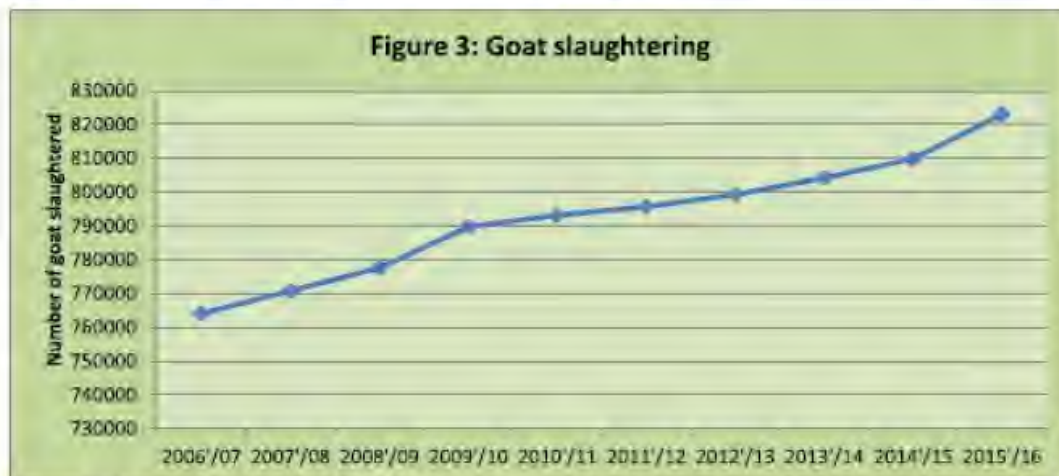
Distribution of live goats per Province in 2016 is illustrated in Figure 2.



Source: Statistics and Economic Analysis, DAFF

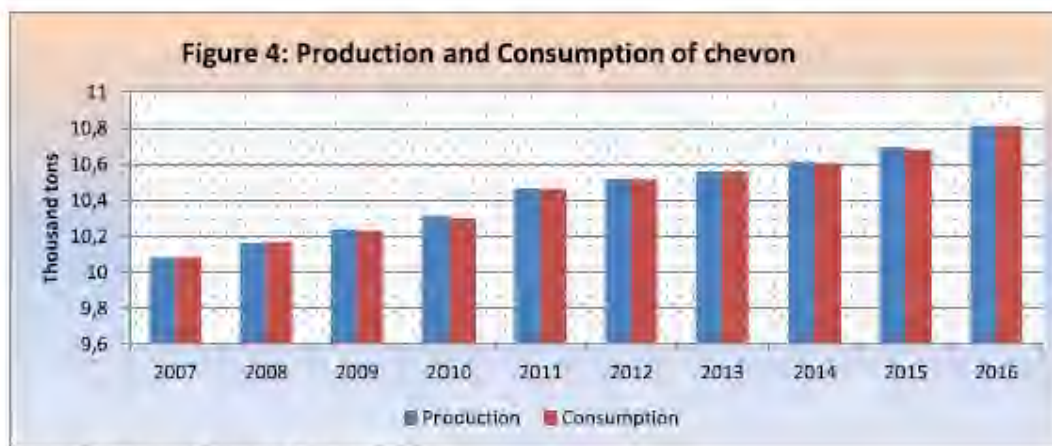
Figure 2 shows that the Eastern Cape owns more goats in South Africa accounting for 39% of the total flock followed by Limpopo, KwaZulu-Natal and North West taking up 18%, 13% and 12% respectively. The mentioned four provinces account to a total of 82% and the other five provinces share the remaining 18%.

Figure 3 below show the goat slaughtered from 2006/07 and 2015/16.



Source: Statistics and Economic Analysis, DAFF

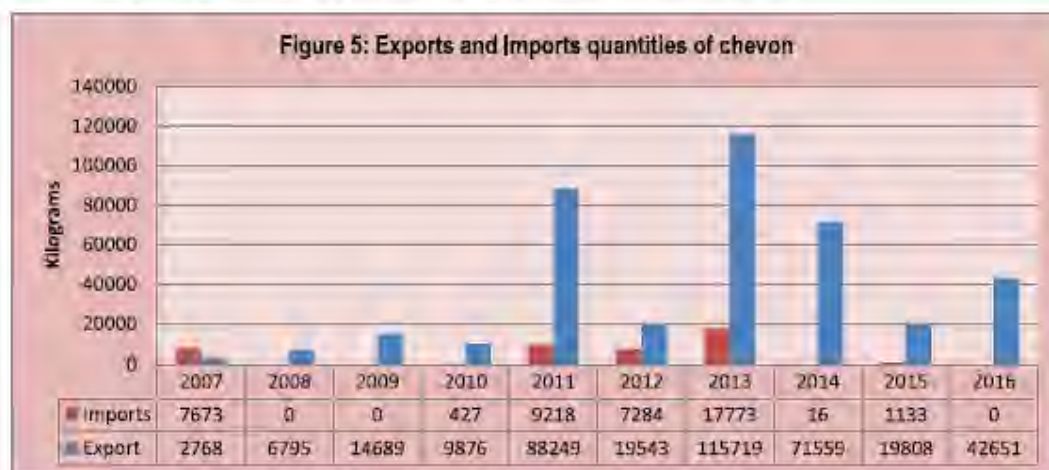
Figure 3 above shows that slaughtering has been increasing from 2006/07 to 2015/16. In 2009/10, there was a higher increase in goat slaughtering. Over the past ten years, the average number of goats slaughtered was 792 758 goats per annum. The peak was reached during 2015/16 with approximately 823 108 goat slaughtered. The figure shows that the goat slaughtering increased by 7% in 2015/16 as compared to 2006/07 marketing period.



Source: Statistics and Economic Analysis, DAFF

It is clear from the figure that during the period under review, production of chevon is slightly higher than consumption with less than 1%, except in 2008. This indicates that South Africa is self-sufficient with chevon/goat meat. The trends show that production and consumption of chevon/goat has been increasing for the past decade. The figure shows a 7% increase in both production and consumption of chevon/goat from 2007 to 2016. The peak was reached in 2016 with 10 814 tons for both production and consumption.

Figure 5 compares quantities of imports and exports for chevon from 2007 to 2016,



Source: Quantec Easydata

Figure 5 indicate that there were some intermittent imports of chevon during the past decade. There were no imports of chevon records during 2008 to 2009 and 2016 while the exports of chevon were recorded continuously throughout the decade. South African imports of chevon were higher than exports only in 2007 reaching maximum of 7 673 kilograms. South Africa exported during the entire period under analysis. This indicates that South Africa was self-sufficient in chevon production during the mentioned periods. The figure indicates the steady decline of exports from 2013 to 2015, and then in 2016 the exports picked up and increased by 115%.

Traditional goat meat consumers are made aware of the availability of Kalahari Kid Goat meat in the market place. Kalahari Kid supplies to individuals and butcheries and all exports take place out of O R Tambo Airport, hence the skewed profile of Gauteng being a leader in the goat industry. It is not a leader at all, but the hub from which all exports take place due to its perishable cargo hub at the airport.

Over 90 goat co-operatives have been formed in the Northern Cape, however not all of them have been stocked through the commercialization of goats programme developed in the Province. It is imperative that these co-operatives are supported and stocked with seed stock, in order for the KKC programme to reach its critical mass to supply their various markets (NAMC).

Kalahari Training, a wholly owned subsidiary of KKC that was financed through AgriSETA and the DALRRD. It supplies training to registered co-ops and individuals who have enough land and who are proficient in goat farming. KKC also sources the goats for slaughter from these farmers, through Extension Officers and continuous communication with Emerging Farmers,- and consolidates them on their Production Farms to sort or rehabilitate them to be sent to the nominated abattoir situated in Groblershoop or for further breeding (DAFF).

The National Livestock Strategy Plan is aligned to the Presidential Imperatives and the Strategic Plan of the Northern Cape Department of Agriculture, Land Reform and Rural Development, emphasising the need to enhance equitable access and participation in agriculture, improve global competitiveness and profitability and ensure sustainable resource management.

Rural communities have livestock which, through the KKC programme can be improved and used towards socio-economic development as supported by the Presidential Agricultural Programme.

The aim of the Province and KKC is to be the leading goat production and processing company in Southern Africa, by:

Establishing and managing Production Farms to produce high quality goat breeding stock, flock stock and slaughter stock. This is in progress and presently the KKC farms in Groblershoop in the Municipal District of !Kheis, houses more than 1300 goats. The farms, Rooisand and Boegoeberg need additional infrastructure in order to facilitate the effective breeding of good genetic breeding and slaughter stock, for supply to the co-operatives and various markets. Infrastructure upgrades were made during the 2017/18 year and will progress beyond. Additional fencing, dip stations, and water reservoirs were installed; however, ablution facilities, fire breaks, accommodation and electricity need to be installed.

KKC continue to export slaughtered goat meat to Hong Kong and have been approached by Nigeria to export live breeding stock to them. KKC will endeavour to fulfil as many of its export requirements as possible, however, due to its listing as a Public Entity 3 C, it is precluded from trading in an open market. Listed as a 3 C is an impediment on the Entity and although numerous requests to delist or list as a 3 D have been made, the status remains as a 3 C and curtails the independent trade and profits the Entity can make. Both the Audit Committee and the Portfolio Committee have commented that they will support a change in listing and the recapitalization of the Entity.

The budget that KKC receives is spent on operational expenses and supporting the two Production farms which is central to supporting the Co-operatives. Co-operatives are supplied with seed stock from the KKC Production farms, (through external funding or through funding from the DALRRD) and they in turn are obliged, through signed contracts with KKC, to supply their kid goats at market related prices, to the farms for marketing in exchange for money.

The Entity was to be recapitalized in the 2018/19 or 2019/20 financial years, however this did not happen.

The focus has shifted to reprioritising individual Co-operatives (by way of re-establishing, training, mentoring, and non-financial support e.g. market access and offtake agreements) by driving the support that is needed to improve the livelihoods of the Emerging goat Farmers and Co-operatives to become commercially viable.

This can only be achieved by working with the Mother Department (or the external source of funding used by the Co-operative). KKC is also assisting Emerging Farmers and Co-ops with their Business Plans, external funding applications which require offtake agreements, design of their facilities for holding the goats and mentorship with regards to their animals that become sick and they are not sure what to vaccinate or what care needs to be administered.

2.1. Organisational Environment

The Entity's Chairperson was elected as an MP and can therefore no longer be the Chair of the Entity. This matter has been brought to the attention of the AC, PC and MEC as the Entity may not operate without an elected Chair. The position has been vacant since August 2019 —The Acting Executive Authority has assumed the responsibility of Accounting Authority is this time period, as provided for in the Public Finance Management Act.

Based on the budget transferred, the Entity is unable to appoint new personnel as its salary budget had already increased significantly with the appointment of a permanent CFO, as required by the PFMA and the additional farm workers. KKC are using the farm workers supplied by the DALRRD, who were to be seconded to KKC, however, this secondment has also never taken place. The Entity finds it

difficult to operate with staff that do not fall under its jurisdiction and performance, as the staff feel that they are working for the Department and not KKC and therefore do not always take instructions from the Farm Manager. The Entity therefore decided to employ 2 of its own farm workers (2018). This matter has been communicated to the HR Department of the Mother Company.

The aim of Kalahari Kid Corporation (KKC), a wholly owned Entity of the Northern Cape Provincial Government (NCPG) since 2004, is to commercialise the goat industry in the Northern Cape Province, assist rural farmers to grow into commercial farmers - to become a formidable force in the goat industry in South Africa, and was identified as an Accelerated Growth Strategic Initiative of South Africa (ASGISA) project in 2008.

KKC cannot operate in the open market due to its listing, and therefore is equally subjected to market dynamics. These range from input price volatility, pricing by speculators to market access restrictions due to biosecurity & biosafety concerns such as Foot and Mouth Disease bans. The biggest limitation however, is the inability to properly trade in the open market due to a 3C listing. This continuously challenges the Entity to be innovative to avoid irregular expenditure.

The Foot and Mouth disease in South African livestock was lifted in late October. KKC were approached to supply Qatar, Oman and Kuwait, however, when the Importers requested their Import Permits, they were denied as within 2 weeks, FMD was again found in Limpopo and Mpumalanga and the ban was again put in place.

Part of resolving market restrictions was for the Entity to develop a plan to upgrade its infrastructure on the production farms. This will allow births to be managed properly and thereby increase the weaning percentage. It also proposes to designate a section of the farm as a quarantine facility in order to apply for an import and export permit under KKC's name, to fulfil the Twinning Agreement which was entered into by the National Department of Agriculture, with Namibia, to also assist their Emerging Farmers with market access. KKC is awaiting CASP funding to fulfil these infrastructure requirements. KKC have also managed to feed all the animals on the farms and to manage impacts of persistent droughts which have plagued the Entity and the Province for the last 5 years. A large amount of the budget was spent on additional feed during these periods, in order for the biological assets to survive.

The one focus area for the Entity is to fully fund this infrastructure upgrade plan and efforts have been undertaken to apply for conditional grant funding.

Under the present status as a Public Entity 3 (C), KKC is precluded from accessing alternate funds and relies solely on the Department of Agriculture of the Northern Cape for funds to procure new breeding stock to grow the critical mass needed for various markets, locally and internationally. Presently KKC have orders exceeding 2000 goats per month and are unable to supply. KKC as a Public Entity cannot

access funds or trade in a fair and entrepreneurial market as the rules of a Public Entity 3 (C) and the PFMA place stringent restrictions on the operation of KKC who are precluded from being able to operate on a commercial level. It is to this end that KKC have to rely on the Department to support them to achieve their goals.

Significant developments that could impact on the Entity:

- The IDC and United Nations were interested to finance and further develop the Kalahari Kid Corporation model to enhance subsistence livelihoods. Until Kalahari Kid Corporation is delisted as a 3 (C) Entity, Investors are not able to invest in the growth and development of Kalahari Kid Corporation. If delisted, Kalahari Kid Corporation could become self sustainable and attract further investment and cease to be a financial burden on the DALRRD of the Northern Cape Provincial Government and the fiscus.
- Swaziland, Limpopo and the Eastern Cape have again approached KKC to assist them to procure seed stock, mentor them and train the farmers they identify to be trained. They wish to replicate the KKC model.
- A submission from Swaziland to visit the Province has been submitted to the Department and KKC are awaiting an outcome.
- KKC will assist the Department with their “Twinning Project” in the Karas region of Namibia to purchase goats from subsistence farmers in that area, if given the budget to do so.
- The office of the Small Business Development were most interested in supporting KKC to create SMME’s and the roll out of Mala-Mamas, (selling offal from containers).

The Mala-Mama Programme (selling frozen offal from refrigerated containers in townships and rural areas), is a major source of income and ticks the various boxes of job creation; alleviating poverty in rural and urban areas; empowering women and the youth; food safety; entrepreneurship, - and promoting a sustainable business environment.

Kalahari Kid Corporation is the perfect vehicle through which the DALRRD can access markets and grow the viability of Emerging Farmers in the small livestock sector. Kalahari Kid Corporation is a well-recognised “brand” both locally and internationally and can assist the DALRRD with market penetration for the sale of meat and other related products from the Province.

The aim of the project is to “Commercialise the Goat Industry” in the Northern Cape Province. It was therefore deemed appropriate by the Executive Committee of the Northern Cape Provincial Government for KKC to be the Special Purpose Vehicle (SPV), through which the programme would be implemented and to allow Emerging Farmers to enter the value added chain and become commercially viable.

KKC has become a recognised brand, - which is very important as the supply lines have been developed and maintained. As a Developmental Programme the Goat Commercialisation Programme in general and KKC in particular is well placed. It is developing the Emerging Farmers with training, starter packs, seed stock, support and market access with the intention of them progressing into Commercial Farmers. This will have a significant impact on job creation and contribute towards poverty alleviation and eradication. This will be further enhanced through the Mala-Mamas programme that seeks to use members in the communities, mainly women and the youth, to become retailers of goat products in particular offal, by selling from refrigerated containers in informal settlements and rural areas.

The Development Programme of KKC is unique through the establishment and mentoring of the co-operatives, supplying of seed stock and the off take of goats from them. This approach ensures sustainability and contributes towards job creation, food safety, entrepreneurship and poverty eradication.

This support includes:

- Training
- Supplying starter packs
- Supplying seed stock
- Assisting with veterinary advice
- Assisting with Extension and Advisory services
- Offtake of goats and market access
- Continuous mentorship and farmers days
- Exchange of good genetic bucks/rams, to improve the breeding stock of Co-operatives and Emerging Farmers as a whole.

Training and support:

A co-operative member and/or worker will be required to register for a goat management-training course offered by the Kalahari Kid Corporations subsidiary, Kalahari Training (Pty) Ltd. A manual for goat owners was compiled by the Kalahari Training, and is intended as a practical manual for beginner farmers and small-holders. The details of the training will be as follows:

- Introduction to goats
- Introduction to diseases
- Introduction to internal parasites
- Introduction to nutrition: managing and feeding of goat kids, nutritional requirements of lactating Does, feeding meat goats, introduction to wounds, abscesses and injuries
- Goat Handling
- Kidding management practices
- Post mortems
- Toxic plants

Most of this training course is practical and will allow the members and workers to gain the necessary knowledge and experience in goat handling. The practical training is done on KKC Production Farms, with trainers and accessors and is AgriSETA certified. The course requires 4 weeks intensive full time training and a further 3 months part time training.

