CGA Grower Development Company

ANNUAL REPORT 2017/2018

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CGA Grower Development Company

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VISION AND MISSION

VISION

Become a leading commodity development company in South Africa in changing the face of the agriculture sector landscape by empowering black citrus growers

MISSION

Support the establishment and growth of sustainable and profitable black citrus growers with market linkages to ensure food security, jobs and wealth creation

CGA Grower Development Company

STRATEGIC GOALS

STRATEGIC GOAL 1

Build a financially sustainable and high performing organization to provide high level support to growers

STRATEGIC GOAL 2

Enhance grower's technical production capability to become successful, profitability and to achieve financial sustainability

STRATEGIC GOAL 3

Facilitate a more aggressive national, regional and international market access by growers

STRATEGIC GOAL 4

Provide business development and management support services to growers to empower them to effectively and efficiently to manage their enterprises

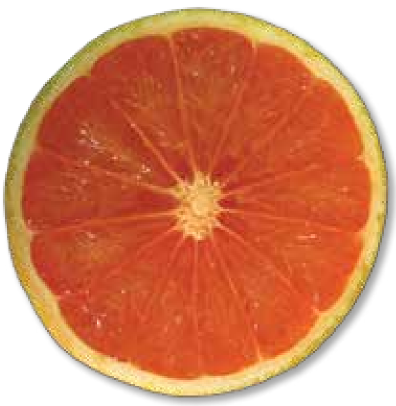
STRATEGIC GOAL 5

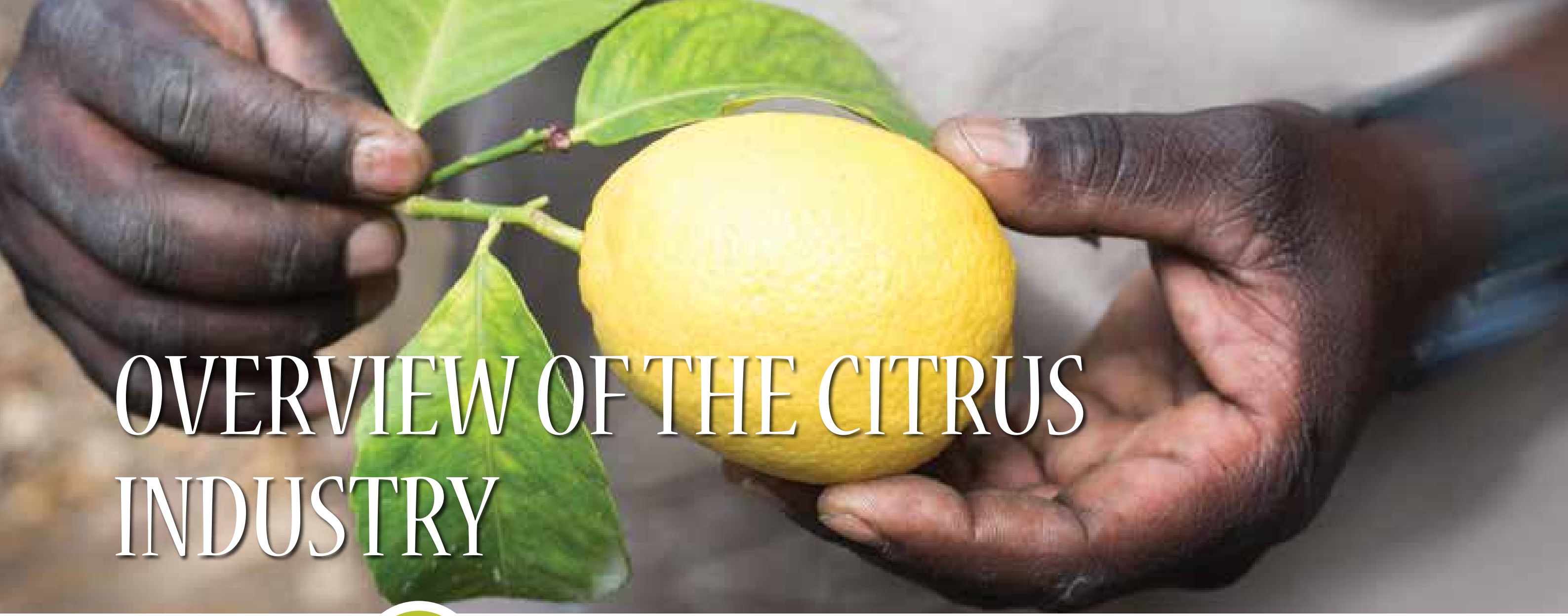
Contribute to CGA transformation agenda and government priorities with respect to empowering black growers, food security and economic growth

STRATEGIC OVERVIEW

The Citrus Grower Development Company (CGA-GDC) was established following several initiatives by the Citrus Growers Association (CGA) to address the challenges and needs of black citrus growers that extended beyond training, capacity building and access to technical support services. The Grower Development Company is a special purpose vehicle (non-profit company) that drives transformation within the citrus industry in collaboration with the Citrus Growers Association and related companies and organisations such as the Citrus Academy, the CGA Cultivar Company, River Bioscience and the Citrus Research Trust. Its core purpose is to provide black growers with development support to ensure that their enterprises become profitable and financially sustainable.

In 2016 the Board of CGAGDC adopted its first Corporate Plan in line with the CGA transformation agenda and guided by the needs of Growers and the CGA's response to government's policy and legislative demands for the transformation of all the economic sectors. The 2016/2018 Corporate Plan set out five strategic goals and linked outcome-oriented objectives, and these were endorsed by the Citrus Growers Development Chamber and the Citrus Growers Association who are critical stakeholders/shareholders of the Company. The Corporate Plan was based on the situational analysis reflecting the status of black citrus growers in South Africa based on information that was available at the time. After two years of implementation, the Board of the CGA-GDC and some of its stakeholders convened to assess progress against the strategy and review the approach in the context of the National Development Plan and changes in the operating environment. This revised Strategic Plan is the outcome of the review workshop.



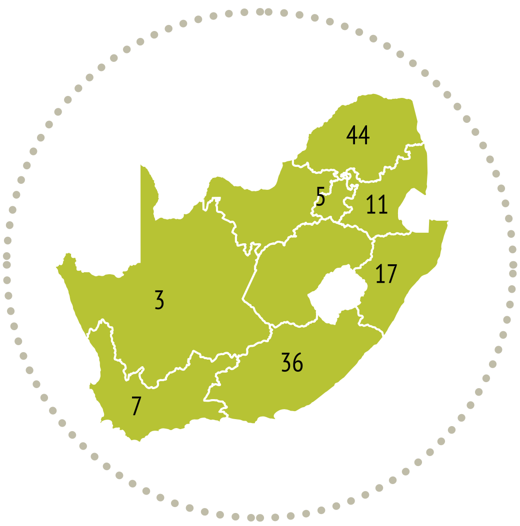


OVERVIEW OF THE CITRUS INDUSTRY

The South African Fruit industry is worth more than ZAR 30 billion of which Citrus contributed ZAR 14 billion of the gross value of fruit industry, making South Africa the 12th largest citrus producer in the world. The industry is an important foreign exchange earner and comprises of four broad categories of products - soft citrus, lemons and limes, grapefruit and oranges. 65 596ha are registered for citrus exports from SA. In 2018, there were 123 black citrus growers, 1200 established commercial farmers, 315 pack-houses and 180 export agents. Citrus exports make up about 40% of the South African fresh fruit exports a significant number given that about 50% of all agricultural exports from SA is fresh fruit. The citrus industry is labour intensive, and it is estimated that it employs more than 100 000 people, with large numbers of workers in the orchards and packing houses. An unspecified number of people are employed throughout the supply chain services such as transport, port handling and allied services. It is estimated that more than a million households depend on the South African citrus industry for their livelihood (DAFF 2016).

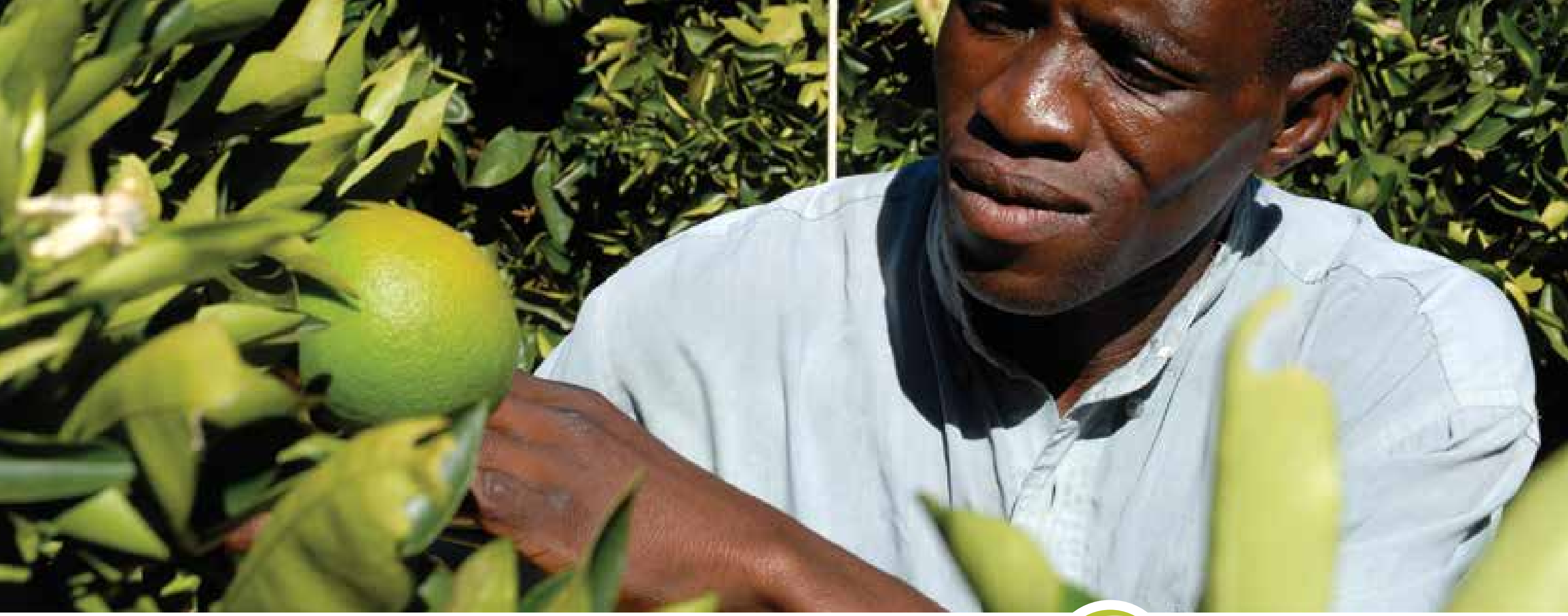
There is still a gap in the availability of comprehensive socio-economic indicators about black participation in the industry. However, from the available information, the baseline used by the CGA – Grower Development Company suggests there is an opportunity for further growth of the volume, value and level of participation of black citrus growers in the fruit industry, given that out of the 123 developing growers about 51 growers have been exporting citrus fruit for more than 25 years.

Currently, available information suggests that there are 123 black citrus growers across seven of the nine South African Provinces with the average farm enterprise sizes ranging from 26 – 192ha resulting in a total of 7 320ha under production.



PROVINCE	ENTERPRISES	CITRUS PLANTINGS (ha)	AVERAGE ENTEPRISE SIZE (ha)
Kwazulu-Natal	17	1 337	79
Eastern Cape	36	1 927	54
Limpopo	44	2 385	54
Mpumalanga	11	749	68
Gauteng / North West	5	130	26
Western Cape	7	216	31
Northern Cape	3	577	192
TOTAL	**123**	**7 321**	

TABLE 1: Number of black growers per province



The industry is challenged by the rising costs of production to which there are increasingly added requirements of food safety and traceability. This adds to the cost and administrative burden, with the result that many smaller farming units are becoming less sustainable. Legislative elements such as labour, water and environmental laws and skills development requirements also pose an additional challenge to the citrus growers.

Other factors that impact on the industry are the climate change threats, rising costs of transport and the imperative for transformation in the face of increasing global competitiveness. Black growers individually experience challenges concerning their ability to have title deeds that might be used as collateral for financial resourcing; capacity to influence policy and access to available government- and other support, especially finance and credit.

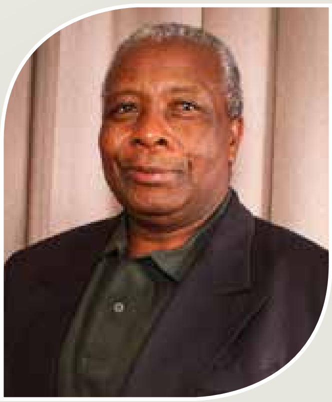
NON-EXECUTIVE DIRECTORS

Dr. Mono Mashaba
Chairperson

Ms. Juliette Du Preez
Vice-Chairperson (Resigned)

Ms. Rhudzani Rasikhinya (Resigned)

Mr. Andries Muller



Mr. Tompson Mankhili

Mr. Zukile Mgadle

STAFF MEMBERS

Mr. Lukhanyo Nkombisa
General Manager

Ms. Yolanda Ntlakaza
Business Support Manager

Mr. Andrew Mbedzi
Production and Support Manager

Ms. Mathapelo Mello
Finance Manager

Mr. Melton Mulaudzi
Extension Officer

Ms. Camille Khoza
Office Administrator

REPORT BY THE CHAIRPERSON OF THE BOARD

On behalf of the entire Board of the Growers Development Company (GDC), a Citrus Growers Association of Southern Africa company, we would like to share with you this annual report, providing you with the activities of the company during the year under review 2017/18. The year has been a very challenging year with developments in the political space overshadowing the economic challenges that our country and especially black growers continues to experience. The Gupta-leaks took center stage and inefficiencies and wastages in State Owned Enterprises (SOE's) were exposed. Fiscal constraints also emerged in government as wastages became the norm of the day for local, provincial and national governments. The support to farmers, including our growers, was severely constrained and GDC had to operate in that environment with very limited government support, except in the Eastern and Western Cape Provinces.

I would like to use this opportunity to thank the CGA Board and CGA Development Chamber for their continued support, guidance and the creation of a conducive environment which enables the GDC to execute their mandate. A special thanks to all the growers who are diligently paying their levies in order to fund the operations of the GDC and enabling it to achieve its mandate - supporting the development of their fellow black growers to also become sustainable and profitable commercial enterprises. We would also like to thank ABSA for their generous financial contribution which enabled our growers to upskill and become Siza accredited enterprises. A special thanks to the Provincial Governments of the Eastern Cape and Western Cape for entrusting us with public monies that is meant for the development of our growers. Progress in this regard is reported in this report.

The adoption of the land expropriation without compensation policy by the ANC, on its 54th National Conference during December 2017, also has raised a number of challenges for both land owners and those who need access to land. We are comforted by the pronouncement by President Ramaphosa that measures will be put in place to ensure that the current production / economic activities on the land will not be affected. He also gave his assurances that the food security of the country will be paramount in the implementation of such a policy. Nevertheless, the skewed land-ownership still remains a challenge for our country and unless mechanisms that are acceptable for all stakeholders are agreed upon and implemented to address this challenge, this uncertainty that is detrimental for the citrus industry will persist.

Progress in ensuring that all the 123 growers receive financial support has been very slow in some areas but technical extension support is accessible to all. This was despite the fact that we managed to review and develop 50 bankable business plans from the 123 black owned grower enterprises, which was presented to different public and private funding institutions. Except the intervention in the Eastern- and Western Cape Provinces, other provinces continue to lag behind. Engagements were held with other provinces to provide targeted support to growers and are still on-going. We engaged with the Department of Agriculture, Forestry and Fisheries to change its funding model into a commodity based model. Our General Manager also participated in the six weeks Operation Phakisa initiative Lab on Agriculture, Rural Development and Land Reform to influence government development policy and programmes in favour of our growers.