The Department of Trade and Industry (DTI) had an ambitious initiative to raise one million goats a year to supply meat to the Middle East. The initiative would also produce goat's milk, cheese, kefir - a yoghurt-like health drink – offal – (Mala Mamas) and hides for processing into leather for manufacturing of crafted products such as wallets. Products would be marketed under a brand to be known as Kalahari Kid. The DALRRD is supported this project by playing a vital facilitating role in the implementation and sustainability of the co-operatives and Subsistence Farmers. This project was self- sustainable and manufactured all of the above up until 2004, but changed after the merger with the Department and became only a support to Co-operatives to create more animals with which to trade with and supply Emerging Farmers. The sales have continued however, due to the Production Farms as the Co-operatives have not supplied sufficient stock into the programme. The Production Farms are pivotal to the success of the Entity as they supply the majority of goats for trade, slaughter and breeding, both for itself and into the Emerging Farmer projects.

External Environment:

Kalahari Kid Corporation is a 3 (c), listed Public Entity in the business of raising breeding and slaughter goats, marketing live goats and goat meat nationally and internationally.

The Entity continues to trade with live goats procured from farmers mainly in the Northern Cape and from neighbouring countries.

KKC is listed as a Public Entity 3 (c), wholly owned (100%) by the DALRRD of the Northern Province. KKC is reliant on grants from the DALRRD for its total Opex. KKC could make a large impact on the Social Development of Emerging Farmers, the Youth and Women, through the Mala Mama Programme, if capitalized to effectively carry out its Social responsibilities.

KKC supports Emerging Farmers, co-operatives, goat interest groups, and supports the Provincial Development Plan to uplift rural communities and Emerging Farmers throughout the Province and the National Development Plan (NDP), through getting Emerging Farmers to participate in the value added chain and exports.

With Agriculture being on the forefront of food safety and security and the fact that goat meat consuming countries are not self sustainable and do not have enough of their own goats for consumption, KKC could play a large role in the supply and contract growing for such countries.

KKC have already been approached by the Middle East, Malaysia and Brunei, to expand its operations in order to be in a position to supply large amounts of live and slaughtered goats into these markets and into Kwa Zulu Natal (KZN). KKC have further been requested to install a de-hairing machine, - the same as that being used to de-hair pigs, to de-hair goats for Nigeria. Nigerians prefer to have goats with their skin on. Should KKC be in a position to supply such goats, then a large market would exist in exporting to Nigeria, however an in depth due diligence will need to be carried out on the Importer in Nigeria with certified funds via LC.

Changes to KKC:

The Director of Co-operative Support, Production and Training resigned in 2018. He has not been replaced and this position is being fulfilled the COO and the Farm Manager. KKC do not have the budget to employ anyone in this position during the year under review.

KKC have applied to Treasury for permission to open a bank account for Kalahari Training (KT) in order that AgriSeta may pay stipends for learners and fees for Trainers into such account, through their grant system. Agri-Seta requires that KT have their own bank account prior to advancing any funds for training. Should KKC not receive this permission, then it is precluded from accessing Agri-Seta funding in any form.

KKC has a lease agreement with the! Kheis Municipality for the farm Boegoeberg, - one of the two KKC Production Farms. Upgrading of the fencing must be done to secure the goats and fire breaks must be installed. KKC have requested a Veld Condition Assessment Report to be done by the Department in order to increase the amount of cattle held on the farms to balance the veld utilization. KKC have applied for CASP funding for some upgrades.

KKC conducted a SWOT analysis with the following outcomes:

Strengths	Weaknesses
The Farmers involvement Training and Education Production Farms Collection of products Processing Branding and Packaging Quality Control, Traceability Food Safety Marketing Product Distribution Access to the value added chain Regional Control National Livestock Information Participation of stakeholders Access to research information Exports and local sales	No access to support from Agricultural Officers Long turnaround time of information from Departments : Treasury/Agriculture Incomplete infrastructure - Predators Re-establishment of co-operatives Lack of funding – no budget Succession planning
Opportunities	Threats
Increasing production Creation of new markets Extension officer support Roll out of community state vets Co-operation with other breeding programmes Extending of food security programmes in rural areas Covid 19 Food Safety programmes Job creation Future training and mentorship Larger exports and sales	Volatile economic outlook Disease outbreaks leading to loss of markets and export bans Stock theft Natural Disaster Competition with other government departments and private sector Lack of interdepartmental co-ordination Lack of cooperation and commitment by commercial farmers Listing precludes KKC from implementing its business model as envisaged. In particular it cannot trade independently from Government and it cannot source funding. Listing incorrect

2.2. Key policy developments and legislative changes

The Entity will continue with the following policies and strategies in the five-year planning period:

- Implementation of the Provincial livestock development programme (PLDP)
- Commercialisation of goats Programme

Linkages with the National Development Plan

Focus area: Agricultural development : Target: An additional 643 000 direct jobs and 326 000 indirect jobs in the agriculture, agro processing and related sectors by 2030

NDP Core Actions

Core Actions a) Expand dry-land production

Core Actions b) Investigate different form of financing

KKC Strategic Plan Response (2015-2020)

Establishing and managing production farms to produce high quality goat breeding stock, flock stock and slaughter stock. This is in progress and presently the KKC farms in Groblershoop in the Municipal District of !Kheis, houses more than 1300 goats. It is envisaged that in the next 5 years there will be breeding stock of 5000 goats, should the Department agree to capitalize KKC. The farms, Rooisand and Boegoeberg need additional infrastructure in order to facilitate the effective breeding of good genetic material and slaughter stock, for supply to the co-operatives and various markets. Phase 1 of the infrastructure is complete and it was envisaged that the budget would be made available in 2019/20 to complete the balance of the infrastructure required as Phase 2. Unfortunately the capitalization did not take place and KKC's budget was in fact cut by R1m. The budget transferred does not even cover OPEX. To this end, KKC applied for CASP funding to complete some infrastructure for quarantine facilities for export and trade.

As a Public Entity 3 C KKC is precluded from accessing different forms of financing. KKC can access funds to fulfil its core purpose in commercializing the goat industry in South Africa and has had numerous discussions with the IDC and the other funding institutions who were interested in giving KKC financial support and grant funding, however both institutions insist that KKC needs to delist as a 3 C in order for them to be able to fund.

	This Strategic Plan with budgets will be presented to various Governmental Institutions including Rural Development and the IDC, with the intent to raise capex to fund the infrastructure of phase 2, increasing the stock of breeding goats on the farms and the supply of goats to the co-operatives to breed for KKC, and to launch the Mala Mama programme, aimed at creating sustainable incomes for women and the youth in rural areas. This was produced and KKC were awaiting the outcome from the Department as to their intent with the future of KKC.
Core Actions c) Farmers also need cold-chain infrastructure if they are to access markets for high-value produce and rural consumers	Emerging farmers through the KKC programme have access to the cold chain, food security and markets, including exports, - and the KKC Mala Mama programme will enhance this through the containers supplied with offal and insulated carts to deliver the offal to homes in various rural areas and informal settlements.
Core Actions d) Rural economies will be activated through a review of land tenure, service to small and micro- farmers	KKC allocated 3000ha from the farms KKC leases to 10 emerging farmers to assist them with grazing. KKC also assisted with their water supply. KKC have over 90 co-operatives listed on their data base. KKC mentors these co-ops by providing training, advice on goat management, veterinary advice and a market for their goats. KKC also mentors, assists all other co-operatives in the Province and neighbouring Provinces with their queries, business plans, access to markets and continuous mentorship
Core Actions e) Identifying developing strategies for economic co-operation that give poor producers greater collective market power in value chains and improved access to information	Emerging goat farmers have access to all markets and value added chains through the KKC programme. In prior years (with AgriSeta funding) KKC trained over 1000 goat farmers in the Northern Cape, run through the Kalahari Training Company, a wholly owned subsidiary of Kalahari Kid Corporation and registered with Agri-Seta. The Training Programme is equivalent to an NQ4 level. KKC interacts with Subsistence Farmers daily and is awaiting information from Treasury to have a second bank account to access Agri-Seta funding for training for farmers.
Core Actions f) Skills	Kalahari Training Company (KTC) supports, trains

development and entrepreneurial development in potential areas of economic development	and mentors emerging farmers who are interested in goat farming to develop them from subsistent farmers to enter into commercial markets. Farmers have already been trained through this programme and mentorship is on-going.
Core Actions g) Rural economies will be activated through improved infrastructure and service delivery	KKC have assisted emerging farmers to access funding for improved infrastructure and have allocated 3000 hectares of their farm Boegoeberg, which is leased from the !Kheis Municipality, to Subsistence Farmers to give their animals access to grazing pastures/browsing vegetation and water.
Core Actions h) Household food security strategies.	Food security is monitored throughout the entire value added chain, - from birth to plate and improved traceability and monitoring systems are constantly being investigated.
Core Actions i) Together with social partners, determine a social floor that can be progressively realized to ensure no one should suffer poverty induced hunger	In Phase 2, the KKC Mala Mama programme addresses these issues. Rural women and the Youth will be trained to become their own entrepreneurs and sell goat meat and offal from a refrigerated container from which they are supplied. Branding will be done on their umbrellas and ice cream carts carrying the meat and offal to homes and the income derived from such branding and the sale of meat and offal will uplift the communities in which the refrigerated containers are placed by KKC. A community centre or Church will own the container and KKC will supply them with stock for sale. This programme, through KKC ticks all the boxes of job creation, employment for the youth and women, food security, sustainable incomes, poverty alleviation, entrepreneurship and assists people to stay at home during the Covid pandemic, as the meat is delivered to their homes.
Core Actions j) Identify the main elements of a comprehensive food security and nutrition strategy and launch a campaign	In Phase 2 the KKC Mala Mama programme addresses these issues by establishing food outlets through refrigerated containers in remote rural areas. Should the dairy programme be included, nutritious goat milk can also be provided to feeding schemes and the product known as KEFIR can be developed. It is a natural probiotic, and also fed to children that are lactose intolerant. KEFIR is already being sold in



various supermarkets throughout South Africa and is well known internationally for its beneficial qualities. KKC have previously manufactured this product and marketed it extensively. Delivering meat to homes eradicates the need for the purchaser to travel outside and protects the spread of the virus. All carts and the container are sterilized daily and the product supplied is from a certified abattoir, providing food safety.

Other planned policy initiatives from the DALRRD:

- Co-operative Development Strategy
- Northern Cape Comprehensive Rural Development Strategy
- Northern Cape Livestock Production and Development Programme (NC-LPDP)
- Revitalising the agriculture & agro processing value chain
- Policy on Rural Enterprises and Industry Development
- Policy on the Strengthening of Relative Rights for People Working the Land
- Policy Reviews on: - Recapitalisation and Development; Proactive Land Acquisition and Farm Share Equity Schemes

2.3. Strategic Outcome Oriented Goals

The Entity has three programmes through which its mandate is executed which was approved by the Board of Directors.

Strategic outcome oriented goal	TO COMMERCIALISE THE GOAT INDUSTRY
Goal statement	To Commercialise the Goat Industry through enabling subsistence Emerging Farmers to become Commercial Farmers

3. PERFORMANCE INFORMATION BY PROGRAMME

3.1. Programme 1: Administration

This programme manages all administration and internal financial aspects in accordance with the PFMA and ensures that there are support services to Programme 2 and Programme 3 with regards to accounting, information, communication, risk, HR support, co-ordination and administration of co-operatives, especially for the marketing programme and procurement and the updating of co-operative information.

Strategic objectives, performance indicators planned targets and actual achievements

Strategic Objective Title	Strategic financial and administrative support
Strategic Objective Statement	To provide strategic financial and administrative support throughout the organisation
Baseline	Strategic Plan 2018/19-2021/22 linked to the mandate of the Department was developed. Each year the Annual Performance Plans are developed.
Strategic Objective Indicator	Submission of all legislated reports and employee performance appraisals

Strategic objectives

Strategic objectives	Actual Achievement 2018/2019	Planned Target 2019/2020	Actual Achievement 2019/2020	Deviation from planned target to Actual Achievement for 2019/2020	Comment on deviations
Submission of all legislated reports and employee performance appraisals	Submission of all legislated reports and employee performance appraisals	Submission of all legislated reports and employee performance appraisals	Submission of all legislated reports and employee performance appraisals	N/A	N/A

Key performance indicators, planned targets and actual achievements

Programme/activity/objective:					
Performance Indicator	Actual Achievement 2018/2019	Planned Target 2019/2020	Actual Achievement 2019/2020	Deviation from planned target to Actual Achievement for 2019/2020	Comment on deviations
3.1.1. Number of performance reports produced	5	5	5	n/a	n/a - Target reached
3.1.2. Number of Performance Plans developed	1	1	1	n/a	n/a - Target reached
3.1.3. % of Completed Employees performance appraisals reports	100%	100%	100%	n/a	n/a - Target reached
3.1.4. Timeous and accurate Annual Financial Statements submitted	1	1	1	n/a	n/a - Target reached
3.1.5. Submit an asset register annually together with Financial Statements to the Auditor General	1	1	1	n/a	n/a - Target reached

3.1.6.Number of bank reconciliations performed	52	52	52	n/a	n/a - Target reached
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Strategy to overcome areas of under performance

- Relevant financial policies to be reviewed
- Monitor the Implementation of the Audit Action Plans with responsible personnel
- Strengthen implementation of Supply Chain Management policies and procedures

Changes to planned targets

No targets have been changed in year.

Linking performance with budgets

Programme/ activity/ objective	2019/2020			2018/2019		
	Budget	Actual Expenditure	(Over)/ Under Expenditure	Budget	Actual Expenditure	(Over)/ Under Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
Programme 1	5 124	4 247	877	5 616	4 573	1 043
Total	5 124	4 247	877	5 616	4 573	1 043

The above represents the expenses incurred by the Entity to discharge its mandate.

While the above may reflect that the Entity under spend on its budget, it is also important to note that the Entity's approved Annual Performance Plan was never capitalised. The Department only transferred R3 350 000 to the Entity for the year.

Additional expenses were funded from the sales made by the Entity.

3.2. Programme 2: Co-operative Support, Production and Training

This programme provides relevant agricultural production and training support to goat co-operatives, individual goat farmers and support to the production farms in order to ensure sustainable agricultural growth. The information on production and skills development should be updated, relevant and based on sound research.

Strategic objectives, performance indicators planned targets and actual achievements

Strategic Objective Title	Increase the production of goats (through Co-operatives, goat interest groups and Trusts)
Strategic Objective Statement	To increase the production of goats in the emerging sector to commercialise the goat industry.
Baseline	There are 97 co-operatives of which 45 are still active with a total of 1023 goats and only 25 received seed stock.
Strategic Objective Indicator	Number of Co-operatives supported

Strategic objectives

Strategic objectives	Actual Achievement 2018/2019	Planned Target 2019/2020	Actual Achievement 2019/2020	Deviation from planned target to Actual Achievement for 2019/2020	Comment on deviations
Number of Co-operatives supported	4	14	0	14	The Entity's APP was not aligned to the Budget. The Entity set targets with the understanding that there will be recapitalization of the Entity.

					However, this recapitalization did not materialize, which resulted in the Entity not being able to reach the target as there was no funding available for the planned targets.
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Key performance indicators, planned targets and actual achievements

Programme/activity/objective:					
Performance Indicator	Actual Achievement 2018/2019	Planned Target 2019/2020	Actual Achievement 2019/2020	Deviation from planned target to Actual Achievement for 2019/2020	Comment on deviations
3.2.1.Number of farmers receiving training	90	90	0	90	The Entity's APP was not aligned to the Budget. The Entity set targets with the understanding that there will be recapitalization of the Entity. However, this recapitalization did not materialize, which resulted in the Entity not being able to reach the target as there was no funding available for the planned targets.
3.2.2.Number	4	14	0	14	The Entity's APP

of co-ops supported (starter packs and seed stock)					was not aligned to the Budget. The Entity set targets with the understanding that there will be recapitalization of the Entity. However, this recapitalization did not materialize, which resulted in the Entity not being able to reach the target as there was no funding available for the planned targets. The COO consulted with the DALRRD to see where support may be extended and is still awaiting an outcome from the Director responsible for Co-op support
3.2.3.Number of farm reports	12	12	12	-	n/a – Target reached

KKC is not able to support Co-operatives financially but is assisting the Co-operatives with their business plans and take off agreements in order for them to apply for financing.

At present the low stock levels at the farms precludes KKC from entering into long term off-take agreements with retailers and export markets. The first phase of the upgrades were completed but KKC have not been recapitalised and all infrastructure done, including feed during the severe drought experienced in the Province was paid for through KKC sales.

It must also be noted that the present drought status in the Province as a whole and KKC farms in the iKheis area has had a major impact on the breeding and kidding of goats over the past year.

Previous kidding rates experienced was 125%, however, this has dropped to only a 56% kidding rate with kid mortalities being experienced due to does aborting and predation. The veld is very barren and jackal, brown hyena and caracal are very prevalent due to the drought. Stock theft plays an additional problem, as stock is slaughtered on the farms for their meat and although reported to the Police, in some cases the responsible people are apprehended, jailed overnight and released the next day. This causes conflict and perpetrators then enrol others to play a part in the stock theft problem. If there were bush cameras as suggested, or even fire breaks, these perpetrators would be more wary as they would be apprehended sooner.

Without the required jackal proof fencing for jackal and caracal it is very difficult to control the births on the farms as the camps are also far too large to patrol for kidding does. KKC has requested funds for more fencing in order to secure the does and kids in nursing camps to increase the kidding rate and prevent mortalities and predators, including theft due to low perimeter fencing. This request has been ongoing for over 8 years. KKC urgently requires fire breaks on the farms, besides the fencing.

Strategy to overcome areas of under performance

- Continue to assist Co-operatives to become commercially viable
- A Quarantine facility is necessary in accordance with the specific State Veterinary requirements before KKC can import / export animals. The infrastructural upgrades are imperative to the Entity obtaining its import permit and being able to import freely. This will bring significant relief to the acquisition of stock to sell and breed. An application was made to CASP for this funding and the provisional approval was given for R1 000 000. The Entity awaits the final approval and transfer.

Changes to planned targets

Although changes were requested, no targets were changed in year.

Linking performance with budgets

	2019/2020			2018/2019		
Programme/activity/objective	Budget	Actual Expenditure	(Over)/Under Expenditure	Budget	Actual Expenditure	(Over)/Under Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
Programme 2	224	0	224	134	44	91
Total	224	0	224	134	44	91

3.3. Programme 3: Procurement, Farm Production, Processing, Marketing and Sales

The component provides relevant agricultural marketing support to goat co-operatives, individual goat farmers and 2 production farms in order to ensure market access. This component purchases from the co-operatives and sells into retail and other markets, depending on the form of processing such markets require, or whether they require the product live. Marketing procures stock for the farms for breeding and for and from co-operatives and onward sales and manages the processing of all goats through the system, including market analysis and information regarding strategies and research.

Strategic objectives, performance indicators planned targets and actual achievements

Strategic Objective Title	Provide agricultural marketing, processing, sales and export support
Strategic Objective Statement	To provide agricultural marketing support to goat co-operatives, individual goat farmers and 2 production farms in order to ensure market access and commercialise the goat industry
Baseline	1400
Strategic Objective Indicator	Number of subsistence farmers and production farms supported

Strategic objectives

Programme/activity/objective:					
Strategic objectives	Actual Achievement 2018/2019	Planned Target 2019/2020	Actual Achievement 2019/2020	Deviation from planned target to Actual Achievement for 2019/2020	Comment on deviations
Number of subsistence farmers and production farms supported	4	14 subsistence farmers and 2 production farms	0 subsistence farmers and 2 production farms	14 subsistence farmers	Funding not realised and Entity had to procure large amounts of feed for the Production Farm Biological Assets and could therefore not purchase more stock during the drought

Key performance indicators, planned targets and actual achievements

Programme/activity/objective:					
Performance Indicator	Actual Achievement 2018/2019	Planned Target 2019/2020	Actual Achievement 2019/2020	Deviation from planned target to Actual Achievement for 2019/2020	Comment on deviations
3.3.1.Number of goats sold	776	3000	335	2665	KKC are unable to meet the high targets set by the Department due to the lack

					of breeding goats on the farms and the low kidding rates due to the drought.
3.3.2. Number of goats purchased for Co-ops/ Subsistence farmers	305	600	0	600	The Entity's APP was not aligned to the Budget. The Entity set targets with the understanding that there will be recapitalization of the Entity. However, this recapitalization did not materialize, which resulted in the Entity not being able to reach the target as there was no funding available for the planned targets.
3.3.3. Number of goats purchased from Subsistence and commercial farmers	817	1400	62	1338	Funding not realised and the drought had a major impact on stock availability
3.3.4. Number of goats purchased for production farms	672	500	62	438	Funding not realised and all funds from sales were used to run the farms and purchase feed

					for the animals during the severe drought being experienced
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The Foot and Mouth disease in South African livestock was lifted in late October. KKC were approached to supply Qatar, Oman and Kuwait, however, when the Importers requested their Import Permits, they were denied as within 2 weeks, FMD was again found in Limpopo and Mpumalanga and the ban was again put in place.

KKC is pleased to report that it facilitated in lifting the ban on exports of slaughtered beef, lamb, sheep and goat to Qatar. The only problem being that the freight by air is all paid in USD and with the present exchange rate of the rand to the USD, the freight rate is very expensive. KKC are preparing to export to Qatar again even with the limited amount of air transportation presently.

KKC has continued its exports to Hong Kong. There are additional enquiries to supply to Nigeria and various parts of the Middle and Far East. KKC are unable to supply the large export demand due to the lack of breeding goats on the farms and the low kidding rates due to the drought. There is a large demand for small livestock locally due to the export of 70 000 small livestock every 2 months, to the UAE and Kuwait going through The Elliot Group in East London. They have joined forces with the Departments of Agriculture and Economic Affairs in the Eastern Cape. This has been a huge drainage of stock in the local market and will cause a major shortage going forward should these live exports by sea be allowed to continue. There has been major controversy over these exports, as they are inhumane, animals break their legs and are thrown overboard and it is claimed that they buy over 80% from Emerging Farmers, but this is not the case as most of the animals sent on these vessels are sourced by the Paige Brothers, via agents, who buy from any farmer, mostly commercial farmers who are holding back their animals for these shipments.

Strategy to overcome areas of under performance

- Increase sales (local and exports) of all products not only goats
- Import slaughter stock. Meet export demand by importing slaughter stock
- Increase kidding rates on the production farms

Changes to planned targets

Although changes were requested, no targets were changed in year.

Linking performance with budgets

	2019/2020			2018/2019		
Programme/activity/objective	Budget	Actual Expenditure	Programme/activity/objective	Budget	Actual Expenditure	Programme/activity/objective
	R'000	R'000		R'000	R'000	
Programme 3	3 611	1 159	2 451	2 433	3 344	(911)
Total	3 611	1 159	2 451	2 433	3 344	(911)

4. REVENUE COLLECTION

	2019/2020			2018/2019		
Sources of revenue	Estimate	Actual Amount Collected	(Over)/Under Collection	Estimate	Actual Amount Collected	(Over)/Under Collection
	R'000	R'000	R'000	R'000	R'000	R'000
Grant	3 350	3 838	438	3 350	4 205	(855)
Sales	7 310	366	(6 944)	5 600	1 117	4 483
Other Sales		161	(161)	-	9	(9)
Exports		127	(127)	-	112	(112)
Total	10 660	4 492	(6 794)	8 950	5 443	3 507

5. CAPITAL INVESTMENT

**Progress and information on current capital investments and assets for KKC:
Asset Management**

An Electronic Ear tag system was purchased and was implemented and tested with the stock take in July 2019. This has added to the accurate record keeping and financial valuations of the Biological Assets.

There are no plans to close down or down-grade any current facilities.

Additional fencing was undertaken as part of the infrastructure required to protect the goats (2019/20).

Measures taken to ensure that the Entity's asset register remained up-to-date during the period under review:

Quarterly stock takes of Biological Assets are done and accessed independently.
All assets were identified and the register updated accordingly.

The current state of the Public Entity's capital assets:

ASSET CATEGORY	GOOD/FAIR/BAD
Other Assets	Good
Infrastructure	Fair
Furniture & Fittings	Bad – many to be donated as broken
Computer Equipment	Good
Tools	Fair

Major maintenance projects that have been undertaken during the period under review:

	2019/2020			2018/2019		
Infrastructure projects	Budget	Actual Expenditure	(Over)/Under Expenditure	Budget	Actual Expenditure	(Over)/Under Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
Fencing	-	-	-	-	118	(118)
Farm house	-	-	-	180	197	(17)
Upgrades to Farm		25		-	73	(73)
Office block (Training facility)	-	-	-	250	-	250
Total	-	25	-	430	388	42

Additional hexagonal fencing for goats has been installed. As expected the theft stock losses reduced significantly.

PART C: GOVERNANCE



1. INTRODUCTION

Corporate Governance embodies processes and systems by which Public Entities are directed, controlled and held to account. In addition to legislative requirements based on a Public Entity's enabling legislation, and the Companies Act, Corporate Governance with regard to Public Entity's is applied through the precepts of the Public Finance Management Act (PFMA) and run in tandem with the principles contained in the King's Report on Corporate Governance.

Parliament, the Executive and the Accounting Authority of the Public Entity are responsible for Corporate Governance.

Corporate Governance remains pivotal to the organisations operation, complemented by the creation of an environment conducive to people development, skills development and mentorships by the Public Entity to co-operatives and Emerging Farmers. All Senior Management of the Entity have completed an Advanced Corporate Governance Course and GRAP course funded by Treasury.

2. PORTFOLIO COMMITTEES

Dates of meetings held: 06 March 20

Areas of risk and what implementation plans / actions did the public entity undertake:

The Entity was requested to submit a plan that will indicate how the Entity will become self-sustainable.

The Entity was requested to engage the mother department to sort out the governance issues of the Entity.

3. EXECUTIVE AUTHORITY

Reports, presentations and motivations were submitted to the Executive Authority.

4. THE ACCOUNTING AUTHORITY / BOARD

The PFMA requires that the Accounting Authority implements effective, efficient and transparent systems of financial and risk management and internal control, as well as a system of internal audit under the control of an Audit Committee.

The Board of the Entity functions as the Accounting Authority and is responsible for ensuring that the duties of the Accounting Authority as listed in the Public Finance Management Act are discharged accordingly.

The Members of the Board of Directors of KKC at the end of the financial year under review were:

Ms Connie Seoposengwe (Chairperson) (01 November 2017 to 31 July 2019), Dr. P Kegakilwe (DALRRD), Ms. P Catita (DALRRD) Ms. K Williams and Ms. J Weidemann.

The Chairperson of the Board was appointed as a Member of Parliament on 01 August 2019. This resulted in the Board not being adequately constituted. The PFMA provides for the Chief Executive Officer to assume the role of the Accounting Authority in the absence of a functioning board. The Acting Chief Executive then assumed the role of Accounting Authority as of 01 August 2019.

The matter was escalated to the MEC who was to nominate a new Chair, bearing in mind that the Chair would not be remunerated and would serve on the Board of KKC pro bono. KKC is presently without a Chair and the CEO is the acting Chair.

As a listed Public Entity under Section 3 (c) the Board of KKC (the Accounting Authority), is accountable to the Member of the Executive Council (MEC) for Agriculture, Land Reform and Rural Development of the Northern Cape Provincial Government, (Executive Authority).

The PFMA requires that the Accounting Authority implements effective, efficient and transparent systems of financial and risk management and internal control, as well as a system of internal audit under the control of an Audit Committee.

Composition of the Board

Name	Designation	Date appointed	Date resigned	Qualifications	Area of Expertise	Board Directorships	Other Committees or Task Teams	No. of Meetings attended
Ms C Seoposengwe	Chairperson	01 November 2017	31 July 2019	Senior Certificate	Political governance	KKC	-	0
Dr Phemelo Kegakilwe (Chief director – veterinary services)	Board member (Acting CEO)	30 March 2017	-	Bachelor of Veterinary Medicine and Surgery	Veterinary Services	KKC, Rooibos (Pty) Ltd	-	0
(Prudence Catita) CFO-Dept	Board member	30 March 2017	-	Bachelor of Commerce (Accountancy)	Financial Management	KKC, Rooibos (Pty) Ltd	-	0
K Williams	Board member	25 April 2018	-	Diploma in Human Resource Management	Small Enterprises Development	SEDA, NCEDA	-	0
Judith Weidemann (Marketing Director)	Board member (COO)	18 February 2002	-	Business Management and Marketing Dipl	Marketing and Sales	KKC, Go Green, Hall & Mann	Twinning Agreement Namibia	0

- Ms Connie Seoposengwe was the Chairperson of the Board but was elected as a Member of Parliament.
- This has left the Entity without a Chairperson, although Ms. Seoposengwe continued to act in the position of Chairperson until the financial year end.
- The Entity sought advice on an MP acting as its Chair and was advised that this was not allowed and that the Entity should seek to replace the Chair.
- The matter was escalated to the MEC who was to nominate a new Chair, bearing in mind that the Chair would not be remunerated and would serve on the Board of KKC pro bono. KKC is presently without a Chair and the CEO is the acting Chair.

Committees

Committee	No. of meetings held	No. of members	Name of members
Shared Services with the Department			
Risk Management Committee	0	10	Boipelo Ngwenya

Remuneration of board members

- Due to the financial constraints placed upon the Entity, the previous MEC suggested that all board members of the Entity be appointed without remuneration, as they would be nominated to the Board by the MEC.
- The Chair, Ms. Seoposengwe was remunerated until she became an MP.
- The Entity continued to pay for travel and mobile expenses until the Chair was advised that she would no longer serve as the Chairperson or act as the Chair.
- No other Board Members are remunerated by the Entity, save for those that work within the Entity or Department of Agriculture and serve on the Board.

5. RISK MANAGEMENT

Risk management is a valuable management tool which increases the Entity's prospects of success through minimising negative outcomes and optimising opportunities.

The Entity strives to maintain effective, efficient and transparent systems of risk management and internal control.

Kalahari Kid Corporation has a risk management strategy. An Internal Audit Committee was appointed to assist the Entity to evaluate and improve the effectiveness of governance, risk management and control processes. The Entity developed a Risk Register with Treasury from the DALRRD, which was reviewed and approved.

The Entity, through the risk management process, continuously aims achieve among other things the following outcomes needed to underpin and enhance performance:

- a) Reduction of stock losses
Progress: There is continuous reduction of stock losses.
- b) Prevention of fraud and corruption;
Progress: Internal Control Unit appointed
Fraud prevention, corruption and financial misconduct policy approved
- c) Better value for money through more efficient use of resources;
Progress:
Internal Auditors appointed by the Mother Company (DALRRD) to assist the Entity
- d) Better outputs and outcomes through improved project and programme management.
Progress:

The Entity had a risk register for the 2019-20 financial year. The Provincial Risk Unit assisted the Entity and provides guidance on Risk related issues including the Risk register. A new Risk Register was developed to address the Entity's issues in particular and signed off.

KKC now forms part of the Risk Management Committee of the Department of Agriculture and Land Reform.

The CFO of the Entity is responsible for the Risk Management and Policy of the Entity, in seeks continued guidance from the Department to advise on the overall system of risk management and the mitigation of any unacceptable levels of risk.

The Audit Committee advises the Entity on risk management and independently monitors the effectiveness of the system of risk management.

6. INTERNAL CONTROL UNIT

The Entity's internal audit function is performed by the Shared Provincial Internal Audit Unit, through the use of service providers, which fulfils an independent assurance function. The internal audit unit follows a risk-based audit approach in providing management and the Audit Committee with assurance on the adequacy and effectiveness of governance, risk management and internal control processes. The internal audit unit is guided by an Internal Audit Charter approved by the Audit Committee and performs its functions as provided in the Public Finance Management Act (PFMA) and the internal audit charter.

The internal audit unit compiles a rolling three-year risk-based plan and prepares an annual plan after taking into consideration the risks facing the Entity, strategic objectives, the Entity's mandate, audit issues and inputs by management. The Audit Committee approves the Internal Audit Plan for implementation.

The internal audit reviews performed for the financial year under year, were all in line with the approved annual audit plan and are detailed in the Audit Committee Annual Report.

Internal audit findings were communicated timely and management implemented measures to mitigate the risks. Significant matters identified during the audit were reported to the Audit Committee.

7. INTERNAL AUDIT AND AUDIT COMMITTEES

The Internal Audit service has been performed by the Northern Cape Provincial Treasury's "Provincial Internal Audit Service". The function was setup under section 38(1)a()(i) and section 76(4)(e) of the PFMA as a shared function for the Northern Cape Provincial Administration, and in terms of paragraph 3.2.3. of the Treasury Regulations. The unit fulfills an independent assurance function. The Northern Cape Provincial Treasury contracted PwC to execute the internal audit service for the period 1 April 2019 to 31 March 2020.

The internal audit unit follows a risk-based audit approach in providing management and the audit committee with assurance on the adequacy and effectiveness of governance, risk management, and internal control processes. The internal audit is guided by an internal audit charter, approved by the Audit Committee and performs its functions as provided in the Public Finance Management Act (PFMA) and the internal audit charter.

The internal audit unit compiles a rolling three year risk-based plan and prepares an annual plan after taking consideration of the risks facing the entity, strategic objectives, the entity's mandate, audit issues and inputs by management. The audit committee approves the Internal Audit Plan for implementation.

The internal audit reviews performed for the financial year under review, were all in line with the approved annual audit plan and are detailed in the Audit Committee Annual report.