The outcome of all these interventions will take time to realize but the Operation Phakisa report has acknowledged and appreciated the nature of interventions needed to support the development of our growers to make a meaningful impact. The Board has mandated to GM to continue his engagement in the policy and programme development space with all government development agencies, thus ensuring that the interest of growers is accommodated in all new policies and programmes, including land reform.

The Board has assembled a team of dedicated individuals to execute this mandate effectively and efficiently and we are pleased that slowly but surely, the set objectives for the company will be achieved in the same manner as the achievements made in the second year since the company was established. A special thank you to the GM and staff for a job well done under challenging circumstances. Our Board will continue to provide leadership by strengthening and deepening the transformation agenda of government in the citrus industry and aims to ensure that everyone who enters the industry have a 100% chance of succeeding. We will continue to strive towards building productive working relations with government departments and agencies and other private stakeholders in order to provide high level support for the benefit of our growers.

REPORT BY THE GENERAL MANAGER

"2017/18 will be remembered for all the new challenges tackled by the CGA- Grower Development Company, as it was the first year of implementation in support of the Black Citrus Producers since the establishment of the company in 2016."

As I review the financial year 2017/18, I am proud of the team that we have at the CGA-GDC. The year 2017 was categorised as the year of implementation in providing support to our main beneficiary - the black citrus growers in the country. This past year was indeed a great learning opportunity that we would like to be best known for, and it has taught us some lessons that have been valuable in improving the service we provide and assisting our growers more effectively.

With limited resources the CGA- GDC has managed to effectively assist a number of growers in several regions with appropriate programmes that were suited to their specific needs. One of the primary mandates of the CGA-GDC is to focus on enterprise development and drive transformation in the citrus industry by ensuring that our programmes are value chain aligned.

Historically in South Africa most of the small producers are faced with the challenge of accessing finance, and that is caused by a number of factors such as - not having tittle deeds or proper lease agreements, or updated business plans that focus on enterprise development. Skills development and agribusiness skills also add to the list of limiting factors of the small holder producers. Market access compliance and technical support are amongst other, critical support small holder farmers need. These challenges make it difficult for black citrus growers to access finance for enterprise development without having all the needed support in place.

At the CGA-GDC, we crafted our supporting programmes specifically to unlock the financial challenges growers are facing in their business enterprises.

TECHNICAL PRODUCTION SUPPORT PROGRAMMES

A large focus of the CGA-GDC is on ensuring that the growers improve their production skills in order to allow them to perform well and to ensure that they produce good quality fruit that is ready for the export market.

The technical and production support unit provided a number of one-on-one technical support engagements, including hosting study groups and information days in all regions. These programmes allow the growers to improve their skills in production and technical know-how of citrus production and equips them with the skills to improve the quality of their produce. Pest Management workshops added value to the technical skills of our growers

BUSINESS SUPPORT PROGRAMMES

Without the necessary business enterprise- or agribusiness skills in this industry it becomes too difficult to run a citrus production unit. The CGA-GDC in the year under review has provided support to our growers by empowering them with business management skills, a market readiness programme, SIZA compliance, and global gap accreditation. In addition to those programmes, we have also reviewed a number of business plans in all regions, which will enable the growers to access finance and further assistance from various organisations.

ACCESS TO FUNDING

Through the business support programmes the company has managed to develop a number of enterprise development proposals that were presented to provincial and national government departments, as well as development agencies in pursuit of additional support for our growers. The Eastern Cape Department of Agriculture has subsequently partnered with the company in support of the growers. Thirty-six growers in the province were supported by the expansion of 10 identified citrus farms to 50ha and the remaining growers were supported with inputs and mechanisation. ABSA also came on board with the SIZA training and accreditation, ensuring market readiness for our growers. We continue to engage with various organisations in pursuit of support for our growers.

ADMINISTRATION AND FINANCIAL MANAGEMENT

The company has, with the assistance of an HR specialist, developed a number of management tools to deliver on the policies of the CGA-GDC and to ensure compliance with all regulations and good governance practices.

As the company has the opportunity and strength to work closely with government and attract a number of grant funding opportunities in support of the growers, a need for certain committees has developed. The Finance Risk Committee was established in order to provide advice to the financial manager.

CONCLUSION

In the year under review the company experienced a number of challenges, but by staying focused on our goals, getting the right guidance and support where needed, and putting the right systems in place, we overcame and learned from our mistakes. Challenges faced by our growers in their farming space, included droughts, petrol and oil price increases, and the unstable performance of the rand amongst others, but with perseverance and the support they received, they managed to pull through.

We are sincerely grateful for the partnerships we have forged and those that we continue to build. Collectively we can make a difference - as observed when the agricultural sector saved South Africa from a predicted recession in the last quarter of the year under review.

PRODUCTION AND TECHNICAL SUPPORT

CITRUS STUDY GROUPS

The citrus study group is a small group of farmers and agricultural officers who meet quarterly to discuss citrus value chain information. Each group is unique and draws on the backgrounds and abilities of its members to determine the material that will be covered during the study group sessions.

The eight developing citrus study groups went well during the 2017/18 financial year. At total of 28 citrus study group sessions were held. A total of 612 people attended the citrus study group sessions. The CGA Grower Development Company (CGA-GDC) played a major role by sponsoring meals and refreshments during study group sessions.

INFORMATION DAYS

A total of four information days were held during the 2017 and 2018 financial year. A total of 339 people attended the four information day sessions.

Provinces which hosted information days were EasternCape (Grower Day), KwaZulu-Natal, Limpopo (Citrus Field Day) and North West

ONE-ON-ONE FARM VISITS

The one-on-one farm visits are important in establishing the challenges faced by the farmers on their individual farms and serve as follow-ups on challenges raised at citrus study groups, information days and other meetings.

A total of 119 farm visits were undertaken by the extension officers. The purpose of the one-on-ones with the farmers were to assist them to sort out their citrus production and marketing challenges in their respective farming areas. One-on-one farmer support assists the extension officer:

- To familiarise him- /herself with the farmer and his family.
- To enable him/her to give specific advice or information to the farmer;
- To build up the agent's knowledge of the area, and of the kinds of problems which farmers have to cope with;
- To permit him to explain a new recommended practice or follow up and observe results to date;
- To arouse general interest amongst the farmers and stimulate their involvement in extension activities.

NEW ENTRANT SUPPORT

The following are the new entrant farmers that were assisted by the extension officers:

- Tsosanang Poverty Alleviation Cooperative
- Mmamihlake Village
- Kruger Post Farm
- Maako Cooperative
- Seymour Area
- Dorstig Farm (Sebola Cooperative)
- Maphuthu CPA (Ngezi Bizana)
- Mashamaite Citrus Farms
- Franklin Farm
- Mhinga/Xikundu
- Bowmont Farm (Zimbabwe)

THE CRI CITRUS EXTENSION REGIONAL WORKSHOP

The Citrus Research International (CRI) hosts three citrus extension regional workshops annually. These workshops are attended by both the small-, emerging-, developing- and commercial citrus farmers in Southern Africa. The aim of these workshops is to prepare the citrus farmers for the citrus growing season. The three workshops presented are:

- The packhouse (Jan/Feb)
- Production (Jun/Jul)
- Pest and disease management (Aug/Sep)

CRI CITRUS PRODUCTION WORKSHOP

The CRI Citrus Production Workshops took place from 6 - 23 June 2017:

- 6 - 7 June 2017 at Swadini in Hoedspruit
- 8 - 9 June 2017 at Loskop Dam in Groblersdal
- 13 -14 June 2017 at LVCC in Nelspruit
- 20 - 21 June 2017 at Addo Africano Inn
- 22 – 23 June 2017 at Piekenierskloof Citrusdal, Western Cape.

The CRI Citrus Production Workshops were well attended by both developing and the commercial citrus growers. The CGA-GDC sponsored three growers (one from Limpopo and two from North West) with the payment of their registration fees. Farmers paid for their own accommodation and travel.