Internal audit findings were communicated timely and management implemented measures to mitigate the risks. Significant matters identified during the year were reported to the Audit Committee.

Audit Committee members and attendance

Throughout the year under review, the Audit Committee operated in terms of an approved Audit Committee Charter, which was the committee's approved terms of reference. The Audit Committee comprise of three external members and two internal members, all of whom are not employed at the Department.

The Audit Committee has, as part of its oversight responsibility on a quarterly basis, followed up on audit findings to ensure that issues raised were addressed timely.

Further information relating to the Audit Committee, as required by the PFMA and Treasury Regulations is included in the Audit Committee's Report, which is incorporated in the annual report of the entity.

The Audit Committee members have been appointed with effect from 1 December 2017. The Audit Committee exists of five members in total. Two internal members and three external members, of which two external members were reappointed to serve for the second term. The Audit Committee consisted of the members listed hereunder and met five times as per its approved meeting schedule:

Name	Qualifications	Internal or External member	Date appointed	No. of Meetings attended
Mr. Kgoale Maja	Masters in Business Leadership (MBL)	External	01/01/2015-30/11/2020	5 out of 5
Mr. Mava Dada	CA (SA)	External	01/01/2015-30/11/2020	3 out of 5
Mr. Velile Pangwa	CA (SA)	External	01/12/2017-30/11/2020	4 out of 5
Mr. Roscoe Miller Northern Cape Tourism Authority	Bachelor of Commerce Honours Accounting	Internal	01/12/2017-30/11/2020	3 out of 5
Mr. Daryll Christians NC Department of Economic Development and Tourism	Honours degree in Education	Internal	01/01/2015-30/11/2020	3 out of 5

In terms of the PFMA, section 77(b), an Audit Committee must meet at least twice a year. In addition, Treasury Regulations, section 3.1.16 provides that an Audit Committee must meet at least annually with the Auditor General. The Audit Committee met four times during the year in compliance with the PFMA and also met with the Auditor General.

8. COMPLIANCE WITH LAWS AND REGULATIONS

Policies are in place to ensure the efficient and effectiveness of the resources utilised and also to improve the reporting structures as required by GRAP and other legislative requirements. Policies are reviewed annually. Various standard operating procedures (SOP's) have been developed to assist with internal control and monitoring.

9. FRAUD AND CORRUPTION

A Fraud prevention, corruption and financial misconduct policy was approved. The policy serves as a general guideline meant to enhance the understanding of fraud prevention in Kalahari Kid Corporation.

Anti-fraud programmes adopted by the Institution which includes the Policy / procedure for reporting of fraud:

- KKC Anti-Fraud and Whistle Blowers Policy

- KKC Anti-Fraud and Corruption Strategy

Mechanisms in place to prevent detect and investigate fraud: Such as the signing of the Code of Conduct and adhering to the PFMA and Human Resource Handbook.

Recovery of financial losses:

- KKC Financial Misconduct Policy including standard operation procedures, (SOP's)
- Understanding fraud risks that can undermine the Institution's business objectives through reference to the Risk Register
- Determining whether fraud and corruption prevention programmes and controls are also adequately effective in reducing instances of fraud through constant monitoring of staff and reviewing policies in conjunction with the Risk Division of the Department.
- Deriving practical value from the development of a sustainable process of managing fraud, corruption risk and improving performance through effective monitoring.
- Achieve the highest levels of business integrity through sound corporate governance, internal control and transparency;

10. MINIMISING CONFLICT OF INTEREST

Subject to the provisions of the Act, where Management has an interest in a matter being considered, this interest shall be declared at the beginning of the proceedings and the person must recuse him/herself from the decision-making process.

11. CODE OF CODUCT

The Kalahari Kid Corporation code of ethics (The Code) was created to reflect the core principles of the company, and to guide employees on some of the most important ethical issues in a business environment. The Code is complimented by a number of corporate compliance policies, which provide more detailed guidelines on specific issues, thereby ensuring that we conduct our business, not only in accordance with the law, but also in an ethical manner. The manual contains a summary of the Code and the guidelines on specific issues set out in the policies. Copies of the policies themselves may be obtained from the Financial Department, however all staff of KKC have signed their agreements and accepted the content of the Code of Conduct.

Any employee, who fails to comply with this Code of Conduct, will be disciplined by the company and/or may face prosecution in terms of the laws of the state and country in which s/he operates.

12. HEALTH SAFETY AND ENVIRONMENTAL ISSUES

KKC is committed to sound health, safety and environmental management practices. KKC's policy is to meet or exceed applicable safety and environmental laws, regulations and orders of the responsible governmental authorities wherever KKC operates and is committed to the responsible management of its activities and continuous improvement in environmental and safety performance. Application has been made to the Department to assist with the construction of fire breaks on the farms. The grass is long due to rains in the area and fire breaks are necessary to safe-guard the biological assets, infrastructure and staff.

13. COMPANY /BOARD SECRETARY (IF APPLICABLE)

The Entity is still listed with CIPC as it is a (Pty) Limited, however, it is also listed as a PE 3 (C), but with no Act to govern it. It was therefore deemed necessary to keep it as a registered company to comply under the Companies Act, until such time as an Act to govern it as a 3 (C) is promulgated. A “draft” Act was submitted when the Entity was listed as a 3 (C), but to date this Act has not been signed off or promulgated and the Entity have, on numerous occasions, brought this to the attention of the Department. This is another reason why the Entity felt that it should delist as a 3 C as soon as possible and be listed as a 3 (D) Business Entity which has an Act that governs it. The Entity does however conduct all business in accordance with the PFMA and policies and procedures that govern a Public Entity.

14. SOCIAL RESPONSIBILITY

The Entity empowers the community in various districts by:

- establishing co-ops
- training co-ops
- supplying seed stock
- supplying starter packs
- supplying of improved genetics
- land utilization

- marketing and processing
- sales and procuring from the co-ops
- food security
- poverty alleviation
- veterinary advice
- promoting entrepreneurship
- creating employment for women and the youth
- continuous mentorship
- assistance with business plans to access finance
- encouraging interaction with Departmental Extension Officers
- Virtual training and information

15. AUDIT COMMITTEE REPORT

The Audit Committee is pleased to present its report for the financial year ended 31 March 2020. The Audit Committee has been functional throughout the financial year.

1. REPORT OF THE AUDIT COMMITTEE FOR 2019/20

The Audit Committee reports that it has complied with its responsibilities arising from section 51(1) (a)(ii) of the Public Finance Management Act and Treasury Regulation 3.1.13. 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 and has discharged all its responsibilities.

2. THE EFFECTIVENESS OF INTERNAL CONTROL

The entity does not have an Internal Control Unit responsible for the management of internal controls within the entity.

The Audit Committee is satisfied as to the effectiveness of the internal audit function during the year and that the internal audit activity has to a large extent addressed the

risks pertinent to the entity. Our review of the findings of the Internal Audit work, which was based on the risk assessments conducted in the entity revealed certain weaknesses, which were then raised with the entity.



Areas of concern:

- The valuation of biological asset management remains a challenge in the entity. The entity received in the past a qualified audit opinion by the AGSA on biological assets.
- Risk management has been identified as a matter of concern due to the fact that the entity forms part of the Department of Agriculture, Land Reform and Rural Development's Risk Committee Meeting. The last Risk Management Committee meeting took place in July 2018. This matter has also been reported in the prior year.
- Risk register have not always been updated with action plans and controls in place to reduce the risk to an acceptable level.
- Supply chain management policy not approved by the board and some contracts have been identified with no commencement and expiry date.
- Planning and reporting of indicators and targets were not always consistent.

- Some of the key performance indicators did not adhere to the “SMART” criteria.
- The continuous high mortality of the goats, due to the severe drought, leads to great losses to the entity.
- Currently no chairperson appointed for the board of KKC.
- KKC is not legislatively enacted.
- The entity is also experiencing challenges in terms of funding.

Management has however developed an action plan to address the issues over a period of time. The Audit Committee monitored the implementation of the plan during the quarterly and Audit Committee meetings and implementation of its recommendations is in progress.

3. IN-YEAR MANAGEMENT AND QUARTERLY REPORT

The Audit Committee takes note of the expertise, resources and experience of the entity’s finance function.

The entity has been reporting quarterly to Provincial Treasury and to the department of Agriculture, Land Reform and Rural Development, as is required by the PFMA. We had engagements with the entity’s management to provide clarity on completeness and quality of the quarterly reports during our quarterly meetings and officials of the entity were able to clarify areas of concern raised by the Audit Committee.

4. EVALUATION OF FINANCIAL STATEMENTS

The Audit Committee has:

- reviewed and discussed the audited annual financial statements prepared by the entity with the AGSA and the Accounting Authority for inclusion in the Annual Report;
- Reviewed the AGSA Audit Report;
- Reviewed the AGSA’s Management Report and management’s responses thereto;
- Reviewed the entity’s compliance with legal and regulatory provisions;
- Reviewed significant adjustments resulting from the audit;

- Reviewed the outcome of the evaluation of the AFS.

5. REPORT TO EXECUTIVE AUTHORITY

On a quarterly basis the audit committee writes a report to the Executive Authority which highlights the issues that needs attention or improvement within the entity's performance.

6. AUDITOR'S GENERAL REPORT

The Audit Committee concurs and accepts the conclusion of the Auditor General Report on the annual financial statements, and is of the opinion that the audited financial statements be accepted and read together with the report of the Auditor-General.

7. CONCLUSION

The Audit Committee wishes to express its appreciation to the management of the entity, AGSA, Internal Audit and secretariat for the co-operation and information they have provided to fulfil our mandate and enable us to compile this report.



Mr. K Maja
Chairperson of the Audit Committee
Kalahari Kid Corporation
31 July 2020

16. B-BBEE COMPLIANCE PERFORMANCE INFORMATION

The following table has been completed in accordance with the compliance to the BBBEE requirements of the BBBEE Act of 2013 and as determined by the Department of Trade and Industry.

Has the Department / Public Entity applied any relevant Code of Good Practice (B-BBEE Certificate Levels 1 – 8) with regards to the following:		
Criteria	Response Yes / No	Discussion <i>(include a discussion on your response and indicate what measures have been taken to comply)</i>
Determining qualification criteria for the issuing of licences, concessions or other authorisations in respect of economic activity in terms of any law?	No	Not applicable to the Entity
Developing and implementing a preferential procurement policy?	No	The Entity has developed a Supply Chain Management policy guided by the relevant legislations, but not a preferential procurement policy specifically.
Determining qualification criteria for the sale of state-owned enterprises?	No	Not applicable to the Entity
Developing criteria for entering into partnerships with the private sector?	No	Not applicable to the Entity
Determining criteria for the awarding of incentives, grants and investment schemes in support of Broad Based Black Economic Empowerment?	No	Not applicable to the Entity

PART D:

HUMAN RESOURCE

MANAGEMENT

1. INTRODUCTION

Overview:

- Kalahari Kid has an Employee Performance Monitoring Development System in place
- Performance agreements are signed annually
- Performance assessments are completed quarterly
- The KKC HR Policy is reviewed annually

The KKC HR Policy aims to:

- Establish and properly document KALAHARI KID CORPORATION policies, procedures and practices in all areas relating to Human Resources (HR). These policies undergo constant review and amendment as and when the Company deems fit and appropriate;
- Provide a framework for the development of appropriate authorisations and approval limits within the Company;
- Assist employees to understand correctly the HR policies for their accurate interpretation;
- Ensure consistent HR policies throughout the Company.

Challenges faced by the Entity:

- Due to no budget being allocated for the year under review, workforce planning and critical posts identified could not be filled.

2. HUMAN RESOURCE OVERSIGHT STATISTICS

Personnel Cost by programme/ activity/ objective

Programme/activity/objective	Total Expenditure for the entity (R'000)	Personnel Expenditure (R'000)	Personnel exp. as a % of total exp. (R'000)	No. of employees	Average personnel cost per employee (R'000)
Programme 1	2 217	1 819	82%	4	455
Programme 2	-	-	-	-	-
Programme 3	3 139	1841	59%	4	460
TOTAL	5 356	3 660	68%	8	457

Personnel cost by salary band

Level	Personnel Expenditure (R'000)	% of personnel exp. to total personnel cost (R'000)	No. of employees	Average personnel cost per employee (R'000)
Top Management	1 370	37%	2	685
Senior Management	895	24%	1	895
Professional qualified	276	7,5%	1	276
Skilled	1 031	28%	2	516
Semi-skilled				
Unskilled	88	2,4%	2	44
TOTAL	3 660		8	457

Performance Rewards

The Entity does not allocate or pay out any performance rewards

Programme//activity/objective	Performance rewards	Personnel Expenditure (R'000)	% of performance rewards to total personnel cost (R'000)
Top Management	N/A	N/A	N/A
Senior Management	N/A	N/A	N/A
Professional qualified	N/A	N/A	N/A
Skilled	N/A	N/A	N/A
Semi-skilled	N/A	N/A	N/A
Unskilled	N/A	N/A	N/A
TOTAL	N/A	N/A	N/A

Training Costs

Due to budget constraints, the Entity has undertaken to supply information and training to emerging goat farmers virtually and through mobile communication.

Training provided to staff was done at no cost to the Entity. Provincial Treasury co-ordinated and funded trainings to staff members.

Programme//activity/objective	Personnel Expenditure (R'000)	Training Expenditure (R'000)	Training Expenditure as a % of Personnel Cost.	No. of employees trained	Avg training cost per employee
N/A	N/A	N/A	N/A	N/A	N/A

Employment and vacancies

The position of Chairperson is vacant but the position is filled by the Executive Authority, who nominates the Chairperson to the Board.

The position of Co-operative Production, Processing and Training is also vacant, but the Entity has not filled the position due to financial constraints and the responsibilities in this position are covered by the COO and Farm Manager.

Employment changes

Salary Band	Employment at beginning of period	Appointments	Terminations	Employment at end of the period
Top Management	0	0	1	31 July 2019
Senior Management				
Professional qualified				
Skilled				
Semi-skilled				
Unskilled				
Total				

Reasons for staff leaving

Reason	Number	% of total no. of staff leaving
Death		
Resignation	Resignation 1	13%
Dismissal		
Retirement		
Ill health		
Expiry of contract		
Other		
Total		

The Chairperson was appointed as a Member of Parliament as of 01 August 2019. She opted not to continue acting as a Chairperson until written permission was obtained from the Speaker of the National Assembly. The Department sought legal advice around the matter and it was noted that she was unable to continue as the Chairperson of the Entity while being a Member of Parliament

Labour Relations: Misconduct and disciplinary action

Nature of disciplinary Action	Number
Verbal Warning	0
Written Warning	0
Final Written warning	0
Dismissal	0

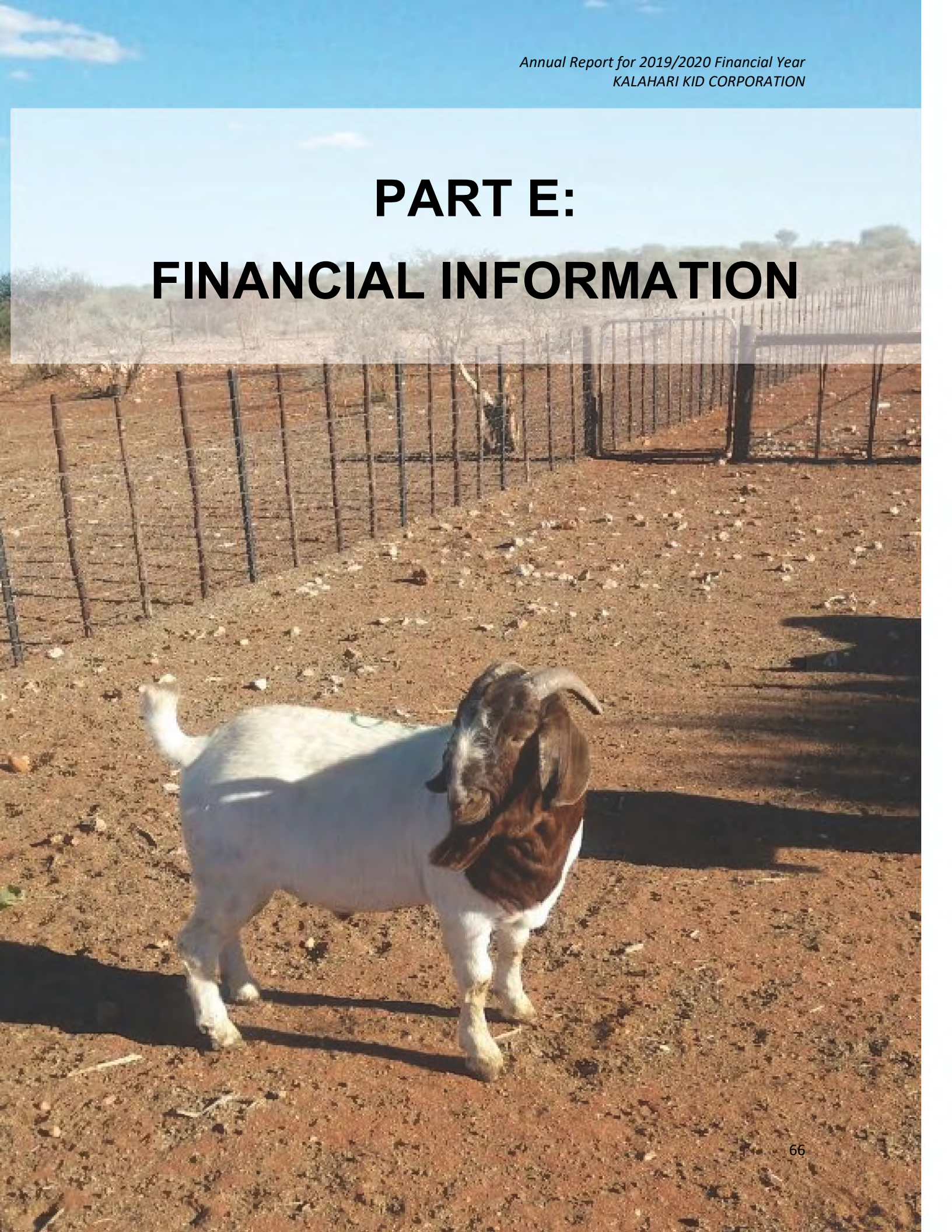
Equity Target and Employment Equity Status

Levels	MALE							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management								
Senior Management								
Professional qualified								
Skilled								
Semi-skilled								
Unskilled								
TOTAL								
Levels	FEMALE							
	AFRICAN		COLOURED		INDIAN		WHITE	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management								
Senior Management								
Professional qualified								
Skilled								
Semi-skilled								
Unskilled								
TOTAL								

Levels	Disabled Staff			
	Male		Female	
	Current	Target	Current	Target
Top Management				
Senior Management				
Professional qualified				
Skilled				
Semi-skilled				
Unskilled				
TOTAL				

PART E:

FINANCIAL INFORMATION



1. REPORT OF THE EXTERNAL AUDITOR



KNOWING

Independent auditor's report to the Northern Cape Provincial Legislature on the Kalahari Kid Corporation

Report on the audit of the financial statements

Qualified opinion

1. We have audited the financial statements of the Kalahari Kid Corporation set out on pages 13 to 50, which comprise the statement of financial position as at 31 March 2020, statement of financial performance, statement of changes in net assets, and the statement of cash flows for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.
2. In our 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 Kalahari Kid Corporation as at 31 March 2020, and its financial performance and cash flows for the year then ended in accordance with the Standards of Generally Recognised Accounting Practice (Standards of GRAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA) and the Companies Act of South Africa, 2008 (Act No. 7 of 2008)

Basis for qualified opinion

Employee related costs

3. We were unable to obtain sufficient appropriate audit evidence that employee related costs had been properly accounted for due to the status of the accounting records. We were unable to confirm the employee related costs by alternative means. Consequently, we were unable to determine whether any adjustment was necessary to the employee related costs stated at R3 658 000 (2019: R3 975 000) in the financial statements.

Context for the opinion

4. We conducted our audit in accordance with the International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the [consolidated and separate] financial statements section of this auditor's report.

OFFICES: Kimberley | Bothichem | Vryburg | Somerset East

DIRECTORS:

Northern Cape: Andre Heyns, John van Wyk,
Cordard Swaleson, Norah Jord
Free State: Pieter Marston, Willie Kruger, Eben Balkoor, Cohen Steyn
North West: Jaco Putter, Niki Steynkorn, Esia Putter, Angela Steynkorn
Eastern Cape: Laila Moolman

SENIOR MANAGERS:
Lindie Ramay, Monette Marais,
Terilus van der Walt,
Karinje Kruger, Ratie Blignaut,
Natalia Swannoor, Carel Wentzel

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& CONSULTING INC.
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5. We are independent of the entity in accordance with sections 290 and 291 of the Independent Regulatory Board for Auditors' *Code of professional conduct for Registered Auditors (Revised January 2018)*, parts 1 and 3 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised November 2018)* (together the IRBA Codes) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities, as applicable in accordance with the IRBA Codes and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Codes are consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *Code of ethics for professional accountants* and the International Ethics Standards Board for Accountants' *International code of ethics for professional accountants (including International Independence Standards)* respectively.
6. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Emphasis of matters

7. We draw attention to the matters below. Our opinion is not modified in respect of these matters.

Restatement of corresponding figures

8. As disclosed in note 12 to the financial statements, the corresponding figures for 31 March 2019 were restated as a result of an error in the financial statements of the entity at, and for the year ended, 31 March 2020.

Material losses – losses due to mortalities

9. As disclosed in note 23 to the financial statements, material losses of R218 000 (2019: R249 000) was incurred as a result of biological asset mortalities.

Irregular expenditure

10. As disclosed in note 29 to the financial statements, the entity incurred irregular expenditure of R3 761 000 (2019: R3 683 000)

Responsibilities of the Accounting Authority for the financial statements

11. The accounting authority, is responsible for the preparation and fair presentation of the financial statements in accordance with the Standards of GRAP and the requirements of the PFMA and the Companies Act of South Africa, 2008 (Act No. 7 of 2008), and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
12. In preparing the financial statements, the accounting authority is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the accounting authority either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

13. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with 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.
14. A further description of our 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

Introduction and scope

15. In accordance with the Public Audit Act of South Africa of 2004 (PAA) and the general notice issued in terms thereof, we have a responsibility to report on the usefulness and reliability of the reported performance information against predetermined objectives for selected programmes presented in the annual performance report. We performed procedures to identify material findings but not to gather evidence to express assurance.
16. Our procedures address the usefulness and reliability of the reported performance information, which must be based on the approved performance planning documents of the entity. We have not evaluated the completeness and appropriateness of the performance indicators/ measures included in the planning documents. Our procedures do not examine whether the actions taken by the entity enabled service delivery. Our procedures also do not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, our findings do not extend to these matters.
17. We evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected programmes presented in the annual performance report of the entity for the year ended 31 March 2020:

Programmes	Pages in the annual performance report
Programme 2: Co-operative Support, Production and Training	35 – 38
Programme 3: Procurement, Farm Productions, Processing, Marketing and Sales	38 – 42

18. We performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. We performed further procedures to determine whether the indicators and

related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

19. We did not identify any material findings on the usefulness and reliability of the reported performance information for these programmes.

Other matters

20. We draw attention to the matters below. Our opinions are not modified in respect of these matters.

20.1. Compliance with provisions of the Constitution

21. We identified material misstatements in the annual performance report submitted for auditing. These material misstatements were in the reported performance information of Programme 3: Procurement, Farm Production, Processing, Marketing and Sales. As management subsequently corrected the misstatements, we did not raise any material findings on the usefulness and reliability of the reported performance information.

Report on the audit of compliance with legislation

Introduction and scope

22. In accordance with the PAA and the general notice issued in terms thereof, we have a responsibility to report material findings on the entity's compliance with specific matters in key legislation. We performed procedures to identify findings but not to gather evidence to express assurance.

23. The material findings on compliance with specific matters in key legislations are as follows:

Financial statements, performance reports and control reports

24. The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework and supported by full and proper records, as required by section 55(1)(a) and (b) of the PFMA. Material misstatements of non-current assets, expenditure and disclosure items identified by the auditors in the submitted financial statements were corrected and the supporting records were provided subsequently, but the uncorrected material misstatements and supporting records that could not be provided resulted in the financial statements receiving a qualified opinion.

Expenditure management

25. Effective and appropriate steps were not taken to prevent irregular expenditure amounting to R78 000 as disclosed in note 29 to the annual financial statements, as required by section 51(1)(b)(ii) of the PFMA. The majority of the irregular expenditure was caused by non-adherence to supply chain regulations.
26. Effective steps were not taken to prevent fruitless and wasteful expenditure amounting to R6 000, as disclosed in note 28 to the annual financial statements, as required by section 51(1)(b)(ii)

of the PFMA. The majority of the fruitless and wasteful expenditure was caused by penalties and interests due to late statutory submissions.

Other information

27. The accounting authority 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, the auditor's report and those selected programmes presented in the annual performance report that have been specifically reported in this auditor's report.
28. Our opinion on the financial statements and our findings on the reported performance information and compliance with legislation do not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.
29. In connection with our audit, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected programmes presented in the annual performance report, or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Internal control deficiencies

30. We considered internal control relevant to our audit of the financial statements, reported performance information and compliance with applicable legislation; however, our objective was not to express any form of assurance on it. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for the qualified opinion, the findings on the annual performance report and the findings on compliance with legislation included in this report.
31. Management did not implement the annual controls designed for the entity's business processes relating to biological assets.
32. As indicated in section 2, the annual performance report contained numerous misstatements that were corrected. This was mainly due to staff not fully understanding the performance information requirements.
33. Non-compliance with legislation could have been prevented had compliance been properly reviewed and monitored.

Auditor's Report

34. In terms of the IRBA rule published in Government Gazette Number 39475 dated 4 December 2015, I report that Ensins Public Audit and Consulting has been the auditor of the Kalahari Kid Corporation for 2 years.

Ensins Public Audit and Consulting Inc
Ensins Public Audit and Consulting Incorporated
Chartered Accountants (SA)
Registered Auditors
Engagement Director: J. van Wyk CA(SA) RA

30 September 2020
Kimberley

Kalahari Kid Corporation
Financial Statements for the year ended 31 March 2020



UNAUDITED ANNUAL FINANCIAL STATEMENTS FOR KALAHARI KID CORPORATION

For the year ended
31 March 2020

Kalahari Kid Corporation
Financial Statements for the year ended 31 March 2020

General Information

Country of Incorporation	South Africa
Board Members	Ms C Seoposengwe (Chairperson) (01 November 2017 – 31 July 2019) Ms K Williams Ms P Catita Ms J Weidemann Dr P Kegakilwe
Registered Offices	13 Wessel Road Rivonia Sandton 2196 07 Elliot Street Kimberley 8301
Executive Authority	Department of Agriculture Land Reform and Rural Development (MEC: NS Bloem)
Bankers	Absa Bank
Auditors	Enslins Public Auditors and Consultants
Acting Chief Executive Officer	Dr P Kegakilwe
Chief Financial Officer	Boipelo Ngwenya
Level of Assurance	These Annual Financial Statements have been audited in compliance with the applicable requirements of the Public Finance Management Act No. 1 of 1999
Published	31 July 2020
Reporting Framework	General Recognised Accounting Practice (GRAP), as issued by the Accounting Standards Board (ASB)

Kalahari Kid Corporation
Financial Statements for the year ended 31 March 2020

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The reports statements set out below comprise the annual financial statements presented to the Provincial Legislature:

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Statement of Financial Performance	14
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Kalahari Kid Corporation

Financial Statements for the year ended 31 March 2020

Statement of responsibility and confirmation of accuracy for the Annual Report

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

All information and amounts disclosed in the Annual Report is consistent with the Annual Financial Statements audited by Enslins Public Accountants and Auditors under the supervision of the Auditor General.

The Annual Report is complete, accurate and is free from any omissions.

The Annual Report has been prepared in accordance with the guidelines on the Annual Report as issued by National Treasury.

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

The Accounting Authority is responsible for the preparation of the Annual Financial Statements and for the judgements made in this information.

The Accounting Authority is responsible for establishing, and implementing a system of internal control has been designed to provide reasonable assurance as to the integrity and reliability of the performance information, the human resources information and the Annual Financial Statements.

The external auditors are engaged to express an independent opinion on the Annual Financial Statements.

In our opinion, the Annual Report fairly reflects the operations, the performance information, the human resources information and the financial affairs of the Entity for the financial year ended 31 March 2020.

Yours faithfully



Dr P S Kegakilwe
Accounting Authority

Kalahari Kid Corporation
Financial Statements for the year ended 31 March 2020

Report of the Accounting Authority

Accounting Authority to the Executive Authority and Parliament of the Republic of South Africa.

1. Nature of business

Main business and operations

The company is engaged in the produce, slaughter and supply of goat products and operates principally in South Africa.

Addresses

Business address

13 Wessels Road
Rivonia
Sandton
2196

7 Elliot Street
Kimberley
8300

Postal address

P O Box 988
Rivonia
2128

2. Going concern

We draw attention to the fact that at 31 March 2020, the entity had accumulated surplus of R 4 443 000 and that the entity's total assets exceed its liabilities by R 4 493 000 (R 5 243 000 - 2019). The Annual Financial Statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realization of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

3. Authorized and issued share capital

There were no changes in the authorized or issued share capital of the company during the 12 months under review.

4. Subsequent events

The entity did not note any subsequent events in the year under review.

5. Directors

The directors of the company during the year and to the date of this report are as follows:

Name

P Catita

K Williams

P Kegakilwe (Acting CEO- appointed 01 October 2018)

C Seoposengwe – Chairperson (01 November 2017 to 31 July 2019)

Kalahari Kid Corporation

Financial Statements for the year ended 31 March 2020

Statement of Financial Position for the year ended 31 March 2020

Figures in R'000	Note (s)	2020	Restated 2019
		R	R
Assets			
Current Assets			
Cash and cash equivalents	1	148	553
Trade and other receivables from exchange transactions	2	44	73
Other receivables from non-exchange transactions	3	9	76
VAT receivable	4	8	27
Inventory	5	-	3
Operating lease asset	6	5	5
		<u>214</u>	<u>737</u>
Non-current assets			
Property, Plant and Equipment	7	2,791	3,090
Intangible Assets	8	2	5
Biological Assets	9	2,075	2,098
		<u>4,868</u>	<u>5,193</u>
Total Assets		<u>5,082</u>	<u>5,930</u>
Liabilities			
Current Liabilities			
Trade and other payables from exchange transactions	10	402	491
Current provisions	11	182	184
Taxes and transfers payable	12	-	2
Other current financial liabilities	13	4	7
Current portion of finance lease liability	14	1	2
		<u>589</u>	<u>686</u>
Non-current liabilities			
Finance lease liability	14	-	1
Operating lease liability		-	-
		<u>-</u>	<u>1</u>
Total Liabilities		<u>589</u>	<u>687</u>
Net Assets			
Revaluation Reserve		50	50
Accumulated Surplus / (Deficit)		<u>4,443</u>	<u>5,193</u>
		<u>4,493</u>	<u>5,243</u>
Total Net Assets and Liabilities		<u>5,082</u>	<u>5,930</u>

Kalahari Kid Corporation

Financial Statements for the year ended 31 March 2020

Statement of Financial Performance for the year ended 31 March 2020

Figures in R'000	Note (s)	2020	Restated 2019
		R	R
Revenue			
Revenue from non-exchange transactions			
Government grants and subsidies	15	477	1,207
Transfers and sponsorships		3,838	4,205
		<u>4,315</u>	<u>5,412</u>
Revenue from exchange transactions			
Sale of goods & rendering of services	16	733	1,238
Other income	17	16	-
Interest Earned-External Investments	18	-	3
		<u>749</u>	<u>1,241</u>
Total Revenue		<u>5,064</u>	<u>6,653</u>
Expenses			
Employee related costs	19	(3,658)	(3,975)
Repairs and maintenance	20	(17)	(64)
Depreciation and amortisation	21	(472)	(456)
Finance costs	22	(1)	(9)
General expenses	23	(2,132)	(4,295)
Bad debts		(88)	(5)
Total Expenses		<u>(6,368)</u>	<u>(8,804)</u>
Other gains / (losses)			
Gain / loss on sale of assets		52	(1)
(Loss) / gain on fair value adjustment	24	503	(424)
		<u>555</u>	<u>(425)</u>
Continuing operations surplus / (deficit) before tax		<u>(749)</u>	<u>(2,576)</u>
Taxation		-	-
Continuing operations surplus / (deficit) after tax		<u>(749)</u>	<u>(2,576)</u>
Attributable to:			
Owners of the controlling entity		<u>(749)</u>	<u>(2,576)</u>

Kalahari Kid Corporation

Financial Statements for the year ended 31 March 2020

Statement of Changes in Net Assets for the year ended 31 March 2020

Figures in R'000	Note (s)	Attributable to Owners of the controlling entity		
		Revaluation Reserve R'000	Accumulated Surplus / (Deficit) R'000	Total Net Assets R'000
Balance at 31 March 2018		50	7,361	7,411
Correction in prior period error	12	-	407	407
Balance at 1 April 2018 Restated		50	7,768	7,818
Surplus / (Deficit) for the period as per Statement of Financial performance				
Transfer to / from accumulated surplus / (deficit)			(2,576)	(2,576)
Balance at 31 March 2019 Restated		50	5,192	5,242
Correction of error (Refer to note)		-	-	-
Balance at 1 April 2019 - Restated		50	5,192	5,242
Surplus / (Deficit) for the period as per Statement of Financial performance				
Transfer to / from accumulated surplus / (deficit)		-	(749)	(749)
Balance as at 31 March 2020		50	4,443	4,493