CRI CITRUS PESTS AND DISEASES MANAGEMENT

The CRI Integrated Pest Management Workshops were well attended by both developing and the commercial citrus growers. The CGA-GDC sponsored the registration fees of 18 growers whilst they covered the cost for their accommodation and travel themselves. Riverside Advisory Services supported three junior supervisors and a farmer to attend and five extension officers from Amathole district also attended the workshop.

THE CGA ROADSHOWS

The CGA Roadshows were held throughout the CGA citrus growing regions. Members of the CGA Group of Companies went all out to address the farmers in their regions. Citrus growers (commercial and developing) attended the CGA Roadshows in great numbers. The Chamber members were also encouraged to attend these workshops together with their constituencies, however attendance by black growers was poor in some regions such as Onderberg and Nelspruit.

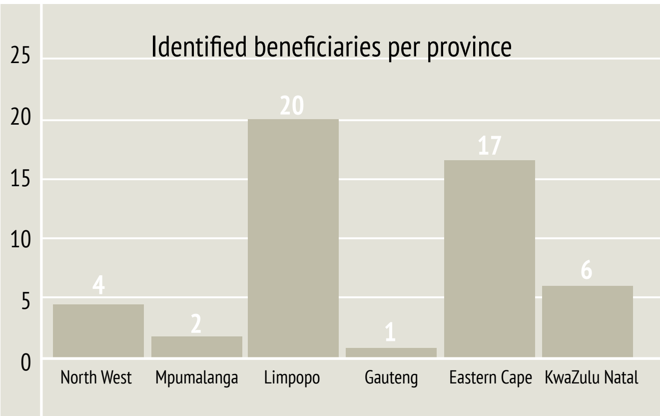
NETWORKS

The CGA-GDC has become part or member of the Provincial Extension Coordinating Forums (PECFs) in KZN, Mpumalanga and the Limpopo provinces. A presentation was done to the PECFs on how they are going to contribute or play a role in developing extension in these provinces.

BUSINESS SUPPORT

SIZA PROJECT

Citrus is an export oriented industry; it has therefore become critical to ensure that we build the capacity of the producers for the export market. One such a programme related to export compliance is the Sustainability Initiative for South Africa (SIZA). Below is a graph showing targeted farms per province.



Total number of people trained

Province	Total number trained	Farms represented	Advisory services representatives
Eastern Cape	38	16	2
KwaZulu-Natal	7	4	1
Mpumalanga	7	1	0
Limpopo	28	15	6
North West/Gauteng	14	6	2
Total	**94**	**42**	**11**

Ninety-four people participated in the training, including representatives from farms and advisory services (private and government). All participants were issued with certificates.

Of the 42 farms that benefited from training, 39 have been registered on the SIZA platform. Of these 39, 11 have approved Self-Assessment Questionnaires (SAQs). 27 Have been reviewed and the missing information has been identified.

The questionnaire assessed the status of conformance according to the eight principles as indicated below.

The information below provides explanations and reasons for non-compliance by some growers.

PRINCIPLE 1 - MANAGEMENT SYSTEMS

EXPLANATION

Provision within the entity to provide human and financial resources required to implement, manage and maintain and review systems required to operate and demonstrate an effective social accountability management system.

REASON FOR NON-COMPLIANCE

Structural limitations within farms hinder the ability of farms to have the requisite human resources. Farms that have partnerships with management companies normally delegate this responsibility to such companies.

PRINCIPLE 2 - FORCED AND BONDED LABOUR

EXPLANATION

Looks at worker documentation detailing the terms and conditions of employment and applicable notice periods.

REASON FOR NON-COMPLIANCE

No letters of appointment. For farms where labour brokers were used during the season, the farmers do not have control over the procedures.

PRINCIPLE 3 - CHILD LABOUR AND YOUNG WORKERS

EXPLANATION

Presence of a policy regarding child labour and young workers. Evidence and processes followed.

REASON FOR NON-COMPLIANCE

Failure to provide evidence of identity documents of workers

PRINCIPLE 4 - FREEDOM OF ASSOCIATION

EXPLANATION

Policy on Freedom of Association and the Right to Collective Bargaining, membership to Trade Unions and other commitments. Establishing whether such committees carry out their duties during working hours without interference or sacrificing pay.

REASON FOR NON-COMPLIANCE

Failure to produce evidence of such policies and procedures.

PRINCIPLE 5 - DISCRIMINATION, HARASSMENT AND ABUSE

EXPLANATION

Presence of an equal opportunity and or non-discriminatory policy including HIV and disability. Arrangements for pregnant workers including documentation on disciplinary procedures. Grievance procedures, management of equal pay and health and non-discriminatory policy.

REASON FOR NON-COMPLIANCE

Failure to produce evidence of such policies and procedures.

PRINCIPLE 6 - HEALTH AND SAFETY

EXPLANATION

Presence of Health and Safety policies, HS representatives and evaluation procedures. Records of accidents and incidents, first aid kits, hazardous substances, accommodation, cooking areas, transport policies, carriage of passengers and vehicle checks.

REASON FOR NON-COMPLIANCE

Failure to produce evidence of such policies and procedures.

PRINCIPLE 7 - WAGES, BENEFITS AND TERMS OF EMPLOYMENT

EXPLANATION

Evidence of pay slips, attendance registers.

REASON FOR NON-COMPLIANCE
Some farms have no systems in place.

PRINCIPLE 8 - WORKING HOURS

EXPLANATION
Procedures on management of overtime.

REASON FOR NON-COMPLIANCE
Some farms do not have systems to manage overtime even though their workers work overtime especially during the picking season.

The status of the SAQs indicated that the growers still need a lot of support before their SAQs can be approved. Most of the growers do not have the required policies or systems in place and lack the necessary information to complete the SAQs.

In order to inculcate a culture of ethical standards, ELI recommended the following training interventions:

- Management systems: How to setup and implement a quality management system
- Labour law: Disciplinary and grievance procedures, employment equity, conditions of employment
- Health and safety: All aspects of Health and Safety

BUSINESS PLANS

42 Business plans were done across the following provinces:

Limpopo: 14
Eastern Cape: 10
KwaZulu-Natal: 12
North West: 4
Gauteng: 2

Below are the highlights and some of the major challenges affecting the farms where generic support systems were recommended:

- Some existing orchards are in a state of neglect, requiring complete replanting.
- Some enterprises are extremely small in size, less than five hectares.
- Water resources require major attention due to various reasons ranging from dam siltation, dysfunctional irrigation systems and boreholes, and inconsistent water supply from the rivers. Hence the need for hydrological assessment to determine and quantify water availability.
- The need for an irrigation system design from a preferred central service provider to the CGA-GDC.
- The need for a mentorship programme.
- Some enterprises are located far from packing facilities - the establishment of central/cooperative pack houses was recommended.

ACCESS TO FINANCIAL RESOURCES

EASTERN CAPE ECONOMIC TRANSFORMATION PROJECT

To ensure that there is significant participation of black citrus producers in the country, the CGA-GDC has established relationships with the provincial government departments.

This is critical for an industry of which it is expected to create a hundred thousand jobs. The Eastern Cape Provincial Department of Rural Development of Agrarian Reform (DRAR) entered into cooperation agreements with the CGA-GDC in support of a citrus industry economic transformation programme. The agreements included a 5-year Memorandum of Agreement and a Service Level Agreement which will be reviewed annually.

Consultative sessions were held on local level between growers and officials to discuss the allocation of funds. A needs assessment was conducted, resulting in a citrus production plan that reflects the requirements of the growers and the associated costs across the two citrus producing districts of Amathole and Sarah Baartman. The grant allocation was split into two major categories, new development or expansions, and provision of inputs. New developments included the trees, soil preparation and irrigation, while inputs included fertilisers, chemicals and pesticides. The first year of implementation targeted 50ha for expansion, from which 10 farms benefited - 6 in Amathole and 4 in Sarah Baartman, each with an allocation of five hectares. Committees were set up to guide, monitor and report on the implementation of the project. The committees are composed of staff from the company, provincial department at various levels, and representatives of growers.

The following support was provided through the grant:

a. **Inputs:** Under inputs, 12 farms were funded in Amathole and nine in Sarah Baartman. These included fertilizers and chemicals in accordance to the spray programmes on each individual farm.

b. **Land Preparation:** This was done across 6 farms namely; Eden, Peter Family Trust, Sunland Farms, Jerico, Oakdene and Nomzamo. The activities involved bush clearance, ripping, trimming of ridges and cutting of access roads.

c. **Irrigation:** 10 farms were supported with irrigation and orchard equipment namely, Lunimark, Konzi, Jerico, Oakdene, Sunland Farms, Nkomoshe, Entabeni, Siyamila, Naudeshoek and Eden. The equipment was either directed to upgrading existing irrigation or establishing new blocks. Equipment included poly pipes, nylon couples, micro-jets, mainlines, sub-mains and valves. The service provider provided the design and layout of the orchard irrigation plan. The farmers contributed by digging trenches, doing electrical work and the laying of drip irrigation tubing.

d. **Trees:** Only nurseries that are certified by Citrus Research International were used to purchase trees to ensure that only certified clean seedlings are used. CGA-GDC working in close contact with the strategic partners for individual farms negotiated with nurseries to make trees available for the benefiting farms. Trees were allocated to 11 farms and so far 4 managed to plant before the start of winter and the rest will plant from September onwards.

e. **Technical support/advise for Riplemead Pack house:** A business plan for the pack house was reviewed and updated. The plan deals primarily with the operations approach subsequent to the commissioning of the infrastructure in 2018 and proposes a business model for the operationalization of the pack house. Outstanding matters pertaining the plan

includes the projected supply volumes for the pack house that needed to be finalised once the business plans for the farms which will be supplying the pack house are completed. Based on an assumed throughput capacity of 12 tons citrus per hour (108 tons per 9-hour working day) it is estimated that the pack house will have a total throughput (tipping) capacity of 11 880 tons per season for a typical 110 day harvesting/packing season for citrus in this area.

Presently, the estimated projected production volume from the three proposed JV partners of the pack house can be summarised as follows:

JV Partner	Current Ha	Future Ha	Projected tons tons/ha at full maturity of all orchards	Projected tons at full maturity of all orchards
Ripplemead Farm	86	86	50	4 300
Siyamila	31	51	50	2 600
Naudeshoek	60	80	50	4 000
TOTALS	**177**	**217**		**10 900**

The pack house could potentially have an extra capacity of 1 000 tons per season for packing of products for external producers like Pure Vitamins, Waterfall and others. If the hourly throughput rate can be increased from 12 to 15 tons per hour (which is achievable through optimal management systems) the extra capacity per season could amount to 4 000 tons per season). Of critical importance is that the actual throughput of a pack house in a season is highly dependent on a consistent daily supply of fruit over the entire season – which in turn is highly dependent on the variety spread on the farms of the suppliers. It is therefore recommended that the pack house should for the first two seasons be reserved for the exclusive use of the JV partners. Actual average throughput achievable per season could then be determined before contract packing for external suppliers is considered. These recommendations, however, are still subject to the approval of the steering committee. A steering committee providing oversight to the pack house was also established. The committee met twice to discuss their functions and discuss the business plan.

WESTERN CAPE COMMODITY PROJECT ALLOCATION COMMITTEE (CPAC)

As part of our contribution to transformation activities in the Western Cape, the Company has membership in the CPAC. The committee reviews applications and allocates funding under the Comprehensive Agricultural Support Programme (CASP). Members of the committee also embark on farm visits to monitor whether funds have been spent appropriately. The following variables form part of the process when revising applications: financial viability, sustainability, production capacity, member capacity and training needs and security and social aspects. The CPAC then scores the project based on the above criteria; a minimum of 60% must be achieved by the project for funds approval. The secretariat of the CPAC sends out notices to applicants in writing wherein reasons for the approval or rejection are disclosed.

The CASP tranche allocation for 2017 / 18 was R4 792 000.000.

The allocation per quarter was as follows:
First quarter: R0
Second quarter: R2 114 000
Third quarter: R1 678 000
Fourth quarter: R1 000 000

The following projects were funded during the 2017/18 financial year:

- Fruitfield Farming (Pty) Ltd is a 100% black owned citrus business, producing lemons on a 7ha land in Paarl. Their request was targeted at expanding their operations by 6ha. Funding was approved for production inputs, fencing, soil preparation, trees, labour and equipment hire.

- Bergendal Workers Trust an empowerment arm of Maneberg Eindomme (Pty) Ltd - owning 32% shareholding in the company. The farm is in Citrusdal. Funding was approved for establishing 5ha and shade netting.

- Cedar Citrus (Pty) Ltd is a joint venture project between farm workers and ALG estates (employer) in the upper Olifants river valley near Citrusdal. Funding was approved for pumps, irrigation and drainage for planned orchards, soil preparation for planned orchards, soil corrections for planned plantings and trees to extend plantings.

CITRUS VALUE CHAIN DEVELOPMENT

The CGA-GDC joined forces with the DAFF Marketing Division and undertook to update the situational analysis survey on developing citrus growers in the Eastern Cape, Mpumalanga, Limpopo, North West, Western Cape and Northern Cape. The survey was done jointly with the staff of participating PDAs. The main purpose of the survey was to collect relevant data relating to the participation of black citrus producers within the South African citrus industry and to establish their challenges and constraints and ultimately propose interventions necessary to enhance their participation within the entire citrus industry. So far, 99 growers have been surveyed across the country.

In an effort to collect all the relevant data and information that would be needed for the achievement of the specific objectives highlighted in section 1.3 above, a questionnaire was designed to solicit responses covering the following broad areas:

The following variables were assessed using a questionnaire:

a. Farm area and land use

Out of the 99 surveyed black citrus producers, only 17 producers indicated that they are involved in farming activities other than citrus. Of the surveyed black citrus growers that indicated involvement in other farming activities, 65% indicated that they are involved in production of other fruits such as mango and table grapes. Other farming activities except citrus are field crops (18%), vegetables (12%) and broilers. The farmers involved in other farming enterprises except citrus are mostly in the Limpopo province (11) and Mpumalanga (3). The other farming activities reported by the surveyed black citrus producers are other fruits (65%), vegetables (12%), broilers (6%), and field crops (18%). Five thousand nine hundred and

eighty one (5 981ha) of the total farm size (47 899ha) is utilised for citrus production and producers plan to expand this by a further 20 155ha. The average land used for citrus production per farm is 69ha.

b. Water sources, use and availability

In the Eastern Cape, the most common water sources are the irrigation schemes and rivers, while in Limpopo rivers and boreholes are the most dominant water sources. Citrus producers in Kwazulu-Natal and Mpumalanga rely more on rivers while those in the North West and Gauteng rely mostly on boreholes. The sources of irrigation water in the Western Cape ranges from boreholes to rivers.

c. Land information

More than half (57%) of the surveyed black citrus farms are fully owned by black citrus producers. In the Eastern Cape, 55% of the surveyed black citrus farms are co-owned by black producers and established commercial producers (equity schemes) and 45% are fully owned entities by black producers. In Limpopo and Kwazulu-Natal most of the surveyed black citrus farms are fully owned by black producers while in both the North West and Gauteng, all farms surveyed are fully owned by black citrus producers. In the Western Cape and Northern Cape, all surveyed citrus farms are co-owned with established commercial citrus producers. Mpumalanga has an equal number of citrus farms that are fully-owned and partially-owned by black citrus producers.

d. Production levels and marketing

The average expected harvest amongst the 28 producers who reported their harvest expectations is 7 196 tons while the total expected harvest for the 28 producers stood at a combined 226 323 tons. 91% of the expected harvest is earmarked for exports and 9% is earmarked for local markets. On average, produce travels 27km to the nearest local market and 414km to the nearest port. Forty percent of the surveyed producers do not have any food safety or ethical trade certification.

e. Ownership and management

The majority (43%) of surveyed black citrus producers indicated that they are operating on freehold citrus farms while the proportions of farms that are under leases and communal land stand at 27% and 13% respectively. The surveyed farms consist of a total of 2 737 beneficiaries and this gives an average of 27 beneficiaries per farm. 57% of the surveyed farms are owned by blacks while 41% is partially owned by blacks. 47% of the surveyed farms have mentors, 7% have strategic partners, and 45% have no mentors or strategic partners. Almost 90% of the surveyed farms keep farm records. Ninety one percent of the surveyed farms have business plans. In most farms where there is either a strategic partner or mentor, the surveyed black citrus producers complained of a lack of transparency in terms of the operations on the farms. They also complained about a lack of skills transfer from the mentors and strategic partners to the beneficiaries, as well as a complete disregard for the fact that the beneficiaries are also owners of the farms in question.