Kalahari Kid Corporation

Financial Statements for the year ended 31 March 2020

Statement of Cash Flows for the year ended 31 March 2020

Figures in R'000	Note (s)	2020	Restated 2019
		R	R
Cash flows from operating activities			
Receipts			
Transfers and Subsidies		3,838	4,205
Sale of goods and rendering of services		733	1,203
Interest, Dividends and Rent on land		-	3
Other Receipts		16	
		<u>4,587</u>	<u>5,411</u>
Payments			
Compensation of Employees		(3,660)	(3,896)
Goods and Services		(1,065)	(1,116)
		<u>(4,725)</u>	<u>(5,012)</u>
Net cash flows from operating activities	25	<u>(138)</u>	<u>399</u>
Cash flows from investing activities			
Purchase of assets		(187)	(412)
Proceeds on disposal of property, plant and equipment		59	-
Purchase of intangible assets		-	(7)
Purchase of biological assets		(137)	(1,639)
		<u>(265)</u>	<u>(2,058)</u>
Net cash flows from investing activities		<u>(265)</u>	<u>(2,058)</u>
Cash flows from financing activities			
Finance lease payments		(2)	(2)
		<u>(2)</u>	<u>(2)</u>
Net increase / (decrease) in cash and cash equivalents		<u>(405)</u>	<u>(1,661)</u>
Cash and cash equivalents at the beginning of the year		553	2,214
Cash and cash equivalents at the end of the year		<u>148</u>	<u>553</u>

Kalahari Kid Corporation

Financial Statements for the year ended 31 March 2020

Notes to the Financial Statements

	2020	2019	
	R'000	R'000	
1 Cash and Cash Equivalents			
Cash and cash equivalents consist of the following			
Cash on hand	3	4	
Cash at bank	145	549	
Total Cash and cash Equivalents	148	553	
2 Trade and Other Receivables from Exchange Transactions	BALANCE AS AT 31 MARCH 2020		
	Gross Balance	Provision for Doubtful Debts	Net Balance
Trade Receivables	45	(0.2)	44
Transaction as at 31 March 2020	45	(0.2)	44
	BALANCE AS AT 31 MARCH 2019		
	Gross Balance	Provision for Doubtful Debts	Net Balance
Trade Receivables	73	-	73
Transaction as at 31 March 2019	73	-	73
Ageing of Trade & Other Receivables from Exchange Transactions (Net of Provision for Doubtful debt)			
Current (0-30 days)	-13	20	
31-60 Days	11	4	
61-90 Days	18	15	
91-120 Days	10	1	
121+ Days	18	33	
Total	44	73	

Kalahari Kid Corporation
Financial Statements for the year ended 31 March 2020

Notes to the Financial Statements

	2020	2019		
	R'000	R'000		
Summary of Debtors by Classification				
	BALANCE AS AT 31 MARCH 2020			
	Recoveries of Staff Expenses	Other Trade Receivables	Employee Advances	Provincial Government
Current (0-30 days)	-	44	-	-
Total Debtors before Provision for doubtful debts	-	45	-	-
Less: Provision for doubtful debts	-	(0.2)	-	-
Total Debtors by Classification as at 31 March 2020		44	-	-
	BALANCE AS AT 31 MARCH 2019			
	Recoveries of Staff Expenses	Other Trade Receivables	Employee Advances	Provincial Government
Current (0-30 days)	-	73	-	-
Total Debtors before Provision for doubtful debts	-	78	-	-
Less: Provision for doubtful debts	-	(5)	-	-
Total Debtors by Classification as at 31 March 2019		73	-	-
Reconciliation of the doubtful debt provision				
Balance at the beginning of the year		(5)	-	
Contributions to the provision		(0)	(5)	
Doubtful debts written off against provision		5	-	
Balance at end of year		(0)	(5)	

Kalahari Kid Corporation
Financial Statements for the year ended 31 March 2020

Notes to the Financial Statements

	2020	2019
	R'000	R'000
3 Other receivables from Non-Exchange Transactions		
Deposit paid on rental	9	11
VAT Receivable for GWK	64	65
Less: Provision for doubtful debts	(64)	
Total Other receivables from Non-Exchange Transactions	9	76

Ageing of Trade & Other Receivables from Non-Exchange Transactions (Net of Provision for Doubtful debt)
 Current (0-30 days)
 31-60 Days
 61-90 Days
 91-120 Days
 121+ Days
Total

	9	76
Total	9	76

Summary of Trade and other receivables from non exchange transactions by Classification

BALANCE AS AT 31 MARCH 2020

	Recoveries of Staff Expenses	Other Trade Receivables from non exchange transactions	Employee Advances	Provincial Government
121+ Days	-	73	-	-
Total Debtors before Provision for doubtful debts	-	73	-	-
Less: Provision for doubtful debts	-	(64)	-	-
Total Trade and other receivables from non exchange transactions by Classification as at 31 March 2020		9	-	-

BALANCE AS AT 31 MARCH 2019

	Recoveries of Staff Expenses	Other Trade Receivables from non exchange transactions	Employee Advances	Provincial Government
121+ Days	-	76	-	-
Total Debtors before Provision for doubtful debts	-	76	-	-
Less: Provision for doubtful debts	-	-	-	-
Total Trade and other receivables from non exchange transactions by Classification as at 31 March 2019		76	-	-

The above includes a deposit that is for rent which the contract is still in place. The receivable will only be recovered once the ceases and inspection has been completed.

The above also includes an amount receivable from GWK. The amount was to be refunded to the Entity but to date it is still outstanding.

Given the knowledge and relationship with the clients, the Entity is confident that it will recover the amount, therefore no impairment is deemed necessary.

Kalahari Kid Corporation

Financial Statements for the year ended 31 March 2020

Notes to the Financial Statements

	2020	2019
	R'000	R'000
4 VAT Receivable		
VAT Receivable	8	27
VAT Receivable	<u>8</u>	<u>27</u>
5 Inventories		
Meat in stock at year end	-	3
	<u>-</u>	<u>3</u>
6 Operating leases		
Operating lease assets	5	5
	<u>5</u>	<u>5</u>
At the reporting date the Entity has outstanding commitments under operating leases which fall due as follows:		
Operating lease arrangements		
Lessee		
At the reporting date the Entity had outstanding commitments under non-cancellable operating leases, which fall due as follows:		
Up to 1 year	55	51
1 to 5 years		55
More than 5 years		
	<u>55</u>	<u>106</u>

Kalahari Kid Corporation

Financial Statements for the year ended 31 March 2020

Notes to the Financial Statements

2020 2019

R'000 R'000

7 Property, Plant and Equipment Reconciliation of Carrying Value

	2020			2019		
	Cost	Accumulated Depreciation & Impairment	Carrying Value	Cost	Accumulated Depreciation & Impairment	Carrying Value
	R'000	R'000	R'000	R'000	R'000	R'000
Infrastructure	3,776	(1,753)	2,023	3,750	(1,375)	2,375
Infrastructure Capital Work in Progress	435	-	435	435	-	435
Furniture & Fittings	80	(51)	28	80	(36)	44
Small Tools	12	(12)	1	12	(9)	3
Office Equipment	29	(6)	23	64	(47)	17
Computer Equipment	32	(21)	11	39	(24)	15
Other Assets	601	(331)	270	475	(274)	201
Total	4,965	(2,174)	2,791	4,855	(1,765)	3,090

7.1 Reconciliation of Property, Plant and Equipment 2020

	Carrying Value Opening Balance	Additions	Depreciation	Disposals	Carrying Value Closing Balance
	R'000	R'000	R'000	R'000	R'000
Infrastructure	2,375	26	(377)	-	2,023
Infrastructure Capital Work in Progress	435	-	-	-	435
Furniture & Fittings	44	-	(16)	-	28
Small Tools	3	-	(2)	-	1
Office Equipment	17	29	(10)	(13)	23
Computer Equipment	15	7	(7)	(4)	11
Other Assets	201	126	(57)	-	270
Total	3,090	187	(469)	(17)	2,791

Included in the Property, plant and equipment is work in progress which has not had movement for the year. The reason being the entity's funding was a challenge and it was unable to complete these structures. Furthermore, the supplier who was appointed as the service provider fell ill and later passed on and was unable to complete the work. The entity applied for CASP funding to address the funding shortfalls and once this funding is received another service provider will be appointed to complete the work in progress. The Entity does not, at this stage, deem it necessary to impair any portion of these assets.

7.1 Reconciliation of Property, Plant and Equipment 2019

	Carrying Value Opening Balance	Additions	Disposals	Depreciation	Carrying Value Closing Balance
	R'000	R'000	R'000	R'000	R'000
Infrastructure	2,629	118	-	(372)	2,375
Infrastructure Capital Work in Progress	165	270	-	-	435
Furniture & Fittings	34	25	(1)	(14)	44
Small Tools	5	1	-	(2)	3
Office Equipment	26	-	-	(9)	17
Computer Equipment	20	3	-	(8)	15
Other Assets	249	-	-	(47)	201
Total	3,128	417	(1)	(452)	3,090

Kalahari Kid Corporation
Financial Statements for the year ended 31 March 2020

2020

2019

Notes to the Financial Statements

8 Intangible Assets Reconciliation of Carrying Value

	2020			2019		
	Cost	Accumulated Depreciation & Impairment	Carrying Value	Cost	Accumulated Depreciation & Impairment	Carrying Value
	R'000	R'000	R'000	R'000	R'000	R'000
Computer Software	29	(27)	2	29	(24)	5
Total	29	(27)	2	29	(24)	5

8.1 Reconciliation of Intangible Assets 2020

	Carrying Value Opening Balance	Additions	Amortisation	Carrying Value Closing Balance
	R'000	R'000	R'000	R'000
Computer Software	5	-	(3)	2
Total	5	-	(3)	2

8.2 Reconciliation of Intangible Assets 2019

	Carrying Value Opening Balance	Additions	Disposals	Carrying Value Closing Balance
	R'000	R'000	R'000	R'000
Computer Software	1	7	(3)	5
Total	1	7	(3)	5

Kalahari Kid Corporation

Financial Statements for the year ended 31 March 2020

Notes to the Financial Statements

2020

2019

R'000

R'000

9 Biological Assets Reconciliation of Carrying Value

	2020			2019		
	Cost	Accumulated Depreciation & Impairment	Carrying Value	Cost	Accumulated Depreciation & Impairment	Carrying Value
	R'000	R'000	R'000	R'000	R'000	R'000
Bearer Biological Assets	2,022	-	2,022	2,024	-	2,024
Consumable Biological Assets	53	-	53	74	-	74
Total	2,075	-	2,075	2,098	-	2,098

9.1 Reconciliation of Biological Assets 2020

	Carrying Value Opening Balance	Purchases	Decrease due to harvest/sales	Gains/losses from changes in fair value less estimated point	Other movements (Deaths/births)	Carrying Value Closing Balance
	R'000	R'000	R'000	R'000	R'000	R'000
Bearer Biological Assets	2,024	137	(99)	160	(198)	2,024
Consumable Biological Assets	74	-	(318)	343	(47)	52
Total	2,098	137	(417)	503	(245)	2,076

9.2 Reconciliation of Biological Assets 2019

	Carrying Value Opening Balance	Purchases	Decrease due to harvest/sales	Gains/losses from changes in fair value less estimated point of sales cost	Other movements (Deaths/births)	Carrying Value Closing Balance
	R'000	R'000	R'000	R'000	R'000	R'000
Bearer Biological Assets	2,083	1,465	(529)	(681)	(314)	2,024
Consumable Biological Assets	258	174	(530)	257	(85)	74
Total Restated	2,341	1,639	(1,059)	(424)	(399)	2,098

10 Trade and other payables from exchange transactions

Income received in advance contract services

331

409

Trade Creditors

71

82

Total

402

491

Kalahari Kid Corporation
Financial Statements for the year ended 31 March 2020

Notes to the Financial Statements

11 Current Provisions

11.1 Reconciliation of movement in current provisions - 2020

	Provision for leave pay and bonus R'000	Other Provisions R'000	Current Portion of Other Non- Current Provisions R'000	Total R'000
Opening Balance	184	-	-	184
Provisions Raised	52	-	-	52
Provisions realised	(45)	-	-	(45)
Movement resulting from re-measurement of provision	(9)	-	-	(9)
Closing Balance	182	-	-	182

11.2 Reconciliation of movement in current provisions - 2019

	Provision for leave pay and bonus R'000	Other Provisions R'000	Current Portion of Other Non- Current Provisions R'000	Total R'000
Opening Balance	91	16	-	107
Provisions Raised	93	-	-	93
Provisions realised	-	(16)	-	(16)
Unused amounts reversed	-	-	-	-
Closing Balance	184	-	-	184

12 Correction of Errors

12.1 Prior period errors

There was a difference in the EMP501 submitted in the 2019 financial year.
The above errors impacted taxes and transfers payable and retained earnings

The effect of the error is as follow:

Statement of financial position

Taxes and transfers payable

Previously

-

Now

(2)

Restatement

(2)

Statement of financial performance

Employee related costs

Previously

(3,973)

Now

(3,975)

(2)

Biological Assets were undervalued in the 2018 financial year. An adjustment was made to adjust the closing balance for the 2018 financial year.

The effect of the error is as follow:

Statement of financial position

Retained earnings 01 April 2018

Previously

(7,188)

Now

(7,595)

Restatement

(407)

Biological Assets 01 April 2018

Previously

1,934

Now

2,341

Restatement

407

Biological assets fair value adjustment (note)

Previously

(17)

Now

(424)

Restatement

(407)

Kalahari Kid Corporation

Financial Statements for the year ended 31 March 2020

Notes to the Financial Statements

	2020 R'000	2019 R'000
12 Correction of Errors (continued)		
12.1 Prior period errors		
Statement of financial performance		
(Loss) / gain on fair value adjustment		
Previously	-	17
Now	-	424
Restatement	-	407
 13 Other financial liabilities		
ABSA Credit Card - 5475-0800-1459-3013	3	5
ABSA Credit Card - 5475-0800-1459-4060	-	2
ABSA Credit Card - 5475-0800-1459-4078	1	-
Total other financial liabilities	4	7

Kalahari Kid Corporation

Financial Statements for the year ended 31 March 2020

Notes to the Financial Statements

14 Finance lease liability

Amounts payable under finance lease - 2020

	Minimum lease payment R'000	Future Finance Charges R'000	Present Value of Minimum Lease Payments R'000
Within one year	1	-	1
Within two to five years	-	-	-
Later than five years	-	-	-
Less: Amount due for settlement within 12 months	(1)	-	(1)
Closing Balance	-	-	-

Amounts payable under finance lease - 2019

	Minimum lease payment R'000	Future Finance Charges R'000	Present Value of Minimum Lease Payments R'000
Within one year	2	-	2
Within two to five years	1	-	1
Later than five years	-	-	-
Less: Amount due for settlement within 12 months	(2)	-	(2)
Closing Balance	1	-	1

Kalahari Kid Corporation

Financial Statements for the year ended 31 March 2020

Notes to the Financial Statements

	2020 R'000	2019 R'000
15 Services in kind		
External Audit Fees	197	1,020

The Department of Agriculture, Land Reform and Rural Development paid audit fees charged by the Auditor General South Africa for external auditing services on behalf of the entity.

	2020 R'000	2019 R'000
Internal audit services	280	187

During the financial year it was noted that the entity made use of a shared internal audit services from the Northern Cape Provincial Treasury. The Provincial Treasury outsourced these services to PricewaterhouseCoopers Inc, during the financial year.