This effectively limits the participation of black shareholders in the day-to-day operations of the farms, and also explains the reason why some of the information and data that was sought in the questionnaire could not be provided by some of the interviewed participants. This therefore calls for an intensive programme that must be designed to alert the newly empowered producers about their rights and responsibilities as new owners and shareholders.

f. Employment

A total of 4 188 people is employed on the surveyed farms (933 are permanent and 3 255 are seasonal). Producers also indicated that they comply with the minimum wage as recommended by the Department of Labour.

g. On farm infrastructure

Sixty three percent of the surveyed producers indicated that they do not have houses for farmworkers on their farms, 30% indicated that they have good condition housing, while the remaining 6% indicated that the available farmworker housing is poor and need improvements. Approximately 73% of the surveyed farms have good sanitation facilities. Only 3% of the surveyed farms have cold storage facilities while a staggering 97% do not have such facilities. About 80% of the surveyed farms do not have pack houses, 8% have good condition pack houses, and 9% of the respondents indicated that their pack houses need improvements. 96% of the surveyed farms indicated that they do not have any processing facility on-farm while only 3% indicated that they have. About 83% of the farms indicated that they have storage facilities for agrochemicals while the remaining 16% indicated that they do not have such facilities.

h. Off-farm infrastructure

The condition of access roads on 87% of the surveyed farms is good while improvements are needed on access roads for 13% of the surveyed farms.

REPORT BY THE FINANCIAL MANAGER

FOR THE YEAR ENDED 31 MARCH 2018

a. Operational performance overview

The year started off in an adverse position due to the loan from Citrus Growers Association that had to be repaid as well as the repayment of the vehicles that were acquired on behalf of the Grower Development Company by citrus Research Trust. However, the position recovered in the second quarter with the financial year ending with a positive bank balance. Financial statement attached) This was possible after the financial contribution of R8 million by the Citrus Growers Association, earmarked for the operation of the GDC and savings on costs. (Mostly contributed to business training costs that has been rolled over to the new financial year.)

The company entered into MOU with the Eastern Cape Provincial Department which was for the support of the Eastern Cape black farmers regarding their needs. R9 million was received in two tranches firstly the R6 million received in July 2017 and R3 million in January 2018. This was kept in an interest earning account separate from the company's current account.

The R9 million grant funding was utilised for inputs, mechanisation, irrigation and expansion for the farmers. As at 31 March 2018 the remaining balance on the account is R790,126.06 which is committed towards the payment of EIA, a subdivision survey and inputs.

b. Financial performance

The key highlights on financial performance are set out in the following table:

Salient features 31 March 2018

Description	Year ended 31/03/2018	Year ended 31/03/2017	Year ended 31/03/2016
Revenue	R 8 000 000	R4 200 000	R1 322 390
Net profit/(loss)	R1 791 494	(R 1 033 918)	R46 252
Net profit/(loss margin %	22.39%	24.62%	3.50%
Cash Balances	R702 065	R16 464	R168 204

c. Financial highlights over three years

The financial performance for the year was acceptable given that we have a positive cash flow of R702,065 and a net profit of R1,791,494 for the year ended 31 March 2018. Considering the cash flow growth as well as recovering from a Net Loss position in 2017, this was assisted by the growth of 90% in revenue resulting from levies allocated to Grower Development company by Citrus Growers Association.

The increase in total expenses which is the main driver of operating expenditure, was driven by high staff costs, as a result of four new staff members that were employed in the 2017 financial year and one additional staff member in the 2018 financial year, together with its directly linked travelling due to the nature of the industry the company operates in. The financial position of the company improved due to profits for the year. The company remains solvent (ability of the company to meet its long-term obligations) and liquid (short-term position of the company and the company's ability to meet its short-term commitments).

The detail of the financial performance is in the audited financial statements for the year ended 31 March 2018 tabled in Annual Financial Statements.

d. Outlook

The Grower Development Company will continue to facilitate and support the establishment, growth and empowerment of black citrus growers through production infrastructure and technical support, business management support and facilitation of access to funding. The company expects a much-improved performance in 2018/19 as a result of an increase in revenue, cost optimisation and the focused management of creditors.

ANNUAL FINANCIAL STATEMENTS

CGA GROWER DEVELOPMENT COMPANY NPC
Registration No. 2016/303573/08

Annual Financial Statements for the period ended 31 March 2018

COMPANY INFORMATION

Registration number:	2016/303573/08
Registered address:	Unit 7, 22 on Main, 22 Old Main Road, Gillitts, KwaZulu-Natal, 3610
Business address:	Unit 7, 22 on Main, 22 Old Main Road, Gillitts, KwaZulu-Natal, 3610
Postal address:	P O Box 461, Hillcrest, 3650
Auditors:	PricewaterhouseCoopers Inc., Pietermaritzburg
Bankers:	Standard Bank Limited
Level of assurance:	The annual financial statements have been audited in compliance with the applicable requirements of the Companies Act 71 of 2008.
Preparer:	The annual financial statements have been prepared by CGA Grower Development Company NPC under the supervision of R Miller.

ANNUAL FINANCIAL STATEMENTS

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CGA GROWER DEVELOPMENT COMPANY NPC
Registration No. 2016/303573/08
Annual Financial Statements for the period ended 31 March 2018

STATEMENT OF DIRECTORS' RESPONSIBILITY

The directors are responsible for the preparation, integrity, and fair presentation of the financial statements of CGA Grower Development Company NPC. The financial statements presented on pages 4 to 16 have been prepared in accordance with the International Financial Reporting Standard for Small and Medium Sized Entities (IFRS for SMEs) and the Companies Act 71 of 2008, and include amounts based on judgements and estimates made by management.

The directors consider that in preparing the financial statements they have used the most appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates. The directors are satisfied that the information contained in the financial statements fairly presents the results of operations for the year and the financial position of the company at year end. The directors also prepared the other information included in the annual report and are responsible for both its accuracy and its consistency with the financial statements.

The directors have responsibility for ensuring that accounting records are kept. The accounting records should disclose with reasonable accuracy the financial position of the company to enable the directors to ensure that the financial statements comply with the relevant legislation.

CGA Grower Development Company NPC operated in a well-established control environment, which is well documented and regularly reviewed. This incorporates risk management and internal control procedures, which are designed to provide reasonable, but not absolute, assurance that assets are safeguarded and the risks facing the business are being controlled.

The going-concern basis has been adopted in preparing the financial statements. The directors have no reason to believe that the company will not be a going concern in the foreseeable future, based on forecasts and available cash resources. These financial statements support the viability of the company.

The company's external auditors, PricewaterhouseCoopers Incorporated, audited the financial statements, and their report is presented on page 30.

The financial statements were approved by the board of directors on 23/08/2018 and are signed on its behalf:

Director

CGA GROWER DEVELOPMENT COMPANY NPC
Registration No. 2016/303573/08
Annual Financial Statements for the period ended 31 March 2018

REPORT OF THE DIRECTORS

The directors present their annual report, which forms part of the audited financial statements of the company for the year ended 31 March 2018.

1. General review

The CGA Grower Development Company is established as a special purpose vehicle to drive transformation within the citrus industry. Its core purpose is to provide Black growers with development support to ensure that their enterprises become profitable and financially sustainable.

2. Financial results

The financial results of the company are set out in the attached financial statements.

3. Members of the board

The following acted as board members during the year:
Chairman - MJ Mashaba
Board members - J Du Preez, NT Mankhili, RC Rasikhinya (Resigned 25/01/2018), ZL Mgadle, AA Muller (Appointed 25/01/2018)

4. Going concern

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 realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

5. Material events after year end

No matter which is material to the financial affairs of the company has occurred between 31 March 2018 and the date of approval of the financial statements.

6. Auditors

PricewaterhouseCoopers Inc. will continue in office in accordance with Section 90 of the Companies Act 71 of 2008.

Independent auditor's report

To the Board of Directors of CGA Grower Development Company NPC

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of CGA Grower Development Company NPC (the Organisation) as at 31 March 2018, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards for Small and Medium-sized Entities (IFRS for SME's) and the requirements of the Companies Act of South Africa.

What we have audited

CGA Grower Development Company NPC financial statements set out on pages 6 to 16 comprise:

- the statement of financial position as at 31 March 2018;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

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

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

Independence

We are independent of the Organisation in accordance with the *Independent Regulatory Board for Auditors Code of Professional Conduct for Registered Auditors (IRBA Code)* and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants *Code of Ethics for Professional Accountants* (Parts A and B).

Other information

The directors are responsible for the other information. The other information comprises of the following

- Company information;
- Statement of Directors' Responsibilities;
- Report of the Directors' as required by the Companies Act of South Africa; and
- The detailed statement of comprehensive income as set out on page 17.

Other information does not include the financial statements and our auditor's report thereon.

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Chief Executive Officer: T D Shango
Management Committee: S N Madikane, J S Masondo, P J Mothibe, C Richardson, F Tonelli, C Volschenk
The Company's principal place of business is at 4 Lisbon Lane, Waterfall City, Jukskei View, where a list of directors' names is available for inspection.
Reg. no. 1998/012055/21, VAT reg.no. 4950174682

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Organisation to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

PricewaterhouseCoopers Inc

PricewaterhouseCoopers Inc.

Director: Brendan Carshagen

Registered Auditor

Block C

21 Cascades Crescent

Cascades

Pietermaritzburg

3202

Date: 23 August 2018

CGA GROWER DEVELOPMENT COMPANY NPC

Registration No. 2016/303573/08

Annual Financial Statements for the period ended 31 March 2018

STATEMENT OF FINANCIAL POSITION

	Note	2018 R	2017 R
ASSETS			
Non-current assets			
Plant & equipment	4	**681 117**	812 668
		681 117	812 668
Current assets			
Cash and cash equivalents	5	**718 529**	18 464
Trade and other receivables	7	**278 351**	23 221
		996 880	41 685
Total assets		**1 677 997**	854 353
EQUITY AND LIABILITIES			
Capital and reserves			
Retained earnings		**803 828**	(987 666)
Total equity		**803 828**	(987 666)
Non-current liabilities			
Intercompany loan	**8**	**177 094**	1 039 677
		177 094	1 039 677
Current liabilities			
Trade and other payables	6	**519 981**	802 342
Intercompany loan	8	**177 094**	-
		697 075	802 342
Total Liabilities		**874 169**	1 842 019
Total equity and liabilities		**1 677 997**	854 353

CGA GROWER DEVELOPMENT COMPANY NPC
Registration No. 2016/303573/08
Annual Financial Statements for the period ended 31 March 2018

STATEMENT OF COMPREHENSIVE INCOME

	Note	2018 R	2017 R
Revenue		**8 000 000**	4 300 000
Administration expenses	2	**(6 224 084)**	(5 336 178)
Operating profit		**1 775 916**	(1 036 178)
Profit on sale of asset		**13 705**	-
Finance income		**1 873**	2 260
Profit/(loss) before taxation		**1 791 494**	(1 033 918)
Taxation (Exempt)		**-**	-
Profit/(loss) for the period		**1 791 494**	(1 033 918)
Other comprehensive income		**-**	-
Total comprehensive income/(loss) for the period		**1 791 494**	(1 033 918)

CGA GROWER DEVELOPMENT COMPANY NPC
Registration No. 2016/303573/08
Annual Financial Statements for the period ended 31 March 2018

STATEMENT OF CHANGES IN EQUITY

	Retained earnings R	Total R
Year ended 31 March 2018		
Balance at beginning of year	**(987 666)**	**(987 666)**
Net profit for the year	**1 791 494**	**1 791 494**
Balance at end of year	**803 828**	**803 828**
Year ended 31 March 2017		
Balance at beginning of year	46 252	46 252
Net profit for the year	(1 033 918)	(1 033 918)
Balance at end of year	(987 666)	(987 666)

CGA GROWER DEVELOPMENT COMPANY NPC

Registration No. 2016/303573/08

Annual Financial Statements for the period ended 31 March 2018

STATEMENT OF CASH FLOWS

	Note	2018 R	2017 R
Cash flows from operating activities			
Cash receipts from customers	A	**7 744 870**	4 276 778
Cash paid to suppliers and employees	B	**(6 353 573)**	(4 485 531)
Cash flows generated from/(used in) operations	9	**1 391 297**	(208 753)
Interest received		**1 873**	2 260
Net cash generated from/(utulised in) operating activities		**1 393 170**	(206 493)
Cash flow from investing activities			
Acquisition of equipment		**(30 116)**	(234 664)
Proceeds of equipment (insurance)		**22 500**	-
Cash flow from financing activities			
Movement in long term loan		**(685 489)**	291 417
Net movement in cash and cash equivalents		**700 065**	(149 740)
Cash and cash equivalents at beginning of period		**18 464**	168 204
Cash and cash equivalents at end of period	5	**718 529**	18 464

A. Cash receipts from customers		
Levies received from Citrus Growers Association	**8 000 000**	4 300 000
Trade and other receivables		
Opening	**23 221**	(1)
Closing	**(278 351)**	(23 221)
	7 744 870	4 276 778
B. Cash paid to suppliers		
Total cost of goods sold, admin and other expenses	**6 224 084**	5 336 178
Less: Depreciation	**(152 872)**	(137 996)
Movement in trade payable	**282 361**	(712 651)
	6 353 573	4 485 531

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

1. Summary of significant accounting policies

The principle accounting policies applied in the preparation of these financial statements are set out below.

1.1 Basis of preparation

The financial statements have been prepared in accordance with the International Financial Reporting Standard for Small and Medium – Sized Entities (IFRS for SMEs). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of land and buildings, available-for-sale financial assets, and the fair value of financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

The preparation of the financial statements in conformity with IFRS for SMEs requires the use of estimates and assumptions that affect the reported amount so assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period based on management's best knowledge of current events and actions. Actual results may ultimately differ from these estimates. During the current year, there are no areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements.

1.2 Plant and equipment

All plant and equipment is stated at historical cost less accumulated depreciation and impairment losses. Historical costs include expenditure that is directly attributable to the acquisition of the items.

Subsequent cost are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Depreciation on assets is calculated using the straight-line method to allocate their cost to their residual values over their estimates lives as follows:

Computers	3 years (33.3%)
Furniture and Fittings	6 years (16.67%)
Motor Vehicles	5 years (20%)

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (refer note 1.3).

Gains and losses on disposal are determined by comparing proceeds with carrying amount. These are included in the statement of comprehensive income. When revalued assets are sold, the amounts included in other reserves are transferred to retained earnings.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

1.3 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds it recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non- financial assets other than goodwill that were subjected to an impairment are reviewed for possible reversal of the impairment at each reporting date.

1.4 Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at cost. Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

1.5 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of the borrowing using the effective interest method.

Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the statement of financial position date.

1.6 Trade payables

Trade payables are carried at the fair value of the consideration to be paid in future for goods or services that have been received or supplied and invoiced or formally agreed with the supplier.

1.7 Provisions

Provisions are recognised when: the company has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate reflects current market assessments of the time value of money and the risk specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

1.8 Financial risk management

Financial risk factors:

Foreign exchange risk

The company is not exposed to foreign exchange risk as no foreign currency transactions are entered into.

Interest rate risk

As the company has no significant interest – bearing assets, except for cash and cash equivalents, the company's income and operating cash flows are substantially independent of changes in market interest rates.

Credit risk

At year-end the company did not consider there to be any significant concentration of credit risk which had not been adequately provided for. Cash transactions are limited to high credit quality financial institutions.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash, marketable securities and the availability of funding through credit facilities. The company aims at maintaining flexibility of funding by keeping committed credit lines available.

Fair value estimations:

The carrying amounts of the financial assets and liabilities in the statement of financial position approximate fair values at the year-end. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

1.9 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the company's activities. Revenue is shown net of valueadded tax, estimated returns, rebates and discounts. Revenue is recognised as follows:

a) Service income
Service income is recognised on an accruals basis in accordance with the substance of the relevant agreements.

b) Grant income
Grant income is recognised on an accruals basis in accordance with the substance of the relevant agreements.

1.10 Loans to (from) group companies

These include loans to and from holding companies, fellow subsidiaries, subsidiaries, joint ventures and associates and are recognised initially at fair value plus direct transaction costs.

Loans to group companies are classified as loans and receivables.

Loans from group companies are classified as financial liabilities measured at amortised cost.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

1.11 Grant funding

Often grant funding is received by the entity that is not recognised as income in the financial statements. This funding is managed through the entity's balance sheet and held separately from the entity's other funds. The funding is managed, dispersed and reported in terms of the agreements negotiated with the funding providers.

NOTES TO THE FINANCIAL STATEMENTS

	2018 R	2017 R
2. Operating profit		

The following items have been charged in arriving at operating profit:

	2018 R	2017 R
Auditors remuneration–current year	**28 700**	18 915
Staff costs (refer note 3)	**3 708 832**	2 726 109
Depreciation	**152 872**	137 996
Other expenses	**2 333 680**	2 453 158
Total costs of goods sold, administration and other expenses	**6 224 084**	5 336 178

3. Staff costs

	2018 R	2017 R
Salaries and wages	**3 708 832**	2 726 109

4. Plant & Equipment

	Furniture	Vehicles	Computers	Total
At 31 March 2018				
Opening net book value	**128 360**	**606 701**	**77 607**	**812 668**
Additions	**-**	**-**	**30 116**	**30 116**
Disposals	**-**	**-**	**(8 795)**	**(8 795)**
Depreciation	**(15 297)**	**(101 675)**	**(35 900)**	**(152 872)**
Closing net book value	**113 063**	**505 026**	**63 028**	**681 117**
Cost	**143 657**	**708 376**	**114 465**	**966 498**
Accumulated Depreciation	**(30 594)**	**(203 350)**	**(51 437)**	**(285 381)**
Net book value	**113 063**	**505 026**	**63 028**	**681 117**
At 31 March 2017				
Opening net book value	-	-	7 624	7 624
Additions	143 657	708 376	91 007	943 040
Depreciation	(15 297)	(101 675)	(21 024)	(137 996)
Closing net book value	128 360	606 701	77 607	812 668
Cost	143 657	708 376	99 779	951 812
Accumulated Depreciation	(15 297)	(101 675)	(22 172)	(139 144)
Net book value	128 360	606 701	77 607	812 668

5. Cash and cash equivalents

	2018 R	2017 R
Standard Bank Current Account	**718 529**	18 464

NOTES TO THE FINANCIAL STATEMENTS

6. Trade and other payables

	2018 R	2017 R
ABSA SIZA grant expenditure	**(822 500)**	(411 250)
ABSA SIZA grant received	**822 500**	822 500
Trade payables	**58 203**	229 984
Provisions	**104 284**	104 284
Accruals	**17 248**	54 314
Receiver of Revenue –VAT -	**-**	2 510
Eastern Cape grant expenditure	**(790 126)**	-
Eastern Cape Project Funding received	**1 130 372**	-
	519 981	802 342

The ABSA SIZA grant funding relates to funding provided by ABSA to help citrus farmers develop business plans. An outside third party provides the development service and CGA Grower Development Company NPC pays the money over to them. CGA Grower Development Company NPC merely holds the money to pay it over to the third party and is not entitled to any portion of it. This project came to an end in 2018.

The Eastern Cape grant funding relates to funding provided by the Eastern Cape Government to enhance the development of citrus growers, increase citrus production and provide assistance with increasing employment in the citrus industry. An outside third party provides the necessary services and CGA Grower Development Company NPC pays the money over to them. CGA Grower Development Company NPC merely holds the money to pay it over to the third party and is not entitled to any portion of it. Total funding of R9 000 000 was received from the Eastern Cape Government during the financial year. To date R8 613 460 was paid to service providers as per the project funding guidelines.

7. Trade and other receivables

	2018 R	2017 R
Other receivables	**23 221**	23 221
Receiver of Revenue – VAT	**255 130**	-
	278 351	23 221

8. Intercompany Loan

	2018 R	2017 R
Citrus Growers Association of Southern Africa	**-**	508 395
The Citrus Research Trust	**354 188**	531 282
	354 188	1 039 677

The loans are unsecured, interest free and has no fixed repayment terms. The loans have also been subordinated in favour of other creditors. The Citrus Research Trust loan is repayable over a period of 3 years and will be fully repaid as at 31 March 2020.

NOTES TO THE FINANCIAL STATEMENTS

	2018 R	2017 R
9. Cash flows generated from operations		
Net profit before tax	**1 791 494**	(1 033 918)
Adjusted for:		
Profit on sale of asset	**(13 705)**	
Interest received	**(1 873)**	(2 260)
Depreciation	**152 872**	137 996
	1 928 788	(898 182)
Changes in working capital:	**(537 491)**	689 429
Movement in trade and other payables	**(282 361)**	712 650
Movement in receivables	**(255 130)**	(23 221)
Total cash flows generated from operations	**1 391 297**	(208 753)

10. Related party transactions

Related party	Relationship
Citrus Growers Association of Southern Africa NPC	Entity under common directorsh
The Citrus Research Trust	The board members of Citrus Gr Association of Southern Africa a The Citrus Research Trust.

	2018 R	2017 R
Services rendered to related parties		
Citrus Growers Association of Southern Africa NPC	**8 000 000**	4 200 000
Intercompany loans		
Citrus Growers Association of Southern Africa NPC	**-**	508 395
The Citrus Research Trust	**354 188**	531 282

11. Income taxes

The company is exempt from the payment of normal income tax in terms of s10(1)(cN).

CGA GROWER DEVELOPMENT COMPANY NPC

Registration No. 2016/303573/08

Annual Financial Statements for the period ended 31 March 2018

DETAILED STATEMENT OF COMPREHENSIVE INCOME

	2018 R	2017 R
Income		
Revenue	**8 000 000**	4 300 000
Services rendered–Citrus Growers Association of Southern Africa	**8 000 000**	4 200 000
Services rendered – PPECB Business Plans Project	**-**	100 000
Other income	**13 705**	-
Profit on sale of asset	**13 705**	-
Expenses		
Administration expenses	**(474 148)**	(384 130)
Accounting and audit fees	**28 700**	18 915
Bank charges	**11 153**	8 532
Computer expenses	**26 846**	24 838
Consulting fees	**59 946**	24 480
Data & internet costs	**10 150**	7 133
Depreciation	**152 872**	137 996
Insurance	**5 702**	-
Interest paid	**136**	-
Office expenses	**68 106**	25 113
Printing and stationery	**1 931**	29 930
Telephone, postage and fax	**97 527**	71 305
Website design and hosting	**11 079**	35 888
Operating expenses	**(5 749 936)**	(4 952 048)
Accommodation	**213 237**	181 641
Board costs	**253 261**	382 207
Business plans and project	**395 808**	122 596
CGA Development Chamber Costs	**265 280**	661 973
Legal fees	**6 042**	-
Marketing, promotions and communication 33 750 21 320	**33 750**	21 320
Provision for leave pay	**-**	63 636
Rent	**250 835**	171 785
Staff costs	**3 714 722**	2 726 109
Travel – International	**-**	30 797
Travel – Local	**437 466**	532 482
Workshops & study groups	**179 535**	57 502
Operating profit/(loss)	**1 789 621**	(1 036 179)
Interest received	**1 873**	2 260
Net profit/(loss) for the year	**1 791 494**	(1 033 918)

This statement does not form part of the annual financial statements and is unaudited