These services were regarded as service in kind as the entity did not pay for the internal audit services. These services were paid directly by the Northern Cape Provincial Treasury

	2020 R'000	2019 R'000
16 Revenue from exchange transactions		
Sale of goods and rendering of services	733	1,238
Total revenue from exchange transactions	<u>733</u>	<u>1,238</u>

	2020 R'000	2019 R'000
17 Other income		
Insurance claims received	2	-
Discount received	9	
Deposit refund	2	
Recoupment of charges (MTN)	3	
Total revenue from exchange transactions	<u>16</u>	<u>-</u>

	2020 R'000	2019 R'000
18 Interest received		
Bank	-	3
Total other financial liabilities	<u>-</u>	<u>3</u>

Kalahari Kid Corporation

Financial Statements for the year ended 31 March 2020

Notes to the Financial Statements

	2020 R'000	2019 R'000
19 Employee related costs		
Salaries - Employees - Salaries and wages	2,634	2,901
Salaries - Employees - UIF, SDL and medical aid	303	185
Salaries - Employees - Bonus	185	128
Salaries - Movement in leave and bonus provision	(2)	93
Salaries - Accounting Authority - Basic Salary	104	299
Salaries - Accounting Authority - UIF	1	3
Salaries - Accounting Authority - Other non-pensionable allowances	1	3
Salaries - Employees - Provident fund	432	363
Total employee related costs	3,658	3,975
	2020 R'000	2019 R'000
20 Repairs and maintenance		
Repairs and maintenance - Infrastructure	7	58
Repairs and maintenance - Vehicles	10	6
Total repairs and maintenance	17	64
21 Depreciation and Amortisation		
Property, plant and equipment	470	453
Intangible assets	2	3
Total depreciation and amortisation	472	456
	2020 R'000	2019 R'000
22 Finance Costs		
Interest	1	9
Total Finance costs	1	9

Kalahari Kid Corporation

Financial Statements for the year ended 31 March 2020

Notes to the Financial Statements

	2020 R'000	2019 R'000
23 General expenses		
Including in general expenses are the following:		
Advertising	-	1
Audit fees	477	1,207
Bank Charges	15	26
Cleaning	4	4
Computer expenses	3	-
Consulting	9	-
Consumables	480	488
Cost of sales	467	1,300
Entertainment	-	10
Fuel and oil	29	16
Insurance	19	-
Legal expenses	-	-
Levies paid	26	273
License fees	-	2
Losses due to mortalities	218	376
Losses due to theft	27	24
Penalties and interests	6	-
Printing and stationery	6	29
Professional fees	-	-
Protective clothing	6	-
Rental of buildings	63	54
Rental of office equipment	27	32
Subscription and publication	23	21
Telephone costs	38	62
Training	-	44
Travel and subsistence - Local	178	292
Travel and subsistence - Foreign	-	15
Other	11	18
Total employee related costs	2,132	4,294
	2020 R'000	2019 R'000
24 Profit / (Loss) on fair value adjustment		
Biological assets carried at fair value	503	(424)
Total profit / (loss) on fair value adjustment	503	(424)

Kalahari Kid Corporation

Financial Statements for the year ended 31 March 2020

Notes to the Financial Statements

	2020 R'000	2019 R'000
25 Cash flows from operating activities		
Surplus / (deficit) for the year from continuing operations:	(749)	(2,576)
Amortisation	3	3
Depreciation	469	453
Fair value adjustments	(503)	424
Increase / (decrease) in provisions	(2)	77
Finance costs	1	9
Foreign exchange loss	-	2
Gain / (loss) on sale of property plant and equipment	(52)	1
Non cash-item - Cost of sales	418	1,059
Non cash-item - Losses	245	400
Non cash-item - Audit fees	477	1,207
Non cash-item - Service in kind	(477)	(1,207)
Bad debts	88	
(Increase) / decrease in operating lease asset	-	(5)
Operating surplus before working capital changes:	(82)	(153)
(Increase) / decrease in inventories	3	(3)
(Increase) / decrease in trade and other receivables	3	(35)
(Increase) / decrease in trade and other receivables from exchange transactions	5	22
(Increase) / decrease in VAT Receivable	19	135
(Increase) / decrease in trade and other payables	(89)	435
Movements in other financial liabilities	3	(7)
Other working capital movements	-	5
Net cash flows from operating activities	(138)	399

	2020 R'000	2019 R'000
26 Financial Assets carried at amortised cost		
Cash and cash equivalents	148	553
Trade and other receivables from exchange transactions	44	73
Other current financial assets	8	27
Other non-current financial assets	-	-

Kalahari Kid Corporation

Financial Statements for the year ended 31 March 2020

Notes to the Financial Statements

27 Liquidity risk

The Entity's risk to liquidity is a result of the funds available to cover future commitments. The Entity manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

The table below analyses the Entity's financial liabilities into relevant maturity groupings based on the remaining period at the Statement of Financial Position to the contractual maturity date.

The amounts disclosed in the table are the contractual undiscounted cash flows.

2020

	Not later than one month R'000	Later than one month and not later than three months R'000	Later than three months and not later than one year R'000	Later than one year and not later than 5 years R'000
Gross finance lease obligations	-	-	1	-
Borrowings	-	-	-	-
Trade and other payables	402	-	-	-
Bank overdraft	-	-	-	-
Operating lease	-	-	-	-

2019

	Not later than one month R'000	Later than one month and not later than three months R'000	Later than three months and not later than one year R'000	Later than one year and not later than 5 years R'000
Gross finance lease obligations	-	-	-	1
Borrowings	-	-	-	-
Trade and other payables	491	-	-	-
Bank overdraft	-	-	-	-
Operating lease	-	-	-	1

Kalahari Kid Corporation

Financial Statements for the year ended 31 March 2020

Notes to the Financial Statements

	2020 R'000	2019 R'000
28 Fruitless and wasteful Expenditure		
Reconciliation of fruitless and wasteful expenditure		
Opening balance	32	24
Fruitless and wasteful expenditure current year	6	8
Condoned or written off by relevant authority	-	-
Fruitless and wasteful expenditure closing balance	38	32

Fruitless and wasteful expenditure occurred as a result of flight changes due to meeting changes and interest and penalties on late submissions of VAT and EMP returns

	2020 R'000	2019 R'000
29 Irregular Expenditure		
Reconciliation of irregular expenditure		
Opening balance	3,683	1,946
Add: Irregular expenditure current year	78	1,235
Add: Irregular expenditure prior year	-	502
Less: Condoned	-	-
Irregular expenditure waiting condonement	3,761	3,683

Irregular expenditure occurred as a result of Supply Chain Management processes not being followed. Further instances of irregular expenditure that might have resulted from non-compliance with the supply chain management processes are under investigation to determine the full extent of the amount.

	2020 R'000	2019 R'000
30 Capital Commitments		
Farm upgrades - authorised but not paid for	17	42
Total		
This expenditure will be financed from:		
Government Grants	17	42

31 Financial Stability

The Entity still relies on transfer payments from the Mother Company (DALLRD). These transfers will be continuing up until the Entity is fully sustainable and can generate its own income.

In the past year the Department has alluded to the fact that it is considering dissolving the Entity.

32 Events after the reporting date

Adjusting Entries

No adjusting subsequent events were identified by management.

Non- Adjusting Entries

A national lockdown was declared by the president on the 15 March 2020 following the outbreak of the Corona Virus pandemic outbreak.

The COVID19 outbreak restricted economic activity and placed more demand on government. This resulted in budget cuts across the board on all government entities. The budget cut will negatively impact the entity in the coming financial year.

The Accounting Authority has evaluated the effect of the impact the COVID-19 and has determined that it has no effect on the financial information presented at 31 March 2020. The possible future losses cannot be determined.

Kalahari Kid Corporation

Financial Statements for the year ended 31 March 2020

Notes to the Financial Statements

33 Related Parties	Relationships		
Department of Agriculture, Land Reform and Rural Development MEC Nomandla Bloem	Department with significant control Member of Executive Council for the Department of Agriculture, Land reform and Rural development		
Ms Connie Seoposengwe	Board Chairperson (Until 31 July 2019)		
Judith Weidemann	Marketing Director / Board Member		
Dr Phemelo Kegakilwe	Acting Chief Executive Officer		
Mr James Choche	Executive manager: Production		
Ms Kedisaletse Williams	Board Member		
Ms Prudence Catita	Board Member		
Ms Boipelo Ngwenya	Chief Financial Officer		
Niewoudtville Rooibos (Pty) Ltd	Company under common control of Executive Authority		
Related party Transactions		2020	2019
		R'000	R'000
Transfers with related parties			
Department of Agriculture, Land Reform and Rural Development		3,838	4,205
Sales made to related parties			
Ms Connie Seoposengwe		-	8
Ms Judith Weidemann		-	5
Ms Boipelo Ngwenya		2	1
Related party balances			
Included in Trade Receivables / Trade Payables) regarding related parties			
Ms Connie Seoposengwe		3	12
Income received in advance			
Niewoudtville Rooibos (Pty) Ltd for Onseepkans		331	409
Remuneration			
Ms C Seoposengwe - Board Chairperson (Resigned 31 July 2019)			
Annual Remuneration		106	305
J Weidemann - Marketing Director			
Annual Salary (inc. UIF, SDL & PAYE)		959	951
Bonus		67	92
Provident Fund Contribution		173	177
Medical Aid Contribution		64	58
Travel claims		38	2
Repairs on vehicles		-	15
Total		1,301	1,295
B Nwenya - Chief Financial Officer			
Annual Salary (inc. UIF, SDL & PAYE)		724	593
Bonus		60	60
Provident Fund Contribution		111	96
Total		895	749
BJ Choche - Executive Manager: Production			
Annual Salary (inc. UIF, SDL & PAYE)		-	334
Travel claims		-	-
Total		-	334
BJ Choche acted as a board member until 31 October 2016. Thereafter he was appointed by the Kalahari Kid Corporation as Production & training officer from 01 November 2016 on a contract basis that is reviewed annually; the contract expired on 31 January 2019.			

Kalahari Kid Corporation

Financial Statements for the year ended 31 March 2020

Notes to the Financial Statements

34 Contingent liability

The entity is a Public Entity listed under section 3C of the Public Finance Management Act under the control of the Northern Cape Provincial Government. The Entity is currently registered for VAT and Income Tax.

The entity is in the process of applying to be registered as an organ of state at the South African Revenue Service. The outcome may lead to a possible financial obligation for the entity as the entity has been trading. However, the outcome is not known yet and therefore the Entity cannot estimate what the value of this financial implication will be should it realise.

35 Risk Management

Risks associated with the financial instruments of the public entities included in this consolidation are managed on an individual entity level in line with the requirements of the PFMA. In this note we describe the general high-level practices employed by entities in managing the risks that they are exposed to as a result of their financial instrument holdings.

Maximum credit risk exposure

The public entities included in this consolidation are exposed to credit risk mainly as a result of holding cash equivalents, long term receivables, finance lease receivables and trade receivables. To manage the credit risk that the entities are exposed to as a result of holding these classes of financial assets the following steps are generally taken. The Entity only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

A. CASH AND CASH EQUIVALENTS

Public entities bank with major banks with high credit standing. Furthermore, the cash holdings with banks are spread amongst a variety of banks to reduce the concentration of their credit risk exposure. The minimum counterparty credit rating for placing deposits and investing in government bonds is 'A' by

Standard & Poor's or its Moody's or Fitch's rating equivalents, while the minimum rating for investments in corporate bonds is 'AA-'. The rating of certain investment securities was below 'A' at year-end due to downgrading of instruments or institutions by the rating agencies and due to the tightening of investment

guidelines by the Bank, which resulted in passive breaches on some of the financial assets in the Bank's portfolios.

Trade receivables comprise a widespread customer base. Management evaluates credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the individual boards of directors of each of the public entities. The utilisation of credit limits is regularly monitored. Credit guarantee insurance is purchased when deemed appropriate.

Kalahari Kid Corporation

Financial Statements for the year ended 31 March 2020

ACCOUNTING POLICIES

1 PRESENTATION OF ANNUAL FINANCIAL STATEMENTS

The Annual Financial Statements were prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP), as 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 were prepared on the accrual basis of accounting and incorporate the historical cost conventions as the basis of measurement, except where 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 paragraph 8, 10 and 11 GRAP 3 as read with GRAP 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.

The principal accounting policies, applied in the preparation of these Annual Financial Statements, are set out below.

These accounting policies are consistent with those applied in the preparation of the prior year Annual Financial Statements, unless specified otherwise. Details of any changes in the accounting policies are provided in note 38 "Changes in accounting policies".

2. PRESENTATION CURRENCY

These Annual Financial Statements are presented in South African Rand and rounded off to the nearest R'000, which is the functional currency of Kalahari Kid Corporation

3. GOING CONCERN ASSUMPTION

These Annual Financial Statements were prepared based on the expectation that Kalahari Kid Corporation will continue to operate as a going concern for at least the next 12 months.

4. COMPARATIVE INFORMATION

Current year comparatives

Where necessary comparative figures were adjusted in order to conform to updated and current Standards of GRAP

Prior year comparatives

When the presentation or classification of items in the Annual Financial Statements is amended, prior period comparative amounts are also reclassified and restated, unless such comparative reclassification and / or restatement is not required by a Standard of GRAP. The nature and reason for such reclassifications and restatements 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 is 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

The presentation and classification of items in the current year is consistent with prior periods.

Kalahari Kid Corporation
Financial Statements for the year ended 31 March 2020

ACCOUNTING POLICIES

5. STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following Standards of GRAP and / or amendments thereto have been issued by the Accounting Standards Board, but will only become effective in future periods or have not been given an effective date by the Minister of Finance. The Entity has not early-adopted any of these new Standards or amendments thereto, but has referred to them for guidance in the development of accounting policies in accordance with GRAP 3 as read with Directive 5:

Standard number	Standard name	Effective date (if applicable)
	<i>Preface to Interpretations of the Standards of GRAP</i>	<i>No effective date</i>
GRAP 34	<i>Preface to Interpretations of the Standards of GRAP</i>	<i>No effective date</i>
GRAP 35	<i>Separate Financial Statements</i>	<i>No effective date</i>
GRAP 36	<i>Consolidated Financial Statements</i>	<i>No effective date</i>
GRAP 37	<i>Investments in Associated and Joint Ventures</i>	<i>No effective date</i>
GRAP 38	<i>Joint Arrangements</i>	<i>No effective date</i>
GRAP 110	<i>Disclosure of Interests in Other Entities</i>	<i>No effective date</i>

6. SIGNIFICANT JUDGEMENTS AND ESTIMATES

The use of judgment, estimates and assumptions is inherent to the process of preparing Annual Financial Statements. These judgements, estimates and assumptions affect the amounts presented in the Annual Financial Statements. Uncertainties about these estimates and assumptions could result in outcomes that require a material adjustment to the carrying amount of the relevant asset or liability in future periods.

Judgements

In the process of applying these accounting policies, management has made the following judgements that may have a significant effect on the amounts recognised in the financial statements:

Estimates

Estimates are informed by historical experience, information currently available to management, assumptions, and other factors that are believed to be reasonable under the circumstances. These estimates are reviewed on a regular basis. Changes in estimates that are not due to errors are processed in the period of the review and applied prospectively.

In the process of applying the Entity's accounting policies the following estimates, were made:

Other provisions

Provisions are measured as the present value of the estimated future outflows required to settle the obligation. In the process of determining the best estimate of the amounts that will be required in future to settle the provision management considers the weighted average probability of the potential outcomes of the provisions raised. This measurement entails determining what the different potential outcomes are for a provision as well as the financial impact of each of those potential outcomes. Management then assigns a weighting factor to each of these outcomes based on the probability that the outcome will materialise in future. The factor is then applied to each of the potential outcomes and the factored outcomes are then added together to arrive at the weighted average value of the provisions.

Kalahari Kid Corporation

Financial Statements for the year ended 31 March 2020

ACCOUNTING POLICIES

Depreciation and amortisation

Depreciation and amortisation recognised on property, plant and equipment and intangible assets are determined with reference to the useful lives and residual values of the underlying items. The useful lives and residual values of assets are based on management's estimation of the asset's condition, expected condition at the end of the period of use, its current use, and expected future use and the Entity's expectations about the availability of finance to replace the asset at the end of its useful life. In evaluating the how the condition and use of the asset informs the useful life and residual value management considers the impact of technology and minimum service requirements of the assets. SARS depreciation period used and in infrastructure and other assets, period of lease used.

Effective interest rate

The Entity uses an appropriate interest rate, taking into account guidance provided in the standards, and applying professional judgement to the specific circumstances, to discount future cash flows. The Entity used the following in arriving at the effective interest rate used:

No	Consideration	Inputs related to the consideration
1	Base rate used as starting point	prime rate

Biological assets

In determining the fair value less cost to sell of biological assets the Entity applied the market related selling price of the biological assets as derived from auction information as the basis for the fair value as well as inputs from Marketing Director and farm manager who have extensive industry knowledge.

The inputs used in the determination of fair value are as follows:

No.	Significant variables considered	Assumption / estimate employed
1.	No of teeth	female, male, kapater, cull
2.	Market value per goat	Auction prices and market related selling prices
3.	Cost to sell per goat	R 70.00 (slaughter fees)

Kalahari Kid Corporation

Financial Statements for the year ended 31 March 2020

ACCOUNTING POLICIES

7. FINANCIAL INSTRUMENTS

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

Initial Recognition

The Entity recognises a financial asset or a financial liability in its Statement of Financial Position when, and only when, the Entity becomes a party to the contractual provisions of the instrument. This is achieved through the application of trade date accounting.

Upon initial recognition the Entity classifies financial instruments or their component parts as a financial liabilities, financial assets or residual interests in conformity with the substance of the contractual arrangement and to the extent that the instrument satisfies the definitions of a financial liability, a financial asset or a residual interest.

Financial instruments are evaluated, based on their terms, to determine if those instruments contain both liability and residual interest components (i.e. to assess if the instruments are compound financial instruments). To the extent that an instrument is in fact a compound instrument, the components are classified separately as financial liabilities and residual interests as the case may be.

Initial Measurement

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

Subsequent Measurement

Subsequent to initial recognition, financial assets and financial liabilities are measured at fair value, amortised cost or cost.

All financial assets and financial liabilities are measured after initial recognition using the following categories:

a) Financial instruments at fair value.

- ° Derivatives
- ° Compound instruments that are designated at fair value i.e. an instrument that includes a derivative and a non-derivative host contract.
- ° Instruments held for trading.
- ° Non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition.
- ° An investment in a residual interest for which fair value can be measured reliably.

Financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

b) Financial instruments at amortised cost.

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.

c) Financial instruments at cost.

Investments in residual interests, which do not have quoted market prices and for which fair value cannot be determined reliably.

The Entity assesses which instruments should be subsequently measured at fair value, amortised cost or cost, based on the definitions of financial instruments at fair value, financial instruments at amortised cost or financial instruments at cost as set out above.

Kalahari Kid Corporation

Financial Statements for the year ended 31 March 2020

ACCOUNTING POLICIES

Derecognition

A financial asset is derecognised at trade date, when:

The cash flows from the asset expire, are settled or waived;

a) Significant risks and rewards are transferred to another party; or

b) Despite having retained significant risks and rewards, the Entity has transferred control of the asset to another Entity.

A financial liability is derecognised when the obligation is extinguished. Exchanges of debt instruments between a borrower and a lender are treated as the extinguishment of an existing liability and the recognition of a new financial liability. Where the terms of an existing financial liability are modified, it is also treated as the extinguishment of an existing liability and the recognition of a new liability.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired or through the amortisation process.

Offsetting

The Entity does not offset financial assets and financial liabilities in the Statement of Financial Position unless a legal right of set-off exists and the parties intend to settle on a net basis

Impairments

All financial assets measured at amortised cost, or cost, are subject to an impairment review. 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 financial assets held at amortised cost:

The Entity first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant and individually or collectively for financial assets that are not individually significant. If the Entity determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in the collective assessment of impairment.

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss shall be reversed either directly or by adjusting an allowance account. The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

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ACCOUNTING POLICIES

For financial assets held at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

Policies relating to specific financial instruments

Cash and cash equivalents

Cash and cash equivalents are measured at amortised cost.

Cash includes cash on hand and cash with banks. Cash equivalents are short-term highly liquid investments that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value.

For the purposes of the Cash Flow Statement, cash and cash equivalents comprise cash on hand and deposits held on call with banks.

Trade and other receivables

Trade and other receivables are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition and subsequently stated at amortised cost, less provision for impairment. All trade and other receivables are assessed at least annually for possible impairment. Impairments of trade and other receivables are determined in accordance with the accounting policy for impairments. Impairment adjustments are made through the use of an allowance account.

Bad debts are written off in the year in which they are identified as irrecoverable. Amounts receivable within 12 months from the reporting date are classified as current.

Trade and other payables

Trade payables are initially measured at fair value plus transaction costs that are directly attributable to the acquisition and are subsequently measured at amortised cost using the effective interest rate method.

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ACCOUNTING POLICIES

8. PROPERTY, PLANT AND EQUIPMENT

Initial recognition and measurement

Property, plant and equipment are tangible non-current 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 year.

Items of property, plant and equipment are recognised as assets when it is probable that future economic benefits or service potential associated with the item will flow to the Entity and the cost or fair value of the item can be measured reliably.

Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost where acquired through exchange transactions. However, when items of property, plant and equipment are acquired through non-exchange transactions, those items are initially measured at their fair values as at the date of acquisition

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

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. These major components are depreciated separately over their useful lives.

Major spare parts and servicing equipment qualify as property, plant and equipment when the Entity expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

After recognition as an asset, an item of property, plant and equipment whose fair value can be measured reliably shall be carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations shall be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date.

Subsequent measurement

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Asset class

Office Equipment

Furniture and Fittings

Software & other intangibles

Computer Equipment

Infrastructure Assets

Other Assets

Plant, Machinery and Equipment

Capital Work in Progress

Subsequent expenditure

Where the 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 are met.

Kalahari Kid Corporation

Financial Statements for the year ended 31 March 2020

ACCOUNTING POLICIES

Depreciation

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The depreciable amount is determined after taking into account an assets revaluation amount, where applicable.

The asset's revaluation values, useful lives and depreciation methods are reviewed at each financial year-end and adjusted prospectively, if appropriate.

The annual depreciation rates are based on the following estimated asset useful lives:

<i>Other Assets</i>	<i>Useful Life Range in Years</i>
Computer Equipment	3
Office Equipment	3
Other Assets	10
Office Furniture & Fittings	5
Software	4
Infrastructure	10
Plant, Machinery and Equipment	2
Capital Work in Progress	10

Impairments

The Entity tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment 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 charged to the Statement of Financial Performance.

Where items of property, plant and equipment have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the Statement of Financial Performance in the period that the impairment is identified.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of the impairment is recognised in the Statement of Financial Performance.

Kalahari Kid Corporation

Financial Statements for the year ended 31 March 2020

ACCOUNTING POLICIES

Derecognition

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 on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

9. INTANGIBLE ASSETS

Initial recognition and measurement

An intangible asset is an identifiable non-monetary asset without physical substance. The entity recognises an intangible asset in its Statement of Financial Position only 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.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired by the Entity for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired

Subsequent measurement

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments.

The cost of an intangible asset is amortised over the useful life where that useful life is finite. The amortisation expense on intangible assets with finite lives is recognised in the Statement of Financial Performance in the expense category consistent with the function of the intangible asset.

Amortisation and impairment

Amortisation is charged to write off the cost of intangible assets over their estimated useful lives using the straight-line method.

The annual amortisation rates are based on the following estimated average asset lives:

Intangible	Useful Life Range in Years
Computer Software	3-5

The amortisation period, the amortisation method and residual value for intangible assets with finite useful lives are reviewed at each reporting date and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

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Impairments

The Entity tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is performed at each reporting date. 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 charged to the Statement of Financial Performance.

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

10. BIOLOGICAL ASSETS

Recognition

Biological assets that are not managed as part of an agricultural activity are accounted for as property, plant and equipment where they are expected to be used for longer than 12 months (refer to accounting policy for property, plant and equipment).

Biological assets that are managed as part of an agricultural activity, and agricultural produce are recognised when:

- o The Entity controls the asset; and
- o Future economic benefits or service potential from the asset is probable; and
- o the fair value or cost of the asset can be determined.

Biological assets are measured at fair value less estimated point-of-sale costs at initial recognition as well for subsequent reporting periods. Agricultural produce (as harvested from biological assets) are recognised at the point of harvest.

Accordingly, agricultural produce is measured at fair value less point-of-sale costs at the point of harvest. When this agricultural produce is transferred to inventory (for the purpose of consumption or resale) the fair value less point-of-sale costs, becomes the cost of the agricultural produce inventory.

Where there is no active market for biological assets and it is not possible to determine the fair value of the biological assets reliably through the use of other valuation techniques, the biological assets are measured at cost less accumulated depreciation and accumulated impairment losses. Should the fair value of the biological asset become available or reliably determinable in subsequent periods, the biological asset will be measured at its fair value less point-of-sale costs.

When measuring the biological asset at fair value less point-of-sale costs at initial recognition a gain arises on that asset. This gain is recognised in surplus or deficit for the period during which the biological asset was initially recognised. Any subsequent changes to the fair value less point-of-sale costs (which arise as a result of re-measurements at subsequent reporting dates) are also recognised in the surplus or deficit for the period.

The gain or loss that arises on the initial recognition of agricultural produce at fair value less point-of-sale costs is also recognised in surplus or deficit in the period that it arises.

Derecognition

Agricultural produce is derecognised at the point of reclassification to inventory. As the fair value less point-of-sale costs becomes the cost of the inventory, no gain or loss is derecognised at the point of reclassification.

Biological assets are derecognised when the Entity disposes thereof or when it is no longer probable that future economic benefits or service potential will be generated from the biological asset. Any gain or loss that arises at the point of derecognition is recognised in surplus or deficit at the point of derecognition.

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ACCOUNTING POLICIES

11. INVENTORY

Inventory includes consumable biological asset produce (meat produced from slaughtered goats).

Recognition

Inventory is recognised initially when it meets the definition criteria: the assets are controlled by the entity, as a result of a past event and future economic resources are expected to flow into the entity from them, and their cost can be measured reliably.

Measurement

Inventory is initially recognised at costs; costs include the cost to purchase the goats and the costs incurred to bring them to their present location and condition. Inventory is subsequently measured at the lower of costs or net realisable value. The net realisable value being the estimated selling in the ordinary course of operations less estimated cost to sell.

Inventories include chapters and culls. Biological assets are transferred to Inventory at the point when they become identifiable as inventory. These goats are fairly valued through profit and loss and transferred at that fair value which becomes the initial recognition amount for such goats.

Derecognition

Once the inventory is sold, it is recognised as an expense in the statement of financial performance.

12. IMPAIRMENT OF NON-FINANCIAL ASSETS

Recognition

The Entity assesses at each reporting date whether there is an indication that an asset may be impaired. Where the carrying amount of an asset exceeds its recoverable amount (or recoverable service amount in the case of non-cash-generating assets), the asset is considered impaired and is written down to its recoverable amount (or recoverable service amount). An assets recoverable amount (or recoverable service amount is the higher of the fair value less costs to sell, and the value-in-use of the asset).

Measurement

An asset's recoverable amount (or recoverable service amount) is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value-in-use. This recoverable amount (or recoverable service amount) is determined for individual assets, unless those individual assets are part of a larger cash generating unit, in which case the recoverable amount (or recoverable service amount) is determined for the whole cash generating unit.

An asset is part of a cash generating unit where that asset does not generate cash inflows that are largely independent of those from other assets or group of assets.

In determining the recoverable amount (or recoverable service amount) of an asset the Entity evaluates the assets to determine whether the assets are cash generating assets or non-cash generating assets.

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Where the asset is a non-cash generating asset the value in use is determined through one of the following approaches:

- ▶ Depreciated replacement cost approach – The current replacement cost of the asset is used as the basis for this value. This current replacement cost is depreciated for a period equal to the period that the asset has been in use so that the final depreciated replacement cost is representative of the age of the asset
- ▶ Restoration cost approach - Under this approach, the present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment.
- ▶ Service units approach - the present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform to the reduced number of service units expected from the asset in its impaired state

The decision as to which approach to use is dependent on the nature of the identified impairment.

In assessing value-in-use for cash-generating assets, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, other fair value indicators are used.

Impairment losses of continuing operations are recognised in the Statement of Financial Performance in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Entity makes an estimate of the assets or cash-generating unit's recoverable amount.

Reversal of impairment losses

A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Statement of Financial Performance unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

13. EMPLOYEE BENEFITS

Short term employee benefits

Short term employee benefits encompass all those benefits that become payable in the short term, i.e. within a financial year or within 12 months after the financial year. Therefore, short term employee benefits include remuneration, compensated absences and bonuses.

Short term employee benefits are recognised in the Statement of Financial Performance as services are rendered, except for non-accumulating benefits, which are recognised when the specific event occurs. These short-term employee benefits are measured at their undiscounted costs in the period the employee renders the related service or the specific event occurs.

Defined contribution plans

Contributions made towards the fund are recognised as an expense in the Statement of Financial Performance in the period that such contributions become payable. This contribution expense is measured at the undiscounted amount of the contribution paid or payable to the fund. A liability is recognised to the extent that any of the contributions have not yet been paid. Conversely an asset is recognised to the extent that any contributions have been paid in advance.

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ACCOUNTING POLICIES

14. LEASES

The Entity as Lessee

Recognition

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the Entity through the lease agreement. Assets subject to finance leases are recognised in the Statement of Financial Position at the inception of the lease, as is the corresponding finance lease liability.

Assets subject to operating leases, i.e. those leases where substantially all of the risks and rewards of ownership are not transferred to the lessee through the lease, are not recognised in the Statement of Financial Position. The operating lease expense is recognised over the course of the lease arrangement.

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date; namely whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

For arrangements entered into prior to 1 January 2005, the date of inception is deemed to be 1 January 2005, in accordance with the transitional requirements of iGRAP 3.

Measurement

Assets subject to a finance lease, as recognised in the Statement of Financial Position, are measured (at initial recognition) at the lower of the fair value of the assets and the present value of the future minimum lease payments. Subsequent to initial recognition these capitalised assets are depreciated over the contract term.

The finance lease liability recognised at initial recognition is measured at the present value of the future minimum lease payments. Subsequent to initial recognition this liability is carried at amortised cost, with the lease payments being set off against the capital and accrued interest. The allocation of the lease payments between the capital and interest portion of the liability is affected through the application of the effective interest method.

The finance charges resulting from the finance lease are expensed, through the Statement of Financial Performance, as they accrue. The finance cost accrual is determined using the effective interest method.

The lease expense recognised for operating leases is charged to the Statement of Financial Performance on a straight-line basis over the term of the relevant lease. To the extent that the straight-lined lease payments differ from the actual lease payments the difference is recognised in the Statement of Financial Position as either lease payments in advance (operating lease asset) or lease payments payable (operating lease liability) as the case may be. This resulting asset and / or liability is measured as the undiscounted difference between the straight-line lease payments and the contractual lease

Derecognition

The finance lease liabilities are derecognised when the Entity's obligation to settle the liability is extinguished. The assets capitalised under the finance lease are derecognised when the Entity no longer expects any economic benefits or service potential to flow from the asset.

The operating lease liability is derecognised when the Entity's obligation to settle the liability is extinguished. The operating lease asset is derecognised when the Entity no longer anticipates economic benefits to flow from the asset.

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ACCOUNTING POLICIES

15. REVENUE

Revenue from Exchange Transactions

Revenue from exchange transactions refers to revenue that accrues to the Entity directly in return for services rendered or goods sold, the value of which approximates the consideration received or receivable, excluding indirect taxes, rebates and discounts.

Recognition

Revenue from exchange transactions is only recognised once all of the following criteria have been satisfied:

- a) The Entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- b) The amount of revenue can be measured reliably; and
- c) It is probable that the economic benefits or service potential associated with the transaction will flow to the Entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue arising out of situations where the Entity acts as an agent on behalf of another Entity (the principal) is limited to the amount of any fee or commission payable to the Entity as compensation for executing the agreed services.

Measurement

Revenue from exchange transactions is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the Entity.

Sale of goods

Revenue from the sale of goods 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 goods;
- the Entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods 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 Entity; and
the costs incurred or to be incurred in respect of the transaction can be measured reliably

Interest, royalties and dividends

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

recognised when:

It is probable that the economic benefits or service potential associated with the transaction will flow to the

Entity, and

The amount of the revenue can be measured reliably.

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

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

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ACCOUNTING POLICIES

Expenditure from Exchange Transactions

The accounting policy for expenditure arising from exchange-transactions is similar to

Revenue from Non-Exchange Transactions

Non-exchange transactions are transactions that are not exchange transactions.

Revenue from non-exchange transaction arises when the Entity either receives value from another Entity without directly giving approximately equal value in exchange or gives value to another Entity without directly receiving approximately equal value in exchange.

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.

Other than services in-kind not recognised in terms of paragraph .99, an inflow of resources from a non-exchange transaction that meets the definition of an asset shall be recognised as an asset when, and (a) it is probable that the future economic benefits or service potential associated with the asset will flow to the entity; and

(b) the fair value of the asset can be measured reliably.

Measurement

An asset that is recognised as a result of a non-exchange transaction is recognised at its fair value at the date of the transfer. Consequently, revenue arising from a non-exchange transaction is measured at the fair value of the asset received, less the amount of any liabilities that are also recognised due to conditions that must still be satisfied.

Where there are conditions attached to a grant, transfer or donation that gave rise to a liability at initial recognition, that liability is transferred to revenue as and when the conditions attached to the grant are met.

Grants without any conditions attached are recognised as revenue in full when the asset is recognised, at an amount equalling the fair value of the asset received.

Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor.

Expenditure relating to Non-Exchange Transactions

The accounting policy for expenditure arising from non-exchange transactions is similar to policy for non-exchange revenue.

16. SURPLUS OR DEFICIT

Gains and Losses

Gains and losses arising from fair value adjustments on investments and loans, and from the disposal of assets, are presented separately from other revenue in the Statement of Financial Performance.

Income, expenditure, gains and losses are recognised in surplus or deficit except for the exceptional cases where recognition directly in net assets is specifically allowed or required by a Standard of GRAP.

17. VALUE ADDED TAX

The Entity accounts for Value Added Tax on the payment's basis.

18. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted for, expenditure that is not in terms of the conditions of an allocation received from another sphere of government or organ of state and expenditure in the form of a grant that is not permitted. Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as income in the Statement of Financial Performance.

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ACCOUNTING POLICIES

19. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Public Finance Management Act (PFMA) and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Entity's supply chain management policies. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

20. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

21. RECOVERY OF UNAUTHORISED, IRREGULAR, FRUITLESS & WASTEFUL EXPENDITURE

The recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, and is recognised when the recovery thereof from the responsible officials is probable. The recovery of unauthorised, irregular, fruitless and wasteful expenditure is treated as other income.

22. POST-REPORTING DATE EVENTS

Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

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

The Entity will adjust the amounts recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

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

23. RELATED PARTIES

The Entity has processes and controls in place to aid in the identification of related parties. A related party is a person or an Entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an Entity that is subject to common control, or joint control. Related party relationships where control exists are disclosed regardless of whether any transactions took place between the parties during the reporting period.

Where transactions occurred between the Entity and any one or more related parties, and those transactions were not within:

- normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the Entity to have adopted if dealing with that individual Entity or person in the same circumstances; and
- terms and conditions within the normal operating parameters established by the reporting Entity's legal Mandate

The Entity operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the local sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the Entity, including those charged with the governance of the Entity in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the Entity.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

